Management Consulting Group PLC

Annual report and accounts 2018

Contents

Key points

- Substantial investment in sales capability and marketing at Proudfoot. The transformation of the US leadership team and the full implementation of our new offering and strategy in that market continues to show early signs of success.
- Reported revenues of £28.3m (2017 restated: £32.7m), with H2 revenues up 14% compared to H2 2017 (restated).
- Operating costs reduced by around 19% during the year.
- Adjusted operating loss* of £4.2m (2017 restated: £7.5m loss).
- After non-underlying items retained net loss of £13.7m (2017 restated: retained net loss £31.0m) including loss on discontinued operations of £6.7m (2017 restated: loss of £1.4m).
- Cash balances at 31 December 2018 were £17.3m (2017: £21.0m) including £4.2m (2017: £8.5m) restricted cash reserved for contingent creditors.
- Equity fundraising successfully completed in July increasing cash resources by £8.6m (net of expenses).
- Pam Hackett, CEO of Proudfoot, appointed to the Board.

* Being operating loss before non-underlying costs and credits.

Chairman and Chief Executive's statement

Nick Stagg

"We continue to invest in the sales capability of Proudfoot. Whilst revenues for 2018 were lower, the second-half showed an increase of 14% compared to the same period in 2017 and there are early indications for a continuation of this trend. With Proudfoot now working with a number of Fortune 500 companies, the Board remains confident Proudfoot will continue to deliver sustainable change to our clients and that this will create value for our shareholders."

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 the second half of 2018 delivering a 14% increase in sales on the same period in 2017 and with a significant reduction in operating costs, this now provides the Board with confidence that it is within reach.

The priority in 2018 was to put in place a new American leadership 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 2019. Additionally, we started to reinvigorate the Proudfoot brand and reputation in that market. The US leadership team was formed late in the first half of the year and by the year-end had re-established Proudfoot as a brand capable of winning and retaining Fortune 500 clients and top talent. This investment will yield benefits into 2019 and beyond. Concurrently, it was critical to maintain growth in Europe which was also achieved.

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, outlined in The Year in Review on page 4, into businesses and industry leaders. 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) (with a focus on Transportation and Aviation), and Digital & Operational Transformation (with a focus on Financial Services and Healthcare). This approach was taken to reduce the risk of dependence on any one vertical.

Group revenues were £28.3m in 2018. While 13% lower than in 2017 (restated: £32.7m), second half revenues rose by 14% compared to the same period last year. This was achieved by maintaining growth in Europe, demonstrating the success of our new US talent, continuing a flexible approach to meet client needs and alignment with our specialist verticals. We also continued to invest in sales capability and marketing in order to scale the Proudfoot business to generate the growth required to deliver an increase in value to shareholders.

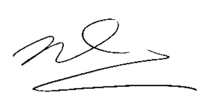
The Group has continued to reduce its cost base: adjusted operating costs were £32.5m in 2018 compared to £40.2m (2017 restated), a reduction of approximately 19%. Furthermore we restructured the business to reduce the global administrative footprint by combining the MCG and Proudfoot back-offices across two hubs to service Proudfoot's global business; we sold the Proudfoot Brazilian operations to cost-effectively maintain the Proudfoot brand presence in Brazil through local ownership; and we continue to manage the residual activities and liabilities linked to our discontinued businesses, which has significantly reduced over the course of the last year. The Group reported a narrower adjusted operating loss of £4.2m for the year compared to £7.5m loss in 2017 (restated). The reported loss for the year was £13.7m (2017 restated: £31.0m) after charging non-underlying costs of £2.2m (2017 restated: £1.3m) and the loss on the discontinued business in Brazil of £6.7m (2017 restated: £1.4m).

As previously reported, the Group successfully raised new equity of £8.6m (net of expenses) in July. The issue was well supported by our existing major shareholders and was over-subscribed resulting in applications being scaled back.

The Group's cash and cash equivalents fell to £17.3m as at 31 December 2018 (31 December 2017: £21.0m). This reflects operating losses as well as restructuring costs and the new equity funds raised and included £4.2m (2017: £8.5m) held in escrow accounts connected with the sale of parts of the Kurt Salmon business.

In July Pamela Hackett, CEO of Proudfoot, was appointed to the Board, joining Fiona Czerniawska, and together they raise female representation on the Board to one third.

In 2018, we were able, with the support of our shareholders, to progress substantially the investment and reinvigoration of the Proudfoot business, serving our clients successfully and recruiting experienced sales and delivery talent. It is evident that the Proudfoot model has the potential to grow into a global player with the ability to provide lasting value to the world's business community. As we look ahead to 2019, we will seek to maintain and increase the momentum of the transformation we have started in order to deliver a profitable and growing business.



Nick Stagg
14 March 2019

Operational and Financial Review

Nick Stagg

The Group results have been restated to exclude the results of the Brazilian business which was sold during the year, and therefore the Group financial statements (and the restated 2017 results) reflect the Brazilian results as discontinued operations. Reported discontinued operations in 2018 also reflect the financial effect of this disposal. Following the sale of its Kurt Salmon businesses in 2015 and 2016 the Group's performance now solely reflects its Proudfoot business.

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.

Continuing operations

During 2018 we continued to focus on the transformation of Proudfoot, particularly in the US, with further investment in sales capability and marketing.

Group reported revenue for 2018 was 13% lower at £28.3m (2017 restated: £32.7m), however second half revenues of £14.5m showed growth of 14% compared to the second half of 2017 (restated: £12.7m). Given the lower revenues, and with substantial cost reduction measures of around 19%, the Group reported a reduced adjusted operating loss of £4.2m (2017 restated: loss of £7.5m) for the year as a whole, as defined on page 60. The lower adjusted loss shows the impact of the significant cost reductions implemented and the improvement in second half revenues compared to 2017. The reported operating loss was also lower at £6.4m (2017 restated: loss of £24.8m).

The Group has reported a net non-underlying charge of £2.2m (2017 restated: £0.7m) comprising a charge of £1.6m relating to restructuring of the Proudfoot business and £0.6m provision relating to additional costs from prior years disposals.

The net interest expense from continuing operations was marginally higher at £0.7m (2017 restated: £0.5m). In accordance with IAS 19 the reported net interest charge for 2018 includes an imputed charge in relation to defined benefit pensions of £0.6m (2017 restated: £0.6m).

The loss before tax on continuing operations was £6.9m (2017 restated: loss of £25.3m). The tax charge on continuing operations was £0.1m (2017 restated: £4.4m credit) which reflects corporate taxes arising in profit-making jurisdictions without the availability of brought forward losses and the impact of project specific withholding taxes, offset by a tax credit relating to prior year adjustments with regard to submitted 2017 tax returns.

As at the date of this report, it is not yet clear whether or when the UK will leave the European Union ('Brexit'). Despite the continued uncertainly, the Board has reviewed the impact of the various potential outcomes of Brexit on the Group, and although the final outcome is not yet clear, we have considered the impact of labour mobility, our client base, regulatory issues, taxation, the potential for more complex administration matters and foreign exchange implications. In particular the Board has considered the impact on our future cash flow forecasts for the purposes of assessing the Group's viability and its status as a going concern. Due to the nature of Proudfoot's business and our group structure and operating model, based on the information available at the date of approval of these financial statements, the Board believes that the Group will not be materially impacted by Brexit, irrespective of the final form this takes.

Discontinued operations

In May 2018, as previously reported, the Group made the decision to sell its Brazilian business, Alexander Proudfoot Servicos Empresarias Ltda. to the local management team. This provided Proudfoot with the ability to maintain a global brand presence in that market but realise the benefits of locally run operations in a non-core market. The loss attributable to discontinued operations was £6.7m which comprises a £1.4m loss after tax for the period and £5.3m being the loss on disposal. The discontinued tax charge of £0.8m relates to a reversal of a tax debtor no longer recoverable.

Loss for the year

Taking into account the loss from discontinued operations, the reported Group loss for the year attributable to shareholders was £13.7m (2017 restated: £31.0m loss).

The adjusted loss per share attributable to continuing operations was 0.5p (restated 2017: loss of 2.4p) as defined on page 60 and the basic loss per share attributable to continuing operations was 0.7p (restated 2017: loss of 5.8p).

Balance sheet

Intangible assets

Intangible assets of £0.04m (2017: £0.2m) relate solely to computer software assets following the impairment of goodwill in 2017.

Deferred tax assets

The balance sheet includes £0.1m of deferred tax assets (2017: £0.1m). In 2018 and 2017, this principally relates to the deferred tax asset on the French pension scheme offset by a small deferred tax liability in Botswana.

Net cash

At 31 December 2018, the Group reported cash and cash equivalents of £17.3m (2017: £21.0m).

Reported cash balances at 31 December 2018 include £4.2m (2017: £8.5m) of cash required to be retained to support certain contingent creditors of the Group. In particular, €1.6m 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 17th September 2019. The total held in respect of potential Wavestone claims amounts to €3.2m. 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 2018 relates to the net liability under a part-funded US defined benefit pension scheme of £9.1m, an unfunded French retirement obligation of £0.3m, and a legacy Kurt Salmon UK defined benefit pension scheme which shows a closing asset position of £0.2m. 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 increased from £7.3m at 31 December 2017 to £9.1m at 31 December 2018, principally as a result of the actuarial changes in respect of the US scheme liabilities together with a fall in market value of the investments held to support this liability. Most of this decline in market value has been reversed in early 2019. During 2017 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 60% of the fund in equities and 40% in bonds. This risk profile was adjusted, in early 2018, to a more conservative 60% in bonds and 40% in equities.

Provisions

Provisions principally relate to the cost of leases for surplus property, other onerous contracts, restructuring costs and other liabilities linked to the 2016 disposals. These have decreased from £4.7m at 31 December 2017 to £3.7m at 31 December 2018. The reduction principally relates to the utilisation of the provisions set up to cover the transitional service agreements and onerous leases in Atlanta and San Francisco.

Net assets

The net assets of the Group decreased from £2.1m at 31 December 2017 to £0.8m at 31 December 2018, primarily due to the retained loss for the year offset by the capital increase as a result of raising new equity.

Dividends

The Board does not intend to declare a dividend for 2018 (2017: nil).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group is described in this Chairman and Chief Executive's review. In addition, note 2 of the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its exposures to risk. 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. The Board used assumptions for 2019 and in particular, the Board noted that Proudfoot revenues in H2 2018 were 14% higher than in the corresponding period of 2017 and early indications are for a continuation of this trend into 2019. For 2020, the Board's base case assumed that Proudfoot's revenues would continue to rise.

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 £4.2m 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 our sensitised forecasts.

These assumptions are predicated on Proudfoot continuing to win and deliver on contracts throughout 2019 and 2020 in line with Board expectations.

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 Board has concluded that its forecasts, even on a worst case basis, indicate that the Group has adequate resources to be able to operate for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

Outlook

The Board notes Proudfoot revenues in H2 2018 were 14% higher than in the corresponding period of 2017 and early indications are for a continuation of this trend going forwards. The necessary infrastructure has now been put in place for Proudfoot to grow its client base and revenues, and we continue to see evidence that clients value the work we do for them. With this, and the distinctly new positioning of Proudfoot as a firm that delivers not only results but visible behaviour and cultural change for our clients, the Board remains confident in the power of the Proudfoot model to deliver sustainable improvement and change for our clients.

The Board is confident of a return to increasing revenues and profitability within the underlying Proudfoot business together with a successful resolution of historic liabilities on disposals.

Nick Stagg
Chairman and Chief Executive
14 March 2019

PROUDFOOT CHIEF EXECUTIVE BRIEF

2018, the year Proudfoot...

...strengthened our talent pool and global teams

We took the time to find the right talent to replace the previous US Leadership and sales teams. Q4 saw those teams hit their stride and commence securing new clients.

...punched above our weight and changed the profile of our client base

We won Fortune 500 clients and other blue-chip global brands. Our client base included:

- 4 of the world's Top 10 Mining & Metals companies
- 2 of the Top 10 Building Materials companies
- 5 of the Top 20 Industrials
- 4 of the Top 20 airlines

...diversified our offer and launched the MRO vertical

With an initial focus on aviation and transportation, we expanded the MRO practice from Asia into the US and UK with major client wins.

....we became an award winning consulting firm and recognized by Forbes as one of the Top Consultancies in America

Our work with Rio Tinto was recognized by the Management Consultancies Association awarding us 'Highly Commended' for Best International Project 2018 pertaining to our joint accomplishments in Mongolia. Rio Tinto Copper and Diamond division, also presented their team the prestigious Ground Breaker Award for the results achieved on this same project.

...achieved 63% repeat business globally

Our client satisfaction skyrocketed and as a result almost 7 out of 10 clients chose to continue to retain Proudfoot to help solve their strategic operational issues.

...produced the first real-time, on-line, Management Consulting Results Scorecard

We commenced calculating our Proudfoot Results Scorecard in real-time to provide transparency over the success rate of our projects. We launched our 1:1 Results Guarantee.

How Proudfoot works with business:

Humanize
Optimize
Digitize

UNIQUELY HUMAN
Proudfoot helps your leadership and their teams to create distinctively people powered, results driven, cultures.

RELEASING VALUE
Proudfoot works with everyone in your business to constantly catch and release the value in their work, enabling people to behave safely and productively.

OBSESSED WITH RESULTS
Proudfoot is fanatical about results measurement and the ability to let you know your return on your consulting investment weekly, with our realtime, results scorecard.

AGILE
Proudfoot is easy to do business with - we structure fees and engagements to wow our clients and make a difference.

CONFIDENCE
Proudfoot offers a results guarantee.

Engage
Enable
Energize

The future of business is (still) people

"We took only six months to see those results instead of four years."
CHIEF OPERATING OFFICER

"The need to use front-line people to lead, communicate and drive successful change has become the accepted belief. I think many leaders know this. But that's not the same as knowing how to make it happen. Proudfoot knows how. That's what they are expert in and that's why we chose them to help us."
VICE-PRESIDENT, MRO PROVIDER

"For me, the technology is somewhat secondary to this aspect. It's relatively easy to get automation suggestions. What Proudfoot did was much harder. They were able to overcome people's natural resistance, motivating them to share ideas, ensuring everyone was heard and contributing. This buy-in and the collective power of ideas was absolutely key to our success."
FLORIAN DELPOUX, CHIEF OPERATING OFFICER, TDK ICELAND

"Proudfoot did what they promised they'd do, without going over budget and they met all the deadlines. It was a very well organized and executed engagement, despite a very aggressive schedule."
VICE-PRESIDENT

"In 2018 I met many of our client executives. They repeatedly told me 'no one can do what your teams do'. I believe we are in a unique position to create a category of one. We don't aspire to simply be the best or the biggest – we aspire to be the only one who delivers what we deliver – results through people engagement."

PAMELA HACKETT
CEO, PROUDFOOT

Operational Report
Proudfoot

Summary

By the end of 2018, our business had made the transition to 'the new Proudfoot', acquiring and retaining both blue-chip clients and top talent. Our US new client profiles and the nature of our client work demonstrated a break from the past, while our ability to continue to secure large scale engagements with first class clients in our European business supported the transformation of the rest of the business. In 2018 we also changed our business development and acquisition model to one of service line digital marketing, complemented with thought leadership expertise and strong client relationships.

Proudfoot has now finalised its strategic transformation into a global vertical based business focused on Natural Resources, Industrials, MRO and Digital Transformation, through two major hubs being the Americas and Europe.

Proudfoot also continued its leadership and reporting restructuring. While historically the business reported on a geographic basis, from 2019 Proudfoot will manage the business through vertical leadership teams. Each vertical will own clients end-to-end and will be responsible for its own income statement, talent pool, offer development and regional/local marketing.

Significant hires in 2018 have included, in the US, new Managing Directors of our Industrial and MRO teams in April and March respectively. A Chief People Officer was recruited in October allowing Proudfoot to build a focus on people retention and top talent development; and a European Industrials MD was appointed in October to continue to support Europe's growth. A Chief Marketing Officer was also hired in February 2019. Various appointments were made to support the vertical account teams with subject matter expertise, as well as the continued recruitment selection matching candidates to our new business development profile to boost our business development efforts.

Business overview

Work for clients in the Natural Resources sector continued to represent a significant proportion of Proudfoot's activities during the year and increased to around 51% of total revenues in 2018 (2017: 30%), including all aspects of Natural Resources such as building materials. The significant number of new clients within Natural Resources is worth noting.

We continued to expand our work with larger global mining groups and complemented that with the successful client expansion into Aviation, Transportation and general Industrial and Manufacturing companies. Additionally, our digital Financial Services offering in the US now has a global reach and enabled us to secure a mandate with a global insurer which is a key participant in the Asian insurance market. Overall, our business finished the year, geographically and sector diverse.

Revenues from clients based in EMEAA (Europe, Africa and Asia region) represented approximately 75% of total revenues in 2018 (2017 restated: 60%). Europe continued to strengthen with growth from £14.8m in 2017 to £18.8m as a result of continued confidence from strong client relationships in Natural Resources and Industrials, as well the launch of the MRO business in the UK.

As expected, revenues from clients based in the Americas represented approximately 25% (2017 restated:40%) of total revenues in 2018: being £7.1m in 2018 against £13.0m in 2017. This performance reflected the time invested in replacing key leadership resource. The new team was retained late in the first half of the year, and has required time to build competence and access networks, however by the latter part of 2018 these new hires had secured several new clients, enabling the business to start 2019 with a strong base of US client opportunities. During this time, we redirected our US talent to other parts of the world, allowing them to generate fees while we rebuilt the US business development team.

Proudfoot continues to develop lasting relationships with clients by delivering both great work and flexible commercial terms. This is demonstrated through the high levels of repeat business (see Proudfoot Year in review for details). Client satisfaction is strong with nearly seven out of ten clients buying again (63% repeat business). Additionally, our global client results measurement is now available online and continues to demonstrate high rates of return and significant achievement above targeted results.

As the US continues to execute on the back of the new leadership team and their business development efforts, and as Europe continues its expected growth momentum, the focus is now on marketing effectiveness and efforts to scale the business, notably increasing the number of proposal opportunities the Proudfoot business acquisition teams identify. Our client conversion rates for submitted proposals have increased over the course of 2018 and depending on the market, win rates range from 31% to 61%. These are considered strong against industry standards - in short, when we make a proposal we have a good chance of success. This, combined with strong vertical and sector offerings, targeted account development as well as the delivery of excellent work, has enabled Proudfoot to start 2019 with strength.

Principal risks and uncertainties

Proudfoot

Identifying key areas

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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 19 to 21.

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 2018 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.

Level

Market conditions in 2018 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 2018.

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 2018 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.

Increasing

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

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. The Group has made a number of important hires in 2018 notably in its US business.

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.

Operational Report Continued

Proudfoot

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 2018.

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 increased from £7.3m at 31 December 2017 to £9.3m at 31 December 2018, principally as a result of the actuarial changes in respect of the US scheme liabilities together with a fall 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 risk for additional contributions into the fund thereby decreasing the Group's cash resources.

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
The increased liability for the US defined benefit pension scheme due to falls in the stock market in December 2018. These market losses were materially reversed in January 2019 and the deficit has subsequently reduced.

Viability statement

As referred to on page 2, the Board having considered the impact of Brexit, do not see this resulting in any significant additional challenges to the Group and therefore does not change in our view the Group's viability.

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 consider 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 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 2017.

Having completed the fund raising in 2018 and reduced the Group's cost base, the stress testing of the Group's cash flows show that the business can withstand further delays to recovery, which are not expected, without the need for further cash resources.

Following the disposals, the Group's continuing business 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 2019 and 2020 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 potential uncertainties arising from Brexit as disclosed on page 2 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 £4.2m 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 that, even in the reasonable worse case, the Group has sufficient cash resources.

On the basis of the assessment summarised above, the Directors have a reasonable expectation that the Group can continue to operate and meet its liabilities as they fall due for the foreseeable future, being the two years considered.

Strategic Report Approval

The Strategic Report as set out in the previous pages is approved by the Board.

Nick Stagg
Chairman and Chief Executive Officer
14 March 2019

Corporate social responsibility

Our people

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.

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

Average number of MCG employees	2018	2017
MCG Group	154	197
of which Proudfoot	145	187

Gender diversity - Total workforce	2018	2017
Male	75%	77%
Female	25%	23%

Gender diversity - Senior management	2018	2017
Male	85%	80%
Female	15%	20%

The Group is committed to improving the gender balance in its workforce. Given that the large majority of the workforce is within Proudfoot, day to day follow-up lies with the Proudfoot CEO. There are two women amongst the Board's six members.

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.

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

Employees

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.

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

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

Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Employee consultation

The Group places considerable value on the involvement of its employees and 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 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.

Corporate social responsibility Continued

Our impact

The Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with

Environmental Policy

The Group's environmental policy aims to minimise, where practical, the Group's impact on the environment. As a 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. These are detailed on this page. 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.

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 UK, US and South Africa.

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 (GHG) emissions.

The greenhouse gas emissions statement below provides a summary of the Company's greenhouse gas emissions from 1 October 2017 to 30 September 2018. It gives a summary of emissions from fuel combustion and the operation of our office buildings (scope 1), and from our purchased electricity during the year (scope 2). We have reported on all of the relevant emission sources required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 using the operational control approach. Following the disposal of the French and related businesses in January 2016, we have recalculated the baseline year on the earliest available data and reflected this in the table on the next page.

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 UK, US and South Africa.

Scope 1 emissions: Natural gas refrigerants	**Scope 2 emissions:** Purchased electricity	**Total greenhouse gas emissions:**	**Greenhouse gas emissions per FTE:**
6.9 tco^{2}e	127.3 tco^{2}e	134.2 tco^{2}e	0.21 tco^{2}e

Greenhouse gas emissions statement

Assessment parameters

Reporting year	1 October 2017 - 30 September 2018.
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 (2018).
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).

	2017/18		**2013/14 - Restated**	
Greenhouse Gas Emission Source	**(tCO2e)**	**(tCO2e/FTE)**	**(tCO2e)**	**(tCO2e/FTE)**
Scope 1	6.9	0.04	40.1	0.02
Fuel combustion (natural gas)	0.0	0.00	17.7	0.02
Operation of facilities (refrigerants)	6.9	0.04	23.3	0.03
Scope 2	93.2	0.60	683.7	0.89
Purchased electricity	86.3	0.56	643.6	0.87
Statutory total (Scope 1 & 2)*	93.2	0.60	683.7	0.89

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

Group Metrics	**2018**	**2014**
FTE	154	743

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

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 released in September 2016 (the "Code") together with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), and other legislation. It also notes our focus in the coming year on the revised UK Corporate Governance Code, published in July 2018 (the "New Code").

We were pleased to welcome Pamela Hackett, the Chief Executive of Proudfoot, to the Board as an executive director on 18 July 2018. Our Board now comprises two women (33%) and four men (67%).

The Board composition during 2018 brought a wide range of experience and knowledge to bear in developing strategy, and challenging management. We recognise the importance of the Board meeting with operational management and senior managers are invited to attend a number of the Board meetings held in the year.

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

- in October 2017 Julian Waldron completed nine years of service, and under provision B.1.1 can no longer be considered as independent solely by virtue of having served more than nine years as a director. As a consequence, at present, the Company does not comply with: A.4.1, appointment of a senior independent director; B.1.2 a smaller company should have at least two independent non-executive directors; B.2.1 nomination committee consisting of a majority of independent directors; C.3.1 audit committee consisting of at least two independent directors; and D.2.1 remuneration committee consisting of at least two independent directors. It is intended that another independent non-executive director will be appointed during 2019.
- following Alan Barber's departure in December 2016, the Board appointed me to the joint role of Chairman and Chief Executive with effect from 1 January 2017. The Board recognises that this is not compliant with provision A.2.1 of the Code but considers that it is acceptable given the reduced scale of the Group's operations following the Kurt Salmon disposals and the level of scrutiny that the Board exercises over management's activities. Furthermore, the Proudfoot business, which forms the majority of the Group's activities, has its own Chief Executive, Pamela Hackett, who is responsible for delivery of the Group's strategy and who, as mentioned above, was appointed as an executive director of the Company on 18 July 2018.

Nick Stagg
Chairman and Chief Executive
14 March 2019

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.	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 and Western Selection plc and an adviser to the board of Wedlake Bell LLP.	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 and 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.

Board of Directors continued

	P. Hackett Executive Director	E Di Spiezio Sardo Non-executive Director	J D Waldron Non-executive Director
Board Committees	None.	None.	Remuneration, Nominations (Chairman) and Audit and Risk (Chairman).
Term of office	Pamela Hackett was appointed an executive Director on 18 July 2018.	Emilio Di Spiezio Sardo, joined the Board on 18 June 2010.	Julian Waldron joined the Board on 8 October 2008.
Background and experience	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, 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.	Julian was formerly executive vice president and chief operating officer of TechnipFMC, a US and French listed group providing equipment, project management, engineering and construction services and products for the oil and gas industry, which he joined in October 2008. Prior to this he was Chief financial officer and then chief executive of Thomson SA, which he joined in June 2001. Prior to this he was a managing director of UBS Warburg, an investment bank. He is a UK and French citizen residing in France.
External appointments	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.	None.

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
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 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	3

Board and Committee attendance 2018

	Board Meetings**	Audit and Risk Committee meetings*	Remuneration Committee meetings*	Nominations Committee meetings*
Mr N S Stagg	7	-	-	-
Ms P Hackett (appointed 18 July 2018)	5	-	-	-
Mr M Comras (resigned 9 May 2018)	2	-	-	-
Mr M Capello	4	-	1	1
Ms F Czerniawska	7	3	1	1
Mr E Di Spiezio Sardo	7	-	-	-
Mr J D Waldron	7	3	1	1
Total meetings held	**7**	**3**	**1**	**1**

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

** Eight additional unscheduled Board meetings were held during the year to consider the disposal of the Brazