Management Consulting Group PLC

Management Consulting Group PLC

Annual report and accounts 2013

Management Consulting Group plc provides management expertise, guidance and professional services to many of the world's leading companies.

MCG operates through two independently managed practices, Alexander Proudfoot and Kurt Salmon, which are leaders in their fields and operate globally.

Alexander Proudfoot

Alexander Proudfoot helps clients to better execute their plans and strategies by improving management effectiveness and embedding sustainable change, delivering substantial improvements in operational performance and increased profitability.

Read more about
Alexander Proudfoot
P12

Kurt Salmon

Kurt Salmon is a management consultancy business that partners with its clients to drive strategies and solutions that make a lasting and meaningful impact, working from its deep knowledge in industry verticals and its functional expertise.

Read more about
Kurt Salmon
P08

> *"Whilst the Group's results for 2013 do not match those in the previous year, the second half performance was significantly better than the first half. We remain focused on improving the performance of Alexander Proudfoot and will invest in this business in 2014 to improve its longer term performance. Kurt Salmon has had a good start to the year, and we expect to see some underlying revenue growth and a continued slight improvement in operating margins in 2014. Overall, we remain focused on leveraging our core expertise and market-leading positions to deliver improved results."*
>
> **Nick Stagg, Chief Executive**

Our year in brief

- Revenues of £257.3m (2012: £285.8m), approximately 10% lower
- Underlying* operating profit of £21.2m (2012: £25.7m), with underlying operating profit margin slightly lower at 8.2% (2012: 9.0%)
- Profit from operations of £17.5m, down 4% (2012: £18.2m) with improved margin on profit from operations – up at 6.8% (2012: 6.4%). Retained profit for the year of £9.1m (2012: £10.4m restated)
- Strong cash generation in the second half of the year resulting in closing net debt of £39.8m (2012: £30.3m), approximately 1.5x adjusted EBITDA**
- Underlying* EPS of 2.4p (2012: 3.2p restated); basic EPS 1.9p (2012: 2.1p restated)
- Proposed final dividend of 0.595p per share. Total dividend unchanged at 0.825p per share (2012: 0.825p per share)

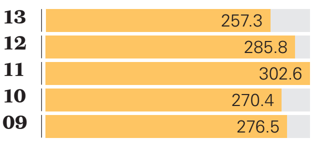
* Throughout this statement the term "underlying" is defined as "before non-recurring items and amortisation of acquired intangibles".

** Adjusted EBITDA is adjusted operating profit, after adding back depreciation and amortisation and certain other non-cash items including the cost of share awards.

*** Results for 2012 have been restated for the impact of the amendment to IAS 19 Employee Benefits, which is described further in note 2.

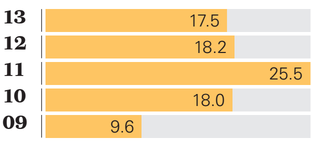
Revenue (£m)

257.3



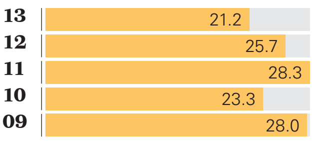
Profit from operations (£m)

17.5



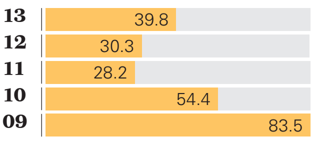
Underlying operating profit (£m)

21.2



Net debt (£m)

39.8



Contents

Chairman's statement
with Alan Barber
P02

Chief Executive's review
with Nick Stagg
P06

Financial review
with Chris Povey
P19

Chairman's statement
with Alan Barber

Alan Barber, Chairman

Highlights

- Alexander Proudfoot's revenues recovered strongly in the second half
- Kurt Salmon's underlying operating profit margin improved
- The Group remains in a strong financial position
- The Board is proposing to maintain the dividend at 0.825p per share

> ***"The performance of the Group's businesses in 2013 was adversely affected by a poor first half in Alexander Proudfoot and the continued impact of market weakness on the Kurt Salmon operations in France. We saw a much improved performance overall in the second half of the year, which has provided a more encouraging start to 2014."***

The performance of the Group's businesses in 2013 was adversely affected by a poor first half in Alexander Proudfoot and the continued impact of market weakness on the Kurt Salmon operations in France. We saw a much improved performance overall in the second half of the year, which has provided a more encouraging start to 2014.

In Kurt Salmon we have worked hard to protect our margins and profitability to mitigate the effects of market weakness in France, where Kurt Salmon has its largest and most broadly based practice. Our French business remains a market leader and is well positioned to benefit as conditions in the country improve. In other European markets, in North America and in Asia, Kurt Salmon has continued to make progress. I am pleased that we improved our margin in Kurt Salmon despite lower revenues, a reflection of the actions taken in the last two years to focus on the profitability of our core practices, as well as the market strength of the Kurt Salmon brand, the quality of our offering to clients, and the capabilities and dedication of our people. Although it is still early, the first weeks of the new financial year have shown promise across the Kurt Salmon business.

After a weak first half, Alexander Proudfoot's revenues recovered strongly in the second half, up more than 40% on the previous six months, but the results for the year as a whole did not match those reported in 2012. Alexander Proudfoot has had a weak start to 2014, and although the pipeline of prospects is encouraging, and taking into account currency headwinds, we have a cautious view on the outlook for the business at this stage of the year. The volatility seen in Alexander Proudfoot over the course of 2013 has been a feature in previous years, and will remain an issue for the business whilst it is based on the sale and delivery of a relatively small number of discrete large scale projects in any given year. Proudfoot has a unique and compelling offering and the Board has concluded that development and investment are now required to provide it with a firm platform for profitable growth in the future. We expect these initiatives to have some negative impact on the profitability of the Alexander Proudfoot business during 2014, but over time they should help to build a more stable and predictable revenue base and drive top-line growth.

As announced on 5 March, Luiz Carvalho has stepped down as CEO of Alexander Proudfoot and as a director of MCG. I would like to thank Luiz for his valuable contribution as CEO of Alexander Proudfoot and as a director of MCG over many years. Nick Stagg will now take on the role of CEO of Alexander Proudfoot on an interim basis in addition to his Group CEO role. Whilst Nick is fulfilling the Alexander Proudfoot role I will increase my day to day involvement with the Group, supporting Nick and the executive management team. It remains my intention, as announced on 13 December 2013, to step down as Chairman of MCG at the end of 2014.

The Group remains in a strong financial position and our net indebtedness at the end of 2013 of £39.8m was approximately 1.5 times adjusted EBITDA. We will continue to focus on promoting profitable growth in the business to benefit our shareholders. The Board is proposing to maintain the dividend for the full year at 0.825 pence per share.

Kurt Salmon and Alexander Proudfoot deliver work of the highest quality to their clients. We continue to work to develop our businesses through investment and recruitment in those sectors and geographies where there are good prospects for profitable growth.

If we continue to maintain and grow our client base, whilst sustaining and improving the quality of our offering, we will deliver value to our shareholders and provide satisfying opportunities for our people.

Alan Barber
Chairman
6 March 2014

Strategic report

Kurt Salmon and Alexander Proudfoot deliver work of the highest quality to their clients. If we continue to maintain and grow our client base, whilst sustaining and improving the quality of our offering, we will deliver value to our shareholders and provide satisfying opportunities for our people.

We will exploit the platform provided by our existing businesses to drive organic revenue and margin growth

We will focus on opportunities for growth in markets and industry sectors where we can readily exploit our strengths

We are committed to continuing to deliver efficiencies in the Group's operations and to enhancing financial discipline across the Group

We will communicate clearly, regularly and fairly with our shareholders and with all stakeholders in the business

Featured in the strategic report:

MCG: How we operate

Management Consulting Group plc comprises two leading advisory businesses. Both practices deliver benefits to their clients, but each operates to a distinctive business model, focusing their respective expertise to deliver complementary market offerings.

Strong client relationships

Building and sustaining strong relationships with our clients is at the heart of how we operate.

Intellectual property

We have well established and proven methodologies that underpin our approach to client projects.

ALEXANDER PROUDFOOT

people • productivity • profitability

Specialists in driving rapid change

Learn more about Alexander Proudfoot:

P12

Understanding our clients' needs

A client engagement begins with discussions to understand the organisation's direction and objectives and to identify opportunities for operational and financial improvement. The second phase is an in-depth analysis of these opportunities to quantify the potential benefits of change. The final phase is the installation of process improvements, management systems and people solutions.

Tried and tested methodology

Alexander Proudfoot uses a tried and tested methodology. The essential and universal principles can be applied in any business environment, wherever there are large scale complex processes. Over 65 years Alexander Proudfoot has completed more than 16,000 projects across the globe.

Kurt Salmon

Applying deep industry knowledge

Learn more about Kurt Salmon:

P08

Long-term client relationships

Kurt Salmon develops long-term relationships with clients and will typically undertake a series of engagements for larger clients in any one year and in successive years. Kurt Salmon is a trusted adviser to its clients, independent from technology, audit and outsourcing providers.

Transferring knowledge

We use a variety of tools and techniques to deliver results to our clients. Kurt Salmon people are subject matter experts and transfer knowledge to their clients to help them manage change in their businesses, whether it is driven by industry change, competition, technology or regulation.

Long-term client relationships

We are proud of the quality of our client relationships, built and sustained over many years. We work for many leading global companies helping them to succeed in a rapidly changing world, and applying deep industry knowledge in key sectors.

Superior expertise

We apply deep industry knowledge and understanding of business processes and management.

Disciplined execution

The Alexander Proudfoot offering is based on aligning the mindset and actions of people at all levels of an organisation to the objectives of senior executives. Alexander Proudfoot's methodology is sector neutral and will achieve results in any environment. It is a proven model for delivering rapid improvement in performance.

Relevant expertise

Kurt Salmon's strategic advice is grounded in the experience of many of its partners and in the in-depth consulting experience of their many industry specialists, all of whom know intimately their clients' businesses. Relevant industry expertise across a range of sectors is at the heart of the Kurt Salmon offering.

Specialised people

Our people are committed to results for their clients, for our business and for themselves.

Specialist teams at each stage

Our organisation structure delivers a specialist team at each stage of the client project cycle, from business origination, through analysis, to process implementation and people solutions. Variable pay for Alexander Proudfoot employees is aligned with performance improvement for clients and value creation for our business.

A partner-led model

Kurt Salmon's organisation structure is built on a partner-led model. Partners develop and maintain relationships with clients over a long period and are responsible for leading the team in the delivery of each client engagement. Variable pay is aligned with the performance of the Kurt Salmon business overall and its component business units.

Long-term value

Our clients use us year after year because we deliver consistent results.

Sustainable improvements

Clients begin to realise the real cash benefits of the changes implemented during the early stages of the engagement process. Alexander Proudfoot delivers measurable and sustainable operational improvements.

Driving strategies and solutions

Kurt Salmon partners with its clients to drive strategies and solutions that make a lasting and meaningful impact on their businesses. Kurt Salmon produces measurable top and bottom line results as it helps clients identify and mitigate the risks associated with the execution of their strategies.

Chief Executive's review
with Nick Stagg

Nick Stagg, Chief Executive

Highlights

— Revenue is 10% lower as a result of a poor first half in Alexander Proudfoot and weak market conditions for Kurt Salmon in France

— The performance of both our businesses was significantly better in the second half of the year

— Action was taken to protect margins in Kurt Salmon, and the overall operating margin improved despite lower revenues

— We continue to seek to align employee performance with shareholder value creation

"The Group delivered a much improved performance in the second half of 2013, following a poor first half driven by a disappointing result in Alexander Proudfoot. The year as a whole was also affected by weakness in the Kurt Salmon business in France although in Kurt Salmon we also saw improved momentum and a better performance in the second half and an enhanced margin for the year as a whole."

Overview

MCG has two operating divisions: Alexander Proudfoot and Kurt Salmon, which serve a broad range of industries in a number of geographies. MCG operates globally, with approximately 96% of revenue in 2013 coming from projects delivered outside the UK.

The Group delivered a much improved performance in the second half of 2013, following a poor first half driven by a disappointing result in Alexander Proudfoot. The year as a whole was also affected by weakness in the Kurt Salmon business in France although in Kurt Salmon outside France we saw improved momentum and a better overall performance in the second half leading to an enhanced margin for the year as a whole.

MCG's strategy is to exploit the platform provided by its existing businesses, which are leaders in their fields, in order to drive organic revenue and margin growth. We have no current intention to make large-scale acquisitions, but will look to add capabilities where appropriate through smaller acquisitions and team hires. We will focus on opportunities for growth in markets and industry sectors where we can readily exploit our strengths. The geographical spread of our businesses and our existing global office infrastructure will support an increase in operational activity. We are committed to continuing to deliver efficiencies in the Group's operations and to enhancing financial discipline across the Group.

Results for the year

Total revenue for the year ended 31 December 2013 was £257.3m, 10% lower than the previous year (2012: £285.8m). Two principal factors contributed to the reduction in revenue. First, Alexander Proudfoot's revenues in the first half of 2013 were significantly lower than those seen over the previous two-and-a-half years, and although they recovered strongly in the second half of the year, revenues for 2013 as a whole were nearly £18m, some 21% lower than in 2012. Second, revenues in Kurt Salmon's French business were some £10m lower than the previous year as a result of continued weakness in that market. The change in overall revenues in Kurt Salmon was also affected by the management action to divest or restructure during 2012 and 2013 non-core and low-margin practices, as a result removing more than £5m of revenue year on year on a like-for-like basis. These effects were mitigated by continued revenue growth in Kurt Salmon elsewhere in Europe, and in North America and Asia.

Underlying operating profit in 2013 was £21.2m (2012: £25.7m), the £4.5m reduction principally reflecting the impact of lower revenues and margins in Alexander Proudfoot. Underlying operating profit in Kurt Salmon was higher than the previous year, but the weaker revenue and its margin impact in Alexander Proudfoot in the first half resulted in a slightly lower underlying operating profit margin for the Group for the year as a whole of 8.2% (2012: 9.0%).

We continue to seek to align the performance of employees in each of our businesses with objectives that are consistent with value creation for our shareholders. Underlying operating profit for 2013 reflects a charge of £3.9m relating to share awards made to employees (2012: £3.1m). During the year 100 senior employees (including directors) received awards over approximately 13.6 million shares in total, generally vesting over three years and conditional upon continued employment, and in some cases also subject to financial or share price performance. At the year end there were total awards in place over 48.8 million shares relating to 135 employees (2012: 43.3 million shares/112 employees). Some 25.8 million of these share awards, should they vest, are required to be satisfied from existing MCG shares, and the other awards may be satisfied from existing or new shares. The Group's employee benefit trusts held 11.9 million shares at the year end for this purpose, and a further 2.4 million treasury shares were held which may be used to satisfy share awards. Some 160 of our employees now either hold shares in MCG or have received conditional awards over MCG shares.

For 2013 the Group is reporting net non-recurring expenses of £1.5m (2012: £5.3m). These comprise £1.2m relating to redundancy and similar costs, mainly in France, and a loss on disposal of £0.3m relating to the sale of Cleversys, a non-core IT business within Kurt Salmon.

The charge for amortisation of acquired intangibles was £2.2m (2012: £2.3m). Consequently the profit from operations decreased to £17.5m (2012: £18.2m), a margin of 6.8% (2012: 6.4%).

The net interest expense was unchanged at £3.5m (2012: £3.5m restated). Revisions to IAS 19 mean the reported net interest charge for 2013 (and 2012 as restated) now includes an imputed charge in relation to defined benefit pensions of £1.2m (2012: £1.0m restated).

The profit before tax was slightly lower at £14.0m (2012: £14.7m restated). The tax charge was £4.9m (2012: £4.3m). After adjusting for non-underlying items the underlying effective tax rate was 34% (2012: 30% restated). The increase in the underlying tax rate in 2013 reflects the fact that in 2012 some previously unrecognised tax losses were recognised in the deferred tax asset.

Consequently, the profit for the year attributable to the shareholders decreased to £9.1m (2012: £10.4m restated). Underlying earnings per share were 2.4p (2012: 3.2p restated) and basic earnings per share were 1.9p (2012: 2.1p restated).

Balance sheet and dividend
The weak first half revenue performance in 2013 resulted in net debt rising to £51.7m at the half year stage, however strong cash generation in the second half reduced net debt by £11.9m to £39.8m at the end of the year (2012: £30.3m). This equates to 1.46x adjusted EBITDA for 2013 as measured for the purpose of the Group's borrowing facility. Cash generated by operations was £6.7m, lower than in the previous year (2012: £14.9m) as a result of lower operating profits and unfavourable working capital movements.

On 30 October 2012 MCG announced that it intended to commence a share buyback programme to make market purchases of its ordinary shares of up to £5m over the succeeding twelve months, and on 31 October 2013 it announced that this programme would be extended for a further six months. Up to 31 December 2013 the Company had purchased 2.8 million of its ordinary shares of 1p each for a total consideration of £0.7m.

The interim dividend for 2013 of 0.23p per share was paid on 7 January 2014. The Board is recommending, subject to shareholder approval, an unchanged total dividend for the year of 0.825p per share. The directors therefore recommend, subject to shareholder approval, a final dividend for 2013 of 0.595p per share to be paid on 2 July 2014 to shareholders on the register on 16 May 2014.

Summary
Whilst the Group's results for 2013 as a whole do not match those in the previous year, the performance of both our businesses was significantly better in the second half of the year than in the first.

Alexander Proudfoot had a difficult start to 2013, and whilst the second half performance improved significantly, the result for the year as a whole was disappointing. Kurt Salmon's performance was affected by weakness in the French market, where it remains a leading player in the consulting sector, but we took action in 2013 to adjust resources to the right level and therefore to protect our margins. Elsewhere, in our other European operations, and in North America and Asia, Kurt Salmon continued to perform well, and the operating profit margin in Kurt Salmon as a whole improved.

Outlook
The Board's efforts will focus on maintaining and improving the performance of Alexander Proudfoot for the long term. At this stage we retain a cautious view on the outlook for this business in 2014. The order intake in Alexander Proudfoot in the latter part of 2013 slowed a little, and the level of the year end order book, although higher than the position at the beginning of the year, was lower than at the 2013 half year stage. The rate of order intake in the first two months of 2014 has been slower than expected, although the current order book is satisfactory and the pipeline of prospects is encouraging. The rate of conversion of the current pipeline to order input will now need to increase in order to deliver revenues for the first half of 2014 that are significantly higher than the same period in 2013, and material revenue growth for 2014 as a whole. As noted currency headwinds will also affect reported revenues.

In the light of the performance in 2013 and the slow start to 2014, the Board of MCG has undertaken a review of the business to explore ways to develop the offering to provide a more secure revenue base, and establish a sound platform for long term growth. It is likely that the initiatives that result will require some investment in the business in 2014, which will have some adverse impact on margins this year, notwithstanding the quantum of revenues that are delivered.

Kurt Salmon has had a good start to 2014 in all key geographies and the current order book position is ahead of the same time last year with a healthy pipeline of prospects at this stage. Client activity in our French business has been encouraging in the first two months of the year, and the business is properly resourced to manage expected demand. In the US, the Kurt Salmon retail and consumer goods practice delivered a strong finish to 2013 and the positive trend has continued into 2014. The management team at Kurt Salmon has positioned the business to take advantage of the increasing challenges facing its clients in terms of digital transformation, and this provides opportunities for profitable growth in 2014. The current outlook for Kurt Salmon as a whole in 2014 is for some revenue growth and a continued slight improvement in operating margins.

MCG retains a strong position in its key European markets and has well established positions and brands in North America where economic growth is expected to be more robust. Approximately 17% of MCG's 2013 revenues were derived from projects delivered outside the developed economies of North America and Western Europe, and emerging markets continue to provide opportunities for growth which may not be so readily available elsewhere.

MCG reports its results in Sterling but its revenues and costs are largely incurred and billed in other currencies. The recent strengthening of Sterling against both the Euro and US Dollar, and recent currency volatility in some emerging markets, if these were to persist, will affect year on year revenue trends reported in Sterling. The impact may be greater on the Alexander Proudfoot business, which has a significant proportion of its revenues in emerging markets currencies, the South African Rand and Brazilian Real in particular. The margin impact of such currency volatility on the Group's reported results in Sterling is however partly mitigated by the fact that a significant part of the Group's operating costs are based in these same local currencies.

We will continue to work to develop our businesses with selective investment and recruitment in those sectors and geographies where there are good prospects for profitable growth in order to deliver value to our shareholders.

Nick Stagg
Chief Executive
6 March 2014

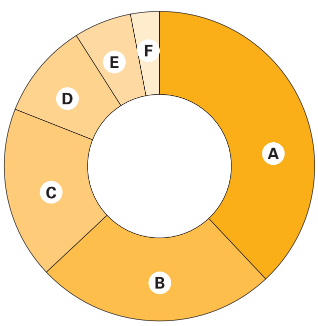
What's driving change? Kurt Salmon

Kurt Salmon helps clients deliver real change through deep industry specific expertise

The world is changing – and at an ever-faster pace. Thanks to the digital revolution, accelerated disruption has become the norm. In short, business models that were traditionally successful no longer work.

Succeeding in this environment is an enormous challenge. But even that is not enough. Organisations must also position themselves for continued success in the even more uncertain future.

That's where Kurt Salmon comes in. The firm now has a singular focus: to prepare clients to be the market leaders of tomorrow. With its unmatched expertise in transformation management, Kurt Salmon is helping build the market leaders of the 21st century: organisations that are lean and efficient yet agile and capable of evolving, with information technology that facilitates the future and isn't constrained by the present, and people who are engaged, inspired and innovative.



A	Retail	38%
B	Financial	25%
C	Industrials and utilities	18%
D	Healthcare	10%
E	Public sector	6%
F	Other	3%

Deep coverage in key industry sectors

Retail and consumer products and financial services are key industry sectors for Kurt Salmon that continue to provide growth opportunities on a global scale. In France Kurt Salmon has a strong market presence in large scale industrial clients and a highly regarded public sector practice, and in the US the firm has a leading healthcare practice that is now working in other markets too.

Learn more about Kurt Salmon's operations:

P10

Kurt Salmon retains leader position in Gartner's Magic Quadrant report

Gartner has again recognised Kurt Salmon as an industry leader in the latest edition of its "Magic Quadrant for Business Operations Consulting Services, Worldwide", published in December 2013.

The report evaluated the capabilities of ten firms that provide business operations consulting services on a global basis, including PWC, KPMG, Deloitte, Accenture and AT Kearney, based principally in relation to their "ability to execute" and "completeness of vision".

The report noted that Kurt Salmon's understanding of client challenges and opportunities is world class. Gartner also noted that while Kurt Salmon served fewer industries than other consulting firms included in the study, its ability to go deep on strategy and execution in these industries is more consistent and impactful than firms that have larger portfolios.

The challenge of a digital world

Digital technology offers a seemingly endless array of new opportunities for consumers and businesses alike – but they come with an equally long list of challenges. In pursuit of an omnichannel experience, for example, consumers are increasingly likely to buy online and pick up their purchases later in the store because it offers them greater choice and convenience than a traditional in-store shopping experience. But while the ability to offer consumers an endless aisle means the retailer is more likely to make the sale, it also means that the retailer has to turn its brick-and-mortar locations into fulfilment centres. A similar conundrum exists for financial services providers: mobile banking is becoming the norm, but it requires a rethinking and sometimes a revamping of traditional processes and existing infrastructure in order to ensure that the experience is a seamless one.

Kurt Salmon partners with clients to guide them through their individual digital transformations and help them emerge better equipped to serve their customers than ever before. Whether it's a department store's supply chain or a credit card issuer's compliance measures, our clients are looking to do more than just catch up to this new digital reality; they are positioning themselves for success in a digitally powered future – and are turning to our industry experts and their hands-on experience to get them there.

Read more about Kurt Salmon's thought leadership:

www.kurtsalmon.com/uk/insights

75% of Kurt Salmon's top 20 clients in 2013 were clients of the business in each of the last five years.

Multibillion-dollar US-based financial services company appoints Kurt Salmon

In the US Kurt Salmon was appointed by one of the world's largest consumer and small business financial services companies to enhance its human capital and operating protocols.

Using a proprietary framework to accelerate synthesis and insight, Kurt Salmon helped the client fast-track the approval of all key recommendations within six months and key components of the recommended solution are already in effect.

Kurt Salmon appointed by Marks & Spencer

During 2013 Kurt Salmon was appointed by Marks & Spencer, one of the United Kingdom's leading retailers, to support a major store improvement initiative.

Kurt Salmon's role is in advising Marks & Spencer on delivering a new labour planning framework to support an enhanced store operating model, which will focus on improved customer service and more efficient operating procedures. The project will be completed in May 2014, and the new framework will be operational in all stores by the end of 2014.

Segmental review: Kurt Salmon

> ***"Kurt Salmon reported an overall decrease in revenues in 2013 but an increase in underlying operating profit and an improved margin."***

Helping clients to succeed in a changing world

Kurt Salmon is a global management consultancy business that partners with its clients to drive innovative strategies and solutions that make a lasting and meaningful impact on their businesses. Kurt Salmon operates internationally in certain key industry verticals and has a particular focus in retail and consumer products and in financial services. In addition it has a number of strong practices with a particular geographic focus, for example in healthcare in the United States and in the public sector in France. Kurt Salmon also provides functional expertise to its clients, for example, through offerings focused on chief financial officers and chief information officers.

Highlights

- Kurt Salmon's underlying operating profit increased in 2013, and the margin improved, in spite of lower revenues
- 2013 revenues were 5% lower as a result of weakness in the French market, where Kurt Salmon has a strong presence and remains a leading player
- Other markets in Europe and operations in North America and Asia saw revenue growth in 2013
- Resources in the French business have been managed to reflect market conditions and margins have been protected
- Non-core and low margin activities have been divested and restructured during 2012 and 2013

Key performance indicators

Revenue (£m)

188.5 -5%

13	188.5
12	199.0
11	215.6
10	208.2

Underlying operating profit (£m)

13.8 +2%

13	13.8
12	13.5
11	16.8
10	18.4

Underlying operating profit margin (%)

7.3% +0.5%

13	7.3
12	6.8
11	7.8
10	8.8

Read the full Financial Review

P19

Results for the year
Kurt Salmon reported an overall decrease in revenues in 2013 but a small increase in underlying operating profit, reflecting management action to drive margin improvement.

Overall revenues for the year were £188.5m, some 5.3% lower than the previous year (2012: £199.0m). The lower revenues reflect weaker activity in France, mitigated by some growth in other markets. Notwithstanding lower revenues, Kurt Salmon reported an increase in underlying operating profit for the year to £13.8m (2012: £13.5m) and an improved underlying operating margin of 7.3% (2012: 6.8%).

In 2012 and 2013 management divested or restructured certain non-core low margin practices within Kurt Salmon. This removed more than £5m of revenue year on year and contributed both to the lower total revenues in Kurt Salmon and the improved margin. In September 2013 Kurt Salmon completed the sale of Cleversys, an IT implementation practice that operated alongside the Kurt Salmon consulting business in France. Cleversys' revenues in 2013 as part of the MCG Group were £5.0m (2012: £6.4m).

The number of staff employed by Kurt Salmon decreased during the year from 1,350 at the end of 2012 to 1,131 at the end of 2013. The overall headcount reduction reflects the decisions taken by management to adapt to lower levels of activity in France, both in terms of natural attrition and redundancies implemented during the year, and the impact of the disposal of Cleversys. Kurt Salmon continues to recruit in higher growth sectors and geographies within the business.

Review of operations
Kurt Salmon is organised on the basis of geographic locations and global industry verticals. Kurt Salmon has its headquarter operations in Paris and New York. In Continental Europe Kurt Salmon operates from offices in France, Germany, Belgium Luxembourg and Switzerland. It operates in the UK from MCG's head office location in London, and in the United States from New York, Atlanta and San Francisco. In Asia, Kurt Salmon has offices in Tokyo, Shanghai and Hong Kong.

The French consulting practice produced about 45% of Kurt Salmon's total revenues in 2013 and market conditions in France are therefore a key driver for the business as a whole. Kurt Salmon remains a leader in the French management consulting market with a stable blue chip client base. A high proportion of its annual revenues are derived from clients who have been commissioning work from Kurt Salmon for many years and the French business was resilient through the weak economic conditions that prevailed in the wake of the 2008 financial crisis. In 2012 it was clear that economic uncertainty related to the Eurozone crisis had adversely affected spending by our existing clients on consulting services in France. Whilst the Eurozone issues eased in 2013, the underlying weakness in the French economy that emerged more clearly in the second half of the year continued to affect the level of revenues in France, which were some 10% lower in 2013 than 2012.

