Management Consulting Group PLC

Annual report and accounts 2019

Contents

Key points

- The impact in 2020 of the COVID-19 pandemic is expected to bring significant challenges for the Group.
- Reported revenues of £33.2m (2018: £28.3) up 17% for the year.
- Adjusted* loss from operations was £4.6m (2018: £4.2m loss).
- Further investment in sales capability and marketing at Proudfoot.
- After non-underlying items retained net loss of £6.1m (2018: retained net loss £13.7m).
- Cash balances at 31 December 2019 were £11.7m (2018: £17.3m) including £4.0m (2018: £4.2m) of restricted cash reserved for indemnity provisions.
- The Board is of the view that the Group will be better placed to focus on the turnaround of Proudfoot in a private company environment.

* operating loss before non-underlying costs and credits refer to definition on page 66.

Chairman and Chief Executive's statement

Nick Stagg

"The increase in revenue during 2019 by 17% was very pleasing, however the start of 2020 has clearly been very challenging due to the impact of the COVID-19 pandemic. We continue to work with clients so that when the crisis abates, we will be in the best possible position to ramp up operations, building upon the investments made in 2019 and the solid foundation that the board considers such investments to have given us for the future. The board believes that the business will be best served in an unlisted environment, especially in the aftermath of the business interruption caused by COVID-19 and we will be writing to shareholders further on this in the near future."

After returning value to shareholders through the successful building and selling of multiple consultancy brands over the past decade, MCG is now focused on the execution of rebuilding and transformation of Proudfoot into a profitable global player in the operations consulting marketplace. With 2019 delivering a 17% increase in revenues compared to 2018 and with a further planned significant reduction in operating costs, as described below, this now provides the Board with confidence that it is within reach. The business interruption caused by the COVID-19 pandemic, the impact of which is described more fully in the going concern and outlook statements within the Operating and Financial review, means that there will be a delay in achieving the 2020 growth objectives.

The priority in 2019 was to continue the building of the American business development team to develop a strong marketing and sales capability, in order to tap into the world's largest consulting market and position Proudfoot for success in 2020. The Proudfoot brand and reputation were further enhanced with the result of winning several key publication awards. The company has been recognised for a second year running by Forbes as one of America's Best Management Consulting Firms and by the Financial Times as one of the UK's Leading Management Consultancies.

While Proudfoot continues to focus on operational transformation as its core offering, we have made significant progress in positioning Proudfoot as a transformation leader achieving measurable results through people. This is evident through the expansion of its client base, as outlined in the review of Proudfoot on page 6. Proudfoot continued the rollout of its sector-based go-to-market strategy in the Americas and Europe, focused on the established Natural Resources and Industrials sectors, as well as Maintenance & Repair Operations (MRO) Transformation (with a focus on Transportation and Aviation). This approach was taken to reduce the risk of dependence on any one vertical.

Group revenues were £33.2m in 2019. This was an increase of 17% over 2018 (2018: £28.3m) and was achieved by maintaining growth in Europe, further wins in the Natural Resource market, continuing a flexible approach to meet client needs and alignment with our specialist verticals. We also continued to invest in sales capability and marketing which should drive scale in the Proudfoot business and generate the growth required to deliver an increase in value to shareholders.

The Group reported an adjusted operating underlying loss of £4.6m for the year compared to a £4.2m loss in 2018. Adjusted operating loss is operating loss before non-underlying costs and credits. The reported loss for the year was £6.1m (2018: £13.7m) after charging non-underlying costs of £0.2m (2018: £2.2m). Loss from discontinued operations was £nil (2018: £6.7m)

The Group's cash and cash equivalents fell to £11.7m as at 31 December 2019 (31 December 2018: £17.3m). This reflects operating losses as well as restructuring costs and includes £4.0m (2018: £4.2m) held in escrow accounts connected with the sale of parts of the Kurt Salmon business.

The Group's only business, Proudfoot, is currently loss making and the Board's primary focus is on taking all necessary measures to implement the transformation strategy to return the business to growth and profitability over the medium term, so as to maximise value for shareholders.

The market and general economic turmoil that has been unleashed in recent weeks by the COVID-19 pandemic is expected to bring still further significant challenges for the Group and it is expected that operating in this uncertain and unpredictable environment will likely have a further negative impact on revenues, as detailed in the Going Concern note on page 55.

Given the Group's financial position and prospects, the Board is of the view that the cost savings that would come from a delisting are worth pursuing at this point in time, as they will result in some welcome relief from the pressure that the Group is currently experiencing on its cash flow.

The Board, having taken advice from an international advisory firm, expects that the savings resulting from reduced administrative expenditure following a delisting will amount to approximately £400,000 per annum. For context, with the advice of the above mentioned international advisory firm, the Board has also identified further areas of potential cost savings which, in aggregate, amount to approximately £4m (before the costs to achieve these savings). The delisting is just one of a number of measures that the Board intends to take in order to significantly reduce costs across the business.

Another consideration is the fact that the Company has a free float below the level required by ongoing requirements set out in Chapter 9 of the FCA's Listing Rules, with approximately 12% of the Company's shares having been in public hands since the closing of the placing and open offer in July 2018. The Listing Rules require 25% of the Company's shares to be in public hands, which for the purposes of the relevant test excludes any shares held by those with 5% or more, held by the Company's directors or held by shareholders in non-EEA states. There has been an ongoing dialogue with the FCA with respect to this issue,

Chairman and Chief Executive's statement Continued

Nick Stagg

however the Board is of the view that it has diligently investigated all possible solutions and reached the reasonable and considered conclusion that none of these would be in the best interests of the shareholders as a whole, in the context of the Company's current situation.

Given the Group's current financial position and prospects, and in particular in light of the impact of COVID-19, the Board considers that if the impact of COVID-19 is worse or more prolonged than the Directors' expectations even with the cost saving measures referred to above taken into account, they may need to seek additional liquidity support in the short term, whilst the business interruption caused by COVID-19 continues, unless a business interruption loan (CBIL) is made available to the Group. See comments below regarding going concern. An issuance of new shares to raise capital would be one option to achieve this and the Board is of the opinion that, with the Company's current market capitalisation and the available equity capital structures, obtaining equity funding outside of the listed company environment would be far more streamlined and less costly than in the context of a premium listing. Accordingly, in the opinion of the Board the delisting would give the Group more flexibility and agility when raising capital.

The Board is of the considered view that the Group will be better placed to focus on the turnaround of Proudfoot in a private company environment. This will free up both economic and time resources, allowing the Board and management to focus more fully on the implementation of the transformation strategy and to spend less time and money on the administration that comes with maintaining the premium listing. Therefore, the Board will be writing to all shareholders shortly with proposals to delist the Group.

Once Proudfoot has returned to profitability, the medium-term plan is to sell the business. Similarly to the capital raising explained above, executing a disposal outside of the listed company environment is considered by the Board to be more streamlined, quicker and less costly than in the context of a premium listing, although shareholders will lose some of the governance rights that come with a premium listing. Specifically, as exemplified by the previous Kurt Salmon disposals, the requirements of a premium listing to publish a shareholder circular and to hold a general meeting extends deal timelines and creates execution risk, which may have an adverse impact on the Group's ability to complete any potential transaction.

Nick Stagg
Chairman and Chief Executive
24 April 2020

Operational and Financial Review

Nick Stagg

During 2019 we continued to focus on the transformation of Proudfoot, particularly in the US, with further investment in sales capability and marketing.

The financial results contain a number of corrections to the prior year figures. These restatements are described fully in note 25 on page 97 and are summarised below.

- Reclassification of expenses incurred in connection with the issue of shares in July 2018, which were previously deducted from the share premium account have now been reclassified against accumulated deficit;
- Restatement to previously disclosed balances in Other Reserves in relation to guarantees previously provided to a subsidiary which was disposed during the 2012 financial year. On disposal of the subsidiary these guarantees were released and amounts previously included within Other Reserves should have been reclassified to accumulated deficit;
- Amounts previously classified under accruals have been represented under provisions and other liabilities as they are in relation to certain claims against the Group and as such have been included under the provisions note;
- Reclassification of a pension liability previously held in accruals to retirement benefit obligation and the associated recognition under IAS19;
- Recognition of a tax receivable and tax liability in respect of a timing difference on withholding tax payable and the associated refund between tax jurisdictions;
- The Group and Parent Company statement of cash flows have been restated to reflect balances which are held as "restricted cash". This reclassification only has an impact on the Group and Parent Company statement of cash flows.

Group reported revenue for 2019 was 17% higher at £33.2m (2018: £28.3m). Given the higher revenues, and with substantial investment in sales and marketing, the Group reported a slightly higher operating loss of £4.6m (2018: loss of £4.2m) for the year as a whole, as defined on page 67.

The Group has reported a net non-underlying charge of £0.2m (2018: £2.2m) comprising a charge of £0.2m relating to pension payments to a former employee and £0.1m additional costs relating to prior year disposals less £0.1m credit relating to restructuring costs.

The net interest expense from continuing operations was marginally higher at £1.0m (2018: £0.7m). In accordance with IAS 19, the reported net interest charge for 2019 includes an imputed charge in relation to defined benefit pensions of £0.8m (2018: £0.6m). In addition, following the adoption of IFRS16, interest expense of £0.1m (2018 £nil) was recognised in respect of lease liabilities.

The loss before tax on continuing operations was £5.7m (2018: loss of £6.9m). The tax charge on continuing operations was £0.4m (2018: £0.1m) which reflects corporate taxes arising in profit-making jurisdictions without the availability of brought forward losses and the impact of project specific withholding taxes and a tax charge relating to prior year adjustments with regard to submitted 2018 tax returns.

Loss for the Year

The reported Group loss for the year attributable to shareholders was £6.1m (2018: £13.7m loss).

The adjusted loss per share attributable to continuing operations was 0.4p (2018: loss of 0.5p) as defined on page 58 and the basic loss per share attributable to continuing operations was 0.4p (2018: loss of 0.7p).

The total comprehensive expense for the year attributable to owners of the Group is £4.8m (2018 restated : £10.2m), after recognising actuarial gains on defined benefit post retirement obligations of £1.0m (2018 restated: loss of £1.1m), tax on items directly to comprehensive income of £0.1m (2018 : £nil) and exchange gains on translation of foreign operations of £0.3m, (2018: £0.3m loss).

Balance sheet

Right of use Assets

Following the adoption of IFRS 16, a right-of-use asset of £0.8m was recognised as at 1 January 2019. This represents property leases in London and some small plant and equipment items. The Group entered into a new office lease in Atlanta in February 2019 and further assets of £0.7m have been recognised. The right-of-use assets are depreciated over the life of the leases and £0.3m of depreciation has been recognised in the income statement. The closing right-of-use asset at 31 December 2019 was £1.2m. In accordance with the standard, related lease liabilities are brought onto the balance sheet. At 31 December 2019 the closing lease liability was £1.7m. Refer to Note 2 for the accounting treatment on the transition to this standard.

Net Cash

At 31 December 2019, the Group reported cash and cash equivalents of £11.7m (2018: £17.3m).

Reported cash balances at 31 December 2019 include £4.0m (2018: £4.2m) of cash required to be retained to support certain contingent creditors of the Group. In particular, €1.5m was held in an escrow account and in addition a further €1.6m was held at HSBC to secure further indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon. The HSBC security has been extended to 17 September 2020. The total held in respect of potential Wavestone claims amounts to €3.1m. Although a substantial proportion of this cash is expected to become available to the Group for general corporate purposes as the contingent obligations fall away over time, the exact amount and timing is still subject to uncertainty.

Pensions

The retirement benefits obligation reflected in the Group balance sheet at 31 December 2019 relates to the net liability under a part-funded US defined benefit pension scheme of £8.3m, an unfunded French retirement obligation of £0.4m, a German defined benefit scheme of £1.1m and a legacy Kurt Salmon UK defined benefit pension scheme

Operational and Financial Review Continued

Nick Stagg

which shows a closing asset position of £0.1m. The US defined benefit pension scheme is not open to new employees and existing members are not accruing further benefits. The net post-retirement obligation for defined benefit schemes decreased from £10.3m (restated) at 31 December 2018 to £9.7m at 31 December 2019. This is principally as a result of the actuarial changes in respect of the US scheme liabilities together with a rise in market value of the investments held to support this liability. During 2019 the fund was managed on a basis to reduce (as far as possible) the deficit between liabilities and assets whilst maintaining an appropriate risk profile. This was achieved by having 35% of the fund in equities and 65% in bonds. In addition, we have now recognised a German defined benefit pension liability of £1.1m. Further details of the restatement can be found in note 25 on page 97. Prior to 2019, this liability was stated on the balance sheet within trade and other payables, however the liability should be correctly disclosed as part of the Group's pension obligations.

Provisions

Provisions relate to residual obligations arising from the servicing for the transitional service agreements in relation to the Kurt Salmon disposal and litigation provisions relating to a number of legal disputes in connection to former employees of the Group and in relation to the Kurt Salmon disposal plus Group entity restructuring. These have decreased from £4.5m (restated) at 31 December 2018 to £3.5m at 31 December 2019. The reduction principally relates to the utilisation of the provisions set up to cover the transitional service agreements and derecognition of the onerous lease in San Francisco due to the adoption of IFRS 16.

Net Assets

The net assets of the Group decreased from £0.5m (restated) at 31 December 2018 to a net liability of £4.3m at 31 December 2019, primarily due to the retained loss for the year.

Dividends

The Board does not intend to declare a dividend for 2019 (2018: nil).

Alternative Performance Measures

We have adopted the use of certain alternative performance measures and therefore have adjusted profit/loss to reflect the exclusion of material non-underlying costs. The non-underlying costs relate to items which are not related to the normal operating costs of the business and therefore have been removed from operating profit/loss to ensure more clarity around the trading operations of the business. Each of the non-underlying costs have been assessed to determine its nature and that the class of cost would not be expected to recur. Refer to note 4a on page 58 for more detail.

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 Group prepares regular business forecasts 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 assessing sensitivities, the Board took into account the previous slower than expected pace of change at Proudfoot and the disappointing results in past periods. The Board has, in particular, considered risks related to revenue and looked at assumptions both consistent with the recent past and the long-term changes in revenue. In addition, we have considered the risks related to the Kurt Salmon escrow funds (being an amount of £4.0m as of the date of this report) and have made assumptions on a worst case that these are not resolved during the period of review. The Board has carried out a review of operating costs, with the assistance of an international advisory firm and had identified further cost savings amounting to approximately £4m. £2.8m of savings have been factored into the next twelve months forecast and are assumed to take effect from April 2020. In order to crystallise these savings we note an initial outlay of £0.4m over the next three to four months. Further savings from the £4m have yet to be planned and are therefore not included in the forecast period to 30 April 2021.

The global COVID-19 pandemic has resulted in the Board revising its initial forecasts in light of the Group beginning to suffer from the implications of the pandemic, and at the date of this report, the Group has seen the majority of its projects suspended or put on hold. This is due to the fact that the consultants engaged on projects have to travel to client premises, this travel is of an international nature and the majority of countries are not allowing anything other than essential travel. Therefore, we are broadly unable to travel to clients to service their needs. Hence COVID-19 has introduced a significant, but temporary, business interruption.

In light of the global pandemic, the Board has increased the regularity of its review to operate as a going concern. The normal 13-week cash flow model reviewed by the Board to manage the business, has now been extended to cover a 26-week period, this is more likely to cover the period of business interruption created by COVID-19. This extended forecast is based on current known revenue, as adjusted for the impact of COVID-19 and all forecast expenditure falling due within this period on a week by week basis. We have made a key assumption that this business interruption caused by the pandemic will ease over the summer with a resumption of work from September onwards, albeit at a slow rate. We have extended this cash flow to cover the next twelve months on a prudent basis so that the Directors can form a valid assessment of going concern – this forecast to April 2021 is based on committed cash receipts to August 2020, a slow ramp up of projects reopening and known expenditure.

We have implemented a number of key mitigations in order to preserve liquidity. These include staff restructuring which will result in £2.8m of savings over the next twelve months, a temporary salary reduction of all employees by 25%, and the implementation of tax (VAT, PAYE and equivalent taxes) deferments, furlough of employees, and other government initiatives that have been introduced in the various geographies where we are based. This also includes the postponement of pension contributions for 2020, due in the USA, amounting to £1.5m (as provided under the US CARES Act 2020), with the payment being deferred until January 2021.

We have applied for access to the CBILS business interruption loan scheme as announced by the UK Government as well as similar schemes, where available, in other jurisdictions. Currently it is not clear if we will qualify for these loans and have therefore not included them in our forecasts.

The Group continues to manage the liabilities related to the disposals made in 2015 and 2016 and, in particular, to negotiate the release of funds held under the escrow arrangements which guarantee certain contingent liabilities relating to the disposal of parts of the Kurt Salmon business in 2016.

The Directors have prepared a number of scenarios and have considered a twelve month cash flow forecast with a worst case sensitivity which has been prepared using only known cash receipts (reduced by 30% from May to mid–July) and forecast revenue deferred three months longer than anticipated and reduced by a factor of approximately 45% compared to the pre COVID-19 working capital model, with cash expenditure adjusted for the mitigating actions that have been agreed and implemented following review of the Group's operating cost base. The benefit of any governmental loan schemes have not been included at this point in time as their receipt is still uncertain, however actions such as furloughing staff and reducing all non-essential expenditure have been implemented as well as an temporary employee pay reduction of 25%.

The Board had concluded that both the revised cash forecast and the worst case forecast up to April 2021, indicate that the Group has adequate resources to be able to operate for the foreseeable future.

However, if the impacts of COVID-19 are worse or more prolonged than the Directors' expectations, the Group may need to seek additional liquidity support. Given the lack of certainty that COVID-19 will have on the Group's ability to deliver its services to its customers and the markets in which it operates, and the availability of support from liquidity providers that may be required of which there is no guarantee, , these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Notwithstanding the impact of COVID-19 identified above, the Directors have a reasonable expectation that the Group will have sufficient cash flow and available resources and if necessary will be able to raise additional funds to continue operating for at least twelve months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group and the Company its Financial Statements.

Outlook

The start of 2020 was positive and the Group was well placed to reap the benefits of the investment in people that was undertaken in 2019. The Group has, unconnected to COVID-19, undertaken a detailed review of its cost base with the assistance of an international advisory firm and had identified further cost savings amounting to approximately £4m per annum. On implementation of the cost savings, the Group would have been close to or at break even with no further growth in revenues, before the impact of COVID-19.

During February the Group began to suffer from the implications of the COVID-19 pandemic with a number of projects in its Asian business deferred or temporarily put on hold, although Asia only represents a modest proportion of Group revenues. During March the pandemic spread to a significant number of other countries and this has resulted in the majority of its projects being suspended or put on hold. In order for Proudfoot to carry out its services the consulting workforce needs to travel to its clients' premises. This often requires international travel which is severely restricted at present. Very little of Proudfoot's client work can be performed off site.

The Group has implemented a series of actions to protect the health and safety of its employees In line with advice from local authorities and governments in all the jurisdictions in which the group operates. These are monitored and reviewed on a regular basis and communicated to our employees and clients.

The duration of the current restrictions in the majority of geographies in which the Group operates is currently undefined and therefore the length of this period of interruption cannot be estimated with any reasonable certainty. During this business interruption the business is using all available governmental grants and assistance in all its geographies to maximise liquidity and minimise net cash outflow.

The Group is therefore managing its liquidity and its cost base very tightly including the deferral of any non-essential expenditure and where appropriate temporary salary reductions with the deferral of variable pay and bonus payments.

Notwithstanding this period of business interruption, caused by COVID-19, the Group is still in contact with clients and prospective clients and further projects have been won, however the start dates are deferred until the current crisis abates. Our focus, in this time of crisis, is to continue to support our clients as they navigate through this uncertainty, while ensuring our business is well-prepared for the "new-normal" of what will emerge post COVID-19, a time where every organisation will need to transform itself. Clients will continue to look for the outside support we provide: the implementation of transformational change and delivery of measurable results. With the current book of projects, Proudfoot's strong positioning in the operational transformation market, the Group should be well placed to take advantage of the expected upturn in activity with a significantly more efficient cost base once the economic and operational backdrop improves.

Nick Stagg
Chairman and Chief Executive
24 April 2020

Operational Report
Proudfoot

Summary

While overall revenue growth was below Board expectations, a 17% revenue growth year on year was achieved. This was generated by a sales input growth of 22% over 2018.

However, as we go to print, the world is entering a period of unprecedented business disruption with the exact impact of the COVID-19 pandemic remaining unclear. Our focus, in this time of crisis, is to continue to support our clients as they navigate through this uncertainty, while ensuring our business is well-prepared for the "new normal" of what will emerge post COVID-19, a time where every organisation will need to transform itself. The progress we made in 2019 will stand us in good stead. Clients will continue to look for the outside support we provide; the implementation of transformational change and delivery of measurable results.

Our strategic transition to a global vertical based business started in 2018, and is now complete. We remain focused on Natural Resources, Industrials, MRO and Digital Transformation. A truly global delivery model, has enabled us to compete effectively with our much larger competitors.

We successfully secured new clients with strong brand recognition in all our verticals. We expect these clients to need consulting support during and post COVID-19. They will also act as our champions for future prospects.

We continued to outperform the industry average in 2019. Source Global Research, one of the consulting industry's most respected commentators, published research stating once again that most buyers of consulting services do not get a return on their investment. Our strategy is to continue to address this through publishing our client audited performance data where we continue to deliver well in excess of a 4:1 return on consulting spend.

Our investment in marketing is paying off, especially with clients and prospects within the Natural Resources sector. We have made great headway online with a new website and increased online and social media presence. In 2019, we became a platinum sponsor of Future of Mining (FOM) globally, contributing thought leadership and regularly sharing our best practices through FOM events, including Sydney, London and Denver.

2019 saw the launch of #HeadsUp, a collaborative global movement that is dedicated to encouraging better leadership at every level to grow a culture where people are more actively engaged in the world around them, leveraging human connection, technology and data to drive better outcomes. It's about developing better leaders who prioritize connecting with people and human interaction in order to build extraordinary business results. Great leaders know great things happen at the intersection of people and technology. We expect this movement to reinforce our value proposition – driving change through people – and enable Proudfoot to bring that social messaging to a commercial setting.

We have further strengthened our global talent in Private Equity, Natural Resources and Supply Chain, with the addition of key executives in both sales and delivery, whom we have no doubt will help us secure new business.

In addition, 2019 saw Proudfoot continue to win awards. The company has been recognised for a second year running by Forbes as one of America's Best Management Consulting Firms and by the Financial Times as one of the UK's Leading Management Consultancies.

Business overview

Our work in the Natural Resources sector remains strong and represented 49% of revenues in 2019 (2018: 51%), with a significant number of new clients across all regions for both large and mid-sized mining houses as well as leading building material companies, including in digital transformation. A number of projects were focused on recovering lost time and budget on large CAPEX projects, a likely source of demand for future consulting work post COVID-19.

Outside of Natural Resources, our business finished the year geographically and sector diverse. In North America, our projects with clients in the Aerospace and Aviation sectors, initially focused on MRO challenges, have expanded to address supply chain and logistics transformation. New client wins have helped establish Proudfoot as a key player in the transportation sector more generally.

In Europe we saw success in Industrials across UK, France and DACH markets, especially within the Chemicals sector with a number of consulting projects focused on asset management, plant shutdowns and turnarounds. Our success with Supply Chain and Procurement projects in the Automotive sector for leading Tier 1 suppliers led to the Financial Times recognition in their list of Leading Management Consultants.

In Asia, we continued to work as a trusted partner for clients in Insurance, Transportation, Hospitality and Aerospace MRO, while winning new work in Digital Transformation.

In 2019 we continued to focus our efforts on scaling the business, increasing our investment in marketing and recruiting new business development and leadership talent. In addition, we established partnerships with several innovative technology companies, providing us with complementary skills and capabilities to better address the transformation challenges of our clients. We also entered into a strategic alliance with Strategia Worldwide, a provider of Risk Management Services. We expect this partnership to be well timed as the business world adjusts and focuses on developing more robust responses to global disruption.

The business's KPI's are revenue, sales input, new work and repeat work, revenue and sales input by sector.

Principal risks and uncertainties

Proudfoot

Identifying key areas
The Board has carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated.

Risk management process
The risk management process can be summarised as follows:

Identify risk, then assess, develop mitigation plans, reassess and report to the Board.

Read more about the Group's governance and approach to risk management on pages 21 to 24.

1. **Demand for services provided by Proudfoot in the markets and sectors in which it operates**

   Description
   Proudfoot operates in several geographies and industry sectors and demand for its services can be affected by global, regional or national macro-economic conditions and conditions within individual industry sectors. Proudfoot operates in a competitive environment, where other consulting firms seek to provide similar services to its clients. Changes in demand for Proudfoot's services can significantly impact revenues and profits.

   Mitigation
   In response to anticipated changes in demand and competitive pressures, the Group made changes in 2019 to Proudfoot's offering to exploit opportunities for business in geographies and sectors where demand is increasing. Proudfoot operates a flexible model and can deploy staff to areas of higher demand to optimise utilisation. Part 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.

   Increasing
   Market conditions in 2019 varied between the key sectors and geographies in which Proudfoot operates, in some cases showing positive trends, in others negative ones. Demand from Natural Resources clients, a key sector for Proudfoot's services, improved in 2019, however the COVID-19 pandemic has significantly impacted the demand for services as we enter 2020, due to the inability to travel internationally to client sites to deliver our services.

2. **Development and retention of key client relationships**

   Description
   Proudfoot typically contracts with clients for the delivery of project-related consulting services over relatively short periods. These individual projects can lead to repeat business or form part of a longer-term series of related projects. However, individual clients may change their preferred suppliers or may change the quantity of such services or the price at which they buy such services. Failure by Proudfoot to develop and retain client relationships could result in a significant reduction in the Group's revenues. Potential unforeseen contractual liabilities may arise from client engagements that are not completed satisfactorily.

   Mitigation
   The changes made to Proudfoot's business processes in 2019 were designed to promote and enhance client relationships, and to generate revenues over longer periods than those of a typical single project. This includes different contracting models as well as a continued focus on the delivery of high-quality work that meets clients' expectations. Our human resources management policies 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.

   Level
   Proudfoot has retained key client relationships and continued to work to develop new long-term relationships. Repeat work for clients in 2019 rose to 69% from 63% in 2018.

3. **Recruitment and retention of talented employees**

   Description
   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, or which results in their unforeseen departure from the business, may have detrimental consequences on the Group's financial performance.

   Mitigation
   The Group has remuneration policies and structures that reward good performance 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. The Group is actively looking to hire from as broad a pool of talent as possible.

   Increasing
   Staff retention has been managed effectively and we have recruited in areas of the business which are being developed as the business returns to growth. Further skilled consultants will need to be recruited.

4. **Optimisation of the Group's intellectual capital**

   Description
   The intellectual capital of the Proudfoot business, 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.

   Mitigation
   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.

   Level
   We have continued to invest to develop new offerings and to build our intellectual capital.

5. **Fluctuations in foreign currency exchange rates**

Description

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.

Mitigation

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.

Level

Currency volatility has not had a significant impact on reported revenues and operating results in 2019.

6. **Management of residual liabilities**

Description

In 2016, the Group completed three major disposals. As part of these disposals, the Group agreed to provide certain transitional services and also retained responsibility for certain contingent liabilities relating to the businesses sold. It placed certain of its cash balances in escrow as guarantees for these potential liabilities. The amount of actual costs and the timing and amount of the release of cash from escrow could vary from our initial assumptions, thereby reducing the amount of liquidity available for the Group's continuing operations.

Mitigation

The initial contractual arrangements were structured to limit in amount and time the overall potential liabilities of the Group and management monitors the actual costs and potential liabilities.

Level

Whilst transition services agreements have been effectively managed and have now been completed, there remains risk to the effective timing of release from liabilities (including of cash reserved to cover them) arising from existing warranty claims from the acquirers.

7. **Pension liabilities**

Description

The Group has a number of retirement plans covering both current and former employees, including defined benefit plans notably in the US and the UK. The US defined benefit pension scheme is not open to new employees and existing members are not accruing further benefits. The net post-retirement obligation for defined benefit schemes decreased from £10.3m at 31 December 2018 to £9.7m at 31 December 2019, principally as a result of the actuarial changes in respect of the US scheme liabilities together with a rise in market value of the investments held to support this liability. There is a risk that the amount of the liability changes depending on the actuarial value and investment return in the schemes. In addition, there is a risk that if the funding ratio in the US drops significantly there would be a requirement for additional contributions into the fund thereby decreasing the Group's cash resources. During 2019 the fund was managed on a basis to reduce (as far as possible) the deficit between liabilities and assets whilst maintaining an appropriate risk profile. This was achieved by having 65% of the fund in bonds and 35% in equities. In addition, we have now recognised a German defined benefit pension liability of £1.1m. Prior to 2019, this liability was stated on the balance sheet within trade and other payables, however the liability should be correctly disclosed as part of the Group's pension obligations.

Mitigation

The Group maintains an active dialogue with the Trustees of the plans. In addition, the Group continues to explore exit plans for the remaining plan members of the Kurt Salmon UK pension scheme.

Level

During 2019, the liability for the US defined pension scheme decreased due to stock market increases in the period. These market gains were reversed in early 2020 due to the impact of COVID-19 and the deficit has subsequently increased, however market volatility is high at present, and once the pandemic has subsided it is thought the stock market will improve and reverse these early losses. As noted in note 26, post balance sheet events, the 2020 pension contribution has been deferred to January 2021.

8. **Liquidity**

Description

The Group has a series of complex entities in different jurisdictions, with varying ability to transfer funds between geographies. This together with a broadly fixed cost base, means that the group has to monitor liquidity by entity and as a group on a regular basis.

Mitigation

The Group maintains a comprehensive treasury function, which enable to group to swiftly react to shortfalls in liquidity at an entity level. In addition, the Group plans ahead with regular cash forecasts, and explores where appropriate additional funding as and when required.

Increasing

The 2019 losses have reduced liquidity within the Group, and therefore the Group is investigating alternative methods of improving liquidity including cost reductions and alternative funding routes. The impact of COVID-19 has accelerated the urgency for these actions.

Viability statement

Prior to the COVID-19 pandemic the Directors have assessed the Group's prospects, taking into account its current position and the principal risks to the business, over a two-year time period. The Directors considered this to be the appropriate time horizon given the Group's continuing operations, retained obligations after the 2015 and 2016 disposals, its financial position and the industry segments to which it provides services. Furthermore, the use of a two-year review period is considered appropriate due to the nature of short term nature of the order book. This is consistent with the period which has been used for planning purposes and with the approach taken in 2018.

Following the disposals, the Group's continuing business only comprises Proudfoot, and is materially smaller, less diverse and has reduced global reach and scale. The Board remains committed to improving the performance of Proudfoot and restoring that business to profitable growth. Proudfoot has a long-established brand and a historically successful business model. The Board has in place a plan to restore revenue growth and profitability in the Proudfoot business. The Board has prepared an operating budget and financial projections for the Group covering 2020 and 2021 as part of its strategic planning process. The Directors have assessed the financial impact of potential downside financial scenarios, taking into account the principal risks to the business, and the actions that the Board can take to mitigate those risks and reduce costs. The Board has, in particular, considered risks related to revenue and looked at assumptions consistent with both the recent and the long-term changes in revenue, including no growth in revenue and decreasing revenue in line with historic long-term trends. In addition, the Board has considered the risks related to the Kurt Salmon escrow funds (being an amount of £4.0m as of the date of this report) and have made assumptions on a worst case that these are not resolved during the period of review. The Board has considered mitigating actions that could be taken if these scenarios become likely and these have been reflected in the Group's sensitised forecasts. The Board has concluded, prior to the COVID 19 pandemic, that even in the reasonable worse case, the Group had sufficient cash resources.

During February the Group began to suffer from the implications of the COVID-19 pandemic with a number of projects in its Asian business deferred or temporarily put on hold. During March the pandemic spread to a significant number of other countries resulting in the majority of its projects being suspended or put on hold.

The Group has implemented a series of actions to protect the health and safety of its employees In line with advice from local authorities and governments in all the jurisdictions in which the Group operates. These are monitored and reviewed on a regular basis and communicated to our employees and clients. Further details of the actions taken are disclosed under note 2 on page 55.

In order for Proudfoot to carry out its services the consulting workforce needs to travel to its client's premises. This often requires international travel which is severely restricted at present. Very little of our client work can be performed off site and it is inevitable that COVID-19 will adversely affect our business in the short term. The Directors have prepared a number of scenarios and have considered a twelve month cash flow forecast with a worst case sensitivity which has been prepared using only known cash receipts (reduced by 30% from May to mid–July) and forecast revenue deferred three months longer than anticipated and reduced by a factor of approximately 45% compared to the pre COVID-19 working capital model, with cash expenditure adjusted for the mitigating actions that have been agreed and implemented following review of the Group's operating cost base. The benefit of any governmental loan schemes have not been included at this point in time as their receipt is still uncertain, however actions such as furloughing staff and reducing all non-essential expenditure have been implemented as well as an temporary employee pay reduction of 25%.

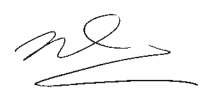
The duration of the current restrictions in the majority of geographies in which the Group operates is currently undefined and therefore the length of this period of interruption cannot be estimated with any reasonable certainty. The directors have forecasted client work to commence in September 2020, but albeit at a slower rate than previously anticipated.

During this business interruption the business is using all available governmental aid and assistance in all its geographies to maximise liquidity and minimise net cash outflow.

The Group is therefore managing its liquidity and its cost base in a very aggressive manner including the deferral of any non-essential expenditure and where appropriate temporary salary reductions with the deferral of variable pay and bonus payments

Given the Company's current financial position and prospects, and in particular in light of the impact of COVID-19, the Board considers that if the impact of COVID-19 is worse or more prolonged than the Directors' expectations, even with the cost saving measures referred to above taken into account, they may need to seek additional liquidity support in the short term. An issuance of new shares to raise capital would be one option to achieve this and the Board is of the opinion that, with the Company's current market capitalisation and the available equity capital structures, obtaining equity funding outside of the listed company environment would be far more streamlined and less costly than in the context of a premium listing. Accordingly, in the opinion of the Board the delisting would give the Company more flexibility and the ability to be agile when raising capital.

In conclusion, prior to the COVID-19 pandemic, the Directors assessed the Group's prospects and viability over a two-year time period. However, COVID-19 has had a significant impact on the Group's operating environment resulting in an alignment of the Group's going concern assessment and viability assessment performed by the Directors given the material uncertainty in the Group's ability to generate revenue in the normal course of business. The Directors conclude that due to the COVID-19 pandemic the business will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment for a period of twelve months based on the measures noted above.



Nick Stagg
Chairman and Chief Executive
24 April 2020

Corporate social responsibility

Our people

People and Culture

The Group is committed to carry out its business activities to the highest ethical standards and to make a positive impact with its stakeholders.

The Group is committed to making a positive social and economic contribution in all 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.

Average number of MCG employees	2019	2018
MCG Group	159	154
of which Proudfoot	151	145

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

Diversity and Inclusion

The Company is committed to creating an inclusive culture, free from discrimination of any kind.

A breakdown by gender of the total workforce and the senior management team is provided below.

Gender diversity - Total workforce	2019	2018
Male	72%	75%
Female	28%	25%

Gender diversity - Senior management	2019	2018
Male	82%	85%
Female	18%	15%

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. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

Employee engagement

The Group places considerable value on the involvement of its employees and endeavours 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 Group Chairman and Chief Executive and the Proudfoot Chief Executive have travel schedules which include all the business locations and they hold 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.

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.

Our employees frequently work in client premises, some of which are industrial or production sites, and we expect our employees to adhere to the health, safety and environmental requirements and policies of our clients in those situations.

Group ethics

The Group subscribes to the Association of Management Consulting Firms' Code of Ethics (available at www.amcf.org).

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.

Environmental Policy

The Group's environmental policy aims to minimise, where practical, the Group's impact on the environment. As a professional services company, 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.

The Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with. The Group is a member of the United Nations Global Compact. The Group monitors areas where the Group could have an impact on the environment and takes steps to reduce this impact. 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, energy use and climate change

The Group operates recycling policies in its offices that conform to regulation in place in each location. Concerning energy use, we continue with a 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.

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 report of greenhouse gas emissions this year in line with the UK mandatory carbon reporting regulations.

The greenhouse gas emissions statement below provides a summary of the Company's greenhouse gas emissions from 1 October 2018 to 30 September 2019. It gives a summary of emissions from fuel combustion and the operation of our office buildings (scope 1), and from our purchased electricity (scope 2) during the year. 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

Reporting year	01 October 2018 – 30 September 2019
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 the greenhouse gas emissions relate to our leased offices.
Emission factor data source	Defra (2017).
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).

Our emissions

In line with regulatory requirements, this report includes emissions data for scope 1 and scope 2 only. Emission data has been reported for our principal permanent offices in the United Kingdom and the United States.

Scope 1 emissions: Natural gas refrigerants	**Scope 2 emissions:** Purchased electricity	**Total greenhouse gas emissions:**	**Greenhouse gas emissions per FTE:**
13.8 tco^{2}e	26.9 tco^{2}e	40.7 tco^{2}e	0.26 tco^{2}e

Corporate social responsibility Continued

Our impact

Greenhouse Gas Emission Source	2018/19		2017/18		2013/14 - Restated	
	(tCO^2e)	(tCO^2e/FTE)	(tCO^2e)	(tCO^2e/FTE)	(tCO^2e)	(tCO^2e/FTE)
Scope 1	13.8	0.09	6.9	0.04	40.1	0.02
Fuel combustion (natural gas)	0.0	0.00	0.0	0.00	17.7	0.02
Operation of facilities (refrigerants)	13.8	0.09	6.9	0.04	23.3	0.03
Scope 2	26.9	0.17	93.2	0.60	683.7	0.89
Purchased electricity	26.9	0.17	86.3	0.56	643.6	0.87
Statutory total (Scope 1 & 2)*	40.7	0.26	93.2	0.60	683.7	0.89

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

Group Metrics	2019	2018	2014
FTE	159	154	743

Intensity Ratio (Gross Emissions)	2019	2018	2013
Tonnes of carbon dioxide equivalent per FTE (CO^2e/FTE)	0.26	0.60	0.89

S172 Statement

The Directors are aware of their duty under Section 172(1) of the Company Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA of The Companies Act 2006.

Our key stakeholders and how we engage with them

The Board considers its key stakeholders to be its employees, its clients, its suppliers/partners and its shareholders.

Our People	**Stakeholder key interests**	**How we engage**
Having the right people, capabilities and engagement across the organisation is fundamental to delivering our strategy and the long-term success of the Group. Our ongoing objective is to create a high performing business driven by a skilled, unified and committed team.	▪ Career development ▪ Reward ▪ Engagement ▪ Morale and motivation ▪ Reputation ▪ Training and development ▪ Wellbeing ▪ Health and safety	▪ Employee engagement surveys ▪ Enhanced internal communications via intranet ▪ Employee briefings and events ▪ Leadership development programmes ▪ Recognition and reward
Clients	**Stakeholder key interests**	**How we engage**
We continue to work closely with our clients to ensure that our strategy and business model are aligned with their changing needs. We seek to develop and maintain strong relationships with our clients and focus on understanding what they need and put that at the centre of our decision making and provide a service level that demonstrates this relationship.	▪ Safety, quality and reliability ▪ Service availability and effectiveness ▪ Competitiveness ▪ Our availability and responsiveness ▪ Relationship ▪ Compliance ▪ Range of services	▪ Meetings/maintaining close relationships with past, current and prospective clients ▪ Participation in industry forums and events ▪ Product launch events ▪ Social media and commercial websites ▪ Contract negotiation, implementation and management of ongoing relationships ▪ Customer-specific events
Suppliers/partners	**Stakeholder key interests**	**How we engage**
We need to maintain trusting relationships with suppliers and partners for mutual benefit and to ensure they are meeting our standards and conducting business ethically.	▪ Quality management ▪ Cost-efficiency ▪ Long-term relationships ▪ Responsible procurement, trust and ethics	▪ Meetings with suppliers ▪ Industry sector conferences and forums ▪ Contract negotiation and contract renewals ▪ Quality management reviews

S172 Statement Continued

Shareholders	Stakeholder key interests	How we engage
Trust from our Shareholders is key to delivering our strategy as access to capital will be critical to the long-term performance of our business. We ensure that we provide fair, balanced and understandable information to Shareholders and work to ensure that they have a strong understanding of our strategy and performance.	▪ Financial performance ▪ Governance and transparency ▪ Operating and financial information ▪ Confidence and trust in the Group's leadership team ▪ Value creation	▪ Regular updates ▪ One-to-one meetings ▪ Dedicated investor section on corporate website ▪ Shareholder consultations ▪ Annual reports ▪ Annual General Meetings

Key issues considered by the Board during the year

The Board considers the following to be some of the key discussions, decisions and considerations it has made during the year to 31 December 2019:

Board discussions and decisions	Considerations
The Board agreed the preliminary financial statement to shareholders	The need to provide transparent and accurate information to the market
The Board considered the annual marketing strategy	To raise profile and awareness to key clients and potential clients with due regard to cost/benefit
The Board agreed the interim report to shareholders	The need to provide transparent and accurate information to the market
The Board reviewed plans for overall annual recruitment needs	Location, skills, market changes, costs and availability
The Board approved the Budget for the financial year 2020	The potential impact of the Group's activities on its stakeholders (employees, contractors, clients and shareholders)
The Board considered Board composition following the resignation of a Non-Executive Director	The need to ensure an appropriate balance between Executive and Non-Executive Directors. It is proposed a new Independent Director may be appointed in 2020. At the appropriate time this process will be discussed with key shareholders
The Board carried out a strategic review to ensure the return to profitability was achieved in future periods	Cost base and method of operations alongside revenue generation capability as well the impact on employees as stakeholders, by engaging with an international advisory firm to carry out the review
Board discussions and decisions	**Considerations**
The Board considered the impact of COVID-19 pandemic	Regular communication of all aspects for rapid response team to ensure staff and client safety alongside mitigation of impact of the pandemic to ensure the business exits the crisis in the best manner
The board considered the assessment of going concern and viability with particular reference to liquidity	Review of cost base, implementation of cost reductions and the investigation of alternative methods of funding and potential impact on employees

Strategic Report Approval

The Strategic Report as set out in the previous pages was approved by the Board and signed on its behalf by;

Nick Stagg
Chairman and Chief Executive Officer
24 April 2020

Chairman and Chief Executive's introduction

Nick Stagg

The Board remains committed to high standards of corporate governance. The governance section of our Annual Report has been prepared in accordance with the UK Corporate Governance Code published in July 2018 (the "Code") together with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), and other legislation.

The Board composition during 2019 brought a wide range of experience and knowledge to bear in developing strategy and challenging management. We recognise the importance of Board meetings with operational management and senior managers have been invited to attend a number of the Board meetings held during the year.

The Board has considered carefully the requirements of the Code and believes that the Company has complied with the Code during the year, save as set out below:

- The Board recognises that the joint role of Chairman and Chief Executive is not compliant with Provision 9 of the Code but considers that this position is acceptable given that the Company is the holding company solely for the Proudfoot business which performs all of the Group's trading activities and Pamela Hackett, who is the Chief Executive of Proudfoot, and is responsible for delivery of the Group's strategy, is also an executive director on the Board of the Company.
- Following discussions with a number of shareholders, it was agreed that another independent non-executive director would be appointed during 2020. Subject to the proposals regarding delisting to be put to shareholders, we would not intend to add to the Board if operating within a private company environment but would continue to have regard to this appointment if the company remains listed. In the meantime, therefore, we will continue with our search for a suitable candidate who is able to demonstrate the requisite skills, expertise and knowledge and will look to appoint a new independent non-executive director as soon as possible. Further details of the recruitment process can be found further on in the report. Given the current vacancy on the Board, the Company does not comply with the following: Provision 11 - at least half the Board should be independent non-executive directors; Provision 12 - appointment of a senior independent director; Provision 17 - nomination committee consisting of a majority of independent directors; Provision 24 - audit committee consisting of at least two independent directors; and Provision 32 - remuneration committee consisting of at least two independent directors.

Provision 21 - Although a board evaluation had been planned for 2019, it was felt sensible to postpone the review until changes to the Board's composition have been finalised. Subject to the delisting as mentioned above, when a new independent non-executive director has been appointed and is fully established in the role, an internal board evaluation will be conducted, focusing on the Board, Committees, Chair and each of the Directors. This evaluation of performance will assist not only with the next stage in our succession planning, but also with the planning for long-term success of the Company.

Nick Stagg
Chairman and Chief Executive
24 April 2020

Board of Directors

	N S Stagg Chairman and Chief Executive	M Capello Non-executive Director	F Czerniawska Independent Non-executive Director
Board Committees	None.	Remuneration (Chairman) and Nominations.	Remuneration, Nominations and Audit and Risk.
Term of office	Nicholas Stagg, was appointed Executive Director on 21 October 2009, Chief Executive with effect from 1 July 2010 and Chairman and Chief Executive with effect from 1 January 2017.	Marco Capello, joined the Board on 18 June 2010.	Fiona Czerniawska, joined the Board on 10 March 2017.
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. Nick has over 35 years' experience in managing people related service providing companies, with skills in hiring and retaining key employees, as well as extensive M&A experience. As a qualified accountant, he has strong financial knowledge and skills.	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, 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.	Fiona is the founder and director of Source Global Research. Prior to this, she was director of strategy and planning for EY in the UK, and head of research for the Management Consultancies Association, and has more than 25 years' experience in the management consulting industry. Fiona has a PhD from the University of London and is a graduate of Oxford University.
External appointments	Nick is a director of Shinetrip Ltd, Western Selection plc and Redhill Aerodrome Ventures Limited.	He is Chairman of Liberty Limited, a board member of, The Private Clinic Limited, Digitalgo S.p.A. (formerly Neomobile S.p.A), Enotria Wine Group Ltd, Mamas & Papas Ltd, the DMC Group, Lateral, Big Holding Group, Dr Vranjes Firenze S.r.l., QMS Medicosmetics GmbH and Iconic London Limited.	She is a director of Source Information Services Limited.

P. Hackett Executive Director	**E Di Spiezio Sardo** Non-executive Director
None.	None.
Pamela Hackett was appointed an executive Director on 18 July 2018.	Emilio Di Spiezio Sardo, joined the Board on 18 June 2010.
Pamela has been the Chief Executive of Proudfoot since 2017 and has a 30-year history with the business. Pamela leads the Proudfoot Global Management Team, which ensures client satisfaction across the Proudfoot world. Pamela has held various executive roles including President of the, EMEA Business and the global leadership of Proudfoot People Solutions practice. Pamela is a recognised thought leader in transformative change and has led client engagements across multiple sectors in more than 35 countries.	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 at the time. 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.
None.	He is a board member of The Private Clinic Limited, Digitalgo S.p.A (formerly Neomobile S.p.A.), Liberty Ltd, Enotria Wine Group Limited, Mamas & Papas Ltd, the DMC Group Holding Limited Lateral, Big Holding Group, Dr Vranjes Firenze S.r.l., QMS Medicosmetics GmbH and Iconic London Limited.

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
The Board is responsible for the overall management of our organisation and our business.

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

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.

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 auditor.

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

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.

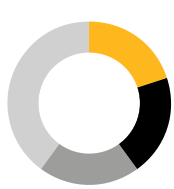
Executive management
Executive Management is responsible for the everyday management of our business and operations, and for monitoring detailed performance of all aspects of our business.

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

Group executive management is responsible for the overall day-to-day management of the business. The Proudfoot division has its own leadership and management structures functioning within clearly established procedures and authority limits set by the Board.

Although the roles of Chairman and Chief Executive are combined at Board level, the Group's main business, Proudfoot, has its own Chief Executive responsible for day to day implementation of the Group's strategy.

Balance of executive and non-executive directors at year end



Chairman and Chief Executive	1
Executive directors	1
Independent Non-executive directors	1
Non-executive directors	2

Board and Committee attendance 2019

	Board Meetings**	Audit and Risk Committee meetings*	Remuneration Committee meetings*	Nominations Committee meetings*
Mr N S Stagg	8	-	-	-
Ms P Hackett	7	-	-	-
Mr M Capello	6	-	1	1
Ms F Czerniawska	8	4	1	1
Mr E Di Spiezio Sardo	7	-	-	-
Mr J D Waldron (resigned 31 December 2019)	6	3	1	1
Total meetings held	**8**	**4**	**1**	**1**

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

** Mr M Capello and Ms P Hackett were unable to attend certain meetings due to conflicting business issues that arose unexpectedly. Any Directors that were unable to attend Board and Committee meetings were invited and encouraged to submit questions in advance of each meeting.

Board of Directors

The Board is collectively responsible to our shareholders and other stakeholders for the success of the Company. The Board operates in accordance with the Company's Articles of Association and there is a formal schedule of matters reserved for the Board. This includes approval of 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 the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee, each of which has its own terms of reference.

During 2019, the Board was comprised of two executive directors and three non-executive directors, only one of whom was independent. As highlighted on page 15, while the Company searches for a new independent non-executive director following the resignation of Julian Waldron, it does not comply with Provision 24 and Provision 32 of the Code, which requires smaller companies to have at least two independent non-executive directors on the Audit Committee and Remuneration Committee respectively, and Provision 11 which requires at least half the Board, excluding the Chair, to be independent. The Board is committed to maintaining standards of best practice and governance and will endeavour to ensure that a suitable candidate is appointed as soon as possible.

Nick Stagg has held the joint role of Chairman and Chief Executive since 2017. The Board considers that this is acceptable given that the Company is the holding company solely for the Proudfoot business which performs all of the Group's trading activities and Pamela Hackett, who is the Chief Executive of Proudfoot, and is responsible for delivery of the Group's strategy, is also an executive director on the Board of the Company. Major shareholders were consulted prior to Nick Stagg being appointed to the joint role and the Board set out its reason to all shareholders at that time.

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 2019 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 is set out in the Directors' Remuneration Report. Related party transactions are disclosed in note 22.

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, the 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 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 following discussions with the Chairman. The intention would be that the results of the evaluation be approved by the Chairman and an agreed plan of action produced. The results are specifically taken into account when considering the reappointment of directors and succession planning in general. The evaluation was not conducted in 2019 as we had been mindful of the imminent resignation of Julian Waldron. The next review will take place during 2020 once a new independent non-executive director has been appointed.

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.

An appropriate induction programme is in place for newly appointed directors and will be completed by the new independent non-executive director as soon as the appointment has been confirmed.

Diversity and Inclusion

The Group's policy is that recruitment, promotion and any other selection exercises will be conducted on the basis of merit against objective criteria that avoid discrimination. No individual should be discriminated against on the ground of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments. The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, while ensuring there is an appropriate balance of skills and experience within the Board. The Board currently consists of 40% (two) females and 60% (three) male board members. The Group consists of 72% male employees (2018: 75%) and 28% female employees (2018: 25%); 82% of senior managers are male (2018: 85%) and 18% are female (2018: 15%). Further details can be found on pages 10 to 12 in the Corporate social responsibility section of the report.

Operation of the Board

The Board meets regularly. There is a core of scheduled meetings each year with further ad hoc meetings scheduled when necessary. Eight scheduled meetings were held during 2019.

An agenda and accompanying detailed papers are circulated to the Board well in advance of each Board meeting. These include reports from the Executive directors and other members of senior management. The Chairman ensures that the Board reviews a wide range of topics, related to both short-term performance and more strategic matters related to the long-term development of the Company.

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

Corporate governance report continued

on page 18. Where directors are unable to attend a meeting, they are always encouraged to submit questions and comments for those in attendance to consider and discuss.

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 and Chief Executive met key shareholders during the year and in particular around the time of the audit tender process, full-year results and the half-year results.

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 comply and report in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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 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;
- 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 the 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; and
- 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.

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.

Shareholder Engagement

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 Executive 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.

Nick Stagg
Chairman and Chief Executive
24 April 2020

Report 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 auditor.

Composition

■ Chairman (non-executive) 1

■ Independent Non-executive 1

Membership and attendance

Committee attendance 2019	Audit and Risk Committee meetings
J D Waldron (Chairman)	■■■■
F Czerniawska (Interim Chair)	■■■■
Total meetings held	■■■■

■ Attended ■ Did not attend

Membership

The membership of the Committee for the year to 31 December 2019 was:

Mr Julian Waldron
(Chairman, member since 2008, resigned 31 December 2019)

Ms Fiona Czerniawska
(Member from 10 March 2017, Interim Chair 1 January 2020)

Dear shareholder

Following Julian Waldron's resignation as a Director and Chair of the Committee on 31 December 2019, the Board has agreed that I will act as interim Chair of the Committee until such time as a new independent non-executive director is appointed. On behalf of the Board, I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2019. During the year, the Committee reviewed the Company's financial statements before publication and the underlying judgements that were used to prepare the statements. Appropriate impairments were considered. Assessments of the impact of new accounting standards and the potential impact of Brexit and COVID-19 on the Group's activities were undertaken. A review of the Group's internal controls was also undertaken and management's analysis of the risks that the business faced were considered.

The Committee undertook a tender process for the appointment of new auditors in the spring and early summer of 2019 and appointed BDO as external auditor.

The Committee met in private session with the External Auditor, the CEO and senior members of the finance team.

I will be happy to answer any questions on the work of the Committee at the forthcoming AGM.

Fiona Czerniawska

Fiona Czerniawska
Interim Chair of the Audit and Risk Committee
24 April 2020

This report describes the composition and operation of the Audit and Risk Committee. The Committee's purpose is to oversee the Group's financial reporting and internal controls and provides the link between the Board and the external auditor. Further details can be found in the Committee's Terms of Reference, which has recently been reviewed and updated. A copy is available on the Group's website (www.mcgplc/investors.com).

Role of the Committee

The role of the Committee is, in summary:

1. 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;

2. 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;

3. to review the Group's internal financial control systems and other internal control and risk management systems;

4. to monitor and review the need for an internal audit function;

5. 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;

6. to conduct the tender process and make recommendations about the appointment, reappointment and removal of the external auditor,

Report of the Audit and Risk Committee Continued

and approving the remuneration and terms of engagement of the external auditor;

7. to review and monitor the external auditor's independence and objectivity;
8. to review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
9. to develop and implement the policy on the provision of non-audit services, including prior approval of non audit services by the Committee and specifying the types of non-audit services to be pre-approved;
10. to review the adequacy of the Company's arrangements for its employees, contractors and external parties to raise concerns in confidence about possible wrongdoing in financial reporting or other matters; and
11. to report to the Board on how it has discharged its responsibilities.

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

Composition

Provision 24 of the Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors. Fiona Czerniawska is an independent non-executive director. Julian Waldron ceased to be considered independent solely by virtue of having served more than 9 years as a director and resigned as a director of the Company with effect from 31 December 2019. Therefore, the Committee is not currently compliant with this requirement. It is intended that a new independent non-executive director will be appointed to the Board and the Committee during 2020.

Ms Czerniawska has more re than 25 years' experience in the management consulting industry and has considerable experience in strategy and planning.

The profiles and qualifications of the Committee members are shown on pages 16 to 17. The Chairman and Chief Executive, the Group Financial Controller, other financial managers and external auditor were invited to attend Committee meetings. The Committee met three times during the year. The external auditor attended all three of the meetings and the Committee met privately with it on one of those occasions.

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.

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 for 2018 and the steps it took to address these are shown in the table below.

During the 2019 financial year the Committee assessed the Group's going concern risks at the Committee's meetings to review the full year 2018 accounts and at the meeting reviewing the half year 2019 accounts.

In considering the financial results contained in the 2019 Annual Report, the Committee considered the significant issues and judgements made by management to determine those results and these are set out in the following table:

Significant issue	How the Committee addressed the risk
Going Concern	The Committee reviewed a number of different scenarios representing alternative assumptions on revenue, including no growth in revenue and decreasing revenue in line with historic long- term trends, costs and resolution of potential liabilities regarding prior year disposals, throughout the period under review. Subsequent to the year end, the impact of COVID-19 pandemic on liquidity and going concern were considered.
Management override of controls	The Committee had private sessions with the auditors and senior individuals in the finance team to ensure there were no areas of concern in this regard. In addition, the Group maintains an authority matrix, which is reviewed by the Committee and is adopted by all parts of the Group. The segregation of duties within the finance team and at senior management level ensures that individuals, in isolation, cannot override these controls.
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 controls in place to ensure contractual terms are appropriate and that controls are in place to ensure the appropriate recognition of revenue.

Significant issue	How the Committee addressed the risk
Taxation compliance	The committee considered the various tax compliance requirements including the approach to establishment of PE's, local and withholding tax requirements as well as other compliance obligations, including transfer pricing. The committee review risks around these items in a proactive manner and seeks appropriate advice from reputable professional firms when required.
Prior year adjustments	The committee reviewed the six corrections to the 2018 financial statements and were satisfied with the reason for the corrections and treatment going forward. The committee considered the disclosures in the financial statements appropriate.
Long term provisions	The committee discussed at the audit committee the key sources of estimation uncertainty in respect of provisions recognised the balance sheet date. They considered the various assumptions from external advisors and the judgements made by management and the disclosures in the financial statements.

The Committee also discussed matters with the external auditor regarding the nature and extent of its 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 and recommendations made by the external auditor. 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 Committee has determined that, given the size and nature of the Group's operations, a separate internal audit function was not required in 2019. This decision will be reviewed again during 2020. The Finance Committee meets monthly and is comprised of the Chairman and Chief Executive, the Group Financial Controller, Proudfoot's Chief Financial Officer and Proudfoot Global Controller, the Group Treasurer, the Group Head of Tax and Chief Information Officer. Throughout the Group, there are defined segmentation of duties and strict authorisation limits are in place.

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.

External auditor tender process

During the year, the Committee agreed to undertake a process to tender the external audit contract, which was led by Julian Waldron as Chair of the Committee. It consisted of initial conversations with three different external auditors, which were followed by written submissions. Following careful consideration of the submissions and the withdrawal of one firm from the process the Committee approved the appointment of BDO LLP as the Company's external auditor.

Independence

The Committee undertakes a 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 considers this is a key control in ensuring continued independence and objectivity by reducing the risk of familiarity. Tim Neathercoat was appointed lead audit partner on the appointment of BDO LLP as external auditor in July 2019 and it is anticipated that he will rotate off the Group's audit in FY2024.
- 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 it auditing the result of its own work 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 (BDO) in order to ensure that the non-audit work is appropriate and the relationship between non-audit fees and audit fees is not inappropriate. The policies have been revised to reflect the updated FRC Guidance on Audit Committees and to take into account the FRC's revised Ethical Standard 2019 applicable to auditors. Fees for non-audit services totalled £41,000 during 2019. £15,000 related to fees for tax compliance services and £26,000 related to fees for audit related assurance services in respect of the 2019 Interim results which were pre-approved by the Committee. The ratio of fees paid for non-audit work in relation to audit work during the year was 17%.
- 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.

Report of the Audit and Risk Committee Continued

The Committee confirms that BDO 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.

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. BDO LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Fiona Czerniawska

Fiona Czerniawska
Interim Chair of the Audit and Risk Committee
24 April 2020

Report of the Nominations Committee

Composition

■ Chairman (non-executive)	1
■ Non-executive	1
■ Independent non-executive	1

Membership and attendance

Committee attendance 2019	Nomination Committee meetings
M Capello	■
F Czerniawska (Interim Chair)	■
J D Waldron	■
Total meetings held	■

■ Attended ■ Did not attend

Membership

The membership of the Committee from 1 January 2019 was:

Mr Julian Waldron
(Chairman and member since 2009, resigned 31 December 2019)

Mr Marco Capello
(Member since 2010)

Ms Fiona Czerniawska
(Member since 2017, Interim Chair 1 January 2020)

Dear shareholder

Following Julian Waldron's resignation as a Director and Chair of the Committee on 31 December 2019, the Board has agreed that I will act as interim Chair of the Committee until such time as a new independent non-executive director is appointed. On behalf of the Board, I am pleased to present the report of the Nomination Committee.

Last year the key task for the Committee was to monitor succession plans and consider and commence a selection process for the appointment of an additional non-executive director in order to strengthen the team of independent non-executive directors for the Group. During 2020, following consultation with shareholders (representing approximately 68% of our issued share capital), the Board intends to continue the search and selection process for one additional independent non-executive director.

Throughout the process of recruitment of candidates, we will continue to show commitment to Group policy on diversity and inclusion.

Although a board evaluation had been planned for 2019, it was felt sensible to postpone the review until changes to the Board's composition had been finalised. When a new independent non-executive director has been appointed and has fully established themselves in the role, an internal board evaluation will be conducted, focusing on the Board, Committees, Chair and each of the Directors. This evaluation of performance will assist with the next stage of our succession planning.

Fiona Czerniawska
Interim Chair of the Nomination Committee
24 April 2020

Composition

The Code recommends that a majority of the members of the Nomination Committee should be independent non-executive directors. Fiona Czerniawska is an independent non-executive director. Julian Waldron ceased to be independent in 2017 by virtue of having served as a director for more than nine years and resigned as a director with effect from 31 December 2019. Marco Capello is not considered to be independent due to his association with BlueGem Delta Sarl which currently owns 31% of the issued share capital of the Company. Therefore, the Committee is not compliant with this requirement.

As explained below, a selection process for a new independent non-executive director is underway and the Board intends that the newly appointed director will become a member of and Chair of the Nomination Committee. Until this appointment is made, the Board has agreed that Fiona Czerniawska will act as Chair of the Committee in the interim.

The Committee's purpose is to consider future appointments to the Board and the succession policy for key management positions. Further details can be found in the Committee's Terms of Reference, which has recently been reviewed and updated. A copy is available on the Group's website (www.mcgplc/investors.com).

Report of the Nominations Committee Continued

Activities

The Committee meets on an ad hoc basis as required.

During 2019, the Committee reviewed group succession plans and commenced a selection process for the appointment of a new independent non-executive director. As part of this process, the Committee has assessed the current balance of skills and knowledge and has considered the benefits of diversity. It has been agreed that should it be necessary, an external consultancy will be engaged to assist in the search for potential candidates. It is hoped that the selection process will be completed over the course of the next few months. The Board and the Committee have noted the recommendation of the Hampton-Alexander Review (updated in 2017) to increase female board representation to 33% and the Parker Review on board ethnic diversity.

Diversity and Inclusion

The Company is committed to creating an inclusive culture, free from discrimination of any kind, and this extends to Board appointments. A breakdown by gender of the Board and the senior management team is provided below.

Board gender diversity	
Female	40%
Male	60%

Senior management diversity	
Female	18%
Male	82%

Fiona Czerniawska
Interim Chair of the Nomination Committee
24 April 2020

Directors' Remuneration Report

Composition

Chairman (non-executive)	1
Non-executive	1
Independent non-executive	1

Membership and attendance

Committee attendance 2019	Nomination Committee meetings
M Capello	■
F Czerniawska (Interim Chair)	■
J D Waldron	■
Total meetings held	■

■ Attended ■ Did not attend

Membership

The membership of the Committee from 1 January 2019 was:

Marco Capello
(Member since 2010)

Fiona Czerniawska
(Member since 2017)

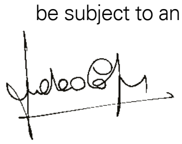
Julian Waldron
(Member since 2009, resigned 31 December 2019)

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019.

This report is made up of three sections:

- The annual statement of the Chair of the Remuneration Committee
- the Directors' Remuneration Policy which will be put to a binding shareholder vote at the 2020 AGM and will then apply for three years from the date of approval; and
- the Annual Report on Remuneration sets out details of the remuneration paid to our directors in 2019 and describes how our Policy will be implemented in 2020. The Annual Report on Remuneration will again be subject to an advisory vote at the 2020 AGM.



Marco Capello
Chairman of the Remuneration Committee
24 April 2020

Activities of the Remuneration Committee during 2019

The Directors' Remuneration Policy is subject to a binding vote by shareholders at least every three years. It was last approved by shareholders at our 2017 AGM and therefore the Company is required to seek shareholders' approval at the 2020 AGM for the policy to be applied for the next three years. I have worked with the rest of the Committee to review our existing policy and to consider whether changes are required to that policy to ensure it is aligned to and supports our business strategy. The Committee has concluded that the existing policy largely remains fit for purpose subject to a small number of changes to ensure that it is aligned to and supports the Company's strategy over the next three years.

Proposed changes to the Directors' Remuneration Policy
As the Group's 2008 Performance Share Plan can no longer make awards and the Remuneration Committee has no immediate plans to make further awards, the long-term share incentive element has been removed from the policy. At such time as the Company considers that it is appropriate to implement a long-term share incentive scheme, a revised policy and rules for a new long-term incentive scheme will be recommended to shareholders for approval.

The Company no longer provides a car allowance to executive directors.

Performance
During the year, the Remuneration Committee considered and approved a short-term bonus incentive for the Executive Directors for 2019. Due to the disappointing financial performance during the year, the Committee has determined that the targets set for the 2019 short-term bonus incentive have not been met and therefore no bonus will be payable for 2019.

Remuneration
The Committee reviewed the Executive Directors' salaries, and as part of that review, considered the remuneration of the wider workforce. It was concluded that there would be no increase to Executive Directors' salaries.

The Annual Report on Remuneration, which describes the implementation of the current policy during the year including details of the total

Directors' Remuneration Report Continued

remuneration received by Mr Stagg and Ms Hackett, will again be subject to an advisory vote at the forthcoming AGM.

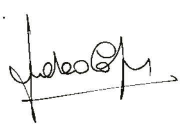
Application of Remuneration Policy in 2020

Although the proposed policy to be put to shareholders retains the flexibility to operate annual bonus arrangements for Executive Directors, the Committee has determined that no such bonuses will be payable for 2020. Executive remuneration for 2020 will therefore be limited to the fixed elements of salary, pension contribution and any contractual benefit entitlements.

Annual General Meeting

On behalf of the Board, I would like to thank shareholders for their continued support and look forward to meeting shareholders at the 2020 AGM.

In the meantime, I will be happy to engage with you if there are any matters set out in the report which you would like to discuss.



Marco Capello
Chairman of the Remuneration Committee
24 April 2020

Directors' Remuneration Report

Directors Remuneration Policy

Composition
The Code recommends that the Committee should comprise at least two independent non-executive directors.

Fiona Czerniawska is an independent non-executive director. Marco Capello is not considered to be independent due to his association with BlueGem Delta Sarl which currently owns 31.29% of the issued share capital of the Company. Julian Waldron ceased to be independent in 2017 by virtue of having served as a director for more than nine years and resigned as a director with effect from 31 December 2019. Therefore, until a new independent non-executive director is appointed the Committee is not compliant with this requirement.

As explained in the Corporate Governance report, a selection process for a new non-executive director is underway. The Board intends that the newly appointed director will become a member of the Remuneration Committee and that the Chair of the Remuneration Committee will be an independent non-executive director; until this appointment is made, the Board has agreed that Marco Capello will act as Chair of this Committee.

The Committee has responsibility for setting the framework for the remuneration of the Chairman and executive directors and other senior executives in the Group, as well as the remuneration packages of those individuals. Further details can be found in the Committee's Terms of Reference, which has recently been reviewed and updated. A copy is available on the Group's website (www.mcgplc/investors.com).

Operation of the Committee
The Chairman of the Committee ensures that the views of the Group's major shareholders are taken into account when determining the remuneration of the Chief Executive. The Chairman of the Group is also tasked with discussing remuneration as part of his investor relations function. 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.

Remuneration Policy report

This part of the Directors' Remuneration Report sets out the proposed 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 was developed taking into consideration the principles of the UK Corporate Governance Code 2018 and the views of our major shareholders. The policy report will be put to a binding shareholder vote at the 2020 AGM and, assuming that the resolution is passed, the policy will apply for the period of three years from the date of approval.

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

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 and its implementation, 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 and specific investor guidelines. 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 are provided in the Annual Report on Remuneration.

There is no consultation with employees.

Remuneration Policy
The Remuneration Committee determines the policy for the executive directors and senior executives for the current and future years. 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 proportion of executive directors' remuneration may be performance related through the use of the annual bonus scheme.

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

Discretion
The Remuneration Committee has discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to see or await shareholder feedback.

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

Directors' Remuneration Report Continued

Directors Remuneration Policy

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 wellbeing of employees	A Company contribution to a pension scheme or provision of cash allowance in lieu of pension at the request of the individual. Only base salary is pensionable.	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.
Pension	To provide market competitive benefits	A Company contribution to a pension scheme or provision of cash allowance in lieu of pension at the request of the individual. Only base salary is pensionable.	UK resident: The current Executive directors receive pension funding equivalent to 17.5% of salary in accordance with existing contractual arrangements. Non-UK resident: retirement provision will be consistent with market practice in the relevant country. Future incoming Executive Directors will receive pension funding in line with the level received by the wider employee workforce.

Element	Purpose and link to strategy	Operation	Maximum opportunity
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. 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 annual bonus scheme will not be operated for Executive directors in 2020.	The maximum bonus opportunity for all 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.
Shareholding guidelines	To align interests of executive directors with those of shareholders	Executive directors are expected to retain a shareholding which represents at least 100% of their base salary.	n/a
Non-executive director fees	To attract and retain high-calibre non-executive directors by offering a market competitive fee level	Non-executive directors are not normally entitled to bonuses or pension contributions or to participate in any share scheme. However, the Company may provide benefits if deemed appropriate including reimbursement of reasonable business related expenses and any tax (grossed up) payable thereon. The non-executives are paid a basic fee. The Senior Independent Director (when appointed) is 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 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.

Directors' Remuneration Report Continued

Directors Remuneration Policy

Changes to previous Remuneration Policy

Pensions

Pension contribution rates for newly appointed executive directors will be aligned with pension rates available to the wider workforce. Existing executive directors will continue to receive pension contributions in line with their current contractual arrangements.

Share incentive awards

As the Group's 2008 Performance Share Plan can no longer make awards and the Remuneration Committee has no immediate plans to make further awards, the long-term share incentive element has been removed from the policy. At such time as the Company considers that it is appropriate to implement a long-term share incentive scheme, a revised policy and rules for a new long-term incentive scheme will be recommended to shareholders for approval.

Car allowance

The Company no longer provides a car allowance to executive directors.

The Committee will operate the annual bonus plan in accordance 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):

- when to make payments;
- how to determine the size of a payment;
- the testing of a performance condition over a shortened performance period;
- how to deal with a change of control or restructuring of the Group;;
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or special dividends); and
- what the weighting, measures and targets should be for the annual bonus 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 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 34 to 37 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.

Choice of performance measures and approach to target setting

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

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.

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.

Other director positions

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 therefore 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 of no more than 100% of salary.

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 and 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 non-executive Chairman or other non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Illustration of the application of the Policy in 2020

As noted above, no annual bonus will be awarded in 2020 and therefore executive director remuneration for the year will comprise fixed pay elements (salary, benefits and pension) only. There are therefore no on-target or maximum remuneration scenarios to illustrate. The total amount of salary expected to be made to the executive directors in 2020 is as follows:

N S Stagg	£400,000
P Hackett	US$550,000

Note that the above figures are before the implementation of the temporary salary reduction of all employees by 25% as discussed in note 2, basis of preparation of the financial statements.

Service contracts and payments for loss of office

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 has a contract with the Company which either party is able to terminate by giving twelve months' notice and which continues until age 65.

Ms Hackett has a contract with the Company which either party is able to terminate by giving twelve months' notice and which continues until age 65.

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. The Committee also has the discretion to pay statutory entitlements or sums to settle or compromise claims in connection with a termination if necessary and to pay outplacement and legal fees if appropriate. 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.

Chairman and non-executive directors

Mr Stagg holds the combined role of executive Chairman and CEO and his service contract provides for the notice periods and rights to compensation as detailed above. Ms Hackett's service contract provides for the notice periods and rights to compensation as detailed above.

The non-executive directors do not have service contracts, do not have rights to compensation on termination and are appointed for limited terms and subject to annual reappointment at the AGM, although this Policy reserves the right to introduce notice periods if they are considered appropriate.

Directors' Remuneration Report

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 2020 AGM. The information on pages 34 to 37 has been audited unless otherwise stated.

Remuneration for the year ended 31 December 2019

The table below sets out the remuneration of the directors for the financial year ended 31 December 2019 and the comparative figures for the year ended 31 December 2018. Note that the remuneration of Michael Comras and Pamela Hackett in the table below is only for the period that they were Directors and as detailed in the footnote below.

Directors' Single Figure Table for the year ended 31 December 2019

	Note	Year	Salary and fees	Annual Bonus	Benefits	Pension	Other	Total
Executive directors								
N Stagg	1,2,3	**2019**	**400,000**	**–**	**48,829**	**70,000**	**-**	**518,829**
		2018	400,000	100,000	32,635	70,000	112,792	715,427
P Hackett	1,5	**2019**	**430,080**	**–**	**2,413**	**16,058**	**–**	**448,551**
		2018	187,527	100,000	1,182	6,987	–	295,696
Mr M Comras	4	**2019**	**–**	-	**–**	**–**	**–**	**–**
		2018	125,641	–	818	4,503	–	130,962
Non-executive directors								
M Capello	6	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–	–
F Czerniawska		**2019**	**35,000**	**–**	**–**	**–**	**–**	**35,000**
		2018	35,000	–	–	–	–	35,000
E Di Spiezio Sardo	6	**2019**	**–**	**–**	**–**	**–**	**–**	**–**
		2018	–	–	–	–	–	–
JD Waldron		**2019**	**45,000**	**–**	**–**	**–**	**–**	**45,000**
		2018	45,000	–	–	–	20,000	65,000
Total		**2019**	**910,080**	**–**	**51,243**	**86,058**	**–**	**1,047,381**
		2018	793,168	200,000	34,635	81,490	132,792	1,242,085

1. Mr Stagg's and Ms Hackett's benefits comprise: insurance for life, personal accident, permanent health and medical cover.
2. Mr Stagg receives a salary supplement in lieu of a pension contribution of 17.5% of base salary.
3. Other column, this comprises the market value of Mr Stagg's company car as at the date of transfer of ownership (£61,000) and the related income tax liability (£51,792)
4. Mr Comras resigned as a director on 9 May 2018.
5. Ms Hackett's annual contracted salary is in US dollars – USD$550,000, converted at the group average rate of £1: USD$1,28. Her benefits and pension are paid in Canadian dollars, being CAN$4,482 and CAN$26,550 respectively, converted at the group average rate of £1: CAN$1.70. 2018 remuneration only from 18 July 2018.
6. Mr Capello and Mr Di Spiezio Sardo have voluntarily agreed not to take fees.

Commentary on the Single Figure Table

Salary
There was no change in Mr Stagg's and Ms Hackett's salary in 2018 or 2019.

Benefits
The executive directors receive life assurance, personal accident, permanent health insurance and medical cover.

Benefits
As explained in the Annual Statement on page 34, Mr Stagg received a disruption allowance of £50,000 per annum and a company car benefit of £38,733 per annum until these benefits were withdrawn with effect from 1 May 2018.

The executive directors receive life assurance, personal accident, permanent health insurance and medical cover.

Pension
Mr Stagg receives a payment of 17.5% of salary as a salary supplement in lieu of pension contribution.

Ms Hackett is a member of the Company's defined contribution pension scheme in Canada and receives a pension contribution of CAD27,230 (£16,058 (£1:CAD1.6957)).

Directors' shareholding and share interests
Details of the interests in shares of the directors in office as at 31 December 2019 are shown in the table below.

	Note	Beneficially owned at 31 December 2019
Executive directors		
Mr N S Stagg		5,197,065
Ms P Hackett		5,341,195
Non-executive directors		
Mr M Capello	1	—
Ms F Czernwiaska		—
Mr E Di Spiezio Sardo	1	—
Mr J D Waldron		977,468

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

There have been no changes in the number of shares beneficially owned, or interested in, by the Directors between 1 January 2020 and the publication of this Annual Report.

To align the interests of the executive directors and senior management with shareholders, executive directors are required to build up shareholdings through the retention of shares vesting under the Company's share plans. As set out in our Policy, 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. Both Mr Stagg and Ms Hackett hold shares in excess of the share ownership target set out in our Policy.

Unaudited information

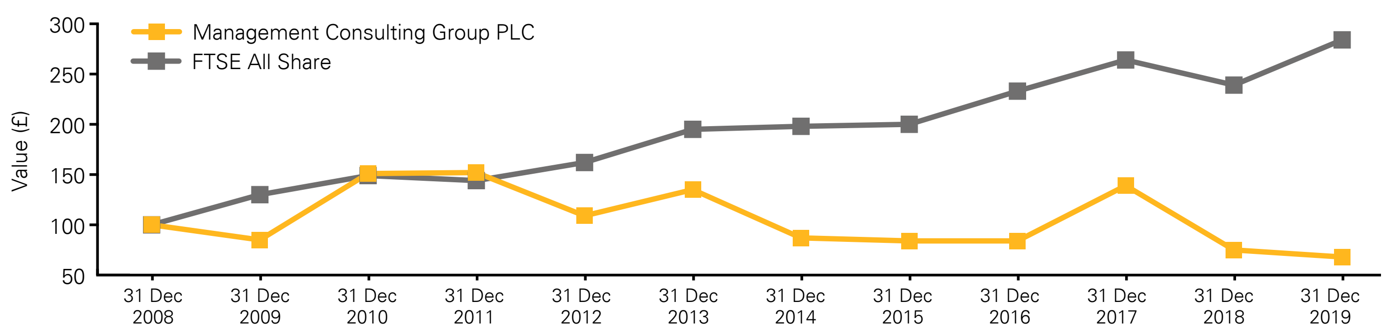
Percentage increase in the remuneration of the Chief Executive

	% change 2018 to 2019
Chief Executive	
Salary	-
Benefits*	20%
Bonus	(100%)
Average per employee	
Salary	-
Benefits	1%
Bonus	30%

* Benefits in 2018 included the disruption allowance which was withdrawn on 1 May 2018

The table above shows the percentage movement in the salary, benefits and bonus for the Chief Executive between the year under report and the previous financial year compared to that for the average employee.

Performance graph
The graph below illustrates the Company's performance compared with an appropriate "broad equity market index" over the past eight years. Management Consulting Group PLC was 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).



Directors' Remuneration Report

Annual Report on Remuneration

This graph shows the value, by 31 December 2019, 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.

Chief Executive's Remuneration

	2010	2011	2012	2013	2014	2015	2016	2018	2018	**2019**
Total remuneration (£'000)	521	717	534	956	597	713	1111	561	715	**519**
Annual bonus (% of maximum)	22%	54.7%	24.8%	45.9%	21%	0%	0%	0%	25%	**0%**
LTIP vesting (% of maximum)				28.9%	0%	0%	0%	0%	0%	**0%**

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 annual bonus excludes the transaction bonuses in 2015 and 2016.

Relative importance of the spend on pay

	2019	2018	% increase/ (decrease)
Staff costs £'000	**21,686**	20,456	6%
Dividends £'000	**—**	—	—

The table above shows the movement in spend on staff costs compared to dividends. These figures are taken from Note 5 of the financial statements.

External advisers

The Committee did not deem it necessary to make significant changes to its remuneration policy or packages during the year and therefore did not require advice from external remuneration advisers during 2019.

External directorships

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. 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 2019**	FY 2018
Mr N S Stagg		
Redhill Aerodrome Ventures Limited	**£40,000**	-
Western Selection Limited	**£15,000**	£15,000

Statement of shareholder voting

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

Vote on the Company's Remuneration Report

	2019 AGM	%
Votes cast in favour	**1,027,648,262**	97
Votes cast against	**35,570,986**	3
Total votes cast	**1,063,219,248**	100
Votes withheld	**1,142**	

Vote on the Directors' Remuneration Policy

At the 2018 AGM, the Remuneration Policy received the following votes from shareholders:

	2018 AGM	%
Votes cast in favour	**322,944,018**	99.98
Votes cast against	**59,367**	0.02
Total votes cast	**323,003,385**	100
Votes withheld	**23,324**	

How our Policy will be applied in 2020

2020 salary and benefits

Mr Stagg and Ms Hackett's salaries have been reviewed with effect from 1 January 2020 and there is no increase.

	Salary as at 1 January 2019	Salary as at 1 January 2020	% increase
Mr N S Stagg	£400,000	£400,000	—
Ms P Hackett[1]	£412,030	£430,080	—

1. Ms Hackett's annual salary is contracted in US dollars (US$550,000). 2019 salary was converted at the 2018 group average rate of £1:US$1.33. 2020 salary is converted at the 2019 group average rate of £1:US$1.28.

Mr Stagg receives personal accident, life assurance, permanent health and family medical cover to the value of £38,985 per annum.

Ms Hackett receives life cover, personal accident, life assurance, medical and dental cover to the value of £2,413 per annum.

Annual Bonus Scheme for 2020

The Committee has chosen not to operate the annual bonus scheme in 2020. Flexibility to operate the scheme in future years is retained in the revised remuneration policy which is submitted for shareholder approval at the 2020 AGM.

The Executive Directors' pension arrangements and the pension contributions or salary supplement in lieu of a pension contribution will remain unchanged.

PSP

There will be no awards made to the Executive Directors under the PSP in 2020.

Fees for the non-executive directors

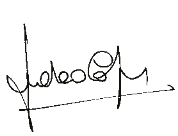
A summary of fees as at 1 January 2020 is as follows:

	Fees at 1 January 2019	Fees at 1 January 2020	% increase
Base fee for non-executive directors	£35,000	£35,000	—
Committee chair additional fees	£5,000	£5,000	—

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.

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 24 April 2020 and signed on its behalf by:



Marco Capello
Chairman of the Remuneration Committee
24 April 2020

Directors' Report

The Directors present their report for the year ended 31 December 2019. The Directors' Report incorporates the Governance sections of this annual report, excluding the Independent Auditor's Report. These will be laid before the shareholders at the 2020 Annual General Meeting.

The Directors consider the annual report and financial statements 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.

Other information

Other information relevant to this Directors' Report, and which is incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Future Business Developments	Details can be found on page 5 of the Strategic Report
Internal Control and financial risk management objectives and policies	Information about internal control and financial risk management objectives and policies in relation to the use of financial instruments can be found in Note 21 to the financial statements. Further information on risk management more generally can be found on page 7 to 8
Financial risk management objectives and policies	Disclosure can be found in Note 21 of the financial statements.
Environmental policy	Corporate social responsibility – pages 10 to 12
Greenhouse gas emissions	Corporate social responsibility –pages 10 to 12
People, culture and employee involvement	Corporate social responsibility – pages 10 to 12
Directors' responsibility statement	Page 40
Directors' Interests	Details can be found on page 35 of the Directors' Remuneration Report
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Details can be found on page 8 of the Strategic Report and Note 21 of the financial Statements
s172 statement	Details can be found on page 13 to 14 of the Strategic Report
Stakeholder Engagement	Details can be found on page 13
Information provided to the auditors	Details can be found on page 39

Directors

The Directors of the Company who held office during the year are:

Nicholas Stagg *(Chairman and Chief Executive)*

Marco Capello *(Non-executive Director)*

Fiona Czerniawska *(Independent Non-executive Director)*

Pamela Hackett *(Executive Director)*

Emilio Di Spiezio Sardo *(Non-executive Director)*

Julian Waldron *(Non-executive Director)*,
resigned on 31 December 2019

The roles and biographies of the Directors in office as at the date of this report are set out on pages 16 to 17.

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 23 to the financial statements.

Group results and dividend

The Group's loss before taxation from continuing operations for the year ended 31 December 2019 amounted to £5,687,000 (2018: loss of £6,948,000). The directors do not recommend the payment of a dividend for 2020.

Authority for the Company to purchase of its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

The Company's AGM held on 18 June 2019, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 151,652,842 of its Ordinary Shares. The Company made no share repurchases under this authority which is due to expire at the 2020 AGM.

Share capital structure

Details of the Company's share capital are set out in note 19 to the financial statements. As at the date of this report, there was a total of 1,516,528,424 ordinary shares of 1p in issue.

Shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share they hold. The Notice of Annual

General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Further information on the Group's capital structure and its share scheme is set out in Note 19 to the financial statements.

Relationship agreement

The Company and BlueGem Delta Sarl ("BlueGem") entered into a relationship agreement on 28 June 2018, as required by Listing Rule 9.2.2ADR(1) as a result of BlueGem's interest in the Company's shares passing through 30% of issued share capital on completion of the placing and open offer. The Company confirms that it and, in so far as it is aware, BlueGem have complied with the undertakings of the relationship agreement such that the Company has, during the year, been able to operate as an independent business.

Articles of Association

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders.

Change of Control – Significant Contracts

The Company is not party to any significant contracts that are subject to change of control provisions in the event of a change of control but other agreements may alter or terminate upon such an event.

Political donations

The Company does not make any political donations and does not incur any political expenditure.

Directors' indemnities and director and officer liability insurance

As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.

Significant interests

As at 30 March 2020 (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 Delta Sarl	**474,522,745**	31.29
Lombard Odier Darier Hentsch & Cie	**342,978,350**	22.62
Richard Griffiths	**223,656,585**	14.75
Aberforth Partners LLP	**180,639,185**	11.91
Fidelity Worldwide Investment	**94,235,502**	6.21

Post balance sheet events

Refer to note 26 regarding post balance sheet events.

Annual General Meeting

The 2020 Annual General Meeting of the Company (2020 AGM) will be held at the offices of Baker McKenzie, 100 New Bridge Street, London EC4V 6JA at 11 am on Tuesday 26 May 2020. The Notice of the 2020 AGM (2020 AGM Notice) will be available on our website http://mcgplc/investors/agm-information.

An explanation of the resolutions to be put to shareholders at the 2020 AGM and the recommendations in relation to them will be set out in the 2020 AGM Notice.

Auditor and disclosure of information to the Auditor

As required by Section 418 of the Companies Act 2006, each of the Directors as at 24 April 2020 confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and

The Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the group's Auditor is aware of that information

The Directors' Report was approved by the Board of Directors on 24 April 2020.

By Order of the Board

Nick Stagg
Chairman and Chief Executive
24 April 2020

Registered office
St Pauls House
10 Warwick Lane
London EC4M 7BP

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 financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

Nick Stagg
Chairman and Chief Executive
24 April 2020

Independent auditor’s report

to the members of Management Consulting Group PLC

Opinion

We have audited the financial statements of Management Consulting Group PLC (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2019 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company statement of changes in equity, the Group and Company balance sheet, Group and Company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

In our opinion:

- the financial statement give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2019 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Group may need to raise further funds should the impact of COVID-19 be worse or more prolonged than the Directors’ expectations. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter as a result of the uncertainty created by the COVID-19 pandemic and the resulting potential impact of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included:

- Tested the arithmetical accuracy;
- Tested the accuracy of management forecast’s for the year ended 31 December 2019 compared to the actual results for the year to 31 December 2019 to assess the reliability of forecasts provided;
- Considered and evaluated the key assumptions within management’s going concern forecasts, with particular focus on the assessment of forecast cash flows to April 2021 against historic actual cash flows, the impact of management cost restructuring initiatives and Government initiatives in response to the COVID-19 pandemic;
- Challenged the Board approved going concern forecasts specifically in relation to;
  - the accuracy of contractually committed immediate to short-term cash receipts by assessing the underlying assumptions of cash collections compared to actual collections as at 22 April 2020;
  - the expected but uncommitted cash receipts through September 2020 to April 2021 based on a gradual return of turnover from September 2020 onwards; and
  - the completeness of expected cash outflows through the going concern review period to April 2021 by challenging committed costs being deferred or reduced, based on the assumptions impact to the business of COVID-19.
- Sensitised the Board approved forecast to April 2021 to understand the impact of reduced uncommitted cash receipts through the period September 2020 to April 2021. The 12 month cash flow forecast include a worst case sensitivity which has been prepared using only known cash receipts (reduced by 30% from May to mid-July) and forecast revenue deferred three months longer than anticipated and reduced by a factor of approximately 45% with cash expenditure adjusted for the mitigating actions that have been agreed and implemented following review of the Group’s operating cost base.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors’ confirmation in the annual report that they have carried out a robust assessment of the Group’s emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors’ identification of any material uncertainties to the Group and the Parent Company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors’ statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors’ explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have

Independent auditor's report continued

to the members of Management Consulting Group PLC

done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Aside from the impact of the matters disclosed in the material uncertainty relating to going concern referred to in this report, we confirm that we have nothing material to add or draw attention to in respect of these requirements.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▪ Going concern (see material uncertainty relating to going concern section); ▪ Revenue recognition; ▪ Completeness of provisions; and ▪ Taxation compliance
Materiality	We determined materiality for the Group financial statements as a whole to be £270,000 which represents approximately 0.8% of revenue.
Scoping	We identified 4 significant components representing represent 82% of the group's revenue and 92% of loss before tax

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How we addressed the key audit matter in our audit
Revenue recognition *The related accounting policies are described in note 2, with related disclosures in notes 3.* Revenue is recognised by reference to the stage of completion of the contract with a customer, which requires judgements and estimates in order to determine the recoverability of unbilled revenue and the completeness of revenue and deferred revenue at year end. To determine the timing of the recognition of revenue and the value of contract assets to be recognised in the Balance Sheet an estimate has to be made of the stage of completion of a performance obligation and the right to consideration at the year-end for each individual engagement. This can involve complex and highly subjective judgements in determining the stage of completion of performance obligations and the value of consideration receivable. Due to the high level of judgement involved, we consider this to be an area of focus for our audit. Other related disclosures are presented in notes 3 and 13.	Our work included the following procedures: ▪ Assessed the Group's revenue recognition policies with reference to the requirements of applicable accounting standards. Examined a sample of contracts to ensure revenue recognised is in line the applicable accounting standards. ▪ Tested the operating effectiveness of relevant internal controls that have been designed to provide assurance over the recognition of revenue during the year. ▪ Controls tested including the approval of engagement scope, approval employee timesheets and reconciliation of revenue invoiced to clients. ▪ Examined a sample of open projects at year end to check the existence of related contract asset balances by agreeing the balances to approved timesheets . ▪ For a sample of balances agreed the recoverability of contract assets through agreement to post year end billing and cash receipts. ▪ Examined a sample of invoices raised before and after year end and agreed to approved timesheets to check that revenue was recognised in the correct period. ▪ Examined a sample of credit notes issued post year end to check that where these related to revenue for the current year, revenue was appropriately adjusted.
Key observations	Based on the work performed we consider that revenue has been materially recognised appropriately and is in accordance with the group's revenue recognition accounting policies.

Completeness of provisions *The related accounting policies are described in note 2 with related disclosures in note 17.* A provision is made for claims for alleged negligence and regulatory matters when there is a present obligation as a result of a past event that gives arise to a probable payment and when the probability of the payment can be reliably estimated. The provision is based on the estimated cost of defending and settling claims and regulatory matters. Determining whether to provide, and if so, the amount to provide involves a high degree of judgement and estimation uncertainty. Therefore this was considered to be an area of focus for our audit.	Our work included the following procedures: ▪ Inquired with management to determine the current status of ongoing litigations and inspected internal and third party documentation such as correspondence with legal teams and relevant authorities where rulings have been issued to assess the appropriateness of expected cash outflows. ▪ Assessed the accuracy of claims settled during the year to amounts previously provided ▪ Obtained direct confirmation from the lawyers or other relevant third party organisations in respect to the current status of ongoing claims and actions against the Group to determine the completeness of management's assessment. ▪ Challenged the judgements and estimates used to calculate the provisions with reference to supporting documentation and considered management's ability to exercise bias by challenging estimates against supporting external evidence where applicable.
Key observations	Based on our audit nothing material came to our attention regarding the judgements and estimates made by management in determining the provisions and regulatory matters to not be appropriate.
Taxation compliance *The related accounting policies are described in note 2 with related disclosures in notes 7 and 15.* The Group operates internationally across a number of jurisdictions that are subject to direct and indirect taxes. The changing regulatory environment affecting all jurisdictions increases the estimation uncertainty associated with calculating the Group's tax position. The Group estimates and recognises liabilities of whether additional taxes will be due based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. We considered this to be an area of focus for our audit due to the level of judgements and estimates required in determining the Group's tax position.	Our work included the following: ▪ Obtained an understanding of the control environment, through discussion with management, relating to tax compliance and how the Group identifies taxation risks in respect of delivering projects in countries that differ from the billing country. ▪ Selected a sample of ongoing projects overlapping the current and prior year to determine where the group operates for a period greater than a certain threshold thus triggering tax implications and discussed with management on compliance with local requirements in these jurisdictions. ▪ Obtained an understanding of the transfer pricing policies and assessed the compliance of the rate applied across the group with those policies. ▪ Utilising our internal tax specialists, we audited the group corporate tax calculations and challenged management on assumptions made in the tax computations by agreeing amounts to the underlying accounting records and the requirements of applicable accounting standards and tax legislation. ▪ Discussed with management the impact of any ongoing investigations by tax authorities globally and challenged management on the impact of these investigations on the group tax position and where available inspected this correspondence. ▪ Considered the impact of unremitted overseas earnings and if there were any potential liabilities that required recognition ▪ Considered the appropriateness of no deferred tax assets being recognised for operating losses incurred across the group ▪ Assessed the disclosures in the financial statements for consistency with the estimates used in the tax calculations.
Key observations	Based on the work performed, nothing material came to our attention noting the Groups provision for taxation is not appropriately recognised and disclosed.

Independent auditor's report continued

to the members of Management Consulting Group PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We have used revenue as a benchmark for Group materiality as we consider revenue and revenue growth to be the key financial metric to assess the Group's performance, given the Group's focus to grow revenue to enable a return to future profitability. We determined materiality for the Group financial statements as a whole to be £270,000 which represents approximately 0.8% of Revenue.

Performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality for the financial statements as a whole. This has been set at £175,500, which is 65% of materiality to factor it being a first year audit for BDO and considering the geographic spread of operations and a number of areas of judgement.

Materiality for the Parent Company has been set at £119,000 which represents 1% of total assets. We consider total assets to be the appropriate benchmark as the company operates as a holding company for the group operations geographically. Performance materiality used is £77,000 which is 65% of materiality.

Lower materiality levels (between £51,000 - £237,000 based on their specific revenue level) than that of the Group were used for the significant components.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,400 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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.

The Group consists of a Parent Company based in the UK and subsidiaries (as listed in note 24 of these financial statements) that are incorporated across the world. When assessing whether a component is significant due to its financial significance to the Group, revenue was used as an appropriate benchmark, with any components above 10% threshold deemed to be significant.

The audit of the Group financial statements comprised full scope audits performed on the consolidated group headed by Management Consulting Group PLC, the standalone parent entity financial statements. The significant components to the Group were determined to be Proudfoot Consulting (Europe) Ltd, Proudfoot Consulting Company, Alexander Proudfoot GmbH and Proudfoot Consulting Inc.

The components where full scope audits have been undertaken represent 82% of the Group's revenue and 92% of loss before tax. Analytical procedures were undertaken by BDO LLP on non-significant components have been completed at 50% of the Group materiality 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.

From our understanding of the entity and after evaluating the design and determining the implementation and operating effectiveness of the key controls, for the significant components identified, we relied on controls in performing our audit of Group revenue.

As all books and records are maintained at the Group's London Head Office for all entities within the Group all audit work was performed centrally by the Group audit team led by the Senior Statutory Auditor.

The capability of the audit to detect irregularities including fraud

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent company financial statements, including, but not limited to, the Companies Act 2006, and the UK Listing Rules.

We undertook further audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could five rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, and the UK Listing Rules. We made enquiries of the Directors to obtain further understanding of risks of non-compliance.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during the year end and evaluate whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 2019, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable –** the statement given by the directors that they consider the annual report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the

Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, BDO LLP were appointed by the Board on 15 Jul 2019 to audit the financial statements of the Group for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended to 31 December 2019.

Independent auditor's report continued

to the members of Management Consulting Group PLC

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
24 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group income statement
for the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Continuing operations			
Revenue	3	**33,200**	28,285
Cost of sales		**(17,186)**	(13,975)
Gross profit		**16,014**	14,310
Total administrative expenses	4	**(20,851)**	(20,677)
Administrative expenses – non-underlying other	4a	**(847)**	(2,568)
Administrative expenses – non-underlying credit	4a	**632**	412
Loss from operations – underlying*		**(4,622)**	(4,211)
Loss from operations	3	**(4,837)**	(6,367)
Investment revenues	6a	113	89
Finance costs	6b	(963)	(670)
Loss before tax	4	**(5,687)**	(6,948)
Tax	7	**(375)**	(112)
Loss for the period from continuing operations		**(6,062)**	(7,060)
Loss for the period from discontinued operations	24	**–**	(6,670)
Loss for the year		**(6,062)**	(13,730)
Loss per share - pence			
From loss from continuing operations for the year attributable to owners of the Company:			
Basic	8	**(0.4)**	(0.7)
Diluted	8	**(0.4)**	(0.7)
Basic – adjusted	8	**(0.4)**	(0.5)
Diluted – adjusted	8	**(0.4)**	(0.5)
From the loss for the period:			
Basic	8	**(0.4)**	(1.4)
Diluted	8	**(0.4)**	(1.4)
Basic – adjusted	8	**(0.4)**	(0.6)
Diluted – adjusted	8	**(0.4)**	(0.6)

*operating loss before non-underlying costs and credits refer to definition on page 67

Group statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000 (restated)
Loss for the year		**(6,062)**	(13,730)
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains/(losses) on defined benefit post-retirement obligations	16, 25	**973**	(1,050)
Tax items taken directly to comprehensive income	15	**(84)**	6
Exchange differences recycled through loss for the year as part of the Brazil disposal	24	**–**	4,931
		889	3,887
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**331**	(342)
		331	(342)
Total comprehensive expense for the year attributable to owners of the Company		**(4,842)**	(10,185)

Group statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Share compensation reserve £'000	Shares held by employee benefit trusts £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Audited balance as at 31 December 2017 as previously stated		**5,111**	**8,023**	**158**	**(103)**	**(2,733)**	**7,064**	**(15,376)**	**2,144**
Impact of transition to IFRS 9		–	–	–	–	–	–	(153)	(153)
Reclassification of historical reserve	25	–	–	–	–	–	(5,878)	5,878	-
Balance at 1 January 2018 restated		**5,111**	**8,023**	**158**	**(103)**	**(2,733)**	**1,186**	**(9,651)**	**1,991**
Comprehensive expense for the period									
Loss for the period		–	–	–	–	–	–	(13,730)	(13,730)
Other comprehensive expense - restated		–	–	–	–	4,589	–	(1,044)	3,545
Total comprehensive expense for the period		–	–	–	–	4,589	–	(14,774)	(10,185)
Contributions by and distributions to owners									
Share based payments		–	–	74	–	–	–	–	74
Issue of new shares - restated	25	10,054	–	–	–	–	–	(1,409)	8,645
Total transactions with owners		10,054	–	74	–	–	–	(1,409)	8,719
Restated balance at 31 December 2018		**15,165**	**8,023**	**232**	**(103)**	**1,856**	**1,186**	**(25,834)**	**525**
Impact of transition to IFRS 16		–	–	–	–	–	–	22	22
Balance at 1 January 2019 restated		**15,165**	**8,023**	**232**	**(103)**	**1,856**	**1,186**	**(25,812)**	**547**
Comprehensive expense for the period									
Loss for the period		–	–	–	–	–	–	(6,062)	(6,062)
Other comprehensive expense		–	–	–	–	331	–	889	1,220
Total comprehensive expense for the period		–	–	–	–	331	–	(5,173)	(4,842)
Contributions by and distributions to owners									
Shares transferred to ESOP		–	–	–	(26)	–	–	–	(26)
Share awards lapsed		–	–	(9)	–	–	–	9	–
Total transactions with owners		–	–	(9)	(26)	–	–	9	(26)
Balance at 31 December 2019		**15,165**	**8,023**	**223**	**(129)**	**2,187**	**1,186**	**(30,976)**	**(4,321)**

Group balance sheet
as at 31 December 2019

	Note	2019 £'000	2018 £'000 (restated)
Non-current assets			
Intangible assets and goodwill	9	**15**	40
Property, plant and equipment	10	**116**	108
Right-of-use assets	11	**1,181**	–
Financial assets	13	**–**	420
Deferred tax assets	15	**–**	86
Total non-current assets		**1,312**	654
Current assets			
Trade and other receivables	13	**5,466**	6,304
Lease receivable	11	**413**	–
Current tax receivables	15	**463**	597
Cash and cash equivalents	20	**11,667**	17,263
Total current assets		**18,009**	24,164
Total assets		**19,321**	24,818
Current liabilities			
Trade and other payables	14	**(7,066)**	(7,938)
Lease liabilities	11	**(750)**	–
Current tax liabilities	15	**(1,637)**	(1,586)
Total current liabilities		**(9,453)**	(9,524)
Net current assets		**8,556**	14,640
Non-current liabilities			
Retirement benefit obligations	16	**(9,691)**	(10,256)
Deferred tax liabilities	15	**(4)**	(4)
Lease liabilities	11	**(965)**	–
Long-term provisions	17	**(3,529)**	(4,509)
Total non-current liabilities		**(14,189)**	(14,769)
Total liabilities		**(23,642)**	(24,293)
Net (liabilities)/assets		**(4,321)**	525
Equity			
Share capital	18	**15,165**	15,165
Share premium account		**8,023**	8,023
Share compensation reserve		**223**	232
Shares held by employee benefit trusts	19	**(129)**	(103)
Translation reserve	19	**2,187**	1,856
Other reserve	19	**1,186**	1,186
Accumulated deficit		**(30,976)**	(25,834)
Equity attributable to owners of the Company		**(4,321)**	525

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2020. They were signed on its behalf by:

Nick Stagg
Director

Group cash flow statement

for the year ended 31 December 2019

	Group	
	2019 £'000	2018 £'000 (restated)
Operating loss from continuing operations	**(4,837)**	(6,367)
Operating loss from discontinued operations	**–**	(612)
	(4,837)	(6,979)
Operating loss		
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	**382**	126
Amortisation of intangible assets	**24**	114
Loss on disposal of fixed assets	**3**	117
Adjustment for the cost of share awards	**–**	78
Increase in provisions	**(147)**	(1,883)
Unrealised foreign exchange losses	**285**	58
Operating cash flows before movements in working capital	**(4,290)**	(8,369)
Decrease/(increase) in receivables	**420**	(2,141)
Decrease in payables	**(1,545)**	(1,033)
Cash used by operations	**(5,415)**	(11,543)
Income taxes paid	**(163)**	(287)
Interest paid	**(1,545)**	(1,033)
Net cash outflow from operating activities	**(5,584)**	(11,867)
Investing activities		
Interest received	**70**	89
Rental income received	**564**	–
Purchases of property, plant and equipment	**(74)**	(4)
Movement in restricted cash	**138**	4,049
Net cost of disposal	**–**	(804)
Net cash generated from investing activities	**698**	3,330
Financing activities		
Lease payments	**(1,010)**	–
Proceeds of issue of new shares	**–**	10,054
Transaction costs associated with issue of new shares	**–**	(1,409)
Net cash (used in) / generated from financing activities	**(1,010)**	8,645
Net decrease in cash and cash equivalents	**(5,896)**	108
Cash and cash equivalents at beginning of year	**12,970**	12,467
Effect of foreign exchange rate changes on cash	**598**	395
Cash and cash equivalents at end of year	**7,672**	12,970

Included within the 31 December 2019 cash balance of £11.7m (2018 restated: £17.3m) is £4.0m (2018: £4.2m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK Pension scheme, which remained a Group obligation following the sale of the Kurt Salmon retail and consumer goods operations.

Company balance sheet

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Retirement benefit asset	16	**96**	200
Property, plant and equipment	10	**44**	59
Investments	12	**2,000**	2,000
Total non-current assets		**2,140**	2,259
Current assets			
Trade and other receivables	13	**5,006**	1,405
Current tax receivable		**–**	1
Cash and cash equivalents	20	**4,918**	13,102
Total current assets		**9,924**	14,508
Total assets		**12,064**	16,767
Current liabilities			
Trade and other payables	14	**(1,025)**	(1,465)
Total current liabilities		**(1,025)**	(1,465)
Net current assets		**8,899**	13,043
Non-current liabilities			
Long-term provisions	17	**(2,451)**	(3,064)
Total non-current liabilities		**(2,451)**	(3,064)
Total liabilities		**(3,476)**	(4,529)
Net assets		**8,588**	12,238
Equity			
Share capital	18	**15,165**	15,165
Share premium account		**8,023**	8,023
Share compensation reserve		**223**	232
Shares held by employee benefit trusts		**(129)**	(103)
Translation reserve		**-**	–
Capital redemption reserve		**1,186**	1,186
Accumulated deficit		**(15,880)**	(12,265)
Equity attributable to owners of the Company		**8,588**	12,238

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 £3.6m (2018: £11.4m) dealt with in the financial statements of the Company.

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2020. They were signed on its behalf by::

Nick Stagg
Director

Company number
1000608

Company statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Share compen-sation reserve £'000	Shares held by employee benefit trusts £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018		**5,111**	**8,023**	**158**	**(103)**	**1,186**	**508**	**14,883**
Comprehensive expense for the period								
Loss for the period		–	–	–	–	–	(11,364)	(11,364)
Total comprehensive expense for the period		–	–	–	–	–	(11,364)	(11,364)
Contributions by and distributions to owners								
Share based payments		–	–	74	–	–	–	74
Issue of new shares - restated	25	10,054	–	–	–	–	(1,409)	8,645
Total transactions with owners		10,054	–	74	–	–	(1,409)	8,719
Restated balance at 31 December 2018		**15,165**	**8,023**	**232**	**(103)**	**1,186**	**(12,265)**	**12,238**
Balance as at 31 December 2018		**15,165**	**8,023**	**232**	**(103)**	**1,186**	**(12,265)**	**12,238**
Comprehensive expense for the period								
Loss for the period		–	–	–	–	–	(3,618)	(3,618)
Other comprehensive expense		–	–	–	–	–	(6)	(6)
Total comprehensive expense for the period		–	–	–	–	–	(3,624)	(3,624)
Contributions by and distributions to owners		–	–	–	–	–	–	–
Shares transferred to ESOP		–	–	–	(26)	–	–	(26)
Share awards lapsed		–	–	(9)	–	–	9	–
Total transactions with owners		–	–	–	(26)	–	–	(26)
Balance at 31 December 2019		**15,165**	**8,023**	**223**	**(129)**	**1,186**	**(15,880)**	**8,588**

Company cash flow statement

for the year ended 31 December 2019

	Company	
	2019 £'000	2018 £'000 (restated)
Operating loss from continuing operations	**(3,619)**	(11,364)
Adjustments for:		
Depreciation of property, plant and equipment	**17**	30
Loss on disposal of fixed assets	**–**	55
Adjustment for the cost of share awards	**–**	78
(Decrease)/increase in provisions	**(614)**	311
Non-cash Intercompany debt forgiveness	**243**	8,048
Revaluation of restricted cash	**160**	198
Unrealised foreign exchange loss/(gain)	**368**	(226)
	(3,445)	(2,870)
Decrease in receivables	**17**	28
Decrease in payables	**(448)**	(395)
Cash used by operations	**(3,876)**	(3,237)
Income taxes paid	**–**	–
Interest paid	**–**	–
Net cash outflow from operating activities	**(3,876)**	(3,237)
Investing activities		
Interest received	**13**	59
Movement in restricted cash	**137**	4,049
Cash advances to subsidiaries	**(4,314)**	(8,807)
Net cash used in investing activities	**(4,164)**	(4,699)
Financing activities		
Proceeds from issued shares	**–**	10,054
Transaction costs associated with issue of new shares	**–**	(1,409)
Net cash generated from financing activities	**–**	8,645
Net (decrease)/increase in cash and cash equivalents	**(8,040)**	709
Cash and cash equivalents at beginning of year	**8,809**	7,917
Effect of foreign exchange rate changes	**154**	183
Cash and cash equivalents at end of year	**923**	8,809

Included within the 31 December 2019 cash balance of £4.9m (2018 restated: £13.1) is £4.0m (2018: £4.2m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK Pension scheme, which remained a Group obligation following the sale of the Kurt Salmon retail and consumer goods operations.

Notes to the financial statements

for the year ended 31 December 2019

1. General information

Management Consulting Group PLC (the "Company") is a public company and the Group's ultimate parent company and is incorporated and domiciled in England under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities 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. 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 Group prepares regular business forecasts 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 assessing sensitivities, the Board took into account the previous slower than expected pace of change at Proudfoot and the disappointing results in past periods. The Board has, in particular, considered risks related to revenue and looked at assumptions both consistent with the recent past and the long-term changes in revenue. In addition, we have considered the risks related to the Kurt Salmon escrow funds (being an amount of £4.0m as of the date of this report) and have made assumptions on a worst case that these are not resolved during the period of review. The Board has carried out a review of operating costs, with the assistance of an international advisory firm and had identified further cost savings amounting to approximately £4m. £2.8m of savings have been factored into the next 12 months forecast and are assumed to take effect from April 2020. In order to crystallise these savings we note an initial outlay of £0.4m over the next three to four months. Further savings from the £4m have yet to be planned and are therefore not included in the forecast period to 30 April 2021.

The global COVID-19 pandemic has resulted in the Board revising its initial forecasts in light of the Group beginning to suffer from the implications of the pandemic, and at the date of this report, the Group has seen the majority of its projects suspended or put on hold. This is due to the fact that the consultants engaged on projects have to travel to client premises, this travel is of an international nature and the majority of countries are not allowing anything other than essential travel. Therefore, we are broadly unable to travel to clients to service their needs. Hence COVID-19 has introduced a significant, but temporary, business interruption.

In light of the global pandemic, the Board has increased the regularity of its review to operate as a going concern. The normal 13-week cash flow model reviewed by the Board to manage the business, has now been extended to cover a 26-week period, this is more likely to cover the period of business interruption created by COVID-19. This extended forecast is based on current known revenue, as adjusted for the impact of COVID-19 and all forecast expenditure falling due within this period on a week by week basis. We have made a key assumption that this business interruption caused by the pandemic will ease over the summer with a resumption of work from September onwards, albeit at a slow rate. We have extended this cash flow to cover the next twelve months on a prudent basis so that the Directors can form a valid assessment of going concern – this forecast to April 2021 is based on committed cash receipts to August 2020, a slow ramp up of projects reopening and known expenditure.

We have implemented a number of key mitigations in order to preserve liquidity. These include staff restructuring which will result in £2.8m of savings over the next twelve months, a temporary salary reduction of all employees by 25%, and the implementation of tax (VAT, PAYE and equivalent taxes) deferments, furlough of employees, and other government initiatives that have been introduced in the various geographies where we are based. This also includes the postponement of pension contributions for 2020, due in the USA, amounting to £1.5m (as provided under the US CARES Act 2020), with the payment being deferred until January 2021.

We have applied for access to the CBILS business interruption loan scheme as announced by the UK Government as well as similar schemes, where available, in other jurisdictions. Currently it is not clear if we will qualify for these loans and have therefore not included them in our forecasts.

Notes to the financial statements continued

The Group continues to manage the liabilities related to the disposals made in 2015 and 2016 and, in particular, to negotiate the release of funds held under the escrow arrangements which guarantee certain contingent liabilities relating to the disposal of parts of the Kurt Salmon business in 2016.

The Directors have prepared a number of scenarios and have considered a twelve month cash flow forecast with a worst case sensitivity which has been prepared using only known cash receipts (reduced by 30% from May to mid–July) and forecast revenue deferred three months longer than anticipated and reduced by a factor of approximately 45% compared to the pre COVID-19 working capital model, with cash expenditure adjusted for the mitigating actions that have been agreed and implemented following review of the Group's operating cost base. The benefit of any governmental loan schemes have not been included at this point in time as their receipt is still uncertain, however actions such as furloughing staff and reducing all non-essential expenditure have been implemented as well as an temporary employee pay reduction of 25%.

The Board had concluded that both the revised cash forecast and the worst case forecast up to April 2021, indicate that the Group has adequate resources to be able to operate for the foreseeable future.

However, if the impacts of COVID-19 are worse or more prolonged than the Directors' expectations, the Group may need to seek additional liquidity support. Given the lack of certainty that COVID-19 will have on the Group's ability to deliver its services to its customers and the markets in which it operates, and the availability of support from liquidity providers that may be required of which there is no guarantee, , these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Notwithstanding the impact of COVID-19 identified above, the Directors have a reasonable expectation that the Group will have sufficient cash flow and available resources and if necessary will be able to raise additional funds to continue operating for at least twelve months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group and the Company its Financial Statements.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

Adoption of new and revised standards

The following new standards effective for periods commencing on 1 January 2019 and therefore applicable to the Group's financial statements for the current year are listed below and revised standards and interpretations have been adopted in the current year.

IFRS 16: Leases

IFRIC23: Uncertainty over Income Tax Treatments

All other new and revised standards have no material impact on the financial statements of the Group in this period or in future periods.

Leases

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases together with exemptions to exclude leases where the lease term is twelve months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating lease and finance lease being retained.

Transition method and practical expedients utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application at 1 January 2019 without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Group has elected to adopt the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than twelve months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of twelve months or less.

The following table reconciles the minimum lease commitments disclosed in the 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019;

	£'000
Minimum operating lease commitment at 31 December 2018	2,388
Less: short-term leases not recognised under IFRS 16	(24)
Plus: recognition of London lease for full lease term	381
Plus: recognition of San Francisco operating costs in lease commitment	315
Less: Atlanta lease not recognised until 1st February 2019	(1,025)
Undiscounted lease payments	2,035
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(124)
Lease liability as at 1 January 2019	**1,911**

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space and IT equipment, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as at 1 January 2019. The right-of-use assets were measured as follows:

a. Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

b. All other leases: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

c. The weighted average IBR on transition is 5.8%.

The following table presents the impact of adopting IFRS 16 in the statement of financial position as at 1 January 2019:

	1 January 2019 £'000
Right-of -use assets	790
Rent receivable	952
Release of onerous provision previously recognised	147
Lease liabilities	(1,911)
Net reduction in retained earnings	**(22)**

Included in profit or loss for the period are £0.3m of amortisation of the right-of-use assets and £0.1m of finance expense on lease liabilities.

The Group has recognised a finance lease in respect of its lessor obligations of the San Francisco sublet. Prior to the adoption of IFRS 16, the Group recognised an onerous space provision in respect of this office, and unwound the provision based on the net effect of the ongoing lease payments offset by the rental income received. On transition to IFRS 16, the Group has derecognised the onerous space provision. The lease obligation is recognised as a lease liability under IFRS16 with the rent receivable recognised as a separate asset on the balance sheet.

Ongoing application of IFRS 16

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the incremental borrowing rate on commencement of the lease. There are no variable lease payments to consider in any leases recognised under IFRS 16.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;

Notes to the financial statements continued

for the year ended 31 December 2019

- Initial direct costs incurred; and
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased assets.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Income taxes

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings at the date of initial application, 1 January 2019. The adoption of IFRIC23 resulted in a £Nil increase in corporate tax liabilities.

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 judgements

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 judgements and disclosures related to each of these matters with the Audit and Risk Committee.

Non-underlying items and alternative performance measures

The Group applies judgement in identifying the significant non-underlying items of income and expense that are recognised as non- underlying to help provide an indication of the Groups adjusted business performance. The group exercises judgement in assessing whether items should be classified as non-underlying. This assessment covers the nature of the item and the material impact of that item on reported performance.

Alternative performance measures

The Group has adopted a number of alternative performance measures to provide additional information to understand underlying trends and the performance of the Group. These alternative performance measures are not defined by IFRS and therefore may not be directly comparable to other companies' alternative performance measures. The definition of alternative performance measures are described below

Adjusted profit/loss from operations

The Group's operating results are split between adjusted and non-underlying to better understand the performance of the group without distortion by items of income and expense that are of non-underlying in nature. The definition of non-underlying is referred to below. Adjusted profit/loss is used by management internally to evaluate performance and to establish and measure strategic goals. Adjusted profit/loss is arrived at by removing non-underlying items from operating profit/loss as seen on the face of the income statement reconciled to gross and operating profit. Adjusted loss per share is reconciled to loss per share by removing non-underlying items from operating profit/loss.

Non-underlying

Non-underlying items are those significant charges or credits which, in the opinion of the directors, should be disclosed separately 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-underlying items include charges for impairment, restructuring costs, employee severance, acquisition costs and profits/losses on disposals of subsidiaries. The

Group exercises judgement in assessing whether items should be classified as non-underlying. This assessment covers the nature of the item and the material impact of that item on reported performance. Reversals of previous items are assessed based on the same criteria. Items charged to non- underlying are one-off in nature and typically comprise restructuring, impairments, disposals and acquisitions. None of these items form part of the ongoing operational costs of the business.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern and impact of COVID-19

As noted under the going concern note on page 55 of the financial statements, there are several areas of uncertainty in relation to assumptions made in regards to the impact of COVID-19 on the cash flow projection until the end of April 2021 in particular the assumptions that revenue will pick up from September 2020 and the uncertainty of any prolonged impact of COVID-19.

Income taxes

The Group has operations in around 20 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimates and judgement to reflect a variety of factors; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement. The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased co-operation between tax authorities and greater cross border transparency. The Group estimates and recognises liabilities of whether additional taxes will be due based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Recognition, involves estimates regarding the forecasting of taxable profits of the business. Refer to note 7.

Employee benefits

Accounting for pensions and other post-retirement benefits involves estimates about uncertain events, including, but not limited to, discount rates and life expectancy. 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 16 to the financial statements.

Provisions

Provisions are estimates and are recognised when it is probable that an outflow of resources will be required to settle that obligation. Legal opinions from legal teams engaged on behalf of the Group on current litigation cases are provided which assist in assessing a reasonable provision. The Trustees of the Kurt Salmon retirement benefit obligation provide monthly updates on the ongoing costs to service the pension obligation and also costs associated to move the scheme towards closure. These costs depend on factors such as number of scheme members, and ongoing values of individual pension pots. Other provisions in respect of restructuring of Group entities rely on estimates of costs to complete liquidations from reputable professional service providers however timescales to completion can not always be reliably determined. An ongoing pension obligation which falls outside the scope of IAS19, to a former employee has been estimated using mortality tables to estimate future expenditure

Financial Assets

IFRS 9 requires the Group to recognise expected credit losses (ECL) at all times, and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets. Refer to note 13 on page 74.

Leases

IFRS 16 requires the determination of an incremental borrowing rate (IBR) to measure lease liabilities. The Group has no external borrowings from which to base a calculation therefore the IBR is sourced from external borrowing assumptions relative to the Group's historical financial performance and remaining lease terms, from which management then estimate an appropriate IBR for each class of leases by geography.

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Notes to the financial statements continued

for the year ended 31 December 2019

(b) 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. 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 and balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

(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. 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) Revenue

The Group follows the principles of IFRS 15 in determining appropriate revenue recognition policies. Revenue represents amounts chargeable for services provided to third parties in the normal course of business. Revenue from services is recognised following the principles outlined in IFRS 15's five step model as detailed below.

- Identifying the contract

  Upon acceptance of a proposal, a contract is entered into, to include details on the scope of work and each party's rights and obligations regarding the transfer of the service as well as payment terms for the service being transferred.

- Identifying the performance obligations in the contract

  Key deliverables are stated in the contract and monitored on an ongoing basis against the agreed delivery timetable. The contract states our obligations to the client. In assessing performance obligations, consideration is given as to whether each identified key deliverable is a separate performance obligation, or a series of services that are substantially the same and have the same pattern of transfer to the customer so as to form one overall performance obligation. Where contracts have multiple workstreams to be delivered, those workstreams may work in conjunction with one another and therefore the client may be unable to benefit from each delivered workstream individually. In some circumstances, where the key deliverables achieve financial benefits in excess of those identified at the outset of the project, there may be scope to receive variable consideration, if such a mechanism was included in the contract. This typically means that variable consideration is not recognised until such time as the outcome of the financial benefits are quantified.

- Determining the transaction price

  Each contract has a section describing fees and will state the invoicing profile (i.e. the value and frequency) of the invoices to be raised. The transaction price is developed during the proposal process through establishing the scope of the work and the staffing levels required to deliver that work. Upon acceptance the total fee value is stated in the contract and is also broken down into an invoicing schedule. It is not typical for contracts to include any variable consideration, however in the rare instances where there is variable consideration we consider revenue recognition based on the most likely amount we will receive. Invoicing is generally weekly and is in general designed to reflect the progress made on projects.

- Allocating the transaction price to separate performance obligations

  Contracts typically include only one performance obligation and therefore the process of allocating the contract price is straightforward. In instances where more than one performance obligation is identified in the contract these contracts typically include separately agreed fees for each performance obligation. Allocation of the transaction price is therefore straightforward.

- Recognising revenue as performance obligations are satisfied

  Revenue is recognised over time as the work is performed. Performance of the service does not create an asset with an alternative use, and we have enforceable right to payment for work performed to date. Throughout the delivery of a project the benefits to the client are delivered incrementally. This approach is considered to be a faithful depiction of the transfer of services because staff time is the primary element in our contracts.

  Revenue is recognised on a weekly basis in accordance with time invested on the project i.e. based on hours recorded at charge out rates out of a total contracted hours.

  Given that the Group always expects revenue contracts to last less than twelve months, the practical expedient not to disclose information about transaction price allocated to remaining performance obligations has been applied. The Group has also applied the practical expedient not to disclose the incremental costs of obtaining a contract.

(e) 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 is 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 on disposal.

(f) Intangible assets

Acquired intangible assets (e.g. customer relationships, trademarks and 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.

(g) Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any recognised provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and intended use.

(h) Leasehold improvements

Leasehold improvements are held at cost less accumulated depreciation and any recognised provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and intended use.

(i) Depreciation

Depreciation is calculated to write down the cost of the asset to their residual values, on a straight-line basis, using the following rates:

Property plant and equipment – three to five years

Leasehold improvements – three to ten years

(j) 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, and Proudfoot is the Group's sole cash-generating unit.

Notes to the financial statements continued

for the year ended 31 December 2019

(k) 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 at the AGM.

(l) 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. Restricted cash is recognised as cash on the balance sheet. For the purposes of the cashflow statement, restricted cash is not reflected in cash balances. Releases from restricted cash are then disclosed as movements in restricted cash under investing activities in the cashflow statement.

(m) Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially measured at transaction price and, where applicable, are subsequently measured at amortised cost. Financial assets are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial assets, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Expected credit losses on trade receivables are based on the Group's historic credit losses experienced over a three year period prior to the period end. The historical loss rates are then adjusted for current and forward -looking information.

Company only

Expected credit losses on intercompany receivables undergo an impairment review annually and a loss allowance is recognised where it is unlikely that a subsidiary will be able to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

(n) 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.

(o) 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.

(p) 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. Provisions are categorised as litigation provisions or other provisions.

(q) Own shares

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

(r) Investments

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

(s) 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.

(t) Dividend income

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

(u) Finance leases (lessor)

At the commencement of a finance lease, the lessor transfers the risks and rewards of ownership of the asset to the lessee. The amount due under the terms of the finance lease is recognised as a receivable. The principal amount is recorded as a net investment in the lease. During the term of the lease the rental payments received by the lessor is made up of repayments of principal and interest income on the principal outstanding. The repayment of principal reduces the amount due from the lessee in respect of the lease and interest income is recognised in the income statement.

(v) 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 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.

(w) Share-based payments

Share awards are made to selected employees on a discretionary basis. Awards are measured at their fair value and are recognised as an expense on a straight-line basis over the vesting period. Where awards do not vest, a transfer is made from the share compensation reserve to retained earnings.

(x) Foreign currencies

The average monthly exchange rates used to translate the 2019 results were £1=$1.28 (2018: £1=$1.33) and £1=€1.14 (2018: £1=€1.13). The year-end exchange rates used to translate the 2019 balance sheet were £1=$1.32 (2018: £1=$1.27) and £1=€1.18 (2018:£1=€1.11).

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

Notes to the financial statements continued

for the year ended 31 December 2019

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.

When the Group disposes of a subsidiary, the cumulative historic foreign exchange gains and losses arising on consolidation are recycled through the statement of comprehensive income.

(y) Discontinued operations

A discontinued operation is a component of the Group which represents a significant separate line of business, either through its activity or geographical area of operation, which has been sold, is held for sale or has been closed.

(z) Alternative performance measures

Where costs have been incurred by the Company which benefit subsidiary undertakings, income is recognised by the Company in respect of the expense recharged to the subsidiary. Expenses are recognised by the Company, when the subsidiary undertaking has incurred cost that will benefit the Company.

Restatements

The 2018 comparative numbers have been restated for the following corrections and are described fully in note 25 on page 97.

- Reclassification of expenses incurred in connection with the issue of shares in July 2018, which were previously deducted from the share premium account have now been reclassified against accumulated deficit;
- Restatement to previously disclosed balances in Other Reserves in relation to guarantees previously provided to a subsidiary which was disposed during the 2012 financial year. On disposal of the subsidiary these guarantees were released and amounts previously included within Other Reserves should have been reclassified to accumulated deficit;
- Amounts previously classified under accruals have been represented under provisions and other liabilities as they are in relation to certain claims against the Group and as such have been included under the provisions note;
- Reclassification of a pension liability previously held in accruals to retirement benefit obligation and the associated recognition under IAS19;
- Recognition of a tax receivable and tax liability in respect of a timing difference on withholding tax payable and the associated refund between tax jurisdictions;
- The Group and Parent Company statement of cash flows have been restated to reflect balances which are held as "restricted cash". This reclassification only has an impact on the Group and Parent Company statement of cash flows

3. Operating segments

The Group's continuing operating segment is one professional services practice, Proudfoot. 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.

(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 area:

(i) Revenue and adjusted operating loss by geography

Year ended 31 December 2019	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	**10,376**	**21,205**	**1,619**	**33,200**
Adjusted (Loss)/profit from operations	**(4,289)**	**546**	**(879)**	**(4,622)**
Non-underlying (expenses)/income	**(341)**	**142**	**(16)**	**(215)**
Loss from operations	**(4,630)**	**688**	**(895)**	**(4,837)**
Investment revenue				**113**
Finance costs				**(963)**
Loss before tax				**(5,687)**

Included in revenues arising from Europe are revenues of approximately £8.0m (2018: £3.7m) which arose from sales in 2019 to the Group's largest customer. The Group's largest customer contributed 24% (2018: 13%) of total Group revenues.

Year ended 31 December 2018	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	7,101	18,751	2,433	28,285
Adjusted (Loss)/profit from operations	(4,249)	696	(658)	(4,211)
Non-underlying expenses	(608)	(1,409)	(139)	(2,156)
Loss from operations	(4,857)	(713)	(797)	(6,367)
Investment revenue				89
Finance costs				(670)
Loss before tax				(6,948)

Notes to the financial statements continued

for the year ended 31 December 2019

(ii) Net (liabilities)/assets by geography

Year ended 31 December 2019	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Assets				
Intangibles	**15**			**15**
Other segment assets	**2,873**	**7,248**	**481**	**10,602**
Total assets allocated to segments	**2,888**	**7,248**	**481**	**10,617**
Unallocated corporate assets				**8,704**
Consolidated total assets				**19,321**
Liabilities				
Segment liabilities	**(11,656)**	**(7,458)**	**(526)**	**(19,640)**
Unallocated corporate liabilities				**(4,002)**
Consolidated total liabilities	**(11,652)**	**(7,458)**	**(526)**	**(23,642)**
Net liabilities				**(4,321)**

Year ended 31 December 2018	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Assets				
Intangibles	40	–	–	40
Other segment assets	3,786	5,414	105	9,305
Total assets allocated to segments	3,826	5,414	105	9,345
Unallocated corporate assets				15,473
Consolidated total assets				24,818
Liabilities				
Segment liabilities	(11,627)	(6,687)	(1,038)	(19,352)
Unallocated corporate liabilities				(4,941)
Consolidated total liabilities				(24,293)
Net assets				525

4. Loss before tax

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

	Note	2019 £'000	2018 £'000 re-presented
Net foreign exchange losses			58
Amortisation of intangible assets		**24**	114
Depreciation of property, plant and equipment		**60**	126
Depreciation of right-of-use assets		**321**	–
Loss on disposal of fixed assets		**60**	117
Non-underlying expense – other	4a	**847**	2,568
Non-underlying income	4a	**(632)**	(412)
Staff costs	5	**21,686**	20,456
Auditors remuneration		**283**	602

A detailed analysis of the auditors remuneration on a worldwide basis is provided below:

Auditor's remuneration	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**198**	50
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**44**	182
Total audit fees	**242**	232
Taxation compliance services	**–**	71
Audit related assurance services	**26**	38
Taxation advisory services	**15**	11
Other non-audit services	**–**	250
Total non-audit fees	**41**	370
Total auditors remuneration	**283**	602

During 2019 BDO were appointed Group auditors and are in charge of the audit for the year ending 2019. BDO were appointed following an audit tender process. The 2018 comparatives correspond to the fees incurred by the previous auditor.

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 are safeguarded when non-audit services are provided by the auditor.

4a. Non underlying items

Expenses	2019 £'000	2018 £'000
Restructuring	**276**	1,797
Employee provision	**184**	–
Additional costs relating to prior year disposals	**387**	771
	847	2,568

Income	2019 £'000	2018 £'000
Restructuring	**(392)**	(170)
Defined medical benefit scheme closure	**–**	(74)
Additional costs relating to prior year disposals	**(240)**	(168)
	(632)	(412)

Notes to the financial statements continued

for the year ended 31 December 2019

Items charged to non-underlying are one off in nature and typically comprise restructuring, impairments, disposals and acquisitions. None of these items form part of the ongoing operational costs of the Proudfoot business.

- £0.1m credit of restructuring costs of which £0.4m relates to releases of prior year employee provisions offset by £0.2m costs relating to employee severance and associated advisory payments and £0.1m in relation to entity restructuring.
- £0.2m of costs relating to pension payments to a former employee.
- £0.1m of additional costs relating to prior year disposals. These are split by a £0.4m charge in relation to the Kurt Salmon retirement benefit scheme obligation and revaluation losses on the restricted cash held in a euro denominated escrow offset by provision releases in relation to the disposed Kurt Salmon business.

The £2.2m of non-underlying expenses in 2018 comprise £0.9m of restructuring related redundancy costs and employee severance, £0.7m in relation to advisory fees incurred for restructuring, and £0.6m provision relating to additional costs from prior years disposals. The £0.1m credit is in relation to the release of a provision in relation to the closure of the Proudfoot Defined Benefit Medical Scheme in December 2016.

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:

	2019 Number	2018 Number
Sales and marketing	**35**	42
Consultants	**90**	79
Support staff	**34**	33
Total	**159**	154

The number of Group employees at the year-end was 154 (2018: 147).

The aggregate payroll costs were as follows:

	2019 £'000	2018 £'000
Wages and salaries	**19,500**	18,063
Social security costs	**1,506**	1,693
Other including pension costs	**680**	700
	21,686	20,456

The average number of Company employees for the year was 8 (2018: 9). The payroll costs of the Company were £868,000 (2018: £1,605,000) for wages and salaries, £118,000 (2018: £140,000) for social security costs and £66,000 (2018: £77,000) for pension costs. Disclosures in respect of directors' emoluments are included in the Directors' Remuneration Report.

6a. Investment revenues

	Note	**2019 £'000**	2018 £'000
Interest receivable on bank deposits and similar income		**66**	89
Finance income on retirement benefit plans	16	**4**	–
Finance income on rent receivable		**43**	–
		113	89

6b. Finance costs

	Note	2019 £'000	2018 £'000
Interest receivable on bank deposits and similar income		**(11)**	(37
Finance income on retirement benefit plans	16	**(126)**	–
Finance income on rent receivable		**(826)**	(633)
		(963)	(670)

7. Tax

Recognised in the income statement: **Income tax expense on continuing operations**	**2019** **Before non-underlying items £'000**	**Total £'000**	2018 Before non-underlying items £'000	Total £'000
Current tax				
Current year	**575**	**575**	380	380
Adjustment in respect of prior years	**(200)**	**(200)**	(249)	(249)
Current tax expense	**375**	**375**	131	131
Deferred tax				
Current year	**–**	**–**	(19)	(19)
Deferred tax (credit)/expense	**–**	**–**	(19)	(19)
Total income tax				
Income tax expense on continuing activities	**375**	**375**	112	112

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19% (2018: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

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

	2019 **Before non-underlying items £'000**	**Non-underlying items £'000**	**Total £'000**	2018 Before non-underlying items £'000	Non-underlying items £'000	Total £'000
Loss before tax from continuing operations	**(5,472)**	**(215)**	**(5,687)**	(4,792)	(2,156)	(6,948)
Notional income tax credit at the effective UK tax rate of 19.00% (2018: 19.0%)	**(1,039)**	**(41)**	**(1,086)**	(910)	(424)	(1,334)
Unrelieved current year tax losses	**2,040**	**36**	**2,076**	1,925	266	2,191
Irrecoverable withholding tax	**30**	**–**	**30**	153	–	153
Effects of different tax rates of subsidiaries operating in other jurisdictions	**(224)**	**–**	**(224)**	(293)	–	(293)
Profits offset by losses not previously recognised	**(526)**	**–**	**(526)**	(452)	–	(452)
Other temporary differences not previously recognised	**137**	**–**	**137**	(573)	–	(573)
Permanent differences	**157**	**5**	**162**	511	158	669
Relating to prior years	**(200)**	**–**	**(200)**	(249)	–	(249)
Income tax expense on continuing operations	**375**	**–**	**375**	112	–	112
Effective tax rate for the year	**(7%)**		**(7%)**	(2%)		(2%)

Notes to the financial statements continued

for the year ended 31 December 2019

Permanent differences reflect tax adjustments for intercompany transactions where taxable income in one territory is not mirrored by a taxable deduction in the other territory, and other non-tax deductible items such as client entertaining, fines and penalties, and costs of a capital nature.

	2019 £'000	2018 £'000
Tax credited to other comprehensive income		
Deferred tax credits on actuarial and other movements on post-employment benefits	**84**	(6)
Tax charged on items recognised in other comprehensive income	**84**	(6)

8. Loss per share

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

	2019	2018		
Loss	**All £'000**	All £'000	Continuing £'000	Discontinued £'000
Loss for the period	**(6,062)**	(13,730)	(7,060)	(6,670)
Add back: non-underlying items	**215**	2,156	2,156	–
Adjustment for profit on disposals	**-**	5,287	–	5,287
Reduction in tax charge due to add backs	**-**	–	–	–
Adjusted loss for the period	**(5,847)**	(6,287)	(4,904)	(1,383)

Number of shares	**2019 Number million**	2018 Number million
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-underlying items and amortisation of acquired intangibles	**1,516**	930
Effect of dilutive potential ordinary shares:		
Restricted share plan	**(3)**	0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,513**	930

	2019	2018		
Loss per share	**£'000**	£'000	Continuing £'000	Discontinued £'000
Basic loss per share for the year attributable to the owners of the Company	**(0.4)**	(1.4)	(0.7)	(0.7)
Diluted loss per share for the year attributable to the owners of the Company	**(0.4)**	(1.4)	(0.7)	(0.7)
Basic loss per share – excluding non-underlying items	**(0.4)**	(0.6)	(0.5)	(0.1)
Diluted loss per share – excluding non-underlying items	**(0.4)**	(0.6)	(0.5)	(0.1)

The average share price for the year ended 31 December 2019 was 1.8p (2018: 3.4p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted loss per share in 2019 includes rights over 2,986,341 ordinary shares (2018: 364,890).

9. Intangible assets and goodwill

Group	Software costs £'000
Cost	
At 1 January 2019	2,763
Exchange differences	(69)
At 31 December 2019	**2,694**
Amortisation and impairment	
At 1 January 2019	2,723
Charge for the year	24
Exchange differences	(68)
At 31 December 2019	**2,679**
Carrying amount	
At 31 December 2019	**15**
At 31 December 2018	40

Group	Goodwill £'000	Software costs £'000	Total intangibles £'000
Cost			
At 1 January 2018	47,023	3,872	50,895
Disposals	–	(1,227)	(1,227)
Exchange differences	–	118	118
At 31 December 2018	47,023	2,763	49,786
Amortisation and impairment			
At 1 January 2018	47,023	3,721	50,744
Charge for the year	–	114	114
Disposals	–	(1,227)	(1,227)
Exchange differences	–	115	115
At 31 December 2018	47,023	2,723	49,746
Carrying amount			
At 31 December 2018	–	40	40
At 31 December 2017	–	151	151

All intangibles in the Company are fully amortised..

Notes to the financial statements continued

for the year ended 31 December 2019

10. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2019	1,494	107
Additions	74	1
Disposals	(903)	–
Exchange differences	(19)	–
At 31 December 2019	**646**	**108**
Accumulated depreciation		
At 1 January 2019	1,386	48
Charge for the year	60	16
Disposals	(900)	–
Exchange differences	(16)	–
At 31 December 2019	**530**	**64**
Carrying amount		
At 31 December 2019	**116**	**44**
At 31 December 2018	108	59

The assets' residual values and useful lives are reviewed for impairment and adjusted if appropriate.

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2018	2,400	211
Additions	4	–
Disposals	(932)	(104)
Exchange differences	22	–
At 31 December 2018	1,494	107
Accumulated depreciation		
At 1 January 2018	2,042	67
Charge for the year	126	30
Disposals	(802)	(49)
Exchange differences	20	–
At 31 December 2018	1,386	48
Carrying amount		
At 31 December 2018	108	59
At 31 December 2017	358	144

11. Leases

The group leases office space in the two major jurisdictions from which back office support operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in other to be reset periodically to market rental rates.

The group leases certain items of plant and equipment. Leases of plant and equipment comprise only fixed payments over the lease terms

Right-of-Use Assets	Land and buildings £'000	Plant and machinery £'000	Total £'000
At 1 January 2019	757	33	790
Additions	732	–	732
Amortisation	(306)	(16)	(322)
Foreign exchange movements	(19)	(0)	(19)
At 31 December 2019	**1,164**	**17**	**1,181**

Lease liabilities	Land and buildings £'000	Plant and machinery £'000	Total £'000
At 1 January 2019	(1,878)	(33)	(1,911)
Additions	(732)	–	(732)
Interest expense	(125)	(0)	(125)
Lease payments	994	16	1,010
Foreign exchange movements	43	0	43
At 31 December 2019	**(1,698)**	**(17)**	**(1,715)**

Included in the lease liability table above is the liability in relation to the San Francisco office. This office is sub-let and the associated finance lease receivable is disclosed below. Refer to note 21 which discloses lease maturity,

Finance lease arrangements
The Group leases its San Francisco office space, all of the risk and rewards of ownership of this asset is substantially transferred to the lessee, therefore this asset is classified as a finance lease.

Rent receivable	Total £'000
Less than one year	425
Total undiscounted lease payments receivable	425
Unearned finance income	(12)
Net investment in lease	**413**

Finance income on the net investment on the lease charged to the income statement in the period was £42,918.

12. Investments

Company	Shares £'000	Total £'000
Investment in Group companies		
At 1 January 2019	**2,000**	2,000
Impairment	**–**	–
Decrease in shareholding	**–**	–
At 31 December 2019	**2,000**	2,000
At 31 December 2018	**2,000**	2,000

Notes to the financial statements continued

for the year ended 31 December 2019

The principal subsidiaries of MCG PLC, all of which have been included in the consolidated financial statements are as follows:

	Country of incorporation and principal place of	Proportion of ownership interest at 2019	Proportion of ownership interest at 2018
Alexander Proudfoot (Europe) Ltd, St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom	100%	100%
Proudfoot Trustees Ltd, St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom	100%	100%
MCG Company No 1 Limited, St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom	87%	87%
Management Consulting Group Overseas Ltd, St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom	86%	86%
Alexander Proudfoot GmbH, LandstraBer HauptstraBe 71/2 1030 Wien, Austria	Austria	54%	54%
MCG Overseas Holdings BV, Van der Valk Boumanlaan 13 I, 3446 GE Woerden, The Netherlands	The Netherlands	19%	19%

Impairments are the result of annual impairment reviews of the PLC Company investments to reflect the net asset values of the underlying investments.

The Group holds no external investments.

13. Trade and other receivables

Amounts due <1 year	Group 2019 £'000	Group 2018 £'000 (restated)	Company 2019 £'000	Company 2018 £'000
Trade receivables – gross	**2,785**	3,303	**–**	–
Allowance for expected credit losses	**(13)**	(61)	**–**	–
Trade receivables – net	**2,772**	3,242	**–**	–
Amounts owed by Group undertakings	**–**	–	**4,766**	1,149
Other receivables	**1,777**	1,948	**87**	84
Contract assets	**331**	409	**–**	–
Prepayments	**586**	705	**153**	172
	5,466	6,304	**5,006**	1,405

Amounts due >1 year	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Other receivables	**–**	420	**–**	–
	–	420	**–**	–

Debtor days at the year-end were 36 (2018: 34 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 21).

Other receivables >1 year relates to a standby letter of credit in respect of legacy San Francisco Kurt Salmon offices which expires at the end of the lease in September 2020.

In respect of the Company, under IFRS 9, expected credit losses of £0.4m were recognised in respect of intercompany receivables (2018: £8.5m).

Reconciliation of contract assets and liabilities

	2019 £'000	2018 £'000
Opening contract assets	**409**	36
Opening contract liabilities	**(203)**	(781)
Net	**206**	(745)
Discontinued operations	**–**	(34)
Revenue recognised	**33,200**	28,284
Billings in year	**(33,351)**	(27,299)
Subtotal	**55**	206
Closing contract assets	**331**	409
Closing contract liabilities	**(276)**	(203)
Net	**55**	206

Movements in expected credit losses for trade receivables are as follows:

	2019 £'000	2018 £'000
Opening provision for impairment of trade receivables	**(61)**	(153)
Increase during the year	**(10)**	–
Receivable written off during the year as uncollectible	**–**	–
Unused amounts reversed	**58**	92
At 31 December 2019	**(13)**	(61)

The Group's exposure to credit risk has historically been low. The expected credit loss for trade receivables has been calculated at less than 1% of total Group revenue in 2019 and 2018. This is based on Group's historic credit losses experienced over a three-year period prior to the period end. The historical loss rates are then adjusted for current and forward -looking information

Company only

Movements in expected credit losses from related parties and loans to related parties for the year ended 31 December 2019 are as follows:

	Receivables from related parties £'000
Opening provision for impairment	(31,157)
Increase during the year	(243)
Revaluation movement	(464)
At 31 December 2019	(31,864)

For the Company, receivables from its subsidiaries are not settled on a regular basis therefore the impairment allowance is recalculated at period end to establish an impairment allowance. Expected credit losses are recognised where it is unlikely that a subsidiary will be unable to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

Notes to the financial statements continued

for the year ended 31 December 2019

14. Trade and other payables

	Group		Company	
	2019 £'000	2018 £'000 (restated)	**2019 £'000**	2018 £'000
Trade payables	**920**	602	**107**	90
Amounts owed to Group undertakings	**–**	–	**337**	326
Other taxes and social security	**1,132**	1,121	**53**	88
Other payables	**511**	597	**136**	136
Contract liabilities	**276**	203	**–**	–
Accruals	**4,227**	5,415	**392**	825
	7,066	7,938	**1,025**	1,465

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2018: 24 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 21).

Amounts previously classified under accruals in 2018 of £805,000 have been represented under provisions and other liabilities as they are in relation to certain claims against the Group and as such have been included under the provisions note.

15. Tax assets and liabilities

	Group		Company	
	2019 £'000	2018 £'000 (restated)	**2019 £'000**	2018 £'000
Current tax				
Current tax receivables	**463**	597	**–**	–
Current tax liabilities	**(1,637)**	(1,586)	**–**	–

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

Group	**Pension funds and retirement provision £'000**	**Tax losses £'000**	**Other temporary differences £'000**	**Total £'000**
Net deferred tax				
At 1 January 2018	**79**	–	**(24)**	**55**
Foreign exchange	**1**	–	**1**	**2**
Recognised in Group statement of comprehensive income	**6**	–	**–**	**6**
Credited to Group income statement	**–**	–	**19**	**19**
At 31 December 2018	**86**	–	**(4)**	**82**
Foreign exchange	**(2)**	–	**–**	**(2)**
Recognised in Group statement of comprehensive income	**(84)**	–	**–**	**(84)**
At 31 December 2019	**–**	**–**	**(4)**	**(4)**

Group	**31 December 2019 £'000**	31 December 2018 £'000
Deferred tax assets	**–**	86
Deferred tax liabilities	**(4)**	(4)
Total	**(4)**	82

At 31 December 2019 the Group recognised a deferred tax asset of Nil (2018: £0.1m).

At 31 December 2019 the Group did not recognise deferred tax assets totalling £31.5m (2018: £27.6m), of which £25.2m (2018: £21.1m) are in respect of tax losses and £6.3m (2018: £6.5m) are in respect of other temporary differences. The Group believes there will not be sufficient future taxable profits to utilise the deductions arising from the reversal of these deferred tax assets.

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 2019 of £0.9m (2018: £0.9m) 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

The Company did not recognise deferred tax assets or liabilities in either 2019 or 2018. The Company has an unrecognised deferred tax asset of £5.7m (2018: £5.2m).

16. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to the income statement in respect of defined contribution schemes was £679,700 (2018: £700,000), representing contributions payable to these schemes by the continuing Group at rates specified in the rules of the plans.

Defined benefit schemes

The retirement benefits obligation reflected in the Group balance sheet at 31 December 2019 relates to the net liability under a part-funded US defined benefit pension scheme of £8.3m, an unfunded French retirement obligation of £0.4m, a German defined benefit pension scheme of £1.1m and a legacy Kurt Salmon UK defined pension scheme which shows a closing asset position of £0.1m. Prior to this set of accounts, the German defined benefit scheme was disclosed within trade and other payables and not as a retirement benefit obligation. On a restated basis, the net post-retirement obligation for defined benefit schemes decreased from £10.2m (restated) at 31 December 2018 to £9.9m at 31 December 2019, principally as a result of a drop in interest rates, which was offset by favourable investment performance by the US scheme plan assets.

The retirement benefit obligations are summarised below:

	2019 £'000	2018 £'000 restated
US defined benefit pension scheme	**(8,349)**	(9,140)
Proudfoot French statutory obligation	**(366)**	(346)
UK defined benefit pension scheme	**96**	200
Proudfoot German defined benefit pension scheme	**(1,072)**	(970)
All schemes	**(9,691)**	(10,256)

(A) 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. Benefits are linked to final average pay. A Pensions committee is responsible for ensuring the scheme is compliant with US regulations. A sub-committee, the Investments committee, appointed Bank of America Merrill Lynch to manage the investment fund portfolio, and AON as actuaries advise on compliance with US regulations. The investment performance and liability experience are actively reviewed by the pension committee and its advisers,and monitors its exposure to changes in interest rates and equity markets. These measures are considered when deciding whether significant changes in investment strategy is required and to determine the optimal investment mix bearing in mind the Group's tolerance for risk and the longer term objective that over time the deficit will reduce accordingly. During 2019 the fund was managed on a basis to reduce (as far as possible) the deficit between liabilities and assets whilst maintaining an appropriate risk profile. This was achieved by having 35% of the fund in equities and 65% in bonds. The investment split is considered by the investment committee on a quarterly basis but has not changed during the year.

The scheme represents 86% of the Group's pension obligations (2018: restated 89%). US liabilities are backed by USD assets to minimise any currency risk. Any class of holdings in non-US listed stocks are held by way of an ADR (American depositary receipt) which are denominated in US dollars. All equity investments are in quoted stocks.

Notes to the financial statements continued

for the year ended 31 December 2019

During 2019, the Company has made payments totalling £0.1m into the pension fund. Cash contributions are required due to there not being sufficient funding balances remaining to fully satisfy the contribution requirements in the year. AON prepare a valuation to document the cash contributions required. Expected pension contributions for 2020 are in the region of £1.5m (2019: £133k).

The pension deficit has decreased during 2019 by £0.6m (2018: £2.0m increase).

The principal assumptions used for the recent actuarial valuations were:

	2019	2018
Discount rate	**3.04%**	4.22%
General inflation assumption	**n/a**	n/a
Mortality table	**Pri – 2012 (scale: MP 2019)**	RP 2014 (scale: MP 2018)

	2019		2018	
	Male	**Female**	Male	Female
Life expectancy at age 75	**12.04**	**13.94**	12.84	14.29

The US defined benefits pension scheme has historically adopted the latest mortality assumptions issued by the Society of Actuaries (SOA) prior to the measurement date. On October 23, 2019, the Society of Actuaries' Retirement Plans Experience Committee (RPEC) released an updated set of mortality assumptions – Pri-2012 Private Retirement Plans Mortality Tables and Scale MP-2019.

Pri-2012 Private Retirement Plans Mortality provides new base mortality assumptions for private retirement plans using 2012 as the central year. The new base mortality assumptions split annuitants into retiree and contingent survivor tables. The updated data in the study shows higher mortality for older individuals.

Scale MP-2019 incorporates an additional year of U.S. population experience and generally retains the methodology from previous iterations. The additional year of data shows a lower degree of mortality improvement than in previous years.

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

(i) Components of amounts recognised in the income statement

	2019 £'000	2018 £'000
Service costs	**402**	374
Interest expense on plan obligations	**2,062**	1,897
Interest income on plan assets	**(1,661)**	(1,642)
Total charge to income statement	**803**	629

All items charged to the income statement have been recognised as finance costs.

(ii) Components of amounts recognised in the other comprehensive income statement

	2019 £'000	2018 £'000
Liability loss/(gain) due to changes in assumptions	**3,963**	(3,025)
Liability experience loss/(gain) arising in the year	**427**	(181)
Asset (gain)/loss arising during the year	**(5,531)**	3,992
Total (gain)/loss recognised in the other comprehensive income statement	**(1,141)**	786

(iii) The amount included in the balance sheet arising from the Group's obligations in respect of the US defined benefit pension scheme is as follows:

	Note	2019 £'000	2018 £'000
Present value of defined benefit obligations	16(iv)	**(51,393)**	(50,860)
Fair value of scheme assets	16(iv)	**43,044**	41,720
Liability recognised in the balance sheet		**(8,349)**	(9,140)

The weighted average duration of the obligation is approximately 9 years.

(iv) Movements in balance sheet amounts

Changes in the present value of the defined benefit obligations are as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	**(50,860)**	(52,951)
Interest cost	**(2,062)**	(1,897)
Service cost	**(402)**	(374)
Actuarial (loss)/gain – financial assumption changes	**(4,989)**	2,869
Actuarial gain – demographic assumption changes	**1,026**	156
Actuarial (loss)/gain – unexpected experience	**(427)**	181
Exchange differences	**1,925**	(3,029)
Benefits paid	**4,396**	4,185
Closing defined benefit obligation	**(51,393)**	(50,860)

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

	2019 £'000	2018 £'000
Opening fair value of plan assets	**41,720**	45,746
Interest income	**1,661**	1,642
Return on plan assets excluding interest income	**5,532**	(3,993)
Employer contributions	**133**	–
Exchange differences	**(1,606)**	2,510
Benefits paid	**(4,396)**	(4,185)
Closing fair value of plan assets	**43,044**	41,720
Net retirement benefit obligation	**(8,349)**	(9,140)

(v) The fair value of plan assets at the balance sheet date are analysed as follows:

	2019 £'000	2018 £'000
Equities	**12,005**	15,320
Bonds	**27,252**	25,207
Cash	**3,497**	924
Other	**290**	269
	43,044	41,720

The plan assets held are traded in liquid markets.

Notes to the financial statements continued

for the year ended 31 December 2019

vi) Sensitivities on key assumptions

US DB pension

A 1% decrease in the discount rate would increase the benefit obligation by £4,849,000 an increase of 9%

A one year increase in life expectancy would increase the benefit obligation by £2,122,000 an increase of 4%

The sensitivities applied are in line with recent experience and sensitivity on discount rate is the sole sensitivity run by the actuaries on the pension valuation.

(vii) Estimated future benefit payments

	2019 £'000	2018 £'000
In one year	**4,125**	4,285
In two years	**4,048**	4,268
In three years	**3,961**	4,191
In four years	**3,888**	4,105
In five years	**4,200**	4,032
In six to ten years	**17,036**	18,489

(B) French schemes

The IDR (Indemnités de Départ en Retraite) is a post retirement lump sum paid to an employee upon retirement. The benefit depends on final salary and years of service within the company. If the employee leaves the company before retirement age the benefit is forfeited. It is a mandatory benefit defined by collective agreement (different for each activity area) with a minimum imposed by French law. Due to the long-term nature of the commitment, this benefit falls under the scope of IAS19. Since the lump sum is a one off payment paid at retirement age, it is not appropriate to illustrate life expectancies. The valuation assumes that members retire at age 65. There are neither guaranteed nor discretionary increases to benefits after retirement.

Unfunded French retirement obligation

The principal assumptions used for the recent actuarial valuation of the French retirement scheme were:

	2019	2018
Rate of increase in salaries	**2%**	2%
Discount rate	**0.60%**	1.35%
Mortality tables	**TPGFO5/TPGHO5**	TPGFO5/TPGHO5

(i) Components of amounts recognised in the income statement

	2019 £'000	2018 £'000
Service costs	**20**	20
Interest expense on plan obligations	**4**	4
Total charge to income statement	**24**	24

(ii) Amounts recognised in the other comprehensive income statement

	2019 £'000	2018 £'000
Liability loss due to changes in assumptions	**15**	3
Total loss recognised in the other comprehensive income statement	**15**	3

(iii) 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:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	**(366)**	(346)
Fair value of scheme assets	**–**	–
Liability recognised in the balance sheet	**(366)**	(346)

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

	2019 £'000	2018 £'000
Opening defined benefit obligation	**(346)**	(315)
Service cost	**(20)**	(20)
Actuarial loss	**(15)**	(3)
Interest cost	**(4)**	(4)
Foreign exchange difference	**19**	(4)
Closing defined benefit obligation	**(366)**	(346)

The French obligation is unfunded and holds no plan assets.

There are no experience adjustments in relation to the French post-retirement scheme in the period since acquisition.

(v) Sensitivities on key assumptions
The impact of a movement on a discount rate of 0.6% would be insignificant.

Life expectancy sensitivity is not required for a lump sum on retirement only scheme.

(C) UK schemes

The UK Scheme relates to a legacy Kurt Salmon defined pension scheme. The scheme operates on a defined benefit contribution basis with final benefits subject to a minimum value based on final pay. Benefits are linked to final pay and ceased to accrue with effect from 13 August 2007, and is closed to new members. The plan is subject to the regulatory requirements that apply to UK Pension plans. Independent trustees are responsible for ensuring that the plan operates in a manner that is compliant with UK regulations.

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

	2019	2018
Discount rate	**2.0%**	2.8%
Inflation	**3.1%**	3.3%
Mortality table	**90% of S3PA**	90% of S2PA

Assumption at Valuation date	**31/12/2019**	**31/12/2019**	**31/12/2018**	**31/12/2018**
Mortality projection table	**2018**	**2018**	**2017**	**2017**
Gender	**Male**	**Female**	**Male**	**Female**
Mortality at 31/12/2019	21.7	23.7	21.7	23.4
Mortality for birth year 1954	22.8	24.7	23.1	24.6
Mortality for birth year 1975	24.6	25.9	24.9	25.9

Notes to the financial statements continued

for the year ended 31 December 2019

Life expectancy

Mortality was previously assumed to be in line with 90% of standard table S2PA with improvements in mortality fully projected in line with the CMI 2017 model with a long-term rate of improvement of 1.5% pa for males and 1% pa for females. The latest standard table is S3PA and the latest projection is the CMI 2018 model. A comparison of life expectancies (at age 65) under these and the previous assumptions is shown below:

The above mortality project table illustrates this for the current table and the prior year table. The different lines represent:

- Life expectancy assuming mortality at 31/12/2019 with no future improvements
- Life expectancy assuming project mortality for a member aged 65 at 31/12/2019
- Life expectancy assuming projected mortality for a member aged 65 at 31/12/2040

(i) Amounts recognised in income statement in respect of the UK post-retirement scheme are as follows:

Components of amounts recognised in the income statement:

	2019 £'000	2018 £'000
Interest expense on plan liabilities	**(41)**	(50)
Interest income on plan assets	**45**	53
Total charge to the income statement	**4**	3

(ii) Amounts recognised in other comprehensive income statement

Amounts recognised in the other comprehensive income statement:

	2019 £'000	2018 £'000
Liability loss due to change in assumptions	**299**	100
Asset gain arising during the year	**(293)**	(100)
Total loss recognised in the other comprehensive income statement	**6**	–

There are no expected contributions payable for the next annual reporting period.

(iii) 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:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	**(1,691)**	(1,600)
Fair value of scheme assets	**1,787**	1,800
Asset recognised in the balance sheet	**96**	200

The weighted average duration of the obligation is approximately 24 years

Changes in the present value of the defined benefit obligations are as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	**(1,600)**	(2,400)
Interest cost	**(41)**	-
Settlements	**249**	700
Actuarial (loss)/gain – financial assumption changes	**(301)**	100
Actuarial gain – demographic assumption changes	**2**	-
Closing defined benefit obligation	**(1,691)**	(1,600)

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

	2019 £'000	2018 £'000
Opening fair value of plan assets	**1,800**	2,600
Interest income	**45**	100
Settlements	**(378)**	(800)
Company contributions	**27**	-
Return on plan assets excluding interest income	**293**	(100)
Closing fair value of plan assets	**1,787**	1,800

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

	2019 £'000	2018 £'000
Equities	**1,372**	1,302
Bonds	**270**	273
Cash	**72**	180
Other	**73**	80
	1,787	1,835

All equity investments are in quoted stocks.

(iv) Sensitivities on key assumptions
A 0.5% decrease in the discount rate would increase the benefit obligation by £94,235.

A 0.5% increase in the rate of inflation would increase the benefit obligation by £197,521.

An increase of one-year life expectancy, from 65 for males and 65 for females, to 23.8 and 25.7 respectively would increase in the benefit obligation by £131,591.

The sensitivities applied are in line with recent experience.

(D) German scheme

to new entrants. A valuation is undertaken in respect of the liability. The assets to support the pension scheme take the form of a re-insurance policy to ensure that the company has the required funds to meet its future obligations. The reinsurance policies are not qualified as plan assets under IAS19, because they are not pledged to the beneficiaries.

German retirement obligation
The principal assumptions used for the recent actuarial valuation of the German retirement scheme were:

	2019	2018
Discount rate	**1.30%**	2.02%
Inflation	**2%**	2%
Mortality table	**Heubeck RT2018G**	Heubeck RT2018G

(i) Amounts recognised in income statement in respect of the UK post-retirement scheme are as follows:
Components of amounts recognised in the income statement:

	2019 £'000	2018 £'000
Interest expense on plan liabilities	**19**	22
Total charge to the income statement	**19**	22

Notes to the financial statements continued

for the year ended 31 December 2019

(ii) Amounts recognised in other comprehensive income statement
Amounts recognised in the other comprehensive income statement:

	2019 £'000	2018 £'000
Liability (losses)/gains due to change in assumptions	**(147)**	24
Total (losses)/gains recognised in the other comprehensive income statement	**(147)**	24

Included in the statement of other comprehensive income on page 48 is £285k of actuarial losses in respect of converting the liability from German book value to IAS 19 valuation.

There are no expected contributions payable for the next annual reporting period.

(iii) 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:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	**1,072**	970
Liability recognised in the balance sheet	**1,072**	970

Changes in the present value of the defined benefit obligations are as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	**970**	1,240
Interest cost	**19**	22
Settlements	**-**	(150)
Settlement gain	**-**	(124)
Benefits paid	**(6)**	(6)
Actuarial loss/(gain) – financial assumptions	**150**	(18)
Actuarial gain – experience adjustments	**(3)**	(7)
Exchange differences	**(58)**	13
Closing defined benefit obligation	**1,072**	970

(iv) Sensitivities on key assumptions
A 1% decrease in the discount rate would increase the benefit obligation by £255,785

The sensitivities applied are in line with recent experience.

17. Long-term provisions

	Group			
	Property provision £'000	Litigation £'000	Other provision £'000	Total £'000
At 1 January 2019	358	2,780	1,371	4,509
Utilised	(93)	(46)	(600)	(739)
Released	(122)	(486)	–	(608)
Release on adoption to IFRS 16	(147)	–	–	(147)
Charge	52	–	596	648
Foreign exchange movement	(3)	(117)	(14)	(134)
At 31 December 2019	**45**	**2,131**	**1,353**	**3,529**

	Company		
	Litigation £'000	Other provision £'000	Total £'000
At 1 January 2019	1,974	1,090	3,064
Utilised	(46)	(522)	(568)
Released	(234)	(30)	(264)
Charge	–	315	315
Revaluation	(96)	–	(96)
At 31 December 2019	**1,598**	**853**	**2,451**

	Group			
	Property provision £'000 (restated)	Litigation £'000 (restated)	Other provision £'000 (restated)	Total £'000 (restated)
At 1 January 2018	1,692	1,610	1,430	4,732
Utilised	(1,323)	(219)	(291)	(1,833)
Released	(126)	–	(34)	(160)
Charge	78	1,382	254	1,714
Foreign exchange movement	37	7	12	56
At 31 December 2018	358	2,780	1,371	4,509

	Company			
	Property provision £'000	Litigation £'000	Other provision £'000	Total £'000
At 1 January 2018	1,610	1,143	2,753	192
Utilised	(218)	(230)	(448)	(192)
Released	–	(148)	(148)	-
Charge	582	325	907	2,753
At 31 December 2018	1,974	1,090	3,064	2,753

Provisions are expected to be utilised over the period to 2021 and are discounted if material.

Property provisions relate to residual obligations arising from the serving of the transitional service agreements in relation to the two Kurt Salmon disposals. On adoption of IFRS 16, the onerous lease provision in respect of the San Francisco office previously held as a provision was derecognised as onerous leases don't exist under IFRS 16.

Litigation provisions relate to a number of legal disputes in which the Group is currently involved in relation to former employees of the Group and also in relation to the Kurt Salmon disposal. The amount provided represents management's best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court, or if not whether the Group is successful in defending any action. Due to the nature of the claims, management have not disclosed current or future information on the basis that this may be prejudicial to the Group's position in defending the cases brought against it. Prior year provisions have been restated following the reclassification of liabilities in relation to ongoing legal claims from accruals to provisions as detailed in note 25 on page 97.

Other provisions relate to additional pension payments to a former Proudfoot employee which do not meet the definition of a pension in accordance with IAS 19, costs relating to the ongoing servicing of the Kurt Salmon Retirement benefit pension, and costs associated with the restructuring and liquidation of group companies.

Notes to the financial statements continued

for the year ended 31 December 2019

18. Share capital

(a) Called up share capital

	2019 £'000	2018 £'000
Issued and fully paid		
1,516,528,424 (2018: 1,516,528,424) shares of 1p each	**15,165**	15,165
	15,165	15,165

No expense (2018: credit £78,000) has been recognised in the year in respect of share awards. The cumulative share compensation reserve at 31 December 2019 is £223,000 (2018: £232,000). No awards were granted in the year.

(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 35.

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 can be satisfied with either market purchase shares or from up to nine million of new shares following a shareholder resolution passed on 17 December 2015. Executive directors are not eligible to participate in restricted share plans.

	Number of shares
Outstanding at 1 January 2019	1,717,864
Granted during the year	–
Forfeited during the year	(12,285)
Satisfied during the year	–
Outstanding at 31 December 2019	**1,705,579**
Exercisable at 31 December 2019	**1,705,579**

The awards outstanding at 31 December 2019 have an exercise price of nil.

19. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares
Shares held by employee benefits trusts	Weighted average cost of own shares held in treasury and by the ESOP trust
Translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Accumulated deficit	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

Other reserve previously disclosed as at 31 December 2017 of £7.064m has been restated by £5.878m leaving the capital redemption reserve as at 31 December 2018 & 2019. Refer to note 25 for the adjustment relating to this balance.

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 by the employee benefit trusts represent 2,986,341 shares (2018: 344,204). The value of these shares held in reserves is £129,000 (2018: £103,000).

The translation reserve of £2,187,000 represents all foreign currency differences arising from the translation of the financial statements of foreign operations plus any foreign currency difference arising from the group's net investments in foreign operations.

Shares held by ESOP/Treasury shares	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares held by the ESOP	**2,986**	**129**	344	103

The shares held by the ESOP are expected to be issued under share option contracts. During 2019, 2,642,137 shares were acquired to satisfy vested shares awards not yet exercised.

20. Notes to the cash flow statement

The Group had financing liabilities arising from cash flow activities in the year ended 31 December 2019, in respect of lease liabilities held on the balance sheet following the adoption of IFRS16. These total £1.7m, refer to note 11 for further information.

Company Only

Reconciliation of financial liabilities

	Opening balance at 1/1/19 £'000	Intercompany debt forgiveness £'000	Intercompany cash outflows £'000	Translation £'000	Closing balance at 31/12/19 £'000
Intercompany receivables	1,150	(243)	4,325	(465)	4,767
Intercompany payables	(327)	–	(11)	–	(338)
Total	**823**	**(243)**	**4,314**	**(465)**	**4,429**

Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement.

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	**11,667**	17,263	**4,918**	13,102
Restricted cash	**(3,995)**	(4,293)	**(3,995)**	(4,293)
Cash and cash equivalents for cash flow	**7,672**	12,970	**923**	8,809

Included within the 2019 Group cash balance of £11.7m and Company cash balance of £4.9m is £4.0m (2018: £4.3m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK pension scheme, which became PLC Company's obligation following the sale of the Kurt Salmon retail and consumer goods operations.

21. Financial instruments

Capital structure and treasury policies

Review of treasury policies

The Group and Company are financed by shareholders' equity. 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

Notes to the financial statements continued

for the year ended 31 December 2019

liquidity risks. The Group and Company's objectives regarding exchange rate 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.

The Group and company's exposure to credit risk has historically been low. The impairment allowance for trade receivables (refer note 13) is based on the Group's historic credit losses experienced over a three year period prior to the period end. The historical loss rates are then adjusted for current and forward -looking information . For the Company, receivables from its subsidiaries are not settled on a regular basis therefore the impairment allowance is recalculated at period end to establish an impairment allowance. Expected credit losses are recognised where it is unlikely that a subsidiary will be unable to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

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:

	2019		2018	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.33**	**1.27**	1.29	1.35
£1 = Euro	**1.13**	**1.11**	1.14	1.13

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

Currency	Note	**2019 Floating rate £'000**	2018 Floating rate £'000
Financial assets			
Sterling		**1,927**	9,266
US Dollar		**3,708**	4,160
Euro		**3,729**	3,210
Other		**2,303**	627
Cash and cash equivalents	20	**11,667**	20,979
Sterling		**2,216**	2,161
US Dollar		**1,027**	1,341
Euro		**1,733**	1,830
Other		**490**	972
Trade and other receivables	13	**5,466**	6,304
Financial liabilities			
Sterling		**(4,759)**	(5,122)
US Dollar		**–**	(181)
Euro		**(1,695)**	(1,553)
Other		**(613)**	(1,082)
Trade and other payables	14	**(7,066)**	(7,938)
Sterling		**(537)**	–
US Dollar		**(1,178)**	–
Lease liabilities		**(1,715)**	–

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 – Group

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2019 £'000**	2018 £'000
Cash and cash equivalents	20	**11,667**	17,263
		11,667	17,263

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

		Carrying amount	
	Note	**2019 £'000**	2018 £'000
Europe		**846**	998
United States		**529**	299
Rest of the World		**128**	751
United Kingdom		**1,269**	1,194
	13	**2,772**	3,242

The Group's most significant customer accounts for 6% of the trade receivables carrying amount at 31 December 2019 (2018:11%).

	Note	**2019 £'000**	2018 £'000
Not past due		**1,446**	1,995
Past due 0–30 days		**782**	1,152
Past due 31–120 days		**544**	95
	13	**2,772**	3,242

The credit quality of trade receivables not past due is believed to be A-

Liquidity risk – Group

The following are the contractual maturities of financial assets:

31 December 2019	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £'000**	**1-2 years £'000**
Non-derivative financial assets						
Rent receivable	11	**413**	**413**	**274**	**139**	**–**
		413	**413**	**274**	**139**	**–**

The following are the contractual maturities of financial liabilities:

31 December 2019	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £'000**	**1-2 years £'000**
Non-derivative financial liabilities						
Trade and other payables	14	(7,066)	(7,066)	(7,066)	–	–
Lease liabilities	11	(1,715)	(1,715)	(478)	(268)	(969)
		(8,781)	(8,781)	(7,544)	(268)	(969)

Notes to the financial statements continued

for the year ended 31 December 2019

31 December 2018	Note	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000
Non-derivative financial liabilities						
Trade and other payables	14	(7,938)	(7,938)	(7,938)	–	–
		(7,938)	(7,938)	(7,938)	–	–

Currency risk – Group

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2019		31 December 2018	
	Euro £'000	**US Dollar £'000**	Euro £'000	US Dollar £'000
Trade receivables	**846**	**575**	998	299
Trade payables	**(150)**	**(298)**	(29)	(127)
Gross balance sheet exposure	**696**	**277**	969	172
Notional current year sales	**8,497**	**7,623**	7,970	5,506
Notional current year purchases	**(4,677)**	**(4,402)**	(3,774)	(3,206)
Gross and net exposure	**3,820**	**3,221**	4,196	2,300

Sensitivity analysis – Group

A 5% strengthening of Sterling against the following currencies at 31 December 2019 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. 5% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience. 2018 sensitivities were prepared on a 10% currency movement.

	Equity £'000	Profit or loss £'000
2019		
US Dollar	**(13)**	**(153)**
Euro	**(33)**	**(182)**
2018		
US Dollar	(16)	(212)
Euro	(88)	(381)

A 5% weakening of Sterling against the following currencies at 31 December 2019 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. 5% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience. 2018 sensitivities were prepared on a 10% currency movement.

	Equity £'000	Profit or loss £'000
2019		
US Dollar	**15**	**170**
Euro	**126**	**201**
2018		
US Dollar	19	259
Euro	264	466

The Group has variable or fixed rate financial assets or financial liabilities.

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 2019		31 December 2018 (restated)	
	Note	**Carrying amount £'000**	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Trade and other receivables	13	**5,466**	**5,466**	6,304	6,304
Cash and cash equivalents	20	**11,667**	**11,667**	17,263	17,263
Trade and other payables	14	**(7,066)**	**(7,066)**	(7,938)	(7,938)
Lease liabilities	11	**(1,715)**	**(1,715)**	–	–

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

Currency	Note	**2019 Floating rate £'000**	2018 Floating rate £'000
Financial assets			
Sterling		**2,728**	8,443
US Dollar		**562**	2,363
Euro		**1,628**	2,296
Cash and cash equivalents	20	**4,918**	13,102
Sterling		**1,882**	1,313
US Dollar		**2,176**	92
Euro		**948**	–
Trade and other receivables	13	**5,006**	1,405
Financial liabilities			
Sterling		**(707)**	(1,159)
US Dollar		**(262)**	(272)
Euro		**(56)**	(34)
Trade and other payables	14	**(1,025)**	(1,465)

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	
	2019 £'000	2018 £'000
Cash and cash equivalents	**4,918**	13,102

The Company has no exposure to credit risk for trade receivables. The Company is exposed to credit risk for intercompany receivables. Where it is likely that intercompany balances will not be repaid the Company provides for these receivables. The Company also recognises on expected credit loss against outstanding intercompany receivable balances at the end of the period, The Company mitigates against credit risk by moving surplus cash in the subsidiaries in the Company via repayment of intercompany debts.

Notes to the financial statements continued

for the year ended 31 December 2019

Liquidity risk - Company

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2019	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Non-derivative financial liabilities			
Trade and other payables	**(1,025)**	**(1,025)**	**(1,025)**
	(1,025)	**(1,025)**	**(1,025)**

31 December 2018	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Non-derivative financial liabilities			
Trade and other payables	(1,465)	(1,465)	(1,465)
	(1,465)	(1,465)	(1,465)

Currency risk - Company

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2019		31 December 2018	
	Euro £'000	**US Dollar £'000**	Euro £'000	US Dollar £'000
Intercompany receivables	**948**	**2,073**	–	1,145
Intercompany payables	**(56)**	**(262)**	(3)	(304)
Gross balance sheet exposure	**892**	**1,811**	(3)	841

The Company's exposure to foreign currency risk relates to intercompany balances with other companies within the Group.

Sensitivity analysis - Company

A 5% strengthening of Sterling against the following currencies at 31 December 2019 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 sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience. 2018 sensitivities were prepared on a 10% currency movement.

	Equity £'000	Profit or loss £'000
2019		
US Dollar	**(86)**	**(86)**
Euro	**(42)**	**(42)**
2018		
US Dollar	30	30
Euro	3	3

A 5% weakening of Sterling against the following currencies at 31 December 2019 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 sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience. 2018 sensitivities were prepared on a 10% currency movement

	Equity £'000	Profit or loss £'000
2019		
US Dollar	**95**	**95**
Euro	**47**	**47**
2018		
US Dollar	(36)	(36)
Euro	(4)	(4)

The Company has 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 2019		31 December 2018	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**4,917**	**4,917**	13,102	13,102
Trade and other receivables	**5,006**	**5,006**	1,405	1,405
Trade and other payables	**(1,025)**	**(1,025)**	(1,465)	(1,465)

22. Related party transactions

Group
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Except as disclosed below and in note 23, 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:

Nicholas Stagg, a director of the Company, is an adviser to the Board of Wedlake Bell LLP. During 2019, Wedlake Bell LLP provided services at fair market rates to Management Consulting Group PLC valued at £23,000 (2018:£1,000). IGlobal, a subsidiary of Wedlake Bell LLP provided services at fair market rates to Alexander Proudfoot (Europe) Limited valued at £41,000 (2018: £98,000) and at year end there was a liability due to IGlobal of £1,000 (2018: £14,000)

All transactions with pension trustees have been disclosed in note 16.

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 executive directors. Information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

	2019 £'000	2018 £'000
Short-term employee benefits	**871**	1,061
Post-employment benefits	**86**	81
	957	1,142

Notes to the financial statements continued

for the year ended 31 December 2019

23. Subsidiary undertakings

At 31 December 2019, the Company had the following subsidiary undertakings, with all trading subsidiaries being 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.

Management Consulting Group Overseas Ltd*	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Proudfoot Trustees Ltd*	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
MCG Company No 1 Ltd*	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Alexander Proudfoot (Europe) Ltd*	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Kurt Salmon Associates Ltd	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Management Consulting Group Holdings LLC	6 Concourse Parkway, Suite 2650, Atlanta, GA 30328, USA	United States
MCG TSA Holdco LLC	6 Concourse Parkway, Suite 2650, Atlanta, GA 30328, USA	United States
Alexander Proudfoot Company	6 Concourse Parkway, Suite 2650, Atlanta, GA 30328, USA	United States
Alexander Proudfoot GmbH	c/o Regus Business Centre, An der Welle 4, 60322 Frankfurt am Main Germany	Germany
Alexander Proudfoot GmbH*	LandstraBer HauptstraBe 71/2 1030 Wien, Austria	Austria
Alexander Proudfoot France SAS	168 Avenue Charles de Gaulle, 92200 Neuilly sur Seine, France	France
Alexander Proudfoot Europe SA	523 Avenue Louise, Brussels 1050, Belgium	Belgium
Alexander Proudfoot SA	Capitan Haya 60, 2nd Floor, 28020 Madrid, Spain	Spain
MCG Overseas Holdings BV*	Van der Valk Boumanlaan 13 l, 3446 GE Woerden, The Netherlands	Netherlands
Proudfoot (Netherlands) BV	Van der Valk Boumanlaan 13 l, 3446 GE Woerden, The Netherlands	Netherlands
Alexander Proudfoot Japan K.K	Ark Mori Building, 1-12-32 Akasaka, Toyko, Japan	Japan
Proudfoot (Malaysia) SDN BHD	1 Sentral, Level 16, Jalan Stesen Sentral 5, KL Sentral, Kuala Lumpur, 50470, Malaysia	Malaysia
Proudfoot (Singapore) Pte	8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1, Singapore 018981	Singapore
Alexander Proudfoot Consulting (Shanghai) Limited	Room 808, No.1325 Middle Huai Hai Road, Shanghai, 200031, R.P.C.	China
Alexander Proudfoot SPA (Chile)	Avenida Isidora Goyenechea 3000 #, Piso 24, Las Condes, Santiago CP 755-0098, Chile	Chile
Ap Sucursal del Peru	Av. Camino Real 456, Torre Real, Piso 12, San Isidro, Lima 27, Peru	Peru
Proudfoot (de Mexico) SC	Río Guadiana No. 11, Col. Cuauahtémoc, 06500 México, D.F.	Mexico
Alexander Proudfoot South Africa (Pty) Ltd	PO Box 225, Highlands North 2037, Johannesburg, South Africa	South Africa
Alexander Proudfoot Africa (Pty) Ltd**	PO Box 225, Highlands North 2037, Johannesburg, South Africa	South Africa
Alexander Proudfoot (Botswana) Pty LTD	1st Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana	Botswana
Alexander Proudfoot Kazakhstan LLP	Floor 3, Block A, Business Centre, 10D Kunaeva Street, Esil District, Sur-Sultan, Kazakhstan	Kazakhstan

* Held directly.
** 49% held by Alexander Proudfoot South Africa (Pty) Ltd.

Company

Amounts owed by / (owed to) subsidiary undertakings

	2019 receivable/ (payable) £'000	2018 receivable/ (payable) £'000
Alexander Proudfoot (Europe) Limited	**2,512**	1,126
MCG Company No. 1 Limited	**2,045**	1
Alexander Proudfoot Europe SA	**(55)**	–
Proudfoot (de Mexico) SC	**(3)**	(8)
Proudfoot (Singapore) Pte	**12**	3
Alexander Proudfoot Company	**9**	(18)
Alexander Proudfoot SA	**20**	–
Alexander Proudfoot France SAS	**213**	(3)
Management Consulting Group Holdings LLC	**(84)**	–
MCG TSA Holdco Ltd	**(241)**	(246)
MCG Overseas Holdings BV	**–**	(32)
Ending balance	**4,429**	823

Transactions with subsidiary undertakings

	2019 expense/ (income) £'000	2017 expense/ (inc8me) £'000
Alexander Proudfoot (Europe) Limited	**118**	69
Alexander Proudfoot Company	**(615)**	(784)
Income from transactions with subsidiary undertakings	**(497)**	(715)

Notes to the financial statements continued

for the year ended 31 December 2019

24. Discontinued operations and disposals

There are no discontinued operations in the year. The loss for discontinued operations in 2018 relates to the sale of Proudfoot Brazil in May 2018.

	2018 Brazil Total £'000
Revenue	446
Cost of sales	(334)
Gross profit	112
Administrative expenses – underlying	(724)
Loss from operations – adjusted	(612)
Total administrative expenses	(724)
Loss from operations	(612)
Net finance cost	
Loss before tax	(612)
Attributable tax expense	(771)
Loss after tax	(1,383)
Loss on disposal of discontinued operations	(5,287)
Net loss attributable to discontinued operations	(6,670)

The average number of company employees for the year was nil (2018:19). The total payroll costs were nil (2018: £557,000).

Disposal of Subsidiary
The net assets of Proudfoot Brazil at the date of disposal in May 2018 were as follows:

	2018 £'000
Property plant and equipment	7
Trade and other receivables	76
Cash	573
Total assets disposed	656
Trade and other payables	(889)
Current tax liabilities	(146)
Total liabilities disposed	(1,035)
Net liabilities disposed	(379)
Disposal expenses – net	735
FX on disposal	4,931
Loss on disposal	**5,287**

25. Restatement of prior year

The 2018 comparatives have been restated in these financial statements to include the effect of the adjustments as noted in Note 2 on page 64. Under paragraph 10(f) of IAS 1 Presentation of financial statements, this restatement would ordinarily require the presentation of a third consolidated statement of financial position as at 1 January 2018. However, as the restatement of the items noted below have no net asset impact on the statement of financial position as at that date (with the exception of point (i) which is discussed further below), the Directors do not consider that this would provide useful additional information and, in consequence, have not presented a third consolidated statement of financial position.

The following table presents the impact of the restatements:

	31 December 2018	Adjustments					1 January 2019
	As originally presented £'000	(i) £'000	(ii) £'000	(iii) £'000	(iv) £'000	(vi) £'000	Restated £'000
Current assets							
Trade and other receivables	6,400	(96)					6,304
Current tax receivable	164			433			597
Current liabilities							
Trade and other payables	(9,548)	805	805				(7,938)
Current tax liabilities	(1,153)			(433)			(1,586)
Non-current liabilities							
Retirement benefit obligations	(9,286)	(970)					(10,256)
Long term provisions	(3,704)		(805)				(4,509)
Equity							
Share premium account	6,614				1,409		8,023
Other reserves	7,064					(5,878)	1,186
Accumulated deficit	(30,042)	(261)			(1,409)	5,878	(25,834)

(i) Reclassification of a pension liability previously held in accruals to retirement benefit obligation and the associated recognition under IAS19 which had previously not been revalued in line with the requirement of the standards. The adjustment reduced trade and other receivables by £96,000, reduced trade and other payables by £805,000, increased the retirement benefit obligations by £970,000 and increased the accumulated deficit by £261,000 and recognised in the Group statement of comprehensive income, to provide a charge to reflect the cumulative losses on revaluation of the pension liability. The Directors are unable to complete a revaluation as at 31 December 2017 and thus are of the opinion as the liability is correctly stated as at 31 December 2018 would not provide any useful additional information and as a result the third balance sheet is not prepared.

(ii) Amounts previously classified under accruals have been represented under provisions and other liabilities as they are in relation to certain claims against the Group and as such have been included under the provisions note. The adjustments decreased trade and other payables by £805,000 and increased long term provisions by £805,000.

(iii) Recognition of a tax receivable and tax liability in respect of a timing difference on withholding tax payable and the associated refund between tax jurisdictions. Previously these were recognised on a net basis but during the year have been grossed up to reflect the correct position as they are unable to be settled on a net basis. The adjustment increased current tax receivable by £433,000 and increased current tax liabilities by £433,000.

(iv) Reclassification of expenses incurred in connection with the issue of shares in July 2018, which were previously deducted from the share premium account have now been reclassified against retained earnings. This adjustment reduces share premium by £1,409,000 and increased the accumulated deficit by £1,409,000.

(v) The Group and Parent Company statement of Cash Flows has been restated to reflect balances which are held as "restricted cash". This reclassification only has an impact on the Group and Parent Company statement of Cash Flows and thus is not reflected above.

(vi) Restatement to previously disclosed balances in Other Reserves in relation to guarantees previously provided to a subsidiary which was disposed during the 2012 financial year. On disposal of the subsidiary these guarantees were released and amounts totalling £5,878,000 previously included within Other Reserves should have been reclassified to accumulated deficit.

Notes to the financial statements continued

for the year ended 31 December 2019

26. Events after the reporting date

On 27 March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES) was passed by the US government. Included in this Act is funding relief provisions for single employer defined benefits plans. This has resulted in the deferment of the anticipated 2020 pension payment of £1.5m until 1 January 2021.

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We encourage shareholders to register for copies of corporate communications on our investor relations website at www.mcgplc.com..

Investor relations

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Enquiries and notification concerning dividends, share certificates or transfers and address changes should be sent to the Registrar at the address shown.

Operational contacts

We welcome clients introduced by shareholders. Shareholders wishing to provide introductions to potential clients should contact Nick Stagg (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 online Services

Signal Shares is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- View your dividend payment history
- Register your proxy voting instruction
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To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher

Should you have any queries please contact Link Asset Services helpline on 0871 664 0300, from overseas on +44 371 664 0300 (calls outside of the UK will be charged at the applicable international rate). Calls cost 12p per minute plus your phone company's access charge. Lines are open between 9.00am–5.30pm Monday to Friday excluding public holidays in England and Wales.

Email enquiries@linkgroup.co.uk

Share dealing

A simple and competitively priced service to buy and sell shares is provided by Link Asset Services. There is no need to pre-register and there are no complicated application forms to fill in and by visiting www.linksharedeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares visit www.linksharedeal.com or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:00 - 16:30, Monday to Friday excluding public holidays in England and Wales).

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