As a result the Kurt Salmon management team actively managed costs and staff resources in the French business during 2013 to align these with lower revenue levels.

The Kurt Salmon business in France is broadly based in terms of industry coverage; the most significant sectors are financial services, industrials and the public sector. Consulting spend by some financial sector clients was again subdued in 2013, and revenue from public sector work decreased sharply compared with 2012. In contrast, revenue from industrial clients increased slightly. Many clients were cautious in the year and we saw a trend towards commissioning smaller multiple consulting projects over time, rather than single larger projects.

Elsewhere in Europe, Kurt Salmon has operations in the UK, Germany, Luxembourg, Belgium and Switzerland, which together represented approximately 12% of total divisional revenues in 2013. In overall terms these other European practices performed well in 2013, generating double-digit revenue growth on a like-for-like basis, led by a particularly strong performance from the retail practice in Germany.

Kurt Salmon's operations in North America represented approximately 35% of total divisional revenues in 2013, the largest element of which related to the retail and consumer goods practice. In most respects this business performed well in 2013, although positive revenue growth trends in the core retail consulting businesses, particularly in relation to the interaction of bricks and mortar and digital retail platforms, were offset by a weaker performance in that part of the practice working with private equity clients on retail-focused transactions. Our North American healthcare consulting practice continued to make good progress and won a significant new project outside its core market to advise on a major hospital development in the Middle East. The US financial services practice, based in New York, also made good progress in 2013, reporting increased revenues.

In Asia, Kurt Salmon's businesses in Japan and China are focused on the retail sector and together represented less than 5% of total divisional revenues in 2013. Our Japanese business has seen improved demand as confidence has improved in the wake of a more expansionary fiscal policy, and reported revenue growth in local currency of nearly 30% in 2013, although this was significantly lower in Sterling terms as a result of the weaker Yen. The Chinese business, acquired in 2011, continues to make good progress.

Outlook
Whilst growth in the French economy stalled during most of 2013, and business confidence was damaged by the failure so far to implement long-term restructuring initiatives, there are signs that client activity levels for Kurt Salmon appear to have stabilised, and the business has had a good start to 2014. Revenue growth in the French business in 2014 is chiefly dependent on whether we see a better trading environment driven by a significant improvement in business confidence. France will remain an important and profitable market for Kurt Salmon. In North America and Asia, there are good short-term prospects for organic growth.

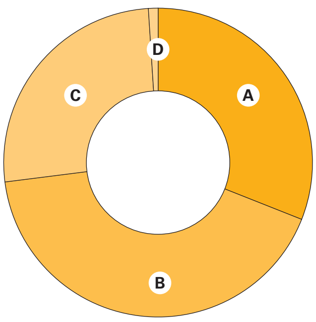
What's driving change? Alexander Proudfoot

Alexander Proudfoot brings speed and certainty in rapidly improving operational and financial performance

As the timescale for business leaders to realise the full potential of their organisations becomes ever shorter, operational performance plays an increasingly pivotal role in determining the leaders from the laggards.

Alexander Proudfoot specialises in the design and execution of programmes to achieve changes in operational performance, and as a consequence financial performance. For more than 60 years it has been helping companies, across the world and across all business sectors, transform operational performance in sales, output costs and capital expenditure.

We pride ourselves on the fact our assignments mean our clients benefit from significantly increased profitability. Typical benefits run into millions and we deliver a return on investment within twelve months.



A	Natural resources	31%
B	Industrials and utilities	42%
C	Financial	26%
D	Other	1%

Strengths in natural resources, financial services and industrials

Alexander Proudfoot operates globally in a range of industries, but has deep strengths in three core verticals. In the natural resources sector projects for improving operational throughput and efficiency cover extractive and processing operations from precious metals to aggregates. In the financial and industrial sectors we work in developed and emerging markets for large international clients, bringing improved and sustainable performance to large scale processes.

Learn more about Alexander Proudfoot's operations:
P14

In 2013 Alexander Proudfoot worked on client projects in 25 different countries around the globe

Nearly half the revenues of the business in 2013 were derived from work delivered outside the developed markets of North America and Western Europe

Two thirds of the revenues in 2013 related to work for clients with whom Alexander Proudfoot had an existing relationship

Alexander Proudfoot was involved in more than 50 projects across the world in 2013

Working capital improvements for a business services company in the United States

Rapid growth from multiple acquisitions and a focus on revenue had created instability in cash flow management

Operational issues coupled with a lack of performance visibility were primary reasons for variability in cash flow. This needed to be addressed at the root cause level to enable cash flow stabilisation and predictability.

Through our partnership, our client managed to generate $166m in cash flow benefits and a 19% reduction in past due balances. An empowered internal team will continue addressing issues with the largest impacts to cash flow and with the necessary sense of urgency to further reduce their past dues.

Regulatory compliance and customer focus in a retail bank in southern Africa

Compliance with new anti-money laundering legislation required quick and dramatic operational improvements

A leading retail bank with 1,000+ branches needed to become compliant in processing customer applications. Non-compliance risked locking customers out of their accounts.

The project developed a best practice model and involved all staff at pilot branches. A 10% improvement was achieved which delivered 98% compliance to the required process, which was then rolled out to other branches. Working on behaviours and aligning front and back office were pivotal to improving adherence to best practices.

Transforming operations in China for a global leader in building materials

Our client needed our assistance in transforming a former state-owned enterprise in China

The objective was to transform a former public sector enterprise into a modern and innovative organisation. Rather than developing talent, overstaffing was the typical response to work-related problems. Our review uncovered other opportunities for improvement.

The project addressed operational issues in 15 sites across four provinces, looking at fixed and variable direct and SG&A costs. $4.5m of benefits were realised and supervisors and managers were coached and trained to proactively manage.

Segmental review: Alexander Proudfoot

> ***"Notwithstanding a strong recovery in the second half, after a weak first half performance, Alexander Proudfoot reported a disappointing result for the year as a whole with revenues 21% lower than the previous year at £68.8m (2012: £86.7m)."***

Transforming operational performance

Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve their operating performance by increasing revenues and productivity, reducing costs and generating incremental cash flow. Alexander Proudfoot differentiates itself from its competitors by working side-by-side with client management and front-line workers to implement sustainable changes. The annualised return on investment that clients obtain from working with Alexander Proudfoot is typically several times the cost of the project. Clients begin to realise the real cash benefits of the changes implemented during the early stages of the engagement process. Alexander Proudfoot works with clients across a broad range of sectors and has developed a particularly strong expertise in the natural resources, financial services and manufacturing industries.

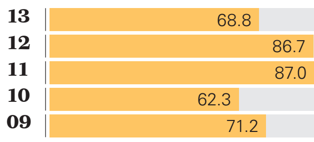
Highlights

- 2013 revenues were 21% lower as a result of a weak opening order book and slow start to the year. Second half revenues recovered strongly and were 40% higher than those in the first half
- Work for clients in the natural resources sector continues to be important, at around 30% of total revenues, but weakness in commodity markets affected demand in 2013
- The underlying profit margin for the year as a whole of 10.8% was affected by weaker revenues in the first half
- Projects delivered in emerging markets represented nearly 50% of total revenues

Key performance indicators

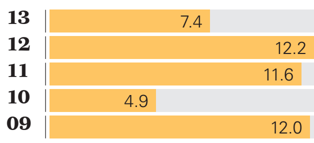
Revenue (£m)

68.8 -21%



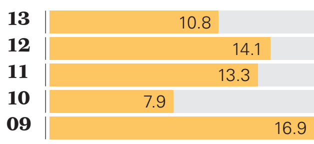
Underlying operating profit (£m)

7.4 -39%



Underlying operating profit margin (%)

10.8% -23%



Read the full Financial Review
P19

Results for the year

Notwithstanding a strong recovery in the second half, the weak first half performance in Alexander Proudfoot led to a disappointing result for the year as a whole with revenues 21% lower than the previous year at £68.8m (2012: £86.7m).

The lower revenues resulted in a reduced underlying operating profit for the year as a whole of £7.4m (2012: £12.2m) and lowered margins. The underlying profit margin for the year was 10.8% (2012: 14.1%).

The weak revenue performance in the first half of 2013 reflected the impact of a reduced order book position at the end of 2012 and slow order intake in the early part of 2013. The order intake picked up significantly as the year progressed and this was the basis of a strong recovery in revenues and margin in the second half, delivering 40% higher revenues than the first half, and a second half operating profit margin broadly in line with that in the same period in 2012.

The number of staff employed by Alexander Proudfoot increased from 294 at the end of 2012 to 337 at the end of 2013. The business operates a flexible global staffing model and employee numbers were higher at times during 2013 to meet the requirements of client projects.

Review of operations

During 2013 Alexander Proudfoot was organised on the basis of six business units: Europe, North America, South Africa, Brazil, Chile and Hong Kong. The business is headquartered in Atlanta in the United States. Alexander Proudfoot serves clients globally from these locations.

The first half weakness was not focused on one particular geography or sector, although the proportion of work for clients in the natural resources sector was lower than in 2012, at close to one third of total revenue for the year. The nature of the work in this sector has also shifted as commodity prices have softened, from throughput/revenue-related work to production efficiency/cost reduction. Alexander Proudfoot has continued to find success across a range of other industries, with the financial services and manufacturing sectors being the most significant sources of revenue alongside natural resources clients.

In the North American business unit, revenues were slightly down year on year, but this unit provided approximately 40% of total divisional revenues in 2013, reflecting stronger momentum in terms of activity levels in the United States relative to other geographies.

In Western Europe the business has focused on three core markets: the UK, France and Germany. In recent years it has also generated significant revenues from projects sold to natural resources clients headquartered in Europe, which are typically delivered at operational locations in other parts of the world. As a result, the lower level of natural resources work in 2013 contributed to significantly lower revenues in the European business in the year.

Alexander Proudfoot operates very effectively in emerging markets. The Hong Kong business unit was established in early 2013 and had a successful first year, generating £1.3m in revenues. Overall revenues from the two South American business units increased year on year, although those in the South African unit were significantly lower as a result of the reduced levels of activity in the natural resources sector. In overall terms, nearly 50% of Alexander Proudfoot's revenues in 2013 related to work delivered (rather than sold) outside North America and Western Europe.

Alexander Proudfoot has demonstrated over many years that it has a unique and compelling offering that produces real and sustainable performance improvement for its clients. The business has a global reach and a flexible capability and is well placed to grow in those industry sectors where it has strong track record of success, in both developed and emerging markets. The weak performance in the first half of 2013 has highlighted the potential volatility in the revenue profile of the business over a short-term reporting cycle, given the typically large scale of most of its individual client projects. Proudfoot's current business model does not necessarily produce a regular cycle of recurring work with the same client over a period of several years. In order to mitigate this, the business has continued to focus on building long-term relationships with existing and prospective clients as well as driving individual project sales. Approximately two thirds of 2013 revenues related to work for clients with whom the business had an existing relationship.

Outlook

However, as noted, the MCG Board and the Alexander Proudfoot management team intend to continue to work to develop and invest in the offering further to provide a more stable revenue base and establish a sound platform for long-term growth.

Corporate social responsibility: Our people

No. MCG employees		Gender diversity – % total workforce			Gender diversity – % senior management			Gender diversity – % board
1,490		Male 62 Female 38			Male 85 Female 15			Male 100 Female 0
Alexander Proudfoot:	337	Alexander Proudfoot:	71	29	Alexander Proudfoot:	88	12	(As of December 2013)
Kurt Salmon:	1,131	Kurt Salmon:	55	45	Kurt Salmon:	84	16	

The Group is committed to making a positive social and economic contribution in all the places it operates. This is driven by the Board. Emphasis is placed on ensuring that we continue to create and maintain trust in and loyalty to our Group by all our stakeholders.

The Board is responsible for the social, environmental and ethical ("SEE") impact of the Group's business and ensures that any risks arising are being managed appropriately. On an annual basis the Board assesses the Group's exposure to "SEE" matters based on feedback from management. Overall, for the current year the Board has concluded that the Group's exposure to "SEE" risks is limited, primarily due to the nature of its operations. Further information on the environmental and ethical policies adopted is provided below.

The Group has an active corporate social responsibility agenda which covers work with various non-profit organisations and government ministries.

Human rights and health and safety requirements
The Group is committed to achieving and maintaining the highest standards of health, safety and welfare and human rights for its employees throughout the world. Employees are the Group's most important asset and their health and safety is critical to business performance by reducing the costs associated with workplace injuries and ill health.

The Group aims to comply with all laws, regulations and official guidelines relating to health and safety and human rights in all its offices throughout the world. Due to the many different locations of the Group's offices, the Group does not have a single detailed worldwide policy. Instead, it is the responsibility of a senior employee in each office to ensure that his or her office meets the high standards for which the Group aims.

Group ethics
The Group subscribes to the Association of Management Consulting Firms' Code of Ethics (available at www.amcf.org) and, in the UK, the Code of Practice of the UK Management Consultancies Association (available at www.mca.org.uk).

The codes of ethics conform to regulatory and legislative initiatives and assure the users of consulting services that members are publicly committed to providing the highest quality work.

Whistleblowing
The Board considers the financial management team as holding an important role in corporate governance, having both the responsibility and authority to protect, balance and preserve the interests of all stakeholders.

All employees can voice their concerns about any unethical behaviour through a confidential internal whistleblowing process.

Employees
The Group operates in an increasing number of countries and its employment practices vary to meet local requirements and best practices within a framework established by the Group.

It is Group policy that all people be treated with dignity and respect. The Group is committed to providing and fostering a working environment that is free from harassment, discrimination, victimisation or bullying.

Our ability to operate as a high performing organisation depends on our inclusion of people who come from diverse backgrounds. This is particularly the case given the wide geographical spread of the Group's operations. It is Group policy to ensure equal opportunities exist without discrimination for all employees, irrespective of their race, colour, creed,religion, gender, ancestry, citizenship, sexual preference, marital status, national origin, age, pregnancy, disability or any other reason prohibited by the laws of the individual countries in which it operates. This applies with respect to recruitment, promotion, compensation, transfer, retention, training and other employment actions. In South Africa the Group operates positive discrimination in respect of previously disadvantaged individuals. Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. The Chief Executive has a travel schedule which includes all the business locations and holds informal discussions with a wide range of employees. The Group operates various bonus schemes for employees, which are linked to the profitability of the business unit and the Group.

CSR: Our impact

Total greenhouse gas emissions	Scope 1 emissions	Scope 2 emissions	Greenhouse gas emissions per FTE
793.7 tCO_2e	42.4 tCO_2e	751.3 tCO_2e	0.50 tCO_2e
	Natural gas Refrigerants	Purchased electricity	FTE

> ***"As a member of the FTSE4Good index, the Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with."***

Environmental policy
The Group's environmental policy aims to minimise, where practical, the Group's impact on the environment.

As a group of professional services companies, the Group's business has a relatively small impact on the environment. Nevertheless, the Board recognises the quality of the environment in which it operates is a concern for its stakeholders and others in the community and consequently is essential to the long-term financial performance of the Group.

As a member of the FTSE4Good index, the Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with. The Group is also a member of the United Nations Global Compact.

The Group's Environmental Officer is responsible for the ongoing monitoring of areas where the Group could have an impact on the environment and takes steps to reduce this impact. These are detailed below. Reviews of the quantitative impact on the environment in these and other areas will continue to be undertaken to enable the Group's environmental performance to be assessed and further improved.

Waste and recycling
The increase in waste generated is a serious problem in many of the countries in which the Group operates. The shortage of new landfill sites in these countries is well documented, as are the potential health impacts and carbon dioxide emissions caused by landfill sites.

Energy use and climate change
Carbon dioxide is one of the most significant air pollutants as a by product of energy consumption and is the major contributor to the "enhanced greenhouse gas effect". We continue with the programme to measure the amount of electricity being used in our largest offices, to identify where reductions can be made in the future.

Due to the nature of the business and the need for employees with appropriate experience to work on projects, employees regularly need to travel to clients' sites. The Group's employees are encouraged, wherever possible, to share private road transport or use public transport.

Whilst further improvements are being targeted, the Group continues to progress in reducing energy consumption. The principal methods adopted by the Group to reduce energy consumption are as follows:

— installing automatic power off systems on lights and certain equipment;

— using energy efficient lighting;

— using time switches on air conditioning systems; and

— reducing travel by making use of video conferencing and web-based facilities.

CSR: Our impact continued

> *"The Board recognises the quality of the environment in which it operates is a concern for its stakeholders and others in the community and consequently is essential to the long-term financial performance of the Group."*

Greenhouse gas emissions
We have used the main requirements of the greenhouse gas GHG protocol corporate accounting and reporting standard (revised edition) and the international standard ISO14064–1 (2006) to issue our first report of greenhouse gas (GHG) emissions this year in line with the new UK mandatory carbon reporting regulations.

The greenhouse gas emissions statement below provides a summary of the Company's greenhouse gas emissions from 1 October 2012 to 30 September 2013. It gives a summary of emissions from fuel combustion and the operation of our office buildings (scope 1), and from our purchased electricity during the year (scope 2). We have reported on all of the relevant emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 using the operational control approach.

Greenhouse gas emissions statement

Assessment Parameters

Baseline year	1 October 2012 – 30 September 2013 used as a baseline for 2013 reporting
Consolidation approach	Operational control
Boundary summary	All facilities under operational control were included in our assessment
Consistency with the financial statements	The use of the operational control approach causes a variation to those assets listed in our financial statements as all of our greenhouse gas emissions relate to our leased offices
Emission factor data source	Defra (October 2013)
Assessment methodology	The Greenhouse Gas Protocol (revised, edition 2004) and ISO 14064-1 (2006)
Materiality threshold	The materiality threshold was set at group level at 3% with all facilities estimated to contribute > 1% of total emissions included
Intensity ratio	Emissions per full time employee equivalent (FTE)

Greenhouse gas emission source	2012/13 (tCO_2e)	(tCO_2e/FTE)
Scope 1	**42.4**	**0.03**
Fuel combustion (natural gas)	25.8	0.02
Operation of facilities (refrigerants)	16.7	0.01
Scope 2	**751.3**	**0.47**
Purchased electricity	751.3	0.47
Statutory total (Scope 1 and 2)*	793.7	0.50

* Statutory carbon reporting disclosures required by Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013

Group metrics	2013
FTE	1,581

Intensity ratio (gross emissions)	2013
Tonnes of carbon dioxide equivalent per FTE (tCO_2e/FTE)	0.50

Financial review
with Chris Povey

Chris Povey, Finance Director

Highlights

— Alexander Proudfoot accounted for 27% of Group revenues and Kurt Salmon for 73%

— MCG is a global business with a strong presence in emerging markets: 96% of Group revenues in 2013 related to projects delivered outside the UK, and 16% to work outside Western Europe and North America

— Net debt increased to £39.8m on weaker first half revenues, but the business delivered strong cash generation in the second half of the year

Exchange rates

MCG derives the vast majority of its revenue and profit from outside the United Kingdom and in currencies other than Sterling. As the Group's results are presented in Sterling, changes in average exchange rates, particularly those of the US Dollar and the Euro in relation to Sterling, can have a significant effect on the translation of those results. On average in 2013 compared with 2012, against the Euro, the currency in which nearly half the Group's revenues were denominated, Sterling weakened by nearly 5%. About one third of the Group's 2013 revenues were generated in US Dollars and Sterling also weakened marginally against the US Dollar, by approximately 1%. The average exchange rates used to translate the 2013 results were £1=$1.5653 (2012: £1=$1.5859) for the US Dollar and £1=€1.1781 (2012: £1=€1.2329) for the Euro. Conversely, Sterling strengthened significantly against the Brazilian Real, South African Rand and Japanese Yen during 2013, which had a significant adverse impact on the reported results of the Proudfoot operations in Brazil and South Africa, and the Kurt Salmon operations in Asia. In overall terms, changes in average exchange rates had a small positive effect on reported revenue and profits for the Group as a whole in 2013.

Employees

There were 1,490 people employed in the Group at the end of 2013 compared to 1,697 at the end of 2012. The reduction in numbers at the end of 2013 reflects lower levels of headcount in France, including the impact of the disposal of the Cleversys business in September. The average number of people employed by the Group during the year was 1,581 (2012: 1,694).

Revenue

Total revenue for the year ended 31 December 2013 was 10% lower than the previous year at £257.3m (2012: £285.8m). The decrease in revenue reflects lower revenues both in the Kurt Salmon business and in Alexander Proudfoot. Alexander Proudfoot accounted for 27% of Group revenue (2012: 30%) and Kurt Salmon for 73% (2012: 70%).

Alexander Proudfoot reported 2013 revenues 21% lower than the previous year at £68.8m (2012: £86.7m), with a weak first half (revenues of £28.6m) followed by a strong recovery in the second half (revenues of £40.2m).

Kurt Salmon revenues for the year as a whole were £188.5m (2012: £199.0m). The reduction principally reflects lower revenues in the French business, but also the impact of terminating certain non-core and lower margin activities during 2012 and 2013, which reduced year on year like-for-like revenues by approximately £4m. Kurt Salmon revenues in the second half of 2013, as in previous years, were slightly lower than those in the first half, principally as a result of the impact of the slower summer period in Continental Europe.

In terms of geography for the Group as a whole, the business units in the Americas reported an overall increase in revenue to £108.4m (2012: £106.1m). Revenue from the Americas accounted for 42% of Group revenue (2012: 37%). Revenues from Europe decreased by 17% to £129.7m (2012: £156.1m), reducing its share of the Group total to 50% (2012: 55%). The Rest of the World, with revenues predominantly from Africa, Japan and China, accounted for 7% of Group revenue (2012: 8%) at £19.2m (2012: £23.6m). Segmental revenues are reported on the basis of the location of the business unit where the client project is sold and the revenue accounted for, which is the basis on which the Group's operations are managed. This may differ from the geography in which the project is delivered, particularly in the Alexander Proudfoot business. As in the previous years, a proportion of the revenues generated in the European and North American business units of Alexander Proudfoot in 2013 related to services which were delivered elsewhere, in Latin America, Africa and Asia. As a result, in 2013 approximately 17% (2012: 18%) of overall Group revenues related to work delivered outside North America and Western Europe. Revenue from projects delivered in the UK accounted for less than 4% of total Group revenue in 2013.

Underlying operating profit

Underlying operating profit in 2013 was £4.5m or 18% lower at £21.2m (2012: £25.7m). This chiefly reflects the weaker revenue and margin performance in Alexander Proudfoot in the first half of the year. As a result the underlying operating profit margin for the Group as a whole decreased slightly from 9.0% in 2012 to 8.2% in 2013.

Underlying operating profit in 2013 reflected a charge of £3.9m relating to share awards, an increase of £0.8m on the previous year (2012: £3.1m). Excluding the cost of share awards, underlying operating profit was £25.1m which would represent a margin of 9.8% (2012: £28.8m and 10.1%).

Financial review continued
with Chris Povey

Underlying operating profit continued
Alexander Proudfoot saw its underlying operating profit reduce to £7.4m (2012: £12.2m), a margin of 10.8% (2012: 14.1%), on total revenues 21% lower than the previous year. Kurt Salmon reported a slightly higher operating profit, in spite of lower revenues, of £13.8m (2012: £13.5m), and an improved margin of 7.3% (2012: 6.8%). Both businesses reported an improved margin in the second half compared with the first half of 2013.

Non-recurring costs
The reported net non-recurring expense for 2013 was £1.5m (2012: £5.3m). This comprised £1.2m for redundancy and related costs, mainly in France, and a loss on disposal of £0.3 relating to the sale of a non-core IT business within Kurt Salmon.

Profit from operations
The charge for the amortisation of acquired intangible assets was £2.2m (2012: £2.3m) Consequently the profit from operations decreased to £17.5m (2012: £18.2m), representing an increased margin of 6.8% (2012: 6.4%).

Interest
The total interest payable on borrowings was £2.4m (2012: £2.7m). Taking into account interest received on bank deposits and finance charges related to retirement benefit plans, the total net finance charge was £3.5m (2012: £3.5m restated).

Revisions to IAS 19 mean the reported net finance charge for 2013 (and 2012 as restated) now includes an imputed charge in relation to defined benefit pensions of £1.2 (2012: £1.0m).

The interest margin paid on the outstanding balance of the debt drawn under the borrowing facility in place during 2013 was 2.25%–2.75% above Euribor and US Dollar Libor. During 2012 MCG paid an interest margin of 2.5%.

Taxation
The total taxation expense for the year was £4.9m (2012: £4.3m). After adjusting for non-underlying items the underlying effective tax rate was 34% (2012: 30% restated). The increase in the underlying tax rate in 2013 reflects the fact that in 2012 some previously unrecognised tax losses were recognised in the deferred tax asset.

The Group still has tax losses in various jurisdictions upon which no deferred tax asset has been recognised as the ability to utilise these tax losses is uncertain and dependent on trading profitability, a factor which tends to increase our effective tax rate. The remaining tax losses available to the Group which are likely to be utilised are reflected in the deferred tax asset in the Group balance sheet, so are unlikely to reduce the effective tax rate in coming years.

Earnings per share
The profit for the year attributable to the shareholders decreased to £9.1m (2012: £10.4m restated). Basic earnings per share were 1.9p (2012: 2.1p restated). Basic diluted earnings per share were 1.8p (2012: 2.1p restated). Underlying earnings per share, after adjusting for non-recurring items and the amortisation of acquired intangibles, were lower at 2.4p (2012: 3.2p restated).

Net assets
The Group holds the vast majority of its assets and liabilities in currencies other than Sterling, particularly the US Dollar and the Euro, and translates the value of these into Sterling at the year end exchange rate. Comparing exchange rates at the beginning and the end of 2013, Sterling strengthened slightly against the US Dollar and weakened against the Euro. This had the net effect of decreasing the Sterling value of the Group's assets and liabilities at the end of 2013. The year end exchange rates used to translate the 2013 balance sheet were £1=$1.6471 (2012: £1=$1.6125) for the US Dollar and £1=€1.1970 (2012: £1=€1.2193) for the Euro. During 2013 net assets increased to £210.9m (2012: £194.6m). This increase is principally due to the retained profit for the year and the net impact of currency movements.

The largest item on the balance sheet is the intangible asset recognised on the acquisitions of the businesses that now form Kurt Salmon, of £213.8m. This is held in US Dollars and Euros. Net trade receivables increased slightly to £45.0m (2012: £44.7m) and accrued income increased by £3.8m to £17.0m (2012: £13.2m), reflecting an increase in unbilled work in progress. Debtor days (in relation to trade receivables) at the end of 2013 were 62 days (2012: 45 days). Accruals decreased to £37.8m (2012: £48.4m), in part reflecting a lower level of accrued staff bonuses on lower profits for 2013 compared with 2012. Long-term provisions decreased to £5.3m (2012: £8.8m) largely reflecting the unwinding of surplus property provisions.

Pension obligations
The Group's retirement benefits liability relates to a closed US defined benefit pension scheme; a closed US post-retirement medical benefits plan; French statutory retirement provisions; and an unfunded German retirement obligation. There are no defined benefit pension schemes in the Group that are open to new employees, and, in the case of the closed US defined benefit pension scheme the existing members are not accruing further benefits. The Group actively manages the potential liabilities arising from these schemes, regularly reviewing performance in conjunction with qualified independent actuaries and making changes where appropriate. The net post-retirement obligation for these schemes decreased from £24.8m at 31 December 2012 to £19.6m at 31 December 2013, principally as a result of changes to the net liability for the US schemes driven by an improved asset performance in 2013, offset by the impact of applying revised mortality tables. Cash contributions to the US defined benefit scheme amounted to £1.2m in 2013 (2012: £1.8m).

Liquidity and capital resources
The Group's capital structure is reviewed regularly to ensure that it remains relevant to the business and its planned development. In October 2012 the Group announced that it intended to undertake a share buyback programme of up to £5m over a twelve month period, and in October 2013 it announced that this programme would be extended for six months.

During 2013 the Company purchased 1,549,000 of its ordinary shares of 1p each for a total consideration of £0.4m. In addition, during 2013 the trustees of the Management Consulting Group plc employee benefit trust purchased 1,067,000 of the Company's shares, for a total consideration of £0.3m, for use in satisfying future awards under the Company's employee share incentive plans.

Up to 31 December 2013, 2,810,772 shares had been purchased as part of the buyback programme for a total consideration of £0.7m, and 383,152 of these have been used to satisfy employee share awards. These shares purchased by the Company are held as treasury shares and are therefore excluded from the reported share capital in the Group balance sheet. At 31 December 2013 a further 11.9 million shares were held by the trustees of the Management Consulting Group plc employee benefit trusts.

Net debt
The Group ended the year with net debt of £39.8m compared with £51.7m at 30 June 2013 and £30.3m at the end of 2012. The year on year increase in net debt reflects lower operating profits and the unfavourable working capital movements referred to above.

During 2013 the Group was financed by a multi-currency borrowing facility negotiated in December 2011 that runs until July 2016. The facility is a revolving credit facility for up to £85m.

There are two financial covenants under the facility, which are calculated at 30 June and 31 December. The first of these is that interest cover must be greater than four times at the calculation dates. At 31 December 2013 the interest cover covenant ratio was 11.7 (31 December 2012: 11.5). The second covenant is a leverage covenant, which is that net debt divided by adjusted EBITDA must remain below 2.75 times at the calculation dates. Under the borrowing facility net debt for covenant testing purposes is measured on the basis of average exchange rates over the relevant period, consistent with the measurement of adjusted EBITDA. Adjusted EBITDA is defined as underlying operating profit plus certain non-cash items such as depreciation and amortisation. At 31 December 2013 the leverage covenant ratio was 1.46 times (31 December 2012: 0.96). The gross amount drawn down at that date was £54.5m (2012: £45.2m).

Foreign exchange exposure
The Group's foreign exchange exposure is primarily a translation risk as the vast majority of the Group's business is transacted in Euros and US Dollars. The goodwill arising on acquisitions is also denominated in these currencies. Drawdowns under the Group's borrowing facility are made in US Dollars and Euros to provide a partial hedge against these. Treasury activities are managed on a day-to-day basis by a treasurer and finance staff, reporting to the Group Finance Director. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business. The objective of these policies is to provide liquidity across the Group at minimum risk and cost and to hedge known financial exposures. The Group's net debt position is closely monitored and there are effective forecasting procedures in place.

Cash flow
Cash generated by operations in 2013 was lower than the previous year at £6.7m (2012: £14.9m), reflecting lower underlying operating profits and unfavourable working capital movements, notably an increase in accrued income and decreases in accruals and long term provisions. Cash outflows as a result of dividend payments were £3.9m (2012: 3.6m). Cash outflows related to capital expenditure were £2.5m (2012: £3.5m).

During 2013 the Company purchased 1,549,000 of its ordinary shares of 1p each for a total consideration of £0.4m. In addition, during 2013 the trustees of the Management Consulting Group plc employee benefit trust purchased 1,067,000 of the Company's shares, for a total consideration of £0.3m, for use in satisfying future awards under the Company's employee share incentive plans.

Dividend
An interim dividend for the 2013 financial year of 0.23p per share was paid to shareholders on 7 January 2014. The directors recommend, subject to shareholder approval, a final dividend of 0.595p per share to be paid on 2 July 2014 to shareholders on the register at 16 May 2014. The recommended total dividend for the 2013 financial year is therefore 0.825p per share (2012: 0.825p per share).

Business resources and investment in the future
The Group's key assets are its client relationships, its people and its intellectual property. Client relationships are strengthened by the regular review of every engagement in conjunction with the client throughout its duration. This enables timely resolution of any issues so that the client remains highly satisfied with our performance. It is our objective that every client becomes a reference for future clients. The remuneration policies of the Group are designed to retain key individuals by rewarding performance and deferring the payment of a portion of incentive pay contingent on continued employment. The performance of each employee is regularly reviewed and plans are established to deal with any performance issues. Evaluation systems are in place throughout the Group. The training requirements of employees are also reviewed and tailored training programmes have been established for each of the core functions. The headcount needs of the business are reviewed in view of the projected requirements of the business as indicated by the order book and prospects. The Group has developed knowledge management systems that capture the intellectual property that has been developed through many years of assisting clients. Client needs are regularly reviewed and new services developed in accordance with these. Appropriate steps are taken to safeguard the security of the Group's intellectual property and legal or other action is taken as necessary to protect this. The Group continues to invest in its client relationships, its people and its intellectual property to ensure that the Group is prepared to face its challenges and to focus client awareness on the Group's brands and the services offered.

Principal risks and uncertainties
The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework. The key risks to which the business is exposed are reviewed regularly by senior management and the Board. The major risks facing the business and the means by which they are mitigated and managed are set out on page 23 of this annual report. The directors are not aware of any material outstanding litigation against the Group.

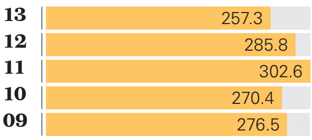
Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group is described in this Financial Review. In addition, note 23 of the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital and its exposures to risk. The Group's committed borrowing facilities are detailed under the "Liquidity and capital resources" section of this Financial Review. The Group prepares regular business forecasts and monitors its projected compliance with the borrowing facility covenants which are reviewed by the Board. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration is given to actions open to management to mitigate the impact of these sensitivities.

In particular this includes the discretionary nature of a significant amount of the costs incurred by the Group. The Board has concluded that the Group has adequate resources to be able to operate within the level of its current facility and remain compliant with the terms of the borrowing facility for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements. For further details please refer to note 2 to the consolidated financial statements.

Financial review continued
with Chris Povey

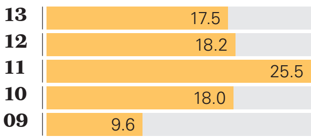
Revenue (£m)

257.3



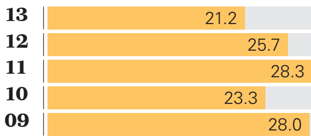
Profit from operations (£m)

17.5



Underlying operating profit (£m)

21.2



Key performance indicators
The key performance indicators used by the Board to monitor progress are: revenue growth; operating profit; operating margin; net debt; and earnings per share. These key performance indicators are used to monitor performance as they indicate achievement against the Group's objectives of delivering shareholder value and profit and margin growth. In addition other measures are used at the level of divisional management, including order input, business unit performance, staff retention and client satisfaction, which the directors considered to fall within an acceptable range during the year.

Critical accounting policies
The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This preparation requires estimates and judgements that affect the reported level of assets and liabilities, revenues and costs, and the related disclosure of contingent assets and liabilities at the date of the financial statements. Critical accounting policies are those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. The Board considers that the Group's critical accounting policies are limited to those described below.

Revenue
Revenue is measured at the fair value of the consideration received or receivable for services provided to third parties in the normal course of business. Revenue from services is recognised when the service has been provided and the right to consideration earned. When a service has been provided to third parties but no billing made, the amount receivable is estimated. This estimate is based on the nature of the service supplied and the terms of the contract. Any significant under-estimation or over-estimation of amounts receivable could have a material effect on the Group's financial position and results of operations.

Goodwill and other intangible fixed assets
Under IFRS goodwill is capitalised and tested for impairment annually or when events or changes in circumstance indicate that the carrying value may not be recoverable. Intangible assets with finite lives are capitalised and amortised over their remaining useful economic lives.

Employee benefits
Accounting for pensions and other post-retirement benefits involves judgement about uncertain events including discount rates, life expectancy, future pay inflation and expected healthcare trend rates. Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are relevant to the recorded amounts in the statement of recognised income and expense and the liability recorded in the balance sheet.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain until agreed with the tax authorities. Where the final outcome is different from the initial estimate, these adjustments will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

Provisions
The Group has onerous property leases which require judgement in terms of the provision being carried on the balance sheet.

Summary of critical accounting policies
The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee. Additional discussion of the application of these estimates and other accounting policies is provided in note 2 to the consolidated financial statements.

Chris Povey
Finance Director
6 March 2014

Principal risks and uncertainties

The key risks to which the business is exposed are reviewed regularly by senior management and the Board. The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework.

Learn more about our Report of the risk management in the Audit and Risk Committee:
P32

Nature of risk	Risk mitigation
Demand for services provided by the Group in the markets and sectors in which it operates	
Changes in demand for MCG's services can significantly impact revenues and profits. The Group's businesses operate in a number of geographies and industry sectors and demand for their services can be affected by global, regional or national macro economic conditions and conditions within individual industry sectors. The Group's businesses operate in a competitive environment, where other consulting firms seek to provide similar services to MCG's clients.	The Group seeks to monitor demand for its services, to anticipate changes in demand and competitive pressures where possible, and to develop a strategy and offering to exploit opportunities for growth in geographies and sectors where demand is increasing. The diversity of MCG's businesses provides some protection against adverse trends in individual sectors or geographies and the Group retains some flexibility (in Alexander Proudfoot in particular) in its ability to deploy staff to areas of higher demand to optimise utilisation. A significant proportion of the total remuneration paid to senior employees is in the form of variable pay related to financial performance, which provides some profit mitigation in the event of a decline in revenues.
Retention and development of key client relationships	
Any failure by the Group to retain its existing client relationships could result in a significant reduction in the Group's revenues. MCG's businesses typically contract with clients for the delivery of project related consulting services over relatively short periods. Individual clients of the Group may change their preferred suppliers of the services that the Group's businesses provide or may change the quantity of such services or the price at which they buy such services. Potential unforeseen contractual liabilities may arise from client engagements that are not completed satisfactorily.	MCG's businesses have longstanding relationships with key clients. The Group's business processes are designed to promote and enhance such relationships to generate revenues over much longer periods than those of a typical single project. This includes a focus on the delivery of high quality work that meets clients' expectations and human resources management policies that emphasise the importance of maintaining and developing client relationships. Potential contractual liabilities arising from client engagements are managed through the control of contractual conditions and insurance arrangements.
Recruitment and retention of talented employees	
The Group is dependent on the recruitment and retention of key personnel to develop and maintain relationships with clients and to deliver high quality services. Any failure to attract and retain such personnel which results in their unforeseen departure from the business may have detrimental consequences on the Group's financial performance.	The Group seeks to develop remuneration policies and structures that reward good performance and promote continued employment with the Group, consistent with prevailing market levels of remuneration. For senior employees a significant element of total remuneration is variable and linked to financial and other performance measures, which provides opportunities for enhanced rewards. Conditional share awards to staff are structured to include retention criteria and may also be linked to financial targets or share price performance over a period longer than one year.
Optimisation of the Group's intellectual capital	
The intellectual capital of the Group's businesses, including its methodologies and its track record of successful sale and delivery of assignments to clients, is a key asset which must be maintained, continually developed and protected, so that its offerings remain distinctive and attractive to clients. It is possible that employees who exit the business may appropriate this intellectual capital for use by themselves or by the Group's competitors.	The Group maintains a comprehensive knowledge management system to record its methodologies and track record of client assignments. It develops and refreshes these continually in response to, and in anticipation of, market demand. The Group protects its intellectual property through appropriate contractual arrangements with employees and others, and through legal action where necessary.
Fluctuations in foreign currency exchange rates	
The Group reports its results and financial position in Pounds Sterling, but operates in and provides services to clients in many countries around the world, conducting most of its business in other currencies. In particular, a significant proportion of the Group's business is conducted in US Dollars and Euros. Fluctuations in prevailing exchange rates may have a significant impact on reported revenues and profits.	Where appropriate, the Group will undertake hedging to mitigate currency risk. This is rarely undertaken since the Group's cost base is, in broad terms, located in those countries in which the Group generates revenues. The currencies in which costs and revenues are denominated are therefore, to a great extent, matched and this tends to reduce the impact of exchange rate fluctuations on reported profits.

Governance

The Group is committed to high standards of corporate governance

We are a global business serving a number of industries and our governance structures are designed to accommodate and reflect that diversity.

Featured in the governance section:

Chairman's introduction

Alan Barber, Chairman

The Board is committed to high standards of corporate governance. During the year there have been introduced a number of changes in legislation which have been taken into account in our corporate governance structures and reflected in this Annual Report and Accounts for the first time, in particular, the September 2012 version of the UK Corporate Governance Code ("the Code") and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations).

The most marked change in reporting has been to our Directors' Remuneration Report which reflects the Regulations and introduces a separate section on our remuneration policy – which will be subject to a binding vote at the Annual General Meeting – together with changes in the way that elements of remuneration are reported.

Our Board is composed of Directors from differing international backgrounds with a range of business experience and we recognise the importance of diversity on the Board.

There were no changes to the Board in 2013 and the Board members continued to bring a wide range of experience and knowledge to bear in developing strategy, challenging management and bringing fresh perspectives.

We recognise the importance of the Board meeting senior management and each year the Board holds certain of its meetings at its main business locations abroad, giving the Board the opportunity to meet local management.

On 5 March 2014, we announced that Luiz Carvalho was stepping down as CEO of Alexander Proudfoot and as a director of MCG. Our Group CEO, Nick Stagg, has taken on the Alexander Proudfoot CEO role on an interim basis in addition to his Group role. Whilst he is fulfilling this dual role, I will increase my day to day involvement with the Group, supporting the executive management team.

Looking further forward, we announced on 13 December 2013 that Julian Waldron, one of our independent non-executive directors, would become Deputy Chairman with effect from 1 January 2014 and that I would stand down from your Board at the end of the year when, subject to re-election, Julian will take over as Chairman, and this remains our intention.

We will shortly commence the search for new non-executive directors who can further broaden the Board's diversity, both in terms of their business background – industry and geographical markets – and gender.

The Board has considered carefully the requirements of Section 1 of the Code and the Board considers the Company has complied with the Code throughout the year.

Alan Barber
Chairman

Board of Directors

N

A. J. Barber
Chairman

Term of office
Alan Barber, aged 66, joined the Board in April 2005 as a non-executive director and was appointed Executive Chairman on 19 February 2008. He relinquished his executive duties on 31 December 2010 and is now non-executive Chairman.

Background and experience
Alan qualified as a Chartered Accountant and was a partner in KPMG's London office until 2004. He has several non-executive directorships and is a former non-executive director of lastminute.com PLC and Teather & Greenwood Holdings PLC.

External appointments
He is a non-executive director of JP Morgan Japanese Investment Trust PLC, Witan Pacific Investment Trust PLC and Impax Asian Environmental Markets PLC.

N. S. Stagg
Chief Executive

Term of office
Nicholas Stagg, aged 54, was appointed Executive Director on 21 October 2009 and Chief Executive with effect from 1 July 2010.

Background and experience
Nick graduated in Physics at University College, London and joined Thomson McLintock in 1981, where he qualified as a Chartered Accountant. He worked in property investment companies before becoming group managing director of Lambert Smith Hampton PLC. Subsequently he was managing director of W S Atkins International PLC and then first COO and then CEO of Teather & Greenwood Holdings PLC, where he was responsible for the development of the business and its eventual sale to Landsbanki in 2005 and then Straumur in 2008.

External appointments
Mr Stagg is a director of Shinetrip Ltd and a non-executive board member of Wedlake Bell LLP.

C. J. Povey
Finance Director

Term of office
Chris Povey, aged 53, was appointed Finance Director on 31 October 2010.

Background and experience
Chris graduated in History from Brasenose College, University of Oxford, in 1982 and joined KPMG where he had a career of over 20 years, first qualifying as a Chartered Accountant and subsequently in the unit providing transaction support services to clients. He joined Management Consulting Group plc in 2005 and was the Group's Head of Corporate Finance prior to being appointed Finance Director.

External appointments
None

R
N

R
*N
AR

M. Capello
Non-executive Director

Term of office
Marco Capello, aged 53, joined the Board on 18 June 2010.

Background and experience
Marco is the founder and managing partner of BlueGem Capital Partners LLP. From 2002 to 2006 he was a managing director of Merrill Lynch Global Private Equity. Previously he worked for over 18 years at First Boston, Wasserstein Perella and, since 1994, at Merrill Lynch. During his career in investment banking he worked primarily in mergers and acquisitions both in New York and London. Mr Capello holds an MBA from Columbia University in New York. He graduated in Civil Engineering from the Politecnico di Torino.

External appointments
He is a board member of Olicar S.p.A., The Private Clinic Limited, Fintyre S.p.A., Neomobile S.p.A and Liberty Ltd.

S. A. Ferriss
Non-executive Director

Term of office
Stephen Ferriss, aged 68, joined the Board on 3 March 2006.

Background and experience
Steve spent 17 years at Bank of America working in the US and latterly in London and Madrid. In 1987 he joined Bankers Trust and served in various roles including managing director and partner of the Bankers Trust's Global Investment Bank in London and New York. He spent three years from 1999 to 2002 as president and chief executive of Santander Central Hispano Investment Securities Inc. He is a US citizen and resides in the US.

External appointments
He is a non-executive director of Santander Holdings USA, Inc., Santander Bank N.A., and Santander Consumer USA Holdings Inc.

E. Di Spiezio Sardo
Non-executive Director

Term of office
Emilio Di Spiezio Sardo, aged 37, joined the Board on 18 June 2010.

Background and experience
Emilio is a partner of BlueGem Capital Partners LLP. Before joining BlueGem as a partner in 2007, he worked in London as a hedge fund manager at York Capital Management, a global multi strategy hedge fund with approximately US$10bn under management. Before that he worked in investment banking at Merrill Lynch in London and Rome. Mr Di Spiezio Sardo graduated summa cum laude in Economics and Finance from Bocconi University in Milan.

External appointments
He is a board member of Olicar S.p.A., The Private Clinic Limited, Fintyre S.p.A., Neomobile S.p.A. and Liberty Ltd.

C. W. Ansley
Company Secretary

Term of office
Charles Ansley, aged 63, was appointed Company Secretary in April 2007, having joined the Group in 2001.

Background and experience
Charles graduated in Law at the University of Sheffield and subsequently worked in the London office of KPMG. He is a qualified Chartered Accountant.

External appointments
None

L. H. Carvalho
Executive Director

Term of office
Luiz Carvalho, aged 56, was appointed an Executive Director on 19 March 2008 and stood down on 5 March 2014.

Background and experience
Luiz has dual US and Brazilian citizenship and resides in the US. After attending Pontifícia Universidade Católica de São Paulo, he joined Alexander Proudfoot in 1982 and, following a series of promotions and international assignments, was appointed President of the Proudfoot American operations in 1999 and Chief Executive of Alexander Proudfoot worldwide in 2002. He is a member of the World Presidents organisation.

External appointments
None

C. Mahjoub
Executive Director

Term of office
Chiheb Mahjoub, aged 50, was appointed an Executive Director on 10 November 2009.

Background and experience
Chiheb has dual French and Tunisian nationality and holds an MBA and MS from the École Nationale des Ponts et Chaussées and Ensimag in Paris. After working in the derivatives market he helped to establish Summit Systems, a leading trading software company. He joined Deloitte Consulting in 1995 and was a founding partner when it became Ineum Consulting in 2003. He was responsible for the development of the global financial services practice while being instrumental in the international development of Ineum Consulting as a whole. He is Chief Executive of Kurt Salmon having previously been Chief Executive of Ineum Consulting.

External appointments
None

*R
N
AR

A. H. Simon OBE
Non-executive Director

Term of office
Andrew Simon, aged 68, joined the Board on 3 March 2006.

Background and experience
Andrew spent 23 years as the managing director, chief executive and chairman of the Evode Group PLC. He holds an MBA from Wharton School of Finance in Philadelphia and has a diversified range of non-executive director and chairman positions.

External appointments
He is a non-executive director of Exova Group plc, Travis Perkins PLC and Gulf Keystone Petroleum (UK) Ltd in the UK and of Finning International Inc. in Canada. He sits on the supervisory board of SGL Carbon SE in Germany.

R
N
*AR

J. D. Waldron
Non-executive Director

Term of office
Julian Waldron, aged 49, joined the Board on 8 October 2008.

Background and experience
Julian is currently chief financial officer of Technip, a French listed group providing project management, engineering and construction services for the oil and gas industry, which he joined in October 2008. Prior to this he was a managing director in corporate finance at UBS Warburg and the chief financial officer of Thomson SA. He is a UK citizen residing in France.

External appointments
Chief Financial Officer of Technip.

Committee key

R Remuneration Committee
N Nominations Committee
AR Audit and Risk Committee
* Committee Chairman

Corporate governance report

The Group operates in a number of countries and accordingly has a strong governance framework within which the component parts of the business operate.

Responsibilities across the Governance framework

The Board

Responsible for the overall management of our organisation and our business

The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. It sets the Group's strategic aims, ensures that necessary financial and human resources are in place for the Group to meet its objectives sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board is collectively responsible for the success of the Company.

Board Committees

Specific review and oversight committees

The Board has three committees each dealing with a specific aspect of governance.

Audit and Risk Committee

The Audit and Risk Committee oversees the Group's financial reporting and internal controls and provides the link between the Board and the external and internal auditors.

Read the Audit and Risk Committee report

P32

Nominations Committee

The Nominations Committee's purpose is to consider future appointments to the Board and the succession policy for key management positions.

Read the Nomination Committee report

P35

Remuneration Committee

The Remuneration Committee has responsibility for setting the framework for the remuneration of the Chairman, executive directors and other senior executives in the Group and the remuneration packages of those individuals.

Read the Remuneration Committee report

P36

Executive management

Everyday management of our business and operations, and responsibility for monitoring detailed performance of all aspects of our business

The executive management operate under authority matrices agreed by the MCG Board.

Group executive management are responsible for the overall day-to-day management of the business. The two divisions each have their own leadership and management structures functioning within clearly established procedures and authority limits set by the Board.

Board of Directors
The Board is collectively responsible to our shareholders for the success of the Group. Throughout 2013 the Board comprised the non-executive Chairman, four executive directors and five non-executive directors. The Code requires that smaller companies should have at least two independent non-executive directors and the Company complied with this aspect. The Company also complied with the requirement to separate the roles of Chairman and Chief Executive.

Mr Ferriss, Mr Simon and Mr Waldron are considered to be independent non-executive directors.

The roles of the Board and management are clearly defined. Throughout the year, the roles of Chairman, Chief Executive and Senior Independent Director were separated and clearly defined in writing. The terms and conditions of appointment of the non-executive directors are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

The Board is satisfied that each of the non-executive directors committed sufficient time during 2013 for the fulfilment of their duties as directors of the Company. None of the non-executive directors has any conflict of interest which has not been disclosed to the Board.

During and at the end of the financial year no director had a material interest in any contract of significance to which the Company or any subsidiary was a party. Information on the directors' interests in the shares of the Company are set out in the Directors' Remuneration Report. Related party transactions are disclosed in note 25.

Election and re-election of directors
The Company's Articles of Association contain detailed rules for the appointment and retirement of directors. There is a formal procedure in place to select and appoint new directors to the Board. These directors are required to retire at the next Annual General Meeting, but can offer themselves for re-election by shareholders. Under the Articles, all directors are required to submit themselves for re-election at intervals not exceeding three years. However, the Board agreed that, with effect from the 2011 Annual General Meeting, directors should stand for re-election every year.

On appointment, directors are provided with formal details of their responsibilities under legislation applicable to a company listed in the UK. Changes to such legislation and other relevant factors affecting the Group are communicated to all directors. Newly appointed directors are also required to participate in an induction programme in order to familiarise themselves with the Group's businesses. Regular presentations are made to the Board by senior management in order to refresh and expand this knowledge.

The Board annually evaluates the performance of individual directors, the Board as a whole and its Committees. This review comprises the completion of structured questionnaires by each director and follow up interviews carried out by the Company Secretary. The results of this process are presented to the Board and via individual discussions with the Chairman. The results of the evaluation were approved by the Chairman and an agreed plan of action produced. The results are specifically taken into account when considering the reappointment of directors.

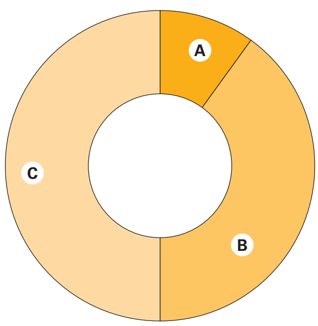
All directors are authorised to obtain, at the Company's expense and subject to the Chairman's approval, independent legal or other professional advice where they consider it necessary. All directors have access to the Company Secretary who oversees their ongoing training and development needs.

Operation of the Board
The Board meets regularly. Six meetings were held during 2013. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. During the year the Chairman met the non-executive directors in the absence of the executive directors.

There is a formal schedule of decisions reserved for the Board. This includes approval of the following: the Group's strategy; the annual operating plan and budget; the annual and interim financial statements; significant transactions; major capital expenditures; risk management policies; the authority levels vested in management; Board appointments; and remuneration policies. The review of certain matters is delegated to Board Committees, which make recommendations to the Board in relation to those matters.

The number of Board and Committee meetings eligible for attendance and attended by each of the directors during the year are in the table below.

Balance of Executive and Non-executive directors



A	Chairman (non-executive)	1
B	Executive	4
C	Non-executive	5

Board and Committee attendance 2013

	Board meetings	Audit and Risk Committee meetings*	Remuneration Committee meetings*	Nominations Committee meetings*
A J Barber	6	—	—	2
M Capello	6	—	2	2
L H Carvalho	6	—	—	—
S A Ferriss	6	4	3	2
C Mahjoub	6	—	—	—
C J Povey	6	—	—	—
E Di Spiezio Sardo	6	—	—	—
A H Simon OBE	6	3	3	2
N S Stagg	6	—	—	—
J D Waldron	6	4	3	2
Total meetings held	**6**	**4**	**3**	**2**

* For the Committee meetings attendance shown is that of the respective Committee members.

Corporate governance report continued

Financial matters
The Group has adopted a code of ethical conduct applicable to the Board and all members of the finance function. In addition, it has a whistleblowing policy whereby procedures exist that allow employees to report any financial wrongdoing that they believe may have occurred.

The Board has also defined which services can be purchased from the Group's auditor and has adopted procedures in respect of the purchase of these services to minimise the risk of an actual or perceived conflict of interest.

Relations with investors and the Annual General Meeting
Registered shareholders are sent copies of both the annual report and accounts and the half year report. The Group's website, www.mcgplc.com, also contains information relevant to investors.

The Chairman, Chief Executive and the Finance Director met, and are available to meet, key shareholders throughout the year and in particular around the time of the full year results and the half year results.

The notice convening the Annual General Meeting to be held on 23 April 2014 is contained in the circular to shareholders. To ensure our shareholders have time to consider our annual report and accounts and Notice of the AGM and lodge their proxy votes, the documents are made available more than 20 working days prior to the meeting. We offer all shareholders the choice of submitting proxy votes either electronically or in paper format.

Visit the investor relations website for more information:
www.mcgplc.com/investors

Internal controls
The Company, as required by the Listing Rules, has complied with the Code provisions on internal control having established the procedures necessary to implement the revised Turnbull Guidance on Internal Control issued in October 2005 (The Turnbull Committee Report) and by reporting in accordance with that guidance.

The Board has overall responsibility for the Company's system of internal control and reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which is in accordance with the guidance set out in The Turnbull Committee Report and has been in place for the year under review and up to the date of approval of the annual report and accounts.

This process, which is regularly reviewed by the Board, is as follows:

— the Group's management operates a risk management process which identifies the key risks facing the business and reports to the Audit and Risk Committee and the Board on how those risks are being managed. This is based on a risk register produced by executive management which identifies those key risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level. This risk register is discussed at the Audit and Risk Committee and Board meetings on a regular basis and regular monitoring reports are presented to the Board. The management of these risks is monitored by the internal audit function;

— large acquisitions and capital projects require Board approval; and

— there is regular communication between management and the Board on matters relating to risk and control.

The Board has established a strong control framework within which the Group operates. This contains the following key elements:

— organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;

— defined expenditure and contract authorisation levels;

— on-site, video and teleconferencing reviews of operations, covering all aspects of each business, are conducted by Group executive management on a regular basis throughout the year;

— the financial reporting and information systems which comprise: a comprehensive annual budget which is approved by the Board; weekly reports of key operating information; cash flow and capital expenditure reporting; monthly results and forward performance indicators which are measured against the annual budget and the prior year's results. Significant variances are reviewed by the Board and executive management and action is taken as appropriate. The forecast for the year is revised when necessary;

— Group tax and treasury functions are coordinated centrally. There is weekly cash and treasury reporting to Group management and periodic reporting to the Board on the Group's tax and treasury positions; and

— internal audits are performed by Group's internal audit function.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it deemed to be significant. Therefore a confirmation in respect of necessary actions has not been deemed appropriate.

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board.

— During the year, the directors are available to respond to enquiries from investors on the Group's operations.

— Effective communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

During the year, the executive directors hold discussions with major shareholders.

— The Chairman is available to shareholders if there are matters that they wish to discuss with him directly.

— Announcements are made to the London Stock Exchange and the business media concerning trading and business developments to provide wider dissemination of information.

Other disclosures

The directors present their annual report, incorporating their reports on corporate governance, audit and risk, and remuneration, together with the audited financial statements for the year ended 31 December 2013. These will be laid before the shareholders at the Annual General Meeting on 23 April 2014.

Activity
The principal activity of the Group is the provision of professional services. Details of the Group's principal subsidiary undertakings, through which it carries out its activities, are set out in note 26 to the financial statements.

Group results
The Group's profit before taxation for the year ended 31 December 2013 amounted to £14,020,000 (2012: £14,694,000 restated).

Dividends
An interim dividend of 0.23p per share was paid on 7 January 2014. The directors recommend the payment of a final dividend of 0.595p (2012: interim dividend of 0.23p; final dividend of 0.595p) per share to be paid on 2 July 2014 to shareholders on the register on 16 May 2014.

Capital structure
Information on the Group's capital structure and its share schemes is set out in note 19.

Under the agreement governing the Group's £85,000,000 multi-currency revolving credit facility, on a change of control, the Company would need to renegotiate regarding whether the facility should be cancelled. There are also other agreements that may alter or terminate upon a change of control event.

Political contributions
No political donations were made in 2013 or 2012.

Annual General Meeting
The Annual General Meeting will be held at 2.30 pm on 23 April 2014 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. Details of the meeting are included in the circular to shareholders enclosed with this report, at the back of which is the Notice of Meeting.

Substantial share interests
As at 5 March 2014 (the latest practicable date prior to the issue of this report), the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules issued by the Financial Conduct Authority, of the following interests in the voting rights in the Company's issued share capital.

	Number of voting rights	% of issued share capital
BlueGem LP	124,629,895	25.50
Henderson Global Investors	107,035,617	21.63
Aberforth Partners LLP	24,844,660	5.02
UBS Investment Bank	19,676,625	3.98
Norges Bank	18,696,236	3.78

By order of the Board

Charles Ansley
Company Secretary
6 March 2014

Registered office
10 Fleet Place
London EC4M 7RB

Report of the Audit and Risk Committee

The Audit and Risk Committee

Mr Julian Waldron, Chairman of the Audit and Risk Committee

The Audit and Risk Committee oversees the Group's financial reporting and internal controls and provides the link between the Board and the external and internal auditors.

This report describes the membership and operation of the Audit and Risk Committee.

Membership
During 2013 the membership of the Committee was:

- **Mr Julian Waldron** (Chairman, member since 2008)
- **Mr Stephen Ferriss** (Member since 2006)
- **Mr Andrew Simon** (Member since 2008)

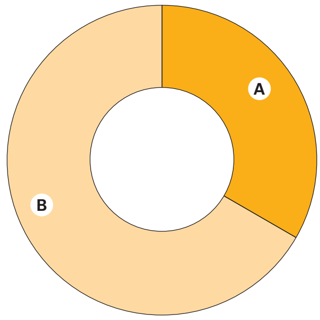
Structure
The Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors. The Committee comprised three independent non-executive directors throughout the year.

The Code provides that at least one member of the Committee should have recent and relevant financial experience. Mr Ferriss is a banker and Mr Waldron is the chief financial officer of a French listed company and both are considered to have such experience. The profiles and qualifications of the Committee members are shown on pages 26 and 27. The Chairman, Chief Executive, Finance Director, Group Head of Finance, Head of Internal audit, other financial managers and external auditors are invited to attend Audit Committee meetings. The Committee met four times during the year. The external auditor attended three of the meetings and the Committee met privately with them on one occasion.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

The performance of the Committee was considered as part of the Board performance evaluation process and it was considered to operate effectively. In addition, the Committee members complete a detailed self-assessment as an aid to maintaining the Committee's effectiveness.

Composition of the Audit and Risk Committee



A	Chairman (non-executive)	1
B	Non-executive	2

Attendance of the Committee

Committee attendance 2013	Audit and Risk Committee meetings
J D Waldron (Chairman)	4
S A Ferriss	4
A H Simon	3
Total meetings held	**4**

Role of the Committee
The role of the Committee is, in summary:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to assist the Board in ensuring the annual report and accounts, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to review the Group's internal financial controls and to review the Group's internal control and risk management systems;
- to monitor and review the effectiveness of the Group's internal audit function;
- to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and recommending the steps to be taken.

The Committee's terms of reference were reviewed and updated with effect from 19 April 2011 to conform with current best practice and the revised guidance from the Financial Reporting for Audit Committees issued in December 2010. They have since been reviewed again and no changes were deemed necessary. They are available on the Group's website (www.mcgplc.com) as well as in hard copy format from the Company Secretary.

Operation of the Committee
The Committee works with a structured annual agenda of matters tied in to the key events in the Company's financial reporting cycle, together with various standing items the Committee is required to consider.

The Committee has discharged its responsibilities during the year as follows:

Financial statements
The Committee reviewed the interim financial statements and the annual report and accounts. Following discussion with both management and the external auditor, the Committee's determination of the key risks of misstatement and the steps it took to address these is as follows:

Key risk	How the Committee addressed the risk
The assessment of the carrying value of goodwill due to the significance of the goodwill asset on the balance sheet	The Committee reviewed the carrying value of goodwill at the year end, considering a goodwill impairment review report from management which set out the key assumptions and judgements underlying the review, including those on financial projections and discount rates, and also included a sensitivity analysis. The Committee also considered the procedural controls surrounding the production of the financial projections
Revenue recognition, including the valuation of revenue, and debtor and accrued income exposure due to the risk on the timing of revenue recognition on contracts which span the year end	The Committee considered the accounting policy for revenue recognition and the adequacy of the controls in place to ensure contractual terms are appropriate in the divisions' accounting systems, and controls ensure the appropriate recognition of revenue arising therefrom
The recognition and recoverability of deferred tax assets, in particular those in overseas jurisdictions	The Committee reviewed a report from management setting out details of the deferred tax assets at the year end, including the underlying geographical analysis of tax losses, and considered the recoverability of the assets concerned alongside the other tax attributes and risks within the Group

The Committee also discussed the above matters with the external auditor regarding the nature and extent of their audit procedures in these areas.

Presentations were made by management and the external auditor about the key technical and judgemental matters relevant to the financial statements. The Committee was satisfied that it was appropriate for the Board to approve the financial statements.

Internal financial control and risk management systems
The Committee reviewed the register of Group risks prepared by management, recommendations made by the external auditor and internal audit reports. A review of the register of Group risks was carried out by internal audit. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Statement.

Internal audit function
The Head of Internal Audit reports to the Committee, which reviewed and approved the annual internal audit work programme and reviewed all internal audit reports prepared in the year. The internal audit function also assists executive management on special projects.

Report of the Audit and Risk Committee continued

Operation of the Committee continued

External auditor

The Committee oversees the relationship with the external auditor and ensures that the external auditor continues to be independent, objective and effective in its work, as well as considering the reappointment of the auditor each year in light of this.

Independence

The Committee undertakes an structured annual review of the independence and objectivity of the external auditor and, with the external auditor, has in place procedures to ensure this is not compromised. The procedures include:

— Audit partner rotation – The Committee consider this is a key control in ensuring continued independence and objectivity by reducing the risk of familiarity. The current audit partner was appointed with effect from the audit of the 2012 annual report and accounts.

— Restrictions on the nature and amount of non-audit work – In accordance with the Code, the Committee has established policies that the auditor shall not provide any services that would potentially result in them auditing the result of their own work or which are prohibited under the US Sarbanes Oxley Act and procedures to ensure compliance with the policies. The Committee reviews annually its policy and procedures on this area to ensure they remain appropriate in the context of regulatory changes and changes in the nature of the Group's activities. Under the procedures in force in the year, the Committee pre-approves any permitted non-audit engagements with fees of more than £25,000 or which would cause the cumulative fees of such engagements for the year to exceed £100,000. At each Committee meeting a report is presented on non-audit activities and fees payable to the external auditor in order to ensure that the non-audit work is appropriate and relationship between non-audit fees and audit fees is not inappropriate.

— The relationship of the auditor with senior management – The Committee reviews the relationship to ensure it has not become compromised due to familiarity or other factors.

The Committee has considered the independence of the external auditor and is satisfied that independence has been maintained and Deloitte LLP has formally confirmed its continuing independence to the Committee.

Audit effectiveness

The Committee reviews the external audit plan proposed by the auditor and participated in the review of the quality of the service that they provided. The Committee's consideration includes:

— a review of the external audit plan;

— the auditor's assessment of Group accounting and business risks;

— the auditor's own quality control procedure;

— the auditor's assessment of the key risks of misstatement;

— consideration of the audit strategy and its communication;

— whether the staffing of the external audit has continuity whilst maintaining independence; and

— communication of the findings to the Committee and the quality and key features of its work.

Audit tendering

The Audit Committee has noted the changes to the Code and related guidance regarding the tendering of external audit contracts at least every ten years. As the Company is not in the FTSE 350, the process is not mandatory. However, the Committee is mindful that the current external auditor was appointed in 2001 and will continue to give consideration to the timing of a formal tender in the light of the regulatory regime, its assessment of the independence of the current auditor and any future changes in regulations.

Reappointment

There are no contractual obligations that act to restrict the Committee's choice of external auditor. As a consequence of its satisfaction with the results of the procedures outlined above, the Committee has recommended to the Board that the external auditor be reappointed. Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Auditor and disclosure of information to auditor

Each director who held office at the date of approval of this annual report and accounts confirms that, so far as the director is aware:

— there is no relevant audit information of which the Company's auditor is unaware; and

— the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Julian Waldron
Chairman of the Audit and Risk Committee
6 March 2014

The Nominations Committee

The Nominations Committee

Mr Stephen Ferriss, Chairman of the Nominations Committee

The Nominations Committee's purpose is to consider future appointments to the Board and the succession policy for key management positions.

Membership

The membership of the Committee during 2013 was:

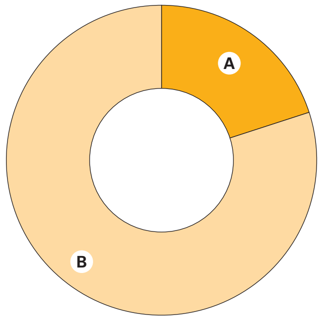
- **Mr Stephen Ferriss** (Chairman, member since 2008)
- **Mr Alan Barber** (Member since 2005)
- **Mr Marco Capello** (Member since 2010)
- **Mr Andrew Simon** (Member since 2006)
- **Mr Julian Waldron** (Member since 2009)

Structure

The Code recommends that a majority of the members of the Nominations Committee should be independent non-executive directors. The majority of the Committee was independent throughout 2013.

The Nominations Committee adopted formal terms of reference dated 14 March 2003. These were updated on 2 March 2007 and are available from the Group's website (www.mcgplc.com) or the Company Secretary upon request.

Composition of the Nominations Committee



A	Chairman (non-executive)	1
B	Non-executive	4

Attendance of the Committee

Committee attendance 2013	Nominations Committee meetings
Mr Stephen Ferriss (Chairman)	2
Mr Alan Barber	2
Mr Marco Capello	2
Mr Andrew Simon	2
Mr Julian Waldron	2
Total meetings held	**2**

Activities

The Committee meets on an ad hoc basis as required. The Committee has ongoing succession plans particularly in respect of non-executive directors approaching retirement due to their length of service. At the end of 2013, Julian Waldron was appointed to the position of Deputy Chairman with the intention that he should take over as Chairman on Alan Barber's retirement at the end of 2014. The Committee is identifying the skill sets needed for new non-executive directors, in particular recognising that one will need to take on the chairmanship of the Audit and Risk Committee, and considering the diversity of the Board, and will be instructing search agencies to identify suitable candidates so it may recommend appointments to the Board.

Report of the Remuneration Committee

Chairman's summary statement

Andrew Simon, Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Remuneration Committee's Report on Directors' Remuneration.

Following the implementation of the new directors' reporting regulations, the Directors' Remuneration Report is presented in two parts. First, a report setting out the Directors' Remuneration Policy and second, the Annual Remuneration Report which sets out how the Policy will be implemented in 2014 as well as the arrangements implemented for 2013.

Our aim is to have a simple remuneration package for the executive directors which reflects their day-to-day duties and responsibilities, whilst having a significant element of remuneration which is performance related through the use of annual bonus and share incentive schemes in order to align the interests of executive directors with those of shareholders.

In 2012 the Committee reviewed its executive director remuneration policy and, as a result of this and with effect from 2013, rebalanced the Chief Executive's and Finance Director's remuneration packages to provide an increase in emphasis on fixed pay and a reduction in the amount of short term variable pay (with long-term incentives and other elements remaining the same). There have been no changes since then and this is the policy that continues to be applicable from 2014 and is set out in the Policy Report that follows.

The Board will submit the Directors' Remuneration Policy and the Annual Report on Remuneration for approval by separate resolutions to shareholders at our Annual General Meeting on 23 April 2014. I will be happy to engage with you if there are any matters set out in the Report which you would like to discuss in the meantime.

Yours sincerely

Andrew Simon
Chairman of the
Remuneration Committee

Membership
During 2013 the membership of the Committee was:

— **Mr Andrew Simon** (Chairman, member since 2006)
— **Mr Marco Capello** (Member since 2010)
— **Mr Stephen Ferriss** (Member since 2008)
— **Mr Julian Waldron** (Member since 2008)

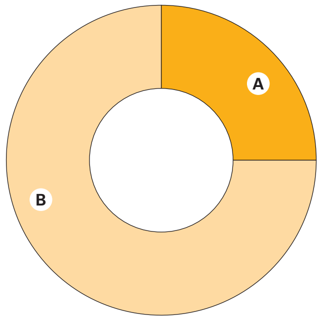
Structure
The Code recommends that the Committee should comprise at least two independent non-executive directors. The Committee comprised three independent and one non-independent non-executive directors throughout the year.

The terms of reference for the Committee were last updated in December 2010. They were last reviewed in 2013 and no changes were deemed necessary. Copies are available on the Group's website.

Operation of the Committee
In determining the directors' remuneration for the year, the Committee consulted the Chairman save in relation to his own remuneration. No director is involved in deciding their own remuneration. The Committee makes use of published reports on directors' remuneration packages and advice from independent external advisers is obtained when required. New Bridge Street (a trading name of Aon Hewitt, an Aon plc company) is the independent adviser to the Remuneration Committee. Aon plc also provided insurance broking services to the Company during the year. The Committee has been advised that NBS operates as a distinct business within the Aon Group and that there is a robust separation between the business activities and management of NBS and all other parts of Aon Hewitt and the wider Aon Group. The Committee considers that this provision of other services by Aon plc does not prejudice New Bridge Street's independence. New Bridge Street provides advice to the Remuneration Committee on the operation of the Company's incentive schemes and the remuneration of executive and non-executive directors as well as employee remuneration and may also advise the Committee on other matters within the Committee's terms of reference.

The Board carried out a review of its operations, including the functioning of its Committees, and deemed the operation of the Remuneration Committee to be satisfactory.

Composition of the Remuneration Committee



A	Chairman (non-executive)	1
B	Non-executive	3

Attendance of the Committee

Committee attendance 2013	Remuneration Committee meetings
A H Simon (Chairman)	3
M Capello	2
S A Ferriss	3
J D Waldron	3
Total meetings held	**3**

Remuneration Policy Report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders and describes the policy to be applied from 2014 onwards. The Policy Report will be put to a binding shareholder vote at the 2014 AGM and, assuming that the resolution is passed, the policy will take formal effect from that date.

Report of the Remuneration Committee continued

Remuneration Policy Report continued

Policy overview

Overview

The Committee reviews and determines, on behalf of the Board, the salary, fees, benefits, pension packages and bonus and share incentives of the Chairman and the executive directors. The Committee also reviews, on behalf of the Board, the remuneration packages of the highest paid executives and the Company Secretary.

How the views of shareholders and employees are taken into account

The Remuneration Committee engages proactively with shareholders. When any material changes are proposed to the remuneration policy, the Remuneration Committee Chairman will inform major shareholders and offer a meeting to discuss the proposals and take into consideration any feedback received.

The Remuneration Committee also considers shareholder feedback received at the AGM and at any other time, for example, via general letters from investors and circulated to remuneration committee chairs. This feedback and that received during specific consultation exercises is considered as part of the Company's annual review of remuneration policy.

Details of votes cast for and against the resolution to approve last year's remuneration report and matters discussed with shareholders during the year are provided in the Annual Report on Remuneration.

There is no consultation with employees.

Remuneration policy

Compensation packages for executive directors are set by reference to individual and corporate performance, individual competencies, external market comparisons and remuneration levels below Board level in the Group. The package for each executive director currently comprises a basic salary, an annual bonus, share incentives, pension contributions and benefits.

The Remuneration Committee has regard to associated risks arising throughout the Group when setting remuneration. In particular, the Committee ensures that the targets attached to variable pay schemes are set so that they do not encourage any undue risk taking by executives.

In order to align the interests of executive directors with the interests of shareholders, a significant proportion of executive directors' remuneration is performance related through the use of annual bonus and share incentive schemes.

Fees for the Chairman and non-executive directors are reviewed annually by the Board based on market information obtained from external surveys, time commitment and relevant experience.

The following table summarises the key aspects of the Company's remuneration policy for its directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required	The Committee's policy is to set the base salaries of each executive director at levels that reflect their roles, experience and practices in the employment market whilst ensuring that they take account, where applicable, of the pay and employment conditions of other employees within their business units and countries of employment as well as market practice in the countries in which they are operating. The Committee will usually review executive directors' base salaries at the end of each calendar year with any increases effective from 1 January. The Directors' salaries (and other elements of the remuneration package) are paid in the currency appropriate to their geographic location.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population of the Group and the country and business unit in which the director is employed, but on occasions may need to recognise that higher increases may be appropriate, for example, development in role, change in responsibility, where the size, composition and/or complexity of the Group changes or where an individual is materially below market comparators. Details of the outcome of the most recent salary review are provided in the Annual Remuneration Report.
Benefits	To provide market competitive benefits to ensure the well-being of employees	Benefits vary according to the employing country of the executive director but may comprise some or all of the following: a car (or car allowance), insurances for life, personal accident, disability, permanent health and family medical cover.	Value of benefits is based on the cost to the Company, is not pre-determined and does not represent a significant part of the executives' overall remuneration. Additional benefits may be provided and the range of those benefits may vary taking into account market practice, the relevant circumstances and the requirements of the executive.

Remuneration policy continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
Pension	To provide market competitive benefits	A company contribution to a money purchase pension scheme or provision of cash allowance in lieu of pension at the request of the individual. For directors based outside the UK, contributions to relevant retirement arrangements in those other countries e.g. US 401(k) retirement provisions. Only base salary is pensionable.	UK resident: 17.5% of salary. Non-UK resident: retirement provision will be consistent with market practice in the relevant country.
Annual bonus	To incentivise and reward delivery of the Company's operational objectives	Not less than 70% of the annual bonus is assessed on financial targets set around the Group's and individual businesses' budgeted profits and revenue ("financial objectives") with not more than 30% based on the achievement of non-financial strategic objectives ("personal objectives"). The Committee retains the discretion to set alternative metrics from year to year if it deems this appropriate provided always that at least 70% will be based on financial measures. Performance is measured over one year. Details of the performance targets set for the year under review and performance against them is provided in the Annual Remuneration Report. A clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons.	The maximum bonus opportunity for all four executive directors is 100% of salary. 0% of salary vests for threshold performance. For performance below threshold, no bonus is payable. A graduated scale of targets operates between entry level and maximum performance.
Long-term incentives ("LTIP")	To incentivise and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares Designed to motivate directors and senior employees, whilst retaining them in the Group's employment	Executive Directors are eligible to participate in the Management Consulting Group 2008 Performance Share Plan ("PSP"). Awards vest subject to continued employment and satisfaction of challenging performance conditions measured over three years. All outstanding awards are subject to absolute Total Shareholder Return ("TSR") targets. The Committee intends that future awards will continue to be subject to absolute TSR targets but retains the flexibility to set targets using other measures if it considers that these are appropriate based on the strategic aims of the Company. In addition to the specified performance condition, the Committee must be satisfied that the vesting level is warranted by the Company's underlying financial performance over the three year performance period. A clawback mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	Maximum award in any financial year over shares with a market value (at date of award) of 100% of annual base salary in that financial year. In exceptional circumstances, this limit may be increased to 200% of an employee's annual base salary. 20% of the award vests for threshold performance. No vesting for below threshold performance.

Report of the Remuneration Committee continued

Remuneration policy report continued

Remuneration policy continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
Chairman and non-executive director fees	To attract and retain a high-calibre Chairman and non-executive directors by offering a market competitive fee level	The Chairman and non-executive directors are not normally entitled to bonuses, pension contributions or to participate in any share scheme. However, the Company may provide benefits if deemed appropriate. The Chairman is paid a single fee for all his responsibilities. The non-executives are paid a basic fee. The Chairmen of the main Board committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Non-executives may be paid additional fees for other responsibilities such as being appointed to the Supervisory Board of subsidiaries of the Company. The level of these fees is normally reviewed annually by the Committee and Chief Executive for the Chairman and by the Chairman and executive directors for the non-executive directors, with reference to market levels in comparably sized FTSE companies and taking into account the role, responsibilities and time commitment, and a recommendation is then made to the Board. Fees are paid in cash. If there is a change in responsibility and/or time commitments during the year then the Board can change the level of fees from the date of the change.	As for the executive directors, there is no prescribed maximum annual increase. Fees will be set taking account of market data and time commitment, experience and responsibility. Increases will normally be in line with inflation but on occasions the Board will need to take account of increased responsibilities and time commitment.
Shareholding guidelines	To align interests of Executive Directors with those of shareholders	Executive Directors are required to retain 50% of the post-tax shares received under LTIPs until their shareholding represents 100% of their base salary.	n/a

The Committee will operate the annual bonus plan and Performance Share Plan ("PSP") according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards. How the Committee will retain flexibility includes (albeit with quantum and performance targets restricted to the descriptions detailed above):

- who participates in the plan;
- when to make awards and payments;
- how to determine the size of an award, a payment, or when and how much of an award should vest;
- the testing of a performance condition over a shortened performance period;
- how to deal with a change of control or restructuring of the Group;
- whether a director is a good/bad leaver for incentive plan purposes, what proportion of awards vest at the original vesting date or whether and what proportion of awards may vest at the time of leaving;
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends); and
- what the weighting, measures and targets should be for the annual bonus plan and PSP from year to year.

The Committee also retains the discretion within the policy to adjust existing targets and/or set different measures and alter weighting for the annual bonus plan and for the PSP if events happen that cause it to determine that the targets are no longer appropriate and amendment is required so they can achieve their original intended purpose and provided the new targets are not materially less difficult to satisfy. The Committee will disclose any changes and the reasons for those changes in the Annual Report on Remuneration for the year in which the alteration is made.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of last year's annual bonus or the vesting/exercise of share awards granted in the past) that have been disclosed in previous remuneration reports and in respect of long-term incentive awards as detailed on pages 47 to 49 of the Annual Report on Remuneration. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration policy continued

Choice of performance measures and approach to target setting

The performance measures and targets set for the executive directors' annual bonus and PSP awards are carefully selected to align with the Company's strategic and key performance indicators.

For the annual bonus, financial and non-financial strategic measures are reviewed and selected by the Committee annually. The measures selected and weighting between them may vary annually depending on the key priorities of the business for the year ahead. Robust and demanding targets will be set annually taking into account the economic environment, market expectations and the Company's budget, business plan and strategic priorities for the year ahead.

The Company has used an absolute TSR for a number of years in line with the Group's strategy of delivering superior returns to its shareholders. The Committee will continue to review the choice of performance measures and the appropriateness of targets prior to each PSP award being made and will set robust and stretching targets for any measures used.

Differences in remuneration policy for executive directors compared to other employees

The remuneration policy for the executive directors is designed with regard to the policy for employees across the Group as a whole. For example, the Committee takes into account the general basic salary increase for the broader employee population when determining the annual salary review for the executive directors. There are some differences in the structure of the remuneration policy for the executive directors and other senior employees compared to the wider employee group, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility. The key differences in remuneration policy between the executive directors/other senior employees, and employees across the Group are the increased emphasis on performance related pay and the inclusion of a share based long-term incentive plan.

Other director positions

Mr Stagg is a director of Shinetrip Ltd and a non-voting adviser to the board of Wedlake Bell LLP. The Company recognises that executive directors may be invited to become non-executive directors of other companies and/or sit on the board of subsidiary companies and that such appointments can broaden their knowledge and experience to the benefit of the Group and they are entitled to retain any fees earned. Such fees will be disclosed in the annual report on remuneration for the relevant year.

Approach to recruitment and promotions

The remuneration package for a new Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. Currently, for an executive director, this would facilitate annual bonus and PSP payments of no more than 100% of salary for each, except in exceptional circumstances where PSP limits of no more than 200% of salary may be made. This exceptional limit allows, in particular, for recruitment in exceptional circumstances meeting local market needs. For the annual bonus specific targets could be introduced for an individual where necessary for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which they joined the Board. For long-term incentives an award may be made in the year of joining or, alternatively, the award can be delayed until the following year.

The salary for a new executive director may (but will not necessarily) be set below the normal market rate, with phased increases over the first few years as the executive gains experience in their new role.

The Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders. Such payments would only take account of remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration, the impact of any performance conditions and be of a broadly similar quantum.

For an internal executive director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue and as such are part of the Company's remuneration policy for its executive directors.

For external and internal executive appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

For the appointment of a new Chairman or non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Report of the Remuneration Committee continued

Remuneration policy report continued

Remuneration policy continued

Service contracts and payments for loss of office

Service contracts

No director has a service contract containing more than a one year notice period or with pre-determined compensation provisions upon termination exceeding one year's salary and benefits. It is the Company's policy that, except where prescribed by law, there should be no automatic entitlement to bonuses or share-based payments in the event of an early termination. All newly appointed executive directors will have contracts terminable at any time on up to one year's notice.

Mr Stagg and Mr Povey have contracts with the Company which either party is able to terminate by giving twelve months' notice. Mr Carvalho and Mr Mahjoub each have an appointment letter in respect of their role as a director of the Company which may be terminated with no notice. They also have employment contracts with Group companies. Mr Carvalho has a contract with a Group company which either party is able to terminate with twelve months' notice. Mr Mahjoub has a contract with a Group company which either party is able to terminate by giving three months' notice. Mr Stagg's and Mr Povey's contracts continue until age 65. Mr Mahjoub's contract continues until the mandatory retirement age as specified under French employment legislation. In accordance with normal US practice, Mr Carvalho's contract does not specify a retirement age.

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an executive director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Remuneration Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. In addition, in these circumstances Mr Stagg may be entitled to retain his car. The Committee also has the discretion to pay statutory entitlements or sums to settle or compromise claims in connection with a termination if necessary. In the event of a change of control of the Company there is no enhancement to contractual terms. Service contracts are available for inspection at the Company's registered office.

In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	Twelve months for all executive directors except Mr Mahjoub who is on three months' notice.
Termination payment	Base salary plus benefits (including pension where applicable), paid monthly and subject to mitigation.
	In addition, any statutory entitlements would be paid as necessary.
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below).
	In all cases performance targets would apply.
Change of control	There are no enhanced terms in relation to a change of control.

Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, disability, retirement, the sale of the executive's employing company or business in which he was employed out of the Group or in other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), awards may vest at the normal vesting date. In these circumstances the awards remain subject to performance conditions measured over the original time period and are reduced pro-rata to reflect the proportion of the performance period actually served. The Remuneration Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so although it is envisaged that this would only be applied in exceptional circumstances.

The Remuneration Committee may decide to allow the awards to vest on cessation of employment, in which case vesting will be subject to the satisfaction of the relevant performance conditions at that time and reduced on a time pro-rated basis (although the Remuneration Committee can disapply time pro-rating if it considers it appropriate to do so).

In determining whether an executive's awards should be allowed to vest (subject to performance conditions being met) the Committee will take into account the performance of the individual and the reasons for their departure.

In the event of change of control, awards would be eligible to vest based on (i) the extent to which performance targets had been met, as assessed by the Committee, over the shortened performance period and (ii) subject to a pro rate reduction for time (which the Committee retains discretion to disapply if it considers it appropriate to do so).

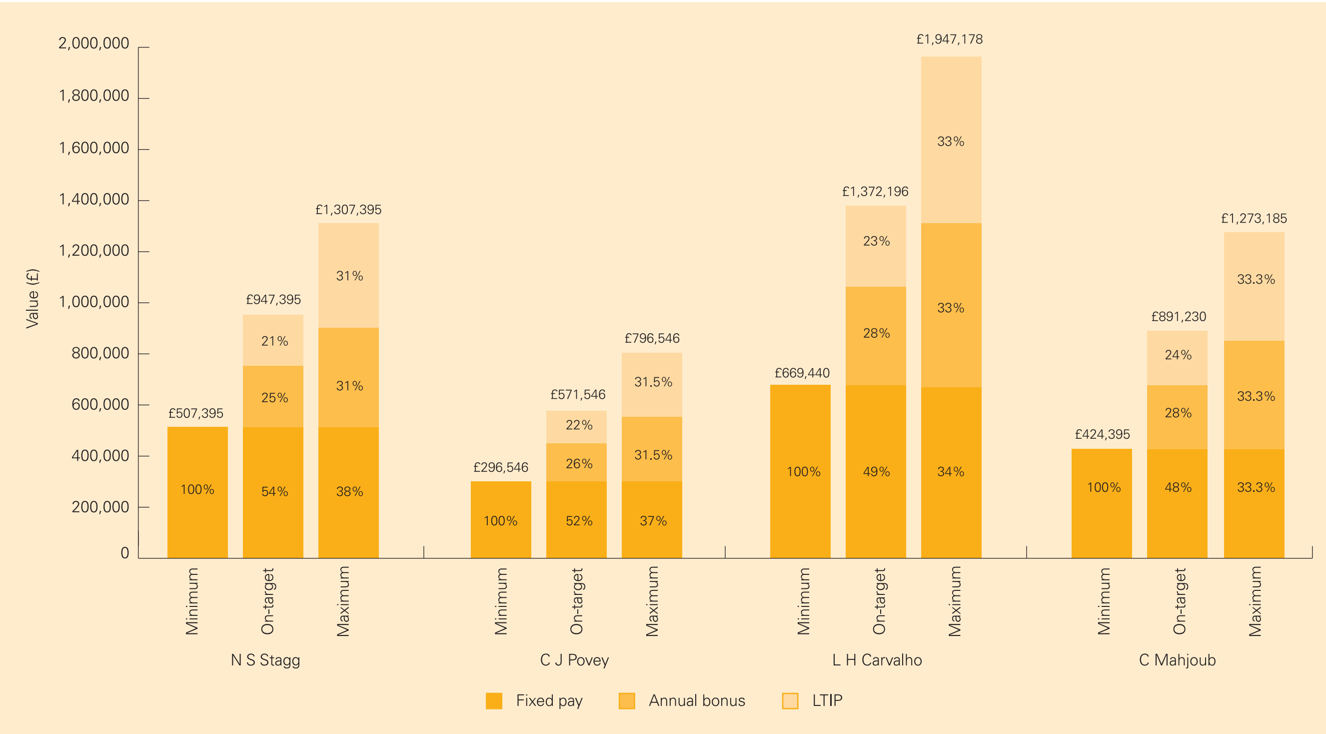
Remuneration policy continued

Chairman and non-executive directors

Neither the Chairman nor the non-executive directors currently have a service contract and all are appointed for limited terms and subject to annual reappointment at the AGM. Neither the Chairman nor the non-executive directors are currently subject to notice periods and none has any rights to compensation on termination. The Company considers this approach appropriate in the current circumstances, although reserves the right to introduce notice periods where considered appropriate.

Reward scenarios

The chart below provides an indication of the remuneration of the executive directors at minimum, in line with expectation on-target and maximum performance, in accordance with the policy to be implemented in 2014. The chart does not include share price movement and all other assumptions are noted below.



Assumptions:
1 Fixed pay consists of base salary, benefits and pension.
2 Base salaries are as at 1 January 2014.
3 Value of benefits is taken to be value of benefits received in 2013. Pension is based on 2014 policy applied to 1 January 2014 salaries.
4 Target annual bonus is 60% of maximum.
5 Target PSP award assumes vesting of 50% of award in the year.
6 Maximum is full vesting of annual bonus and PSP award in the year.
7 Annual bonus and PSP awards are in accordance with implementation of policy for 2014.
8 No share price appreciation is assumed.

Report of the Remuneration Committee continued

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R and 9.8.8 of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 44 to 50 has been audited.

How the policy will be applied in 2014
2014 salary review
There have been no increases in base salary in the year. The executive directors' salaries were reviewed in December 2013.

The current salaries as at 1 January 2014 are as follows:

	Salary as at 1 January 2013	Salary as at 1 January 2014	% increase
N S Stagg	£400,000	£400,000	0%
C J Povey	£250,000	£250,000	0%
L H Carvalho	$1,000,000	$1,000,000	0%
C Mahjoub	€500,000	€500,000	0%

Fees for the Chairman and non-executive directors
A summary of fees as at 1 January 2014 is as follows:

	Fees at 1 January 2013	Fees at 1 January 2014	% increase
Chairman	£100,000	£100,000	0%
Base fee	£35,000	£35,000	0%
Senior Independent Director and Committee Chair	£5,000	£5,000	0%

On 5 March 2014, following Mr Carvalho stepping down from his role, Mr Barber increased his day-to-day time commitment with the Group. In light of this, the Board reviewed his fees and agreed to increase them to £300,000 per annum from that date.

Mr Simon was appointed to the Supervisory Board of the Company's French subsidiary, Kurt Salmon Associés France SA, from 1 January 2009 and the Board will pay him a fee of €5,000 for carrying out this role in 2014. The Board has concluded that this appointment does not affect Mr Simon's independence as the role is considered an extension of his role as a non-executive director. Mr Capello and Mr Di Spiezio Sardo, who were appointed to the Board as non-executive directors on 18 June 2010, have voluntarily agreed not to take fees.

Apart from as noted above, the fees payable to the Chairman and the non-executive directors were last revised with effect from 1 January 2007. The Chairman and non-executive directors are not normally entitled to bonuses, pension contributions or to participate in any share scheme. However, the Company may provide benefits if deemed appropriate.

Performance targets for the annual bonus and LTIP awards to be granted in 2014
For 2014, the major part of the annual bonus will be assessed on financial targets set around the Group's and individual businesses' budgeted profits from operations and revenue with the remainder based on the achievement of personal strategic objectives.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year for the annual bonus as these include items which the Committee considers commercially sensitive. Disclosure of the targets and performance against them will be seen in next year's Annual Remuneration Report.

The annual bonus maximum opportunity and maximum PSP award grant level is 100% of base salary.

The performance conditions for any PSP awards to be granted in 2014 will be agreed by the Remuneration Committee prior to grant. The performance conditions attached to awards will be disclosed in the appropriate RNS announcement.

Remuneration for the year ended 31 December 2013
The table below sets out the remuneration received by the Directors in relation to performance in FY 2013 (or for performance periods ending in FY 2013 in respect of long-term incentives).

£'000		Salary and fees	Benefits[1]	Pension[2]	Annual bonus[3]	Long-term incentives[4]	Other	Total
Executive directors								
N S Stagg	2013	400,000	37,395	70,000	183,600	264,801	–	955,796
	2012	300,000	32,183	52,500	149,600	–	–	534,283
C J Povey	2013	250,000	2,796	43,750	114,800	–	–	411,346
	2012	200,000	–	35,000	99,700	–	–	334,700
L H Carvalho	2013	638,869	16,527	14,043	47,915	–	–	717,354
	2012	630,559	16,260	7,639	650,800	110,810	–	1,416,068
C Mahjoub	2013	424,395	–	–	162,543	–	–	586,938
	2012	405,533	–	–	182,490	–	–	588,023
Chairman								
A J Barber	2013	100,000	–	–	–	–	–	100,000
	2012	100,000	–	–	–	–	–	100,000
Non-executive directors								
M Capello	2013	–	–	–	–	–	–	–
	2012	–	–	–	–	–	–	–
S A Ferriss	2013	45,000	–	–	–	–	–	45,000
	2012	45,000	–	–	–	–	–	45,000
E Di Spiezio Sardo	2013	–	–	–	–	–	–	–
	2012	–	–	–	–	–	–	–
A H Simon	2013	44,244	–	–	–	–	–	44,244
	2012	44,055	–	–	–	–	–	44,055
J D Waldron	2013	40,000	–	–	–	–	–	40,000
	2012	40,000	–	–	–	–	–	40,000
Total	**2013**	**1,942,508**	**56,718**	**127,793**	**508,858**	**264,801**	**–**	**2,900,678**
	2012	1,765,147	48,443	95,139	1,082,590	110,810	–	3,102,129

1 Benefits: include, where appropriate, a car, insurances for life, personal accident, disability, permanent health and family medical cover.
2 For UK resident directors, pensions represent 17.5% of base salary. For the US based directors they represent the employing company's contribution to the director's 401(k) plan.
3 This relates to the payment of the annual bonus for the year ending 31 December 2013. The bonus is paid entirely in cash. Further details are provided below.
4 This relates to the vesting of the 2010 PSP award. The performance period for this award ended on 19 May 2013. The awards vested on 24 May 2013. Details can be found on page 47.

Report of the Remuneration Committee continued

Annual report on remuneration continued

Annual bonus for the year ended 31 December 2013
The annual bonus for the year under review was based on the objectives set out below. The performance targets and performance against them is as follows:

N S Stagg Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objective				
Group underlying operating profit of £18.75m for threshold vesting to £25.0m for maximum vesting	75%	75%	£21.2m	29.4%
Personal objectives	25%	25%	66%	16.5%
Total	**100%**	**100%**		**45.9%**

Personal objectives included:
— Build up Far East presence
— Completion of a number of strategic internal process projects
— Free cash flow targets

C J Povey Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objective				
Group underlying operating profit of £18.75m for threshold vesting to £25.0m for maximum vesting	75%	75%	£21.2m	29.4%
Personal objectives	25%	25%	66%	16.5%
Total	**100%**	**100%**		**45.9%**

Personal objectives included:
— Build up Far East presence
— Completion of a number of strategic internal process projects
— Free cash flow targets

L H Carvalho Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objectives				
Alexander Proudfoot divisional operating profit £12.6m for threshold vesting to £16.8m for maximum vesting	37.5%	37.5%	£8.8m	0%
Alexander Proudfoot revenue of £70.2m for threshold vesting to £93.6m for maximum vesting	37.5%	37.5%	£69m	0%
Financial total	75%	75%		
Personal objectives	25%	25%	30%	7.5%
Total	**100%**	**100%**		**7.5%**

Personal objectives included:
— Deliver sales growth
— Ensure at least a target number of cross-selling projected are achieved
— Develop office in Hong Kong

Annual bonus for the year ended 31 December 2013 continued

C Mahjoub Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objectives				
Kurt Salmon divisional operating profit of £15.3m for threshold vesting to £20.4m for maximum vesting	56.25%	56.25%	£17.2m	21.0%
Group underlying operating profit of £18.75m for threshold vesting to £25.0m for maximum vesting	18.75%	18.75%	£21.2m	7.3%
Financial total	75%	75%		28.3%
Personal objectives	25%	25%	40%	10.0%
Total	**100%**	**100%**		**38.3%**

Personal objectives included:
— Deliver sales growth
— Completion of a number of strategic internal process projects
— Ensure at least a target number of cross-selling projects are achieved

Share awards
The interests in the year of the directors in PSP awards in the Company and the Deferred Share Bonus Plan are set out in the table below:

Director	Nature of award[1]	Date of grant	At 1 January 2013	Granted in year	Vested in year	Lapsed in year	**At 31 December 2013**	Date performance period ends	Date from which shares vest
N S Stagg	LTI FY 2010	20 May 2010	3,000,000	–	868,200	2,131,800	–	19 May 2013	19 May 2013
N S Stagg	LTI FY 2011	6 January 2012	971,000	–	–	–	**971,000**	5 January 2015	5 January 2015
N S Stagg	LTI FY 2012	31 August 2012	1,200,000	–	–	–	**1,200,000**	30 August 2015	30 August 2015
N S Stagg	LTI FY 2013	7 March 2013	–	1,403,000	–	–	**1,403,000**	6 March 2016	6 March 2016
C J Povey	LTI FY 2010	22 December 2010	1,290,000	–	–	1,290,000	–	21 December 2013	21 December 2013
C J Povey	LTI FY 2011	6 January 2012	647,000	–	–	–	**647,000**	5 January 2015	5 January 2015
C J Povey	LTI FY 2012	31 August 2012	800,000	–	–	–	**800,000**	30 August 2015	30 August 2015
C J Povey	LTI FY 2013	7 March 2013	–	877,000	–	–	**877,000**	6 March 2016	6 March 2016
L H Carvalho	LTI FY 2011	6 January 2012	2,072,000	–	–	–	**2,072,000**	5 January 2015	5 January 2015
L H Carvalho	DB FY 2011	7 March 2012	140,347	–	–	–	**140,347**	1 January 2015	1 January 2015
L H Carvalho	LTI FY 2012	31 August 2012	1,200,000	–	–	–	**1,200,000**	30 August 2015	30 August 2015
L H Carvalho	LTI FY 2013	7 March 2013	–	1,403,000	–	–	**1,403,000**	6 March 2016	6 March 2016
C Mahjoub	LTI FY 2011	6 January 2012	1,341,000	–	–	–	**1,341,000**	5 January 2015	5 January 2015
C Mahjoub	DB FY 2011	7 March 2012	352,936	–	–	–	**352,936**	31 May 2014	31 May 2014
C Mahjoub	LTI FY 2012	31 August 2012	1,200,000	–	–	–	**1,200,000**	30 August 2015	30 August 2015
C Mahjoub	LTI FY 2013	7 March 2013	–	1,403,000	–	–	**1,403,000**	6 March 2016	6 March 2016

1 Award types: LTI FY – Long-term incentive award under the 2008 Performance Share Plan for the financial year stated.
DB FY – Deferred bonus payable in shares for the financial year stated.

Report of the Remuneration Committee continued

Annual report on remuneration continued

PSP awards made during the year
On 7 March 2013, the following PSP awards were granted to executive directors:

Executive	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award (£'000)	% of face value that would vest at threshold performance	Vesting determined by performance over
N Stagg	Performance shares	100% of salary of £400,000	28.50p	1,403,000	400	20%	Three calendar years from the date of grant
C Povey	Performance shares	Lower of 100% of salary and £400,000	28.50p	877,000	250	20%	
L H Carvalho	Performance shares	Lower of 100% of salary and £400,000	28.50p	1,403,000	400	20%	
C Mahjoub	Performance shares	Lower of 100% of salary and £400,000	28.50p	1,403,000	400	20%	

The face value of the award is based on the share price at the date of grant.

Vesting of PSP awards
The PSP awards granted on 20 May 2010 to Mr Stagg and 22 December 2010 to Mr Povey were based on performance to the third anniversary of the date of grant. As disclosed in previous annual reports, the performance conditions for these awards and performance achieved were as follows:

N S Stagg

Metric	Condition	Actual	% vesting
Total shareholder return ("TSR")	20% vesting at TSR creation of 5.4p to 100% vesting for TSR creation of 34.8p with straight line vesting in between	TSR creation of 8.69p	28.94%

Note – During the performance period the Company made a placing and open offer in June 2010 enabling shareholders the opportunity to purchase additional shares at below the prevailing market price. Accordingly, the performance condition was adapted from 5.5p and 35.5p to 5.4p and 34.8p, respectively, to take account of the capital raising.

		Total vesting	**868,200**

C J Povey

Metric	Condition	Actual	% vesting
Total shareholder return ("TSR")	20% vesting at TSR creation of 6p to 100% vesting for TSR creation of 29p with straight line vesting in between	TSR creation of (2.83)p	0%
		Total vesting	–

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Share price on vesting date	Value
N S Stagg	3,000,000	868,200	2,131,800	30.5p	£264,801
C J Povey	1,290,000	–	1,290,000		–

In addition to the performance condition above, the Committee was satisfied that the vesting level was warranted by the Company's underlying financial performance over the three year performance period.

Vesting of PSP awards continued
Each executive director received one PSP award in 2013. In 2012 each executive director received two awards. The first award made on 6 January 2012 was in respect of financial year 2011 and the second was in respect of the financial year 2012. No awards were made in the financial year 2011. Thus the underlying intention of not awarding more than 100% of base salary per year was maintained.

The share prices on the dates of grant were 24.50p on 20 May 2010, 31.00p on 22 December 2010, 31.00p on 6 January 2012, 35.25p on 7 March 2012, 24.63p on 31 August 2012 and 28.5p on 7 March 2013.

Except for the directors shown in the above tables no other director held share awards at 31 December 2013. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

The market price at 31 December 2013 was 25.75p and the range during 2013 was 21.25p to 32.00p.

Outstanding PSP awards
Awards made to executive directors in respect of the financial years 2011, 2012 and 2013 will vest in three years, subject to the individual director's continued employment with the Company's group and the achievement of a TSR performance condition set out in the table below:

Date of grant	6 January 2012	31 August 2012	**7 March 2013**
Share price at grant	31.0p	24.63p	**28.5p**
20% vesting at TSR creation of	6.0p	5.0p	**5.0p**
100% vesting at TSR creation of	30.0p	25.0p	**25.0p**

Straight-line vesting between 20% and 100%.

In addition to the TSR performance condition, the Committee must be satisfied that the vesting level is warranted by the Company's underlying financial performance over the three year performance period.

At 31 December 2013, there were awards outstanding over new shares under the 2008 Performance Share Plan of 23.0 million, comprising 4.6% of the issued share capital.

Shareholders have approved that the aggregate options and awards over new issue shares outstanding are limited to 12.8% of the fully diluted share capital.

Deferred Share Bonus ("DSB")
Prior to 2013 part of a larger annual bonus entitlement was paid in deferred shares. In 2013 the annual bonus maximum of the executive directors was reduced and there is no longer a deferred share element. Deferred shares are released three years after the end of the relevant financial year with the exception of Mr Mahjoub's award in respect of financial year 2011 which will be released on 31 May 2014.

Directors' shareholding and share interests
To align the interests of the executive directors and senior management with shareholders, participating executives are required to build up shareholdings through the retention of shares vesting under the Company's share plans. The executive directors are required to build up a shareholding equivalent to 100% of salary, to be achieved through retaining at least 50% of their net of taxes gain arising from any shares vesting or acquired under the long-term incentive share plans, until such time as the upper limit of their share ownership target has been met. Details of the directors' interests in shares are shown in the table on the following page.

Report of the Remuneration Committee continued

Annual report on remuneration continued

Directors' shareholding and share interests continued

	Beneficially owned at 31 December 2013	**Beneficially owned at 5 March 2014**	Outstanding PSP awards	Outstanding DSB awards	% shareholding guideline achieved at 31 December 2013
Executive directors					
N S Stagg	1,264,972	**1,264,972**	3,574,000	–	81.4%
C J Povey	32,000	**32,000**	2,324,000	–	3.3%
L H Carvalho	1,657,006	**1,657,006**	4,675,000	140,347	70.3%
C Mahjoub	3,266,362	**3,266,362**	3,944,000	352,936	201.4%
Chairman and non-executive directors					
A J Barber	2,200,000	**2,200,000**	–	–	n/a
M Capello	–	–	–	–	n/a
S A Ferriss	367,451	**367,451**	–	–	n/a
E Di Spiezio Sardo	–	–	–	–	n/a
A H Simon	62,937	**62,937**	–	–	n/a
J D Waldron	256,725	**256,725**	–	–	n/a

Mr Capello and Mr Di Spiezio Sardo are partners of BlueGem Capital Partners LLP, the manager of BlueGem LP, whose interest in the Company is disclosed in the Directors' Report.

Unaudited information
Percentage increase in the remuneration of the Chief Executive Officer

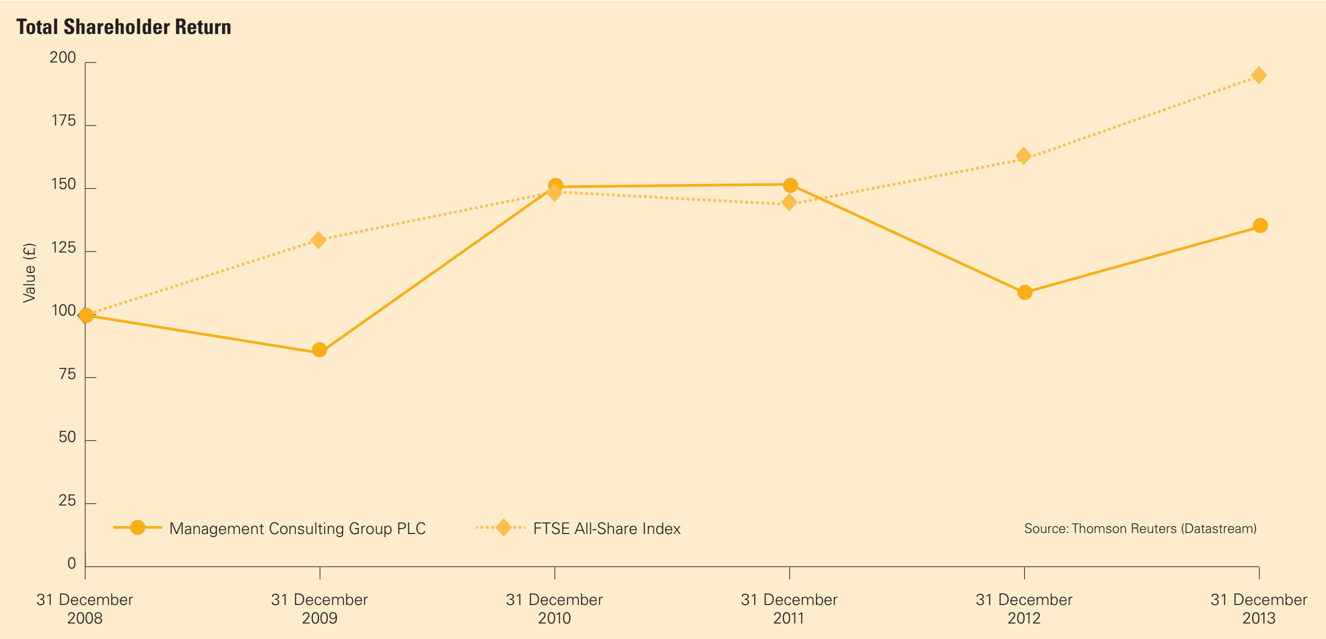
	% change 2012 to 2013
Chief Executive	
Salary	33.3%
Benefits	16.2%
Bonus	22.7%
Average per employee	
Salary	3.0%
Benefits	1.8%
Bonus	(15.5)%

The table above shows the percentage movement in the salary, benefits and annual bonus for the Chief Executive between the year under report and previous financial year compared to that for the average employee. The increase in the Chief Executive's salary is due to the rebalancing of his remuneration package with effect from 1 January 2013 whereby salary was increased and maximum annual bonus opportunity reduced. Further details were given in last year's report.

Unaudited information continued

Performance graph

The regulations require this report to contain a graph illustrating the Company's performance compared with an appropriate "broad equity market index" over the past five years. Management Consulting Group PLC is a constituent of the FTSE All-Share Index and, accordingly, that index is considered the most appropriate form of "broad equity market index" against which the Group's performance should be plotted. Performance, as required by the legislation, is measured by TSR (share price growth plus dividends paid).



This graph shows the value, by 31 December 2013, of £100 invested in Management Consulting Group PLC on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

	2009	2010	2011	2012	**2013**
Total remuneration (£'000)	500	521	717	534	**956**
Annual bonus (% of maximum)	0%	22.3%	54.7%	24.9%	**45.9%**
LTIP vesting (% of maximum)	0%	0%	0%	0%	**28.94%**

The table above shows the total remuneration figure for the Chief Executive during each of the financial years shown. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for the long-term incentive). The maximum annual bonus potential reduced from 200% of salary for the years up to and including 2012 to 100% of salary for 2013.

Relative importance of the spend on pay

	2012	**2013**	% increase/(decrease)
Staff costs £'000	173,421	**159,816**	(7.8)%
Dividends £'000	3,994	**3,983**	(0.2)%

The table above shows the movement in spend on staff costs compared to dividends.

Report of the Remuneration Committee continued

Annual report on remuneration continued

Unaudited information continued

External advisers

New Bridge Street ("NBS") was appointed by the Remuneration Committee in 2011. NBS meets one-to-one with the Remuneration Committee Chairman at least once a year to discuss matters such as topical issues in remuneration which are of particular relevance to the Company, and how best it can work with the Company to meet the Committee's needs. NBS is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee its compliance with the Code. The Committee is satisfied that the advice that it receives is objective and independent.

The total fees paid to NBS in respect of its services to the Committee during the year were £23,372. The fees are predominantly charged on a "time spent" basis.

External directorships

The table below sets out details of the external directorships held by the executive directors and any fees that they received in respect of their services during the year.

Position	FY 2013	FY 2012
NS Stagg		
Shinetrip Ltd	**£27,500**	£27,500
Wedlake Bell – Adviser to Board	—	—

Statement of shareholder voting

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

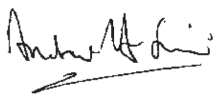
	2013 AGM	%
Votes cast in favour	**299,297,589**	84.9%
Votes cast against	**53,336,976**	15.1%
Total votes cast	**352,634,565**	100.0%
Votes withheld	**11,752,573**	

Approval

This Directors' Remuneration Report, including both the Policy and Annual Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Yours sincerely



A H Simon
Chairman of the Remuneration Committee
6 March 2014

Directors' responsibility statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Chairman's Statement, Business Review and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may 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 6 March 2014. The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this report should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Nick Stagg
Chief Executive
6 March 2014

Chris Povey
Finance Director

Independent auditor's report
to the members of Management Consulting Group plc

Opinion on financial statements of Management Consulting Group plc
In our opinion:

— the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

— the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern
As required by the Listing Rules we have reviewed the directors' statement contained within the Financial Review that the group is a going concern. We confirm that:

— we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

— we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Carrying value of goodwill The assessment of the carrying value of goodwill due to the significance of the goodwill asset on the balance sheet and the judgemental nature of assumptions included within Management's impairment model, in particular the growth rates inherent in the forecasts and the discount rate assumption.	We assessed the assumptions used in the impairment model for goodwill, described in note 10 to the financial statements. In particular, we considered the cash flow projections, discount rates, perpetuity growth rates and sensitivities used for the two cash generating units, Alexander Proudfoot and Kurt Salmon, with reference to historical forecasting accuracy, peer group benchmarking and other publicly available information.
Revenue recognition Revenue recognition, including the valuation of revenue, and debtor and accrued income exposure due to the estimation of revenue for work performed but not invoiced at the year end date.	We assessed the revenue recognition policies applied in the two divisions of the Group, including the valuation and timing of revenue recognition by reference to timesheets and post year end billing, as well as performing substantive tests on a sample of contracts, analytical procedures and assessing whether the revenue recognition policies adopted complied with IFRS. Debtor and accrued income ageing and recoverability were tested with reference to post year end receipts and the level of provisioning was assessed with reference to historical performance.
Recoverability of deferred tax assets Recognition and recoverability of deferred tax assets, in particular those in overseas jurisdictions, due to the judgements involved in estimating future taxable profits in those jurisdictions.	We worked with our tax audit specialists to test the appropriateness of the assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets as described in note 15 to the financial statements. We assessed the assumptions with reference to supporting documentation, and supporting forecasts and estimates as well as considering the appropriateness of tax disclosures.

The Audit Committee's consideration of these risks is set out on page 33.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.05 million having regard to a number of factors including the level of non-recurring items and average of pre-tax profit over the last three years. This equates to below 7.5% of pre-tax profit and below 0.5% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at four locations, the key components of which were all subject to a full audit. The full audits undertaken at these four locations account for 93% of the group's net assets, 79% of the group's revenue and 97% of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these four locations were executed at levels of materiality applicable to each individual entity which were lower than group materiality.

The Group audit team met with the management teams including Presidents and Chief Financial Officers at the four key locations this year. The senior statutory auditor also attended audit close meetings at each of these locations. For the two locations that are not audited directly by the group engagement team, senior members of the group team performed a review of the workpapers completed by the local audit team, with a particular focus on the procedures undertaken to address the risks of material misstatement identified above.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Independent auditor's report continued
to the members of Management Consulting Group plc

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Anthony Morris, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 March 2014

Financials

2013 was characterised by a stronger second half performance in Alexander Proudfoot and progress in Kurt Salmon outside France.

MCG plc remains in a strong financial position and will continue to focus on promoting profitable growth in the business to benefit its shareholders.

Featured in the financial section:

Group income statement
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 restated
Continuing operations			
Revenue	3	**257,304**	285,759
Cost of sales		**(165,226)**	(185,308)
Gross profit		**92,078**	100,451
Administrative expenses – underlying		**(70,898)**	(74,705)
Profit from operations – underlying		**21,180**	25,746
Administrative expenses – non-recurring (net)	4	**(1,525)**	(5,304)
Profit from operations before amortisation of acquired intangibles		**19,655**	20,442
Administrative expenses – amortisation of acquired intangibles	10	**(2,161)**	(2,255)
Total administrative expenses		**(74,584)**	(82,264)
Profit from operations	3	**17,494**	18,187
Investment revenues	6a	**121**	239
Finance costs	6b	**(3,595)**	(3,732)
Profit before tax	4	**14,020**	14,694
Tax	7	**(4,897)**	(4,304)
Profit for the year attributable to owners of the Company		**9,123**	10,390
Earnings per share – pence			
From profit for the year attributable to owners of the Company:			
Basic	9	**1.9**	2.1
Diluted	9	**1.8**	2.1
Basic – underlying	9	**2.4**	3.2
Diluted – underlying	9	**2.3**	3.1

Group statement of comprehensive income
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000 restated
Profit for the year		**9,123**	10,390
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains/ (losses) on defined benefit post-retirement obligations	17	**5,205**	(3,434)
Tax items taken directly to comprehensive income	7, 15	**1,124**	11
		6,329	(3,423)
Items that may be reclassified subsequently to profit and loss			
(Loss)/gain on available-for-sale investments	20	**(83)**	154
Exchange differences on translation of foreign operations	20	**1,912**	(5,826)
		1,829	(5,672)
Total comprehensive income for the year attributable to owners of the Company		**17,281**	1,295

Results for the year ended 31 December 2012 have been restated for the impact of amendments to IAS 19 Employee Benefits, which is described further in note 2.

Group statement of changes in equity
for the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013	**84,504**	**82,040**	**32,513**	**5,732**	**(3,627)**	**23,214**	**6,383**	**(36,193)**	**194,566**
Profit for the year	—	—	—	—	—	—	—	9,123	9,123
Exchange differences	—	—	—	—	—	1,912	—	—	1,912
Actuarial movements	—	—	—	—	—	—	—	5,205	5,205
Loss on AFS investments	—	—	—	—	—	—	(83)	—	(83)
Tax on comprehensive income items	—	—	—	—	—	—	—	1,124	1,124
Tax on equity items	—	—	—	—	—	—	—	(195)	(195)
Share-based payments	—	—	—	3,039	—	—	—	—	3,039
Lapsed/vested shares	—	—	—	(2,532)	140	—	—	2,069	(323)
Shares acquired by employee benefits trust	—	—	—	—	(718)	—	—	—	(718)
Shares transferred from employee benefits trust	—	—	—	—	94	—	—	—	94
Dividends paid to shareholders	—	—	—	—	—	—	—	(2,878)	(2,878)
Balance at 31 December 2013	**84,504**	**82,040**	**32,513**	**6,239**	**(4,111)**	**25,126**	**6,300**	**(21,745)**	**210,866**
Balance at 1 January 2012	84,504	82,040	32,513	3,388	(3,739)	29,040	6,229	(39,237)	194,738
Profit for the year – restated	—	—	—	—	—	—	—	10,390	10,390
Exchange differences	—	—	—	—	—	(5,826)	—	—	(5,826)
Actuarial movements – restated	—	—	—	—	—	—	—	(3,434)	(3,434)
Gain on AFS investments	—	—	—	—	—	—	154	—	154
Tax on comprehensive income items	—	—	—	—	—	—	—	11	11
Tax on equity items	—	—	—	—	—	—	—	(138)	(138)
Share-based payments	—	—	—	2,344	—	—	—	—	2,344
Shares acquired by employee benefits trust	—	—	—	—	(284)	—	—	—	(284)
Shares transferred from employee benefits trust	—	—	—	—	396	—	—	—	396
Dividends paid to shareholders	—	—	—	—	—	—	—	(3,785)	(3,785)
Balance at 31 December 2012	**84,504**	**82,040**	**32,513**	**5,732**	**(3,627)**	**23,214**	**6,383**	**(36,193)**	**194,566**

Group balance sheet
as at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Intangible assets and goodwill	10	**266,806**	266,397
Property, plant and equipment	11	**2,724**	2,646
Investments	12	**2,444**	2,025
Deferred tax assets	15	**16,486**	19,985
Total non-current assets		**288,460**	291,053
Current assets			
Trade and other receivables	13	**68,709**	63,988
Current tax receivable	15	**1,941**	2,376
Cash and cash equivalents	22	**14,669**	14,863
Total current assets		**85,319**	81,227
Total assets		**373,779**	372,280
Current liabilities			
Trade and other payables	14	**(70,787)**	(82,374)
Current tax liabilities	15	**(9,014)**	(12,147)
Total current liabilities		**(79,801)**	(94,521)
Net current assets/(liabilities)		**5,518**	(13,294)
Non-current liabilities			
Financial liabilities	16	**(54,481)**	(45,150)
Retirement benefit obligations	17	**(19,582)**	(24,761)
Non-current tax liabilities	15	**(3,764)**	(4,516)
Long-term provisions	18	**(5,285)**	(8,766)
Total non-current liabilities		**(83,112)**	(83,193)
Total liabilities		**(162,913)**	(177,714)
Net assets		**210,866**	194,566
Equity			
Share capital	19	**84,504**	84,504
Share premium account	20	**82,040**	82,040
Merger reserve	20	**32,513**	32,513
Share compensation reserve	20	**6,239**	5,732
Shares held by employee benefits trust	20	**(4,111)**	(3,627)
Translation reserve	20	**25,126**	23,214
Other reserves	20	**6,300**	6,383
Retained earnings	21	**(21,745)**	(36,193)
Equity attributable to owners of the Company		**210,866**	194,566

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2014. They were signed on its behalf by:

Chris Povey

Chris Povey
Director

Group cash flow statement
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	22	**1,842**	4,609
Investing activities			
Interest received		**30**	29
Purchases of property, plant and equipment		**(1,213)**	(778)
Purchases of intangible assets		**(1,333)**	(2,713)
Proceeds on disposal of fixed assets		**—**	908
Purchase of financial assets		**(362)**	(90)
Proceeds on disposal of investments		**—**	1,426
Disposal of subsidiary	27	**98**	—
Acquisition of subsidiaries		**(320)**	(295)
Net cash used in investing activities		**(3,100)**	(1,513)
Financing activities			
Interest paid		**(2,067)**	(2,295)
Dividends paid		**(3,890)**	(3,632)
Proceeds from borrowings		**29,543**	70,612
Repayment of borrowings		**(20,617)**	(70,659)
Proceeds from issue of shares		**—**	600
Share buyback		**(718)**	(284)
Net cash generated from/(used in) financing activities		**2,251**	(5,658)
Net increase/(decrease) in cash and cash equivalents		**993**	(2,562)
Cash and cash equivalents at beginning of year		**14,863**	19,762
Effect of foreign exchange rate changes		**(1,187)**	(2,337)
Cash and cash equivalents at end of year	22	**14,669**	14,863

Company balance sheet
as at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	10	**256**	396
Property, plant and equipment	11	**475**	503
Investments	12	**235,987**	235,750
Deferred tax assets	15	—	195
Total non-current assets		**236,718**	236,844
Current assets			
Trade and other receivables	13	**23,805**	40,492
Cash and cash equivalents	22	**181**	71
Total current assets		**23,986**	40,563
Total assets		**260,704**	277,407
Current liabilities			
Trade and other payables	14	**(36,461)**	(55,623)
Total current liabilities		**(36,461)**	(55,623)
Net current liabilities		**(12,475)**	(15,060)
Non-current liabilities			
Long-term provisions	18	**(1,789)**	(2,293)
Total non-current liabilities		**(1,789)**	(2,293)
Total liabilities		**(38,250)**	(57,916)
Net assets		**222,454**	219,491
Equity			
Share capital	19	**84,504**	84,504
Share premium account	20	**82,040**	82,040
Merger reserve	20	**26,830**	26,830
Share compensation reserve	20	**6,239**	5,732
Shares held by employee benefits trust	20	**(4,111)**	(3,627)
Capital redemption reserve	20	**1,186**	1,186
Retained earnings	21	**25,766**	22,826
Equity attributable to owners of the Company		**222,454**	219,491

The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2014. They were signed on its behalf by:

Chris Povey

Chris Povey
Director

Company number
1000608

Company statement of changes in equity
for the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013	**84,504**	**82,040**	**26,830**	**5,732**	**(3,627)**	**1,186**	**22,826**	**219,491**
Loss for the year	—	—	—	—	—	—	(2,969)	(2,969)
Tax on equity items	—	—	—	—	—	—	(195)	(195)
Share-based payments	—	—	—	3,039	—	—	—	3,039
Lapsed/vested shares	—	—	—	(2,532)	140	—	2,069	(323)
Shares acquired by employee benefits trust	—	—	—	—	(718)	—	—	(718)
Shares transferred from employee benefits trust	—	—	—	—	94	—	—	94
Dividends received from subsidiaries	—	—	—	—	—	—	6,913	6,913
Dividends paid to shareholders	—	—	—	—	—	—	(2,878)	(2,878)
Balance at 31 December 2013	**84,504**	**82,040**	**26,830**	**6,239**	**(4,111)**	**1,186**	**25,766**	**222,454**
Balance at 1 January 2012	84,504	82,040	26,830	3,388	(3,739)	1,186	31,527	225,736
Loss for the year	—	—	—	—	—	—	(4,811)	(4,811)
Share-based payments	—	—	—	2,344	—	—	—	2,344
Tax on equity items	—	—	—	—	—	—	(105)	(105)
Shares acquired by employee benefits trust	—	—	—	—	(284)	—	—	(284)
Shares transferred from employee benefits trust	—	—	—	—	396	—	—	396
Dividends paid to shareholders	—	—	—	—	—	—	(3,785)	(3,785)
Balance at 31 December 2012	**84,504**	**82,040**	**26,830**	**5,732**	**(3,627)**	**1,186**	**22,826**	**219,491**

Company cash flow statement
for the year ended 31 December 2013

	Note	**2013 £'000**	2012 £'000
Net cash inflow from operating activities	22	**687**	740
Investing activities			
Purchases of property, plant and equipment		**(114)**	(12)
Purchases of intangible assets		**(10)**	—
Investment in subsidiaries		**(237)**	—
Cash advances from subsidiaries		**17,389**	22,626
Repayment of advances to subsidiaries		**(19,518)**	(20,509)
Dividends received		**6,913**	—
Net cash raised from investing activities		**4,423**	2,105
Financing activities			
Interest paid		**(866)**	(832)
Dividends paid		**(3,890)**	(3,632)
Proceeds from issue of shares		**—**	600
Share buyback		**(718)**	(284)
Net cash used in financing activities		**(5,474)**	(4,148)
Net decrease in cash and cash equivalents		**(364)**	(1,303)
Cash and cash equivalents at beginning of year		**71**	2,771
Effect of foreign exchange rate changes		**474**	(1,397)
Cash and cash equivalents at end of year	22	**181**	71

Notes to the financial statements
for the year ended 31 December 2013

1. General information
Management Consulting Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 104. The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review.

2. Significant accounting policies
The following accounting policies have been applied consistently in the current and preceding year in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation
The financial statements of Management Consulting Group plc and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union ("EU") and therefore comply with Article 4 of the EU International Accounting Standards ("IAS") regulation.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the Company has elected not to present its own income statement. Its separate financial statements have been prepared in accordance with IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. The principal accounting policies adopted in the preparation of the parent company's financial statements are the same as those adopted in the consolidated financial statements except that the parent company's investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and principal risks and uncertainties are described in the Financial Review. In addition, note 23 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to liquidity risk and credit risk.

As detailed under "Liquidity and capital resources" in the Financial Review, the Group has a borrowing facility, which runs until July 2016. The facility is a fully revolving credit facility under which the Group can draw up to £85m. The facility is subject to financial covenants (referred to in note 23). At 31 December 2013, £54.5m was drawn on the facility. The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed. Consideration is given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of a significant amount of cost incurred by the Group.

The Board has concluded that the Group should be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements, and, accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Adoption of new and revised standards
In the current year, the following new and revised standards and interpretations have been adopted and have affected the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (amended June 2011)
The Group has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income. The amendment increases the required level of disclosure within the statement of comprehensive income. The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, comprehensive income and total comprehensive income.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Significant accounting policies continued
(a) Basis of preparation continued
Adoption of new and revised standards continued
IAS 19 Employee Benefits (revised June 2011)
In the current year, the Group has applied IAS 19 (as revised in June 2011) Employee Benefits and the related consequential amendments in advance of their effective dates. The Group has applied IAS 19 (as revised in June 2011) retrospectively and in accordance with the transitional provisions as set out in IAS 19.173. These transitional provisions do not have an impact on future periods. The amendments to IAS 19 change the accounting for defined benefit schemes and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and scheme assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of scheme assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated balance sheet to reflect the full value of the scheme deficit or surplus. Furthermore, the interest cost and expected return on scheme assets used in the previous version of IAS 19 are replaced with a "net-interest" amount under IAS 19 (as revised in June 2011), which is calculated by applying a discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) also introduces more extensive disclosures in the presentation of the defined benefit cost. These consolidated financial statements are the first financial statements in which the Group has early adopted IAS 19 (as revised in June 2011). IAS 19 (as revised in June 2011) has been adopted retrospectively in accordance with IAS 8. As the Group has always recognised actuarial gains and losses immediately, there is no effect on the prior year defined benefit obligation and balance sheet disclosure. For the comparative period, the consolidated income statement is £1,271,000 lower and the statement of comprehensive income is £1,271,000 higher than it would have been prior to the adoption of IAS 19 (as revised in June 2011).

Standards not affecting the reported results nor the financial position
The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Amendments to IAS 12 Income Taxes
The Group has applied the amendments to IAS 12 (December 2010) titled Deferred Tax: Recovery of Underlying Assets. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Amendment to IFRS 13 Fair Value Measurement
The fair value of trade receivables, trade payables, financial assets, bank loans are not materially different to their book value.

Amendments to IFRS 7 Financial Instruments: Disclosures
The Group has applied the amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

Amendments to IFRS 1 Government Loans
The Group has applied the amendments to IFRS 1 – Government Loans which address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. As the Group does not have any Government Loans, the application of the amendment has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Amendments to IFRS 7 Disclosures Offsetting Financial Assets and Liabilities
The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. As the Group does not have any offsetting arrangements in place, the application of the amendment has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Amendments to IFRIC 20 Stripping Costs in Production Phase of a Surface Mine
The Group has applied the amendments to IFRS 20 Disclosures – Stripping Costs in the Production Phase of a Surface Mine.

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 10 IFRS 12 and IAS 27 (amended): Investment Entities

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 (revised) Separate Financial Statements

IAS 28 (revised) Investments in Associates and Joint Ventures

IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities

2. Significant accounting policies continued

(a) Basis of preparation continued

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

IFRS 9 will impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Critical accounting judgements and key sources of estimation uncertainty

The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires the development of estimates and judgements that affect the reported amount of assets and liabilities, revenues and costs and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. The Board considers that the Group's critical accounting policies are limited to those described below. The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee.

Revenue recognition

Revenue represents amounts chargeable for services provided to third parties in the normal course of business. Revenue from services is recognised when the service is provided and the right to consideration earned. To the extent that a service has been provided to third parties but no billing made, the amount is recognised as revenue and recorded as accrued income. Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as proportion of the total value of the engagement. This assessment is an estimate which is based on the nature of the service supplied and the terms of the contract and is calculated with reference to time spent as a proportion of the total time required to complete the service. Costs are expensed as incurred except to the extent that they relate to future services that have not yet been rendered, in which case they are recognised as an asset provided that they are expected to be recovered. Any significant underestimation or over-estimation of amounts receivable could have a material effect on the Group's financial position and results of operations. Billings made in advance of services being provided are recognised as deferred income.

Goodwill and other intangible fixed assets

Under IFRS goodwill is capitalised and tested for impairment annually and when events or changes in circumstances indicate the carrying value may not be recoverable. Intangible assets with finite lives are capitalised and amortised over their useful economic lives. Changes in assumptions used in the Group's impairment reviews or estimated useful economic lives could have a material effect on the presentation of the Group's financial position and results of operations. Details of the impairment test calculations are set out in note 10.

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgements about uncertain events, including, but not limited to, discount rates, life expectancy, future pay inflation and expected healthcare trend rates. Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are important to the recorded amount of the benefit expense in the income statement and the net liability recorded in the balance sheet. Actuarial valuations are carried out annually. These determine the expense recorded in the income statement, the net liability recognised in the balance sheet, and items to be recorded in the consolidated statement of recognised income and expense. Details of the assumptions used are included in note 17 to the financial statements.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax liabilities and assets in the period in which such determination is made.

Provisions

The Group has onerous property leases which require judgement in terms of the provision being carried on the balance sheet.

(b) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries") made up to 31 December each year. For subsidiaries with non-coterminous year ends true-up adjustments to 31 December are made to net assets and net profit where material. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. This generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of subsidiaries acquired or disposed of during the period are included in the Group income statement from or to the effective date of acquisition or disposal, respectively. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. In the income statement the results of subsidiaries acquired during the period are classified as part of continuing operations from the date control is achieved. The results of subsidiaries that are disposed of during the period are classified within discontinued operations in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Significant accounting policies continued

(c) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale which are recognised and measured at fair value less costs to sell. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. The measurement period is the period from acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

(d) Goodwill

Goodwill arising in a business combination represents the excess of the cost of acquisition over the Group's interest in the net fair value of the recognised identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Goodwill is not amortised but is tested annually for impairment or more frequently when there is indication of impairment and carried at cost less accumulated impairment loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 January 2004, the date of transition to IFRS, has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to equity prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss and disposal.

(e) Intangible assets

Acquired intangible assets (e.g. customer relationships, trademarks, licences) are capitalised and amortised on a straight-line basis over their useful economic lives. Purchased computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives, which do not exceed three years. Costs associated with developing software are capitalised as intangible assets when they are separable or arise from contractual or other legal rights. Costs associated with maintaining computer software programs are recognised as an expense as incurred. All other intangible assets are amortised from three years to a maximum of ten years depending on useful economic life.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual value, by equal annual instalments over their estimated useful lives of between three and seven years.

(g) Leasehold improvements

Leasehold improvements are depreciated using the straight-line method over the shorter of their estimated useful lives or the term of the related lease.

(h) Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by cash-generating units.

For goodwill Alexander Proudfoot and Kurt Salmon are treated as separate cash-generating units.

(i) Dividend distribution

Dividends to holders of common shares are recognised as a liability in the Group and parent company's financial statements in the period in which the shareholders' right to receive payment has been established. For interim dividends the shareholders' right to receive payment is the same as the date of payment. For final dividends the shareholders have a right to receive payment once the proposed dividend has been approved by the Board.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for short-term cash investment purposes.

(k) Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2. Significant accounting policies continued

(l) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates which are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

(n) Own shares

The Company shares held by the employee benefits trust established in respect of certain share-based awards are presented as a reduction of equity.

(o) Investments

The Group's financial assets are classified as either at "fair value through profit and loss" ("FVTPL") or "available-for-sale" ("AFS") financial assets, depending on the nature and purpose of the financial assets, which is determined at the time of original recognition. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on AFS monetary items, are recognised directly in equity. When an AFS investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The investments in the parent company balance sheet represent equity holdings in subsidiary companies. These are carried at cost less impaired amounts.

(p) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(q) Dividend income

Dividend income is recognised when the right to receive payment is established.

(r) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(s) Retirement benefit costs

For defined contribution pension schemes, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For the defined benefit schemes, the amounts charged to the income statement are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost is calculated by applying a discount rate to the net defined liability or asset.

Actuarial gains and losses are recognised immediately in the Group statement of comprehensive income. The US defined benefit pension scheme is funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value. Liabilities in relation to the defined benefit schemes are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at each balance sheet date. The resulting defined benefit asset or liability is presented on the face of the balance sheet.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Significant accounting policies continued

(t) Share-based payments

Share awards are made to selected employees on a discretionary basis. Awards are measured at their fair value (which is measured using the stochastic pricing model at the date of grant) and are recognised as an employee benefits expense on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions, with a corresponding increase in the share compensation reserve. The expected life used in the valuation model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The proceeds received net of any directly attributable transaction costs are credited to share capital (in respect of the nominal value) and share premium (in respect of the balance) when the options are exercised. Where options do not vest, a transfer is made from the share compensation reserve to retained earnings.

(u) Foreign currencies

The individual financial statements of each Group entity are drawn up in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the Company's functional and presentation currency. In preparing the financial statements, transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign company are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(v) Non-recurring items

Non-recurring items are those significant credits or charges which, in the opinion of the directors, should be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions that may give rise to non-recurring items include charges for impairment, restructuring costs, acquisition costs, discontinued operations and profits/losses on disposal of subsidiaries.

3. Operating segments

The Group's operating segments are defined as the two professional services practices, Alexander Proudfoot and Kurt Salmon. This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. All revenues are derived from the provision of professional services.

Inter-segmental sales are not significant.

(a) Geographical analysis

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

(i) Revenue and underlying operating profit by geography

Year ended 31 December 2013	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	**108,426**	**129,662**	**19,216**	**257,304**
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	13,079	6,268	1,833	21,180
Non-recurring expenses and amortisation of acquired intangibles	(1,239)	(2,447)	—	(3,686)
Profit from operations	11,840	3,821	1,833	17,494
Investment income				121
Finance costs				(3,595)
Profit before tax				14,020

3. Operating segments continued
(a) Geographical analysis continued
(i) Revenue and underlying operating profit by geography continued

Year ended 31 December 2012	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	106,136	156,016	23,607	285,759
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	9,510	12,559	3,677	25,746
Non-recurring expenses and amortisation of acquired intangibles	(2,031)	(5,518)	(10)	(7,559)
Profit from operations	7,479	7,041	3,667	18,187
Investment income (restated)				239
Finance costs (restated)				(3,732)
Profit before tax (restated)				14,694

(ii) Net assets by geography

At 31 December 2013	**Americas £'000**	**Europe £'000**	**Rest of the World £'000**	**Group £'000**
Assets				
Intangibles, including goodwill	**110,426**	**153,089**	**3,291**	**266,806**
Other segment assets	**43,913**	**55,586**	**5,708**	**105,207**
	154,339	**208,675**	**8,999**	**372,013**
Unallocated corporate assets				**1,766**
Consolidated total assets				**373,779**
Liabilities				
Segment liabilities	**(66,661)**	**(87,065)**	**(6,261)**	**(159,987)**
Unallocated corporate liabilities				**(2,926)**
Consolidated total liabilities				**(162,913)**
Net assets				**210,866**

At 31 December 2012	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Assets				
Intangibles, including goodwill	113,525	149,582	3,290	266,397
Other segment assets	42,182	55,218	4,871	102,271
	155,707	204,800	8,161	368,668
Unallocated corporate assets				3,612
Consolidated total assets				372,280
Liabilities				
Segment liabilities	(71,025)	(90,886)	(7,161)	(169,072)
Unallocated corporate liabilities				(8,642)
Consolidated total liabilities				(177,714)
Net assets				194,566

Notes to the financial statements continued
for the year ended 31 December 2013

3. Operating segments continued
(a) Geographical analysis continued
(iii) Capital additions, depreciation and amortisation by geography

At 31 December 2013	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Capital additions	1,907	387	231	2,525
Unallocated corporate additions				21
Total capital additions				2,546
Depreciation and amortisation	2,631	2,340	91	5,062

At 31 December 2012	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Capital additions	2,970	464	45	3,479
Unallocated corporate additions				12
Total capital additions				3,491
Depreciation and amortisation	1,937	2,698	63	4,698

(b) Revenue and underlying operating profit by operating segment
The two operating segments are combined into one reportable segment owing to similar underlying economic characteristics across the 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 2013	Alexander Proudfoot £'000	Kurt Salmon £'000	Total £'000
Revenue – continuing operations	68,760	188,544	257,304
Underlying operating profit	7,352	13,828	21,180
Non-recurring expenses and amortisation of acquired intangibles			(3,686)
Operating profit			17,494
Investment income			121
Finance costs			(3,595)
Profit before tax			14,020

Year ended 31 December 2012	Alexander Proudfoot £'000	Kurt Salmon £'000	Total £'000
Revenue – continuing operations	86,749	199,010	285,759
Underlying operating profit	12,205	13,541	25,746
Non-recurring expenses and amortisation of acquired intangibles			(7,559)
Operating profit			18,187
Investment income (restated)			239
Finance costs (restated)			(3,732)
Profit before tax (restated)			14,694

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

	Note	2013 £'000	2012 £'000
Net foreign exchange gains		**(269)**	(210)
Amortisation of intangible assets		**4,073**	3,607
Depreciation of property, plant and equipment		**989**	1,091
Gain on disposal of fixed assets		**(116)**	(571)
Non-recurring items (net)		**1,525**	5,304
Staff costs	5	**159,816**	173,421

Non-recurring items in 2013 comprise £1.2m in relation to restructuring costs within Kurt Salmon and £0.3m in respect of a loss on disposal of a subsidiary. Non-recurring items in 2012 comprised of £2.9m in relation to restructuring within Kurt Salmon, which included £2.9m for redundancy and related expenses and a write down of £0.4m in respect of assets held for disposal offset by £0.4m income from asset disposals, and £2.4m in respect of property costs.

A detailed analysis of the auditor's remuneration on a worldwide basis is provided below:

Auditor's remuneration	2013 £'000	2013 %	2012 £'000	2012 %
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**45**	**7**	44	7
Fees payable to the Company's auditor and its associates for other services to the Group – The audit of the Company's subsidiaries	**382**	**58**	383	59
Total audit fees	**427**	**65**	427	66
Taxation compliance services	**167**	**25**	206	32
Other non-audit services	**64**	**10**	12	2
Total non-audit fees	**231**	**35**	218	34
Total auditor's remuneration	**658**	**100**	645	100

A description of the work of the Audit and Risk Committee is set out in the Report of the Audit and Risk Committee and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

5. 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:

	2013 Number	2012 Number
Sales and marketing	**124**	98
Consultants	**1,238**	1,356
Support staff	**219**	240
	1,581	1,694

The number of Group employees at the year end was 1,490 (2012: 1,697).

The aggregate payroll costs of these persons were as follows:

	2013 £'000	2012 £'000
Wages and salaries	**129,039**	139,677
Social security costs	**26,184**	29,191
Other pension costs	**4,593**	4,553
	159,816	173,421

A charge of £404,000 (2012: £238,000) is included in the operating results in respect of the current service cost of the retirement benefit obligations (see note 17).

The average number of Company employees for the year was 22 (2012: 24) The payroll costs of the Company were £2,181,000 (2012: £2,756,000) for wages and salaries, £256,000 (2012: £234,000) for social security costs and £192,000 (2012: £116,000) for pension costs.

Notes to the financial statements continued
for the year ended 31 December 2013

6a. Investment revenues

	2013 £'000	2012 £'000 restated
Interest receivable on bank deposits and similar income	**30**	29
Gain in relation to financial instruments	**91**	210
	121	239

6b. Finance costs

	Note	2013 £'000	2012 £'000 restated
Interest payable on bank overdrafts and loans and similar charges		**2,435**	2,746
Finance costs on retirement benefit plans	17	**1,160**	986
		3,595	3,732

7. Tax

	2013			2012		
Recognised in the income statement: Income tax expense on continuing operations	**Before non-underlying items £'000**	**Non-underlying items £'000**	**Total £'000**	Before non-underlying items £'000	Non-underlying items £'000	Total £'000
Current tax						
Current year	**5,665**	**(418)**	**5,247**	7,279	(774)	6,505
Adjustment in respect of prior years	**(3,287)**	**—**	**(3,287)**	473	—	473
Current tax expense/(credit)	**2,378**	**(418)**	**1,960**	7,752	(774)	6,978
Deferred tax						
Current year	**6,547**	**(780)**	**5,767**	(1,069)	(1,605)	(2,674)
Adjustment in respect of prior years	**(2,830)**	**—**	**(2,830)**	—	—	—
Deferred tax expense/ (credit)	**3,717**	**(780)**	**2,937**	(1,069)	(1,605)	(2,674)
Total income tax						
Income tax expense/(credit) on continuing activities	**6,095**	**(1,198)**	**4,897**	6,683	(2,379)	4,304

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2013			2012		
	Before non-underlying items £'000	**Non-underlying items £'000**	**Total £'000**	Before non-underlying items £'000	Non-underlying items £'000	Total £'000
Profit before tax from continuing operations	**17,706**	**(3,686)**	**14,020**	22,253	(7,559)	14,694
Tax at the average rate applicable across the Group of 33% (2012: 33%)	**5,861**	**(1,220)**	**4,641**	7,343	(2,502)	4,841
Net tax effect of unrelieved losses	**1,963**	**—**	**1,963**	(3,820)	—	(3,820)
Overseas tax rate differences and irrecoverable withholding tax	**1,488**	**(94)**	**1,394**	1,959	(59)	1,900
Temporary differences	**—**	**—**	**—**	(858)	—	(858)
Net tax effect of permanent differences and unrecognised temporary differences	**2,899**	**116**	**3,015**	1,586	182	1,768
Relating to prior years	**(6,116)**	**—**	**(6,116)**	473	—	473
Income tax expense/(credit) on continuing operations	**6,095**	**(1,198)**	**4,897**	6,683	(2,379)	4,304
Effective tax rate for the year	**34%**		**35%**	30%		29%

7. Tax continued

The average tax rate applicable across the Group has remained at 33% (2012: 33%). This rate has been calculated at the rates prevailing in the jurisdictions where the Group operates.

	2013 £'000	2012 £'000
Tax credited to other comprehensive income		
Current and deferred tax credits on actuarial and other movements on post-employment benefits	**1,124**	11
Tax credit on items recognised in other comprehensive income	**1,124**	11

	2013 £'000	2012 £'000
Tax charged to equity		
Current and deferred tax charges in respect of share-based payments	**(195)**	(138)
Tax charge on items recognised in equity	**(195)**	(138)

8. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2012 of 0.595p per share (2011: 0.55p)	**2,878**	2,670
Interim dividend recognised for the year ended 2012 of 0.23p per share	—	1,115
	2,878	3,785

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 2013 (in respect of the interim dividend for the year ended 31 December 2013) was £32,934 (2012: £27,943).

The 2012 final dividend of 0.595p per share was paid on 2 July 2013.

The 2013 interim dividend of 0.230p per share was paid on 7 January 2014.

The directors propose a final dividend of 0.595p per share for the year ended 31 December 2013.

9. Earnings per share

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

Earnings	2013 £'000	2012 £'000 restated
Earnings for the purposes of basic earnings per share and diluted earnings per share, being net profit attributable to owners of the Company	**9,123**	10,390
Non-recurring items (net)	**1,525**	5,304
Amortisation of acquired intangibles	**2,161**	2,255
Taxation on non-recurring items and amortisation of acquired intangibles	**(1,198)**	(2,379)
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**11,611**	15,570

Number of shares	Number million	Number 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	**484.0**	485.5
Effect of dilutive potential ordinary shares:		
Restricted share plan	**14.4**	12.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**498.4**	498.0

Notes to the financial statements continued
for the year ended 31 December 2013

9. Earnings per share continued

	2013 p	2012 p
Basic earnings per share for the year attributable to owners of the Company	**1.9**	2.1
Diluted earnings per share for the year attributable to owners of the Company	**1.8**	2.1
Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**2.4**	3.2
Diluted earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**2.3**	3.1

The average share price for the year ended 31 December 2013 was 27.4p (2012: 28.5p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted profit per share in 2013 includes rights over 14,366,218 ordinary shares (2012: 12,524,653).

10. Intangible assets and goodwill

Group	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost				
At 1 January 2013	256,612	18,175	10,436	285,223
Additions	—	—	1,333	1,333
Disposals	—	—	(387)	(387)
Category transfers	—	—	288	288
Exchange differences	3,291	908	(79)	4,120
At 31 December 2013	**259,903**	**19,083**	**11,591**	**290,577**
Amortisation				
At 1 January 2013	—	13,549	5,277	18,826
Charge for the year	—	2,161	1,912	4,073
Disposals	—	—	(321)	(321)
Category transfers	—	—	288	288
Exchange differences	—	921	(16)	905
At 31 December 2013	**—**	**16,631**	**7,140**	**23,771**
Carrying amount				
At 31 December 2013	**259,903**	**2,452**	**4,451**	**266,806**
At 31 December 2012	256,612	4,626	5,159	266,397

Company	Software costs £'000
Cost	
At 1 January 2013	858
Additions	10
At 31 December 2013	**868**
Amortisation	
At 1 January 2013	462
Charge for the year	150
At 31 December 2013	**612**
Carrying amount	
At 31 December 2013	**256**
At 31 December 2012	396

10. Intangible assets and goodwill continued

Group	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost				
At 1 January 2012	263,201	18,848	8,834	290,883
Acquisitions	922	—	—	922
Final fair value adjustments (note 27)	(184)	—	—	(184)
Additions	—	—	2,692	2,692
Disposals	—	—	(754)	(754)
Exchange differences	(7,327)	(673)	(336)	(8,336)
At 31 December 2012	256,612	18,175	10,436	285,223
Amortisation				
At 1 January 2012	—	11,667	4,941	16,608
Charge for the year	—	2,255	1,352	3,607
Disposals	—	—	(754)	(754)
Exchange differences	—	(373)	(262)	(635)
At 31 December 2012	—	13,549	5,277	18,826
Carrying amount				
At 31 December 2012	256,612	4,626	5,159	266,397
At 31 December 2011	263,201	7,181	3,893	274,275

Company	Software costs £'000
Cost	
At 1 January 2012	858
Additions	—
At 31 December 2012	858
Amortisation	
At 1 January 2012	310
Charge for the year	152
At 31 December 2012	462
Carrying amount	
At 31 December 2012	396
At 31 December 2011	548

Notes to the financial statements continued
for the year ended 31 December 2013

10. Intangible assets and goodwill continued

Analysis of goodwill

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Group	2013 £'000	2012 £'000
Cost		
Kurt Salmon	**213,780**	212,012
Alexander Proudfoot	**46,123**	44,600
	259,903	256,612

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to EBITA during the period.

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks and tax rates specific to the CGU. Goodwill is tested against the value in use of operating segments on the basis that, given the integrated nature of the segments, it cannot be reasonably allocated to a lower level of CGU.

The Group prepares cash flow forecasts based on the most recent financial budgets and the strategic plan for the next three years. The budget and strategic plan were prepared on a bottom-up basis, taking into account market and economic factors specific to the geographies and practices of the divisions and have been approved by the Board. The key assumptions underlying the forecasts are revenue and EBITA, with growth forecast in each of the three years. EBITA is deemed to be a reasonable proxy for cash.

The forecast for Kurt Salmon assumes some revenue growth in 2014, reflecting the regional mix for the business as a whole, which includes stabilised client activity levels in France and better short-term prospects in North America and Asia. EBITA margins are assumed to improve slightly in 2014 following the restructuring activities undertaken during 2012 and 2013.

The forecast for Alexander Proudfoot assumes revenue growth in 2014 together with a corresponding EBITA margin improvement.

The cash flows are extrapolated based on steady long-term EBITA growth assumptions reflecting the long-term average growth rates for the regions in which the CGUs operate, which are blended rates of 2.25% and 3.5% for the Europe region and 3.1% and 3.3% for the Americas region for Kurt Salmon and Alexander Proudfoot respectively. Assumed EBITA rates are consistent with past experience and industry norms. The rates used to discount the forecast post-tax cash flows for each CGU are 7.98% for Kurt Salmon and 8.02% for Alexander Proudfoot and are based on the relevant regional weighted average cost of capital.

For both CGUs the carrying amount of goodwill at 31 December 2013 was significantly below the assessed recoverable amount (Kurt Salmon: £348m; Alexander Proudfoot: £222m), with headroom of £127m for Kurt Salmon and £173m for Alexander Proudfoot after also including attributable other fixed assets of £6.8 million and £2.3 million respectively. This remained satisfactory having taken into account reasonably possible changes in key assumptions.

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2013	7,472	1,718
Additions	1,213	114
Exchange differences	(204)	—
Disposals	(642)	—
Category transfers	261	—
At 31 December 2013	**8,100**	**1,832**
Accumulated depreciation		
At 1 January 2013	4,826	1,215
Charge for the year	989	142
Exchange differences	(118)	—
Disposals	(582)	—
Category transfers	261	—
At 31 December 2013	**5,376**	**1,357**
Carrying amount		
At 31 December 2013	**2,724**	**475**
At 31 December 2012	2,646	503

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2012	7,237	1,707
Additions	799	11
Exchange differences	(269)	—
Disposals	(295)	—
At 31 December 2012	7,472	1,718
Accumulated depreciation		
At 1 January 2012	4,176	973
Charge for the year	1,091	243
Exchange differences	(146)	(1)
Disposals	(295)	—
At 31 December 2012	4,826	1,215
Carrying amount		
At 31 December 2012	2,646	503
At 31 December 2011	3,061	734

Notes to the financial statements continued
for the year ended 31 December 2013

12. Investments

Group	2013 £'000	2012 £'000
Cost		
At 1 January 2013	**2,025**	2,856
Additions	**1,003**	252
Disposals	**(542)**	(1,144)
Exchange differences	**115**	(82)
Revaluation	**(157)**	143
At 31 December 2013	**2,444**	2,025

The fair values above are based on the reports received at the balance sheet date from independent investment advisers. Dividends are recorded when the right to receive payment is established.

The fair values represent the principal amounts on which dividends are received. The timing of dividend receipts varies but generally they are received every six months or annually. Dividend income is recorded in the income statement.

Financial assets primarily comprise investments in corporate securities. The main risk associated with these investments is the risk of changes in market value. Investment performance is regularly monitored and, where appropriate, professional advice is obtained.

Company	Shares £'000	Loans £'000	Total £'000
Investment in Group companies			
At 1 January 2013	235,423	327	235,750
Addition	—	822	822
Repayment of loans	—	(1,360)	(1,360)
Provision release	—	775	775
At 31 December 2013	**235,423**	**564**	**235,987**
At 1 January 2012	235,423	6,336	241,759
Addition	—	371	371
Repayment of loans	—	(6,337)	(6,337)
Foreign exchange movement	—	(43)	(43)
At 31 December 2012	235,423	327	235,750

Shares are stated net of provisions of £5,970,000 (2012: £5,970,000) against impairment in value. Additions in the year reflect increased investments in intermediate holding companies.

Details of the Company's principal subsidiary undertakings are set out in note 26.

13. Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade receivables – gross	**46,816**	47,145	—	—
Allowance for doubtful debts	**(1,804)**	(2,444)	—	—
Trade receivables – net	**45,012**	44,701	—	—
Amounts owed by Group undertakings	—	—	**21,922**	38,215
Other receivables	**4,644**	3,132	**166**	184
Accrued income	**17,025**	13,229	—	—
Prepayments	**2,028**	2,926	**1,717**	2,093
	68,709	63,988	**23,805**	40,492

Debtor days at the year end were 62 days (2012: 45 days). No interest was charged on receivables. The directors consider that the carrying value of trade and other receivables approximates to their fair value (see note 23).

14. Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Trade payables	**3,092**	3,822	**205**	750
Amounts owed to Group undertakings	**—**	—	**31,482**	50,065
Other taxes and social security	**18,581**	19,315	**1,576**	1,094
Other payables	**1,176**	2,119	**233**	(529)
Deferred income	**10,175**	8,699	**—**	—
Accruals	**37,763**	48,419	**2,965**	4,243
	70,787	82,374	**36,461**	55,623

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 24 days (2012: 30 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 23).

15. Tax assets and liabilities

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Current tax				
Current tax receivable	**1,941**	2,376	**—**	—
Current tax liabilities	**(9,014)**	(12,147)	**—**	—
Non-current tax				
Deferred tax asset	**16,486**	19,985	**—**	195
Tax liabilities	**—**	—	**—**	—
Deferred tax liabilities	**(3,764)**	(4,516)	**—**	—

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current year:

Group	Share awards £'000	Pension £'000	Tax losses £'000	Other £'000	Total £'000
Deferred tax assets					
At 1 January 2012	334	3,754	9,322	5,226	18,636
Foreign exchange	(1)	(149)	(386)	(126)	(662)
Recognised in Group statement of comprehensive income	—	11	—	—	11
Recognised direct to equity	(138)	—	—	—	(138)
Credited to Group income statement	—	95	1,554	489	2,138
At 1 January 2013	195	3,711	10,490	5,589	19,985
Foreign exchange	—	(114)	(43)	(642)	(799)
Recognised in Group statement of comprehensive income	—	1,124	—	—	1,124
Recognised direct to equity	(195)	—	—	—	(195)
Credited/(charged) to Group income statement	—	1,354	(3,564)	(1,419)	(3,629)
At 31 December 2013	**—**	**6,075**	**6,883**	**3,528**	**16,486**

Notes to the financial statements continued
for the year ended 31 December 2013

15. Tax assets and liabilities continued

Group	Arising on acquisitions – intangibles £'000	Other £'000	Total £'000
Deferred tax liabilities			
At 1 January 2012	3,102	2,154	5,256
Foreign exchange	(116)	(89)	(205)
(Credit)/charge to Group income statement	(798)	263	(535)
At 1 January 2013	2,188	2,328	4,516
Foreign exchange	(7)	(53)	(60)
(Credit)/charge to Group income statement	(767)	75	(692)
At 31 December 2013	**1,414**	**2,350**	**3,764**

Of the deferred tax assets recognised at 31 December 2013 totalling £16.5m (2012: £20.0m), amounts of £6.9m (2012: £10.5m) are in respect of US tax losses and £7.0m (2012: £7.8m) are in respect of other timing differences relating to the US and £2.6m (2012: £1.7m) in respect of other temporary differences relating to non-US jurisdictions. The Group believes there will be sufficient future taxable profits to utilise these tax losses and the deductions arising from the reversal of these other deferred tax assets. No deferred tax asset has been recognised in respect of non-US tax losses.

At 31 December 2013 the Group did not recognise deferred tax assets totalling £35.2m (2012: £34.1m), of which £14.9m (2012: £9.5m) are in respect of US tax losses, £20.3m (2012: £21.2m) are in respect of non-US tax losses and £nil (2012: £3.4m) are in respect of temporary timing differences other than losses. Based on the current tax rules in the respective jurisdictions, non-US losses of £81.4m are expected to expire as follows: £14.4m by the end of 2018, £2.3m by the end of 2023, £1.2m by the end of 2033, with the remaining £63.5m being carried forward indefinitely. The losses may be subject to tax audit adjustment and it is uncertain if there will be sufficient future profits against which the losses can be offset.

No deferred tax liability is recognised in relation to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of the temporary differences which would give rise to the liability and it is probable that they will not reverse in the foreseeable future. The unrecognised deferred tax liability at 31 December 2013 of £1.8m (2012: £1.5m) is in respect of the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of tax due in overseas intermediate holding companies and dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Company	Other £'000
Deferred tax asset	
At 1 January 2013	195
Recognised direct to equity	(195)
At 31 December 2013	–

16. Bank borrowings

Group

	2013 £'000	2012 £'000
Non-current: bank borrowings	**54,481**	45,150
Total borrowings	**54,481**	45,150

In December 2011 the Group put in place a fully revolving borrowing facility for up to £85m which runs until July 2016. Under the new facility borrowings bear interest at a margin of 2.25% to 3.25% over US Dollar Libor, Euribor and Sterling Libor annually.

	2013 £'000	2012 £'000
In the third to fifth year	**54,481**	45,150
Total	**54,481**	45,150

The exposure of the Group's borrowings to interest rate changes at the balance sheet dates is as follows:

	2013 £'000	2012 £'000
Six months or less	**54,481**	45,150

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount 2013 £'000	Carrying amount 2012 £'000	**Fair value 2013 £'000**	Fair value 2012 £'000
Bank borrowings	**54,481**	45,150	**49,558**	40,286

The fair values for non-current borrowings are based on cash flows discounted using a rate based on the borrowing rate of 3.14% for Euro and 3.14% for US Dollar (2012: Euro 2.70% and US Dollar 3.10%).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	**2013 £'000**	2012 £'000
Euro	**36,032**	30,150
US Dollar	**18,449**	15,000
	54,481	45,150

The Group has the following undrawn borrowing facilities:

	2013 £'000	2012 £'000
Floating rate	**28,934**	38,330

Company

The Company does not have any borrowing facilities.

Notes to the financial statements continued
for the year ended 31 December 2013

17. Retirement benefit obligations
Defined contribution schemes
The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to income in respect of defined contribution schemes was £4,593,000 (2012: £4,553,000), representing contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit schemes
In the US the Group operates a closed defined benefit pension scheme and a closed unfunded plan which provides benefits in respect of post-retirement medical costs. In France, the Group has a statutory unfunded post-retirement benefit obligation. In Germany, the Group has an unfunded post-retirement benefit obligation and, in the UK, a funded pension scheme, which is defined contribution with defined benefit underpin; both plans are closed to new employees. Actuarial valuations are obtained annually from independent qualified actuaries for each of the defined benefit arrangements.

The retirement benefit obligations are summarised below:

	2013 £'000	2012 £'000
US defined benefit pension scheme	**5,529**	12,436
US post-retirement medical plan	**3,256**	2,190
French statutory obligation	**1,991**	1,598
German obligation	**8,806**	8,537
UK defined benefit pension scheme	—	—
	19,582	24,761

A 1% change in the discount rates used in calculating the above obligations is estimated to affect the total retirement benefit obligation by £6,500,000 (2012: £8,200,000). The cumulative amount of other gains and losses recognised in the other comprehensive income since the date of transition to IFRS is a loss of £18,600,000 (2012 restated: £23,800,000).

US schemes
The funded US defined benefits pension scheme was closed to new entrants with effect from 1 February 2001 and further benefit accruals ceased for all members with effect from 31 December 2001. The US medical benefits plan applies only to certain former employees who retired prior to 30 September 1995 and to the post-retirement medical costs of a small number of current and former employees who were employed at that date.

The principal assumptions used for the recent actuarial valuations were:

	2013 %	2012 %
Discount rate	**4.73**	3.91
General inflation assumption	**n/a**	n/a

There are neither guaranteed nor discretionary increases to benefits after retirement. The mortality table used was the RP 2000 mortality tables for males and females projected with scale BB-2D (2012: RP2005 White Collar Table). The discount rate assumption was changed to reflect changes in long-term corporate bond yields. Expected contributions for 2014 are £1,722,000.

(a) Amounts recognised in finance costs in respect of these benefit schemes are as follows:

	2013 £'000	2012 £'000 restated
US defined benefit pension scheme		
Expected return on pension scheme assets	**1,708**	1,840
Interest on pension scheme liabilities	**(2,403)**	(2,371)
	(695)	(531)
US medical benefits plan		
Interest on plan liabilities	**(128)**	(101)
Net finance expense	**(823)**	(632)

Actuarial gains and losses have been reported in the Group statement of comprehensive income. The actual return on scheme assets was £7,817,000 (2012: £5,202,000).

17. Retirement benefit obligations continued
Defined benefit schemes continued
US schemes continued
(b) The amount included in the balance sheet arising from the Group's obligations in respect of the US defined benefit pension scheme and medical benefits plan is as follows:

	Note	2013 £'000	2012 £'000
Present value of defined benefit obligations		**(55,418)**	(56,578)
Fair value of scheme assets		**46,633**	41,952
Liability recognised in the balance sheet		**(8,785)**	(14,626)
Defined benefit pension scheme	(17)(e)(i)	**(5,529)**	(12,436)
Medical benefit plan	(17)(e)(ii)	**(3,256)**	(2,190)
		(8,785)	(14,626)

(c) Movements in balance sheet amounts
Changes in the present value of the defined benefit obligations are as follows:

	2013 £'000	2012 £'000
Opening defined benefit obligation	**(56,578)**	(55,448)
Interest cost	**(2,531)**	(2,472)
Actuarial loss	**(886)**	(4,012)
Contributions by participants	**(81)**	(86)
Exchange differences	**1,189**	2,658
Benefits paid	**3,469**	2,782
Closing defined benefit obligation	**(55,418)**	(56,578)

Changes in the fair values of the plan assets are as follows:

	2013 £'000	2012 £'000 restated
Opening fair value of plan assets	**41,952**	39,322
Expected return	**1,708**	1,840
Actuarial gain	**6,108**	3,362
Contributions by employer/participants	**1,230**	1,913
Exchange differences	**(1,172)**	(1,703)
Benefits paid	**(3,193)**	(2,782)
Closing fair value of plan assets	**46,633**	41,952
Net retirement benefit obligations	**(8,785)**	(14,626)

(d) The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows:

	2013 £'000	2012 £'000
Equities	**37,306**	28,527
Bonds	**8,860**	13,005
Cash	**467**	420
	46,633	41,952

The expected rates of return are based on actuarial advice received.

Notes to the financial statements continued
for the year ended 31 December 2013

17. Retirement benefit obligations continued
Defined benefit schemes continued
US schemes continued
(e) History of experience gains and losses
(i) US defined benefit pension scheme
The five year history of experience adjustments in relation to the US defined benefit pension scheme is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit obligations	**(52,162)**	(54,388)	(52,102)	(50,398)	(45,104)
Fair value of scheme assets	**46,633**	41,952	39,322	35,685	32,621
Deficit in the scheme	**(5,529)**	(12,436)	(12,780)	(14,713)	(12,483)
Experience adjustments on scheme liabilities					
Amount	**(836)**	164	(1,568)	(4,657)	(2,431)
Percentage of scheme liabilities	**(2)%**	0%	(3)%	(9)%	(5)%
Experience adjustments on scheme assets					
Amount	**6,121**	3,362	(983)	(1,609)	2,464
Percentage of scheme assets	**13%**	8%	(2)%	(4)%	(8)%

(ii) Unfunded US medical benefit plan
The five year history of experience adjustments in relation to the US medical plan is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of plan liabilities	**(3,256)**	(2,190)	(3,346)	(4,143)	(3,882)
Experience adjustments of plan liabilities	**1,111**	(923)	(745)	(217)	1
Percentage of plan liabilities	**34%**	(42)%	(22)%	(5)%	0.1%

French schemes
(f) Unfunded French retirement obligation
The principal assumptions used for the recent actuarial valuation of the French retirement scheme were:

	2013	2012
Rate of increase in salaries	**3–6%**	3–6%
Discount rate	**3.3%**	3.2%

There are neither guaranteed nor discretionary increases to benefits after retirement.

In both years the mortality table used was INSEE 00/02.

(i) Amounts recognised in finance costs in respect of the French post-retirement scheme are as follows:

	2013 £'000	2012 £'000 restated
Interest on liabilities	**(59)**	(65)

17. Retirement benefit obligations continued
Defined benefit schemes continued
French schemes continued
(f) Unfunded French retirement obligation continued
(ii) The amount included in the balance sheet arising from the Group's obligations in respect of the French post-retirement benefit scheme is as follows:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	**(1,991)**	(1,598)
Fair value of scheme assets	—	—
Liability recognised in the balance sheet	**(1,991)**	(1,598)

(iii) Movements in balance sheet amounts
Changes in the present value of the French defined benefit obligation are as follows:

	2013 £'000	2012 £'000 restated
At start of year	**(1,598)**	(1,185)
Service cost	**(98)**	(48)
Actuarial loss	**(211)**	(320)
Employer contribution	—	—
Interest cost	**(59)**	(65)
Foreign exchange difference	**(25)**	20
Closing defined benefit obligation	**(1,991)**	(1,598)

The French obligation is unfunded and holds no plan assets.

(iv) History of experience gains and losses
There are no experience adjustments in relation to the French post-retirement scheme in the period since acquisition.

German schemes
(g) Unfunded German retirement obligation
The principal assumptions used for the recent actuarial valuation of the German retirement scheme were:

	2013	2012
Rate of increase in salaries	**4%**	4%
Discount rate	**3.35%**	3.2%

There are neither guaranteed nor discretionary increases to benefits after retirement.

In both years the mortality table used was Heubeck 2005 G.

(i) Amounts recognised in finance costs in respect of the German post-retirement scheme are as follows:

	2013 £'000	2012 £'000
Interest on liabilities	**(278)**	(290)

(ii) The amounts included in the balance sheet arising from the Group's obligations in respect of the German post-retirement benefit scheme are as follows:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	**(8,806)**	(8,537)
Fair value of scheme assets	—	—
Liability recognised in the balance sheet	**(8,806)**	(8,537)

Notes to the financial statements continued
for the year ended 31 December 2013

17. Retirement benefit obligations continued
Defined benefit schemes continued
German schemes continued
(g) Unfunded German retirement obligation continued
(iii) Movements in balance sheet amounts
Changes in the present value of the German defined benefit obligation are as follows:

	2013 £'000	2012 £'000
At 1 January	**(8,537)**	(5,863)
Service cost	**(306)**	(190)
Interest cost	**(278)**	(290)
Actuarial gain/(loss)	**194**	(2,549)
Benefits paid	**278**	261
Foreign exchange	**(157)**	94
Closing defined benefit obligation	**(8,806)**	(8,537)

The German obligation is unfunded and therefore holds no plan assets and no contributions are made.

(iv) History of experience gains and losses
The history of experience adjustments in relation to the German post-retirement scheme that arose in the period since acquisition is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of plan liabilities	**(8,807)**	(8,537)	(5,863)	(5,889)	(5,935)
Experience adjustments of plan liabilities	**(16)**	3	(264)	(485)	(288)
Percentage of the plan liabilities	**0%**	0%	(4.5)%	(8.2)%	(4.9)%

UK schemes
(h) UK retirement obligation
The principal assumptions used for the recent actuarial valuation of the UK retirement scheme were:

	2013 %	2012 %
Expected long-term return on scheme assets	**4.4**	4.1
Discount rate	**4.4**	4.1

There are neither guaranteed nor discretionary increases to benefits after retirement.

At 31 December 2013 and 31 December 2012 there are no amounts recognised in finance costs in respect of the UK post-retirement scheme.

At 31 December 2013 and 31 December 2012 there are no actuarial gains and losses reported in the Group statement of comprehensive income relating to the UK scheme.

(i) The amounts included in the balance sheet arising from the Group's obligations in respect of the UK post-retirement benefit scheme are as follows:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	**(4,200)**	(3,800)
Fair value of scheme assets	**4,300**	3,900
Provision	**(100)**	(100)
Asset recognised in the balance sheet	**—**	—

17. Retirement benefit obligations continued
Defined benefit schemes continued
UK schemes continued
(h) UK retirement obligation continued
Changes in the present value of the defined benefit obligations are as follows:

	2013 £'000	2012 £'000
Opening defined benefit obligation	**(3,800)**	(3,700)
Interest cost	**(200)**	(200)
Benefits paid	**—**	—
Settlements	**200**	200
Actuarial loss	**(400)**	(100)
Closing defined benefit obligation	**(4,200)**	(3,800)

Changes in the fair values of the plan assets are as follows:

	2013 £'000	2012 £'000
Opening fair value of plan assets	**3,900**	3,800
Expected return	**200**	200
Benefits paid	**—**	—
Settlements	**(200)**	(200)
Actuarial gain	**400**	100
Closing fair value of plan assets	**4,300**	3,900

The actual return on scheme assets was £600,000 (2012: £300,000).

The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows:

	2013		2012	
	Expected return %	**£'000**	Expected return %	£'000
Equities	**4.4**	**4,300**	4.1	3,900

The expected rates of return are based on actuarial advice received.

(ii) History of experience gains and losses
The history of experience adjustments in relation to the UK post-retirement scheme that arose in the period since acquisition is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of plan liabilities	**(4,200)**	(3,800)	(3,700)	(4,200)	(4,300)
Fair value of scheme assets	**4,300**	3,900	3,800	4,300	4,400
Experience adjustments on scheme assets	**400**	100	(200)	300	(500)
Percentage of scheme assets	**9%**	3%	(5)%	7%	(12)%
Experience adjustments of plan liabilities	**(400)**	(100)	200	(300)	(500)
Percentage of the plan liabilities	**(10)%**	3%	5%	(7)%	12%

Notes to the financial statements continued
for the year ended 31 December 2013

18. Long-term provisions

	Group			Company
	Property provision £'000	Pensions provision £'000	**Total £'000**	**Property provision £'000**
At 1 January 2013	8,385	381	**8,766**	**2,293**
Utilised	(3,033)	(221)	**(3,254)**	**(504)**
Charge	(75)	—	**(75)**	—
Foreign exchange movement	(106)	(46)	**(152)**	—
At 31 December 2013	**5,171**	**114**	**5,285**	**1,789**

	Group			Company
	Property provision £'000	Pensions provision £'000	Total £'000	Property provision £'000
At 1 January 2012	7,040	575	7,615	2,140
Utilised	(2,864)	(244)	(3,108)	(486)
Charge	4,478	100	4,578	639
Foreign exchange movement	(269)	(50)	(319)	—
At 31 December 2012	8,385	381	8,766	2,293

Provisions are expected to be utilised over the period to 2020 and are discounted if material.

19. Share capital
(a) Called up share capital

	£'000
Issued and fully paid:	
2013 and 2012: 497,050,995 shares of 1p each	**4,970**
2013 and 2012: 331,390,961 deferred shares of 24p each	**79,534**
	84,504

Shares in issue in the year were:

	24p shares Number	**1p shares Number**	**Nominal value £'000**
At 1 January and 31 December 2013	**331,390,961**	**497,050,995**	**84,504**

The Company has two classes of shares: 1p ordinary shares that carry no right to fixed income; and 24p deferred shares that (i) have no entitlement to any dividend, (ii) whose voting rights are restricted to matters in connection with a winding up of the Company or abrogation of rights attaching to deferred shares and (iii) whose entitlement to a return of capital on a winding up of the Company is limited to the amount paid up on the deferred shares up to a maximum of 24p per share (but only after any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares plus the payment in cash or specie of £10m for every 1p paid up or credited as paid up on those ordinary shares.

An expense of £3,928,000 (2012: £3,146,000) has been recognised in the year in respect of share awards. The cumulative share compensation reserve at 31 December 2013 is £6,239,000 (2012: £5,732,000). The weighted average fair value of awards granted in the year was 28.15p (2012: 11.72p).

19. Share capital continued
(b) Share awards
Conditional awards
The Performance Share Plan was introduced during 2008. Any employee (including an executive director) of the Company and its subsidiaries is eligible to participate in the Plan at the discretion of the Remuneration Committee (the "Committee").

The Committee may grant awards as conditional shares, a nil (or nominal) cost option with a short exercise period or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash.

The vesting of awards is subject to performance conditions set by the Committee. Further details in respect of share awards made to directors can be found in the Directors' Remuneration Report on page 44.

	Number of shares granted/ brought forward	Lapses/leavers	**Number of shares under award at 31 December 2013**	Exercisable not earlier than
Outstanding at 1 January 2013	23,977,000	(6,090,000)	**17,887,000**	December 2014 – August 2015
March 2013	5,086,000	—	**5,086,000**	March 2016
Outstanding at 31 December 2013			**22,973,000**	

The performance conditions for conditional awards granted during the year are either purely TSR based or a combination of share price performance and the achievement of other non-market based financial targets.

The fair value of conditional awards was determined using the stochastic valuation model. Expected volatility was assessed by considering the historic volatility of the Company's share price.

The inputs into the stochastic valuation model for the conditional share awards are as follows:

	March 2013
Fair value of award	9.11p
Share price on date of grant	28.25p
Expected life	3 years
Expected volatility	33.25%
Risk free rate	0.39%
Expected dividend yield	2.92%

Restricted awards
Share awards to employees other than directors may be made on a restricted basis. These awards are normally only subject to an employment condition and must be satisfied with market purchase shares. Executive directors are not eligible to participate in restricted share plans.

	Number of shares granted/ brought forward	Lapses/leavers	**Number of shares under award at 31 December 2013**	Share price on award	Exercisable not earlier than
Outstanding at 1 January 2013	19,246,335	(1,402,291)	**17,844,044**	—	January 2014 – September 2015
April 2013	7,652,300	(457,800)	**7,194,500**	30.50	April 2016
June 2013	66,363	—	**66,363**	28.5	June 2016
August 2013	750,000	—	**750,000**	26.75	August 2016
Outstanding at 31 December 2013			**25,854,907**		

The fair value of restricted awards made in the year takes into account an expected dividend of 0.825p per annum.

Notes to the financial statements continued
for the year ended 31 December 2013

20. Equity

Group	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Currency translation reserve £'000
At 1 January 2012	82,040	32,513	3,388	(3,739)	29,040
Currency translation differences	—	—	—	—	(5,826)
Share-based payments	—	—	2,344	—	—
Shares acquired by employee benefits trust	—	—	—	(284)	—
Shares transferred from employee benefits trust	—	—	—	396	—
At 31 December 2012	82,040	32,513	5,732	(3,627)	23,214
Currency translation differences	—	—	—	—	1,912
Share-based payments	—	—	3,039	—	—
Lapsed/vested shares	—	—	(2,532)	140	—
Shares acquired by employee benefits trust	—	—	—	(718)	—
Shares transferred from employee benefits trust	—	—	—	94	—
At 31 December 2013	**82,040**	**32,513**	**6,239**	**(4,111)**	**25,126**

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2012	5,878	1,186	(835)	6,229
Gain on available-for-sale investments	—	—	154	154
At 31 December 2012	5,878	1,186	(681)	6,383
Loss on available-for-sale investments	—	—	(83)	(83)
At 31 December 2013	**5,878**	**1,186**	**(764)**	**6,300**

Company	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Capital redemption reserve £'000
At 1 January 2012	82,040	26,830	3,388	(3,739)	1,186
Share-based payment	—	—	2,344	—	—
Shares acquired by employee benefits trust	—	—	—	(284)	—
Shares transferred from employee benefits trust	—	—	—	396	—
At 31 December 2012	82,040	26,830	5,732	(3,627)	1,186
Share-based payment	—	—	3,039	—	—
Lapsed/vested shares	—	—	(2,532)	140	—
Shares acquired by employee benefits trust	—	—	—	(718)	—
Shares transferred from employee benefits trust	—	—	—	94	—
At 31 December 2013	**82,040**	**26,830**	**6,239**	**(4,111)**	**1,186**

Merger reserves comprise the premium arising on shares issued as consideration for the acquisition of Ineum Consulting where merger relief, under the relevant section of the Companies Act, is applied.

Shares to be issued comprise the estimated value of shares that may be issued under the Management Incentive Plan. The share compensation reserve represents the net credit arising from the charge for share awards less amounts transferred to retained earnings following the lapse of share awards. Shares held in treasury and by the employee benefits trusts represent 14,366,218 shares (2012: 12,542,653). The value of these shares held in reserves is £4,111,242 (2012: £3,627,461).

During 2013 the Company purchased 1% of called up share capital.

21. Retained earnings

	Group		Company	
	2013 £'000	2012 £'000 restated	**2013 £'000**	2012 £'000
At 1 January	**(36,193)**	(39,237)	**22,826**	31,527
Net profit/(loss) for the year	**9,123**	10,390	**(2,969)**	(4,811)
Dividends paid to shareholders	**(2,878)**	(3,785)	**(2,878)**	(3,785)
Dividends received from subsidiaries	**—**	—	**6,913**	—
Lapsed/vested shares	**2,069**	—	**2,069**	—
Actuarial gain/(loss) related to retirement benefit schemes	**5,205**	(3,434)	**—**	—
Tax on items taken to comprehensive income	**1,124**	11	**—**	—
Tax on items taken directly to equity	**(195)**	(138)	**(195)**	(105)
At 31 December	**(21,745)**	(36,193)	**25,766**	22,826

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The movement in the Group income statement for the financial year includes a loss of £2,969,000 (2012: £4,916,000) dealt with in the financial statements of the Company.

22. Notes to the cash flow statement

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Profit/(loss) from operations	**17,494**	18,187	**(2,519)**	(3,183)
Adjustments for:				
Depreciation of property, plant and equipment	**989**	1,091	**141**	244
Amortisation of intangible assets	**4,073**	3,607	**151**	151
Profit on disposal of fixed assets	**(116)**	(571)	**—**	—
Adjustment for the cost of share awards	**3,928**	3,146	**3,928**	2,739
(Decrease)/increase in provisions	**(4,692)**	1,151	**(504)**	153
Loss on disposal of subsidiary	**279**	—	**—**	—
Other non-cash items	**(33)**	(197)	**—**	28
Operating cash flows before movements in working capital	**21,922**	26,414	**1,197**	132
(Increase)/decrease in receivables	**(4,625)**	3,168	**394**	441
(Decrease)/increase in payables	**(10,634)**	(14,730)	**(904)**	167
Cash generated by operations	**6,663**	14,852	**687**	740
Income taxes paid	**(4,821)**	(10,243)	**—**	—
Net cash inflow from operating activities	**1,842**	4,609	**687**	740

Notes to the financial statements continued
for the year ended 31 December 2013

22. Notes to the cash flow statement continued
Cash and cash equivalents
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Cash at bank and in hand	**12,108**	12,437	**181**	71
Cash equivalents	**2,561**	2,426	**—**	—
Cash and cash equivalents	**14,669**	14,863	**181**	71

23. Financial instruments
Capital structure and treasury policies
Review of treasury policies
The Group and Company are financed by shareholders' equity and debt. The Group and Company's capital structures are reviewed regularly to ensure that each remains relevant to the business and its planned development. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business.

Risk management
The objective of the Group and Company's treasury policies is to provide liquidity for the Group and Company at minimum risk and minimum cost and to hedge known financial exposures, when economically efficient. The main treasury risks faced by the Group and Company are country specific liquidity risks. The Group and Company's objectives regarding interest rate risk, exchange rate risk, credit risk and liquidity risk are, respectively, to minimise interest charges; minimise realised exchange losses on foreign currency transactions; ensure that the Group and Company only deal with creditworthy customers; and ensure that the Group and Company have sufficient resources available to meet their liabilities as they fall due. Investment of the Group and Company's cash is made within policies that cover counterparty risk and liquidity. Surplus cash is invested generally in overnight deposits or commensurate with the maturity of loan draw downs. Draw downs under the multi-currency revolving credit facility arrangement allow for interest maturities of up to six months in US Dollars and Euros and other major currencies. The Group's revolving credit facilities were drawn down in Euros, US Dollars and Sterling, the three major currencies in which the Group operates.

Covenant compliance
As detailed under "Liquidity and capital resources" in the Financial Review, in December 2011 the Group put in place a new borrowing facility, which runs until July 2016. The facility is a fully revolving multi-currency credit facility for up to £85m which is subject to two financial covenants: Group net debt and Group interest cover. The Group's net debt position is closely monitored and there are effective cash forecasting procedures in place. These procedures involve careful review of future billing levels and new business prospects with operational management. Information on borrowings is shown in note 16.

The most important foreign currencies for the Group and the Company are the US Dollar and the Euro. The relevant exchange rates to Sterling were:

	2013		2012	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.57**	**1.65**	1.59	1.61
£1 = Euro	**1.18**	**1.20**	1.23	1.22

23. Financial instruments continued

Capital structure and treasury policies continued

Interest rate and currency profile of financial assets and financial liabilities at the year end

Currency	Note	2013 Floating rate £'000	2012 Floating rate £'000
Financial assets			
Sterling		**850**	5,317
US Dollar		**1,811**	975
Euro		**7,051**	6,121
Other		**4,957**	2,450
Cash and cash equivalents		**14,669**	14,863
Euro		**2,148**	1,817
US Dollar		**296**	208
Investments	12	**2,444**	2,025
Sterling		**4,456**	1,876
US Dollar		**19,191**	15,637
Euro		**38,678**	41,056
Other		**6,384**	5,419
Trade and other receivables	13	**68,709**	63,988
Financial liabilities			
Sterling		**(10,388)**	(14,095)
US Dollar		**(15,712)**	(17,569)
Euro		**(36,317)**	(43,966)
Other		**(8,370)**	(6,744)
Trade and other payables	14	**(70,787)**	(82,374)

The cash and cash equivalents, including short-term deposits, attract interest rates based on Libor, US Dollar Libor and Euribor for periods of up to three months. The carrying value of these assets approximates their fair value.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount 2013 £'000	2012 £'000
Investments	12	**2,444**	2,025
Cash and cash equivalents		**14,669**	14,863
		17,113	16,888

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Note	Carrying amount 2013 £'000	2012 £'000
Europe		**26,296**	28,363
United States		**12,435**	12,048
Rest of the World		**4,871**	3,811
United Kingdom		**1,410**	479
	13	**45,012**	44,701

Notes to the financial statements continued
for the year ended 31 December 2013

23. Financial instruments continued

Exposure to credit risk continued

The Group's most significant customer accounts for 4% of the trade receivables carrying amount at 31 December 2013 (2012: 4%).

	Note	2013 £'000	2012 £'000
Not past due		**23,357**	29,683
Past due 0–30 days		**11,710**	9,360
Past due 31–120 days		**9,945**	5,658
	13	**45,012**	44,701

The credit quality of trade receivables not past due is believed to be A-.

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2013	Note	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000
Non-derivative financial liabilities							
Bank loans	16	**(54,481)**	—	—	—	—	**(54,481)**
Trade and other payables	14	**(70,787)**	**(70,787)**	**(70,787)**	—	—	—
		(125,268)	**(70,787)**	**(70,787)**	—	—	**(54,481)**

31 December 2012	Note	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000
Non-derivative financial liabilities							
Bank loans	16	(45,150)	—	—	—	—	(45,150)
Trade and other payables	14	(82,374)	(82,374)	(82,374)	—	—	—
		(127,524)	(82,374)	(82,374)	—	—	(45,150)

Currency risk

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2013		31 December 2012	
	€'000	$'000	€'000	$'000
Trade receivables	**26,296**	**12,435**	28,450	12,048
Bank loans	**(36,032)**	**(18,449)**	(30,150)	(15,000)
Trade payables	**(1,715)**	**(651)**	(2,342)	(467)
Gross balance sheet exposure	**(11,451)**	**(6,665)**	(4,042)	(3,419)
Notional current year sales	**116,208**	**91,137**	132,058	84,302
Notional current year purchases	**(86,600)**	**(53,155)**	(93,210)	(53,418)
Gross and net exposure	**29,608**	**37,982**	38,848	30,884

23. Financial instruments continued

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies at 31 December 2013 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity £'000	Profit or loss £'000
2013		
US Dollar	**606**	**(2,692)**
Euro	**1,044**	**(3,453)**
2012		
US Dollar	4,405	(917)
Euro	(881)	(84)

A 10% weakening of Sterling against the above currencies at 31 December 2013 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
Fixed rate instruments	**2013 %**	2012 %
Financial liabilities of less than six months	—	—
Financial liabilities of 1–2 years	—	—
Financial liabilities of 2–5 years	**3.1**	3.1

The Group has no variable or fixed rate financial assets. The Group has variable rate financial liabilities which are fixed at intervals of up to six months.

Fair values versus carrying amounts – Group

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 December 2013		31 December 2012	
	Note	**Carrying amount £'000**	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Available-for-sale financial assets	12	**2,444**	**2,444**	2,025	2,025
Cash and cash equivalents		**14,669**	**14,669**	14,863	14,863
Bank loans	16	**(54,481)**	**(49,558)**	(45,150)	(40,045)
Trade and other payables	14	**(70,787)**	**(70,787)**	(82,374)	(82,374)

The basis for determining fair values for bank loans is disclosed in note 16.

Notes to the financial statements continued
for the year ended 31 December 2013

23. Financial instruments continued
Interest rate and currency profile of financial assets and financial liabilities at the year end – Company

Currency	Note	**2013 Floating rate £'000**	2012 Floating rate £'000
Financial assets			
Sterling		**2**	64
US Dollar		**—**	1
Euro		**179**	6
Cash and cash equivalents		**181**	71
Sterling		**16,245**	4,974
US Dollar		**6,857**	32,911
Euro		**703**	2,564
Other		**—**	43
Trade and other receivables	13	**23,805**	40,492
Financial liabilities			
Sterling		**(6,329)**	(13,905)
US Dollar		**(949)**	(10,937)
Euro		**(27,134)**	(26,251)
Other		**(2,049)**	(4,530)
Trade and other payables	14	**(36,461)**	(55,623)

The cash and cash equivalents, including short-term deposits, attract interest rates based on Libor, US Dollar Libor and Euribor for periods of up to three months. The carrying value of these assets approximates their fair value.

Exposure to credit risk – Company
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2013 £'000	2012 £'000
Cash and cash equivalents	**181**	71

The Company has no exposure to credit risk for trade receivables.

Liquidity risk – Company
The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2013	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Non-derivative financial liabilities			
Trade and other payables	**(36,461)**	**(36,461)**	**(36,461)**
	(36,461)	**(36,461)**	**(36,461)**

31 December 2012	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Non-derivative financial liabilities			
Trade and other payables	(55,623)	(55,623)	(55,623)
	(55,623)	(55,623)	(55,623)

23. Financial instruments continued

Currency risk – Company

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2013		31 December 2012	
	€'000	$'000	€'000	$'000
Intercompany receivables	703	6,857	2,564	32,911
Intercompany payables	(27,134)	(949)	(26,251)	(10,937)
Gross balance sheet exposure	(26,431)	5,908	(23,687)	21,974

The Company's exposure to foreign currency risk relates to intercompany balances with other companies within the Group.

Sensitivity analysis – Company

A 10% strengthening of Sterling against the following currencies at 31 December 2013 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity £'000	Profit or loss £'000
2013		
US Dollar	(326)	326
Euro	2,002	(2,002)
2012		
US Dollar	(1,241)	1,241
Euro	1,765	(1,765)

A 10% weakening of Sterling against the above currencies at 31 December 2013 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
Fixed rate instruments	2013 %	2012 %
Financial liabilities less than six months	—	—

The Company has no variable or fixed rate financial assets or financial liabilities.

Fair values versus carrying amounts – Company

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2013		31 December 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	181	181	71	71
Trade and other payables	(36,461)	(36,461)	(55,623)	(55,623)

Notes to the financial statements continued
for the year ended 31 December 2013

24. Operating lease arrangements

Group	2013 £'000	2012 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**8,021**	8,137

At the balance sheet date, the Group has aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013		2012	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	**7,223**	**76**	7,754	117
In the second to fifth years inclusive	**24,764**	**163**	32,266	67
After five years	**5,146**	**—**	4,711	—
	37,133	**239**	44,731	184

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of four years.

25. Related party transactions
Group
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Except as disclosed below, no Group company entered into a transaction with a related party that is not a member of the Group. Goods and services purchased from related parties are on normal commercial terms and conditions.

During the year, the Group entered into the following transactions with related parties:

Julian Waldron, a director of the Company, is the Chief Financial Officer of Technip SA. During 2013 Kurt Salmon Consulting SAS provided consultancy services at fair market rates to Technip SA valued at £937,310 (2012: £1,265,566) and at year end there was a receivable from Technip SA of £326,041 (2012: £294,966).

All transactions with pension trustees have been disclosed in note 17.

Remuneration of key management personnel
The aggregate remuneration of the key management personnel of the Group is set out below. Key management personnel are the heads of the consultancies and other executive directors. Information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

	2013 £'000	2012 £'000
Short-term employee benefits	**2,543**	2,778
Post-employment benefits	**128**	95
	2,671	2,873

26. Principal subsidiary undertakings
At 31 December 2013, the Company had the following principal subsidiary undertakings engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Countries of incorporation/operation
Kurt Salmon Associés France SA	France
Kurt Salmon US Inc.	United States
Alexander Proudfoot Company	United States
Alexander Proudfoot (Europe) Limited*	United Kingdom
Alexander Proudfoot (Botswana) Pty Ltd	Botswana
Kurt Salmon UKI Limited*	United Kingdom
Alexander Proudfoot Inc.	Canada
Kurt Salmon Luxembourg SA	Luxembourg
Alexander Proudfoot South Africa (Pty) Limited	South Africa/Africa
Alexander Proudfoot Services Empresariais LTDA	Brazil
Kurt Salmon Germany GmbH	Germany
Kurt Salmon Belgium SA/NV	Belgium
Alexander Proudfoot GmbH	Austria
Kurt Salmon Switzerland Sarl	Switzerland
Kurt Salmon Capital Advisors, Inc.	United States
Kurt Salmon France SAS	France
Kurt Salmon Canada Ltd/Ltée	Canada

* Held directly.

A full list of subsidiary and other related companies will be appended to the next annual return of Management Consulting Group plc to be filed with the Registrar of Companies.

Notes to the financial statements continued
for the year ended 31 December 2013

26. Principal subsidiary undertakings continued

Company

Amounts (owed to)/owed by subsidiary undertakings

	2013 £'000	2012 £'000
Alexander Proudfoot (Europe) Limited	**(367)**	(882)
Alexander Proudfoot Company of Europe Ltd	**(1,000)**	(7,452)
MCG Company No. 1 Limited	**—**	(10,348)
MCG Holdings Netherlands BV	**26**	87
Proudfoot Netherlands BV	**—**	(4)
Alexander Proudfoot SpA Chile	**27**	14
Alexander Proudfoot Japan KK	**21**	15
Proudfoot de Mexico	**2**	2
Alexander Proudfoot GmBh	**1**	43
Alexander Proudfoot Australia	**(1,297)**	(1,544)
Alexander Proudfoot Inc.	**181**	3
MCG US Holdings Inc.	**164**	13,967
Alexander Proudfoot – Serviços Empresariais LTDA	**299**	(735)
MCG Overseas Holdings Limited (UK)	**432**	30
Alexander Proudfoot Company	**720**	662
Alexander Proudfoot Kft	**—**	(17)
Management Consulting Group Overseas Limited	**—**	1,045
MCG Overseas Holdings BV	**3**	3
MCG Company No. 4 Limited	**(18,450)**	(18,211)
Kurt Salmon US Inc.	**7,936**	(39)
Kurt Salmon UKI Limited	**8,226**	2,655
KSA Head Office	**—**	16,691
Management Consulting Group SAS	**(13)**	—
Kurt Salmon Associés France SA	**(19)**	(273)
Cleversys SASU	**—**	(655)
Kurt Salmon France SAS	**2,200**	2,377
Kurt Salmon Belgium SA/BV	**(42)**	13
Kurt Salmon Luxembourg SA	**170**	67
Kurt Salmon Switzerland Sarl	**1**	3
Kurt Salmon GmbH	**(6,890)**	(7,140)
Kurt Salmon Associates AG	**(2,007)**	(1,896)
Alexander Proudfoot Botswana (Pty) Ltd	**85**	—
Vertical Retail Consulting	**(240)**	—
Alexander Proudfoot South Africa (Pty) Ltd	**82**	1
Ending balance	**(9,749)**	(11,518)

26. Principal subsidiary undertakings continued
Company continued
Transactions with subsidiary undertakings

	2013 £'000	2012 £'000
Alexander Proudfoot (Europe) Limited	—	44
Alexander Proudfoot Company	(1,684)	(1,599)
Alexander Proudfoot Botswana (Pty) Ltd	(140)	—
Kurt Salmon UKI Limited	(594)	(610)
Kurt Salmon US Inc.	(851)	(646)
Kurt Salmon France SAS	(3,512)	(3,493)
Kurt Salmon Belgium SA/BV	(1)	(62)
Kurt Salmon Luxembourg SA	(259)	(143)
Kurt Salmon Switzerland Sarl	(6)	(7)
Kurt Salmon Germany GmbH	—	133
Alexander Proudfoot Inc	(181)	—
Kurt Salmon Associates AG	110	—
Cleversys SASU	(74)	(47)
Kurt Salmon US Inc. (Japan branch)	13	(17)
Income from transactions with subsidiary undertakings	(7,179)	(6,447)

27. Disposals
On 18 September 2013 the Group sold Cleversys, a non-core IT implementation practice that operated separately from the Kurt Salmon business in France, for consideration, of €1,350,000.

The net assets of Cleversys at the date of disposal were as follows:

	2013 £'000
Intangibles	80
Property, plant and equipment	32
Trade and other receivables	2,188
Bank balance and cash	818
Trade and other payables	(1,480)
Net assets	1,638
Reversal of impairment charge	(443)
Total consideration	1,150
Cost of disposal	(234)
Loss on disposal	279
Satisfied by:	
Cash and cash equivalents	1,150
Net cash inflow arising on disposal:	
Cash consideration	1,150
Less: cash and cash equivalents disposed of	(818)
Less: cost of disposal	(234)
Net cash inflow	98

Contacts for investors and clients

www.mcgplc.com

Registered office
10 Fleet Place
London EC4M 7RB
United Kingdom
Tel: +44 20 7710 5000
Fax: +44 20 7710 5001

Company number
1000608

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Company Secretary
Charles Ansley
Charles.Ansley@mcgplc.com
London office: +44 20 7710 5000

We encourage shareholders to register for copies of corporate communications on our investor relations website at www.mcgplc.com.

Investor relations
The Group welcomes contact with its shareholders.

Enquiries should be directed to:

Nick Stagg, Chief Executive
Nick.Stagg@mcgplc.com or

Chris Povey, Finance Director
Chris.Povey@mcgplc.com

London office: +44 20 7710 5000

Enquiries and notification concerning dividends, share certificates or transfers and address changes should be sent to the Registrar at the address shown.

Financial calendar
Annual General Meeting: 23 April 2014

Operational contacts
We welcome clients introduced by shareholders. Shareholders wishing to provide introductions to potential clients should contact Chris Povey (see contact details above).

Share price information
The Company's share price information can be found at www.mcgplc.com or through your broker. The share symbol is MMC.L.

Shareholder services
Online services are available to private shareholders. To use these facilities visit www.capitaassetservices.com.

"Account Enquiry" allows shareholders to access their shareholding on the register including transaction history, dividend payment history and up to date share valuation. "Amendment of Standing Data" allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Certain forms can be downloaded, such as dividend mandate forms and stock transfer forms.

Should you have any queries please contact Capita Registrars' helpline on 0871 664 0300, from overseas on +44 20 8639 3399 or email ssd@capitaassetservices.com.

Share dealings
A quick and easy share dealing service is provided by Capita Share Dealing Services for UK registered certificated holders to either buy or sell shares. For further information on this service, or to buy and sell shares, please contact www.capitadeal.com (online dealing) or 0871 664 0384 (telephone dealing).

Company advisers

Stockbrokers
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR
United Kingdom

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET
United Kingdom

Financial advisers
Rothschild
New Court
St Swithins Lane
London EC4N 8AL
United Kingdom

Auditor
Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

Financial PR advisers
FTI Consulting
Holborn Gate
26 Southampton Buildings
London WC2A 1PB
United Kingdom

Commercial bankers
HSBC Bank Plc
8 Canada Square
London E14 5HQ
United Kingdom

Lloyds TSB Bank Plc
25 Gresham Street
London EC2V 7HN
United Kingdom

Barclays Bank PLC
1 Churchill Place
London E14 5HP
United Kingdom

Legal advisers
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

MCG's commitment to environmental issues is reflected in this annual report which has been printed on Splendorgel Extra White, an FSC® Mix Certified paper, which ensures that all virgin pulp is derived from well-managed forests and other responsible sources.

This document was printed by Pureprint Group using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of all dry waste associated with this production is diverted from landfill.

Pureprint Group is a CarbonNeutral® company.

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

Management Consulting Group PLC

10 Fleet Place
London EC4M 7RB
United Kingdom

Tel: +44 20 7710 5000
Fax: +44 20 7710 5001

www.mcgplc.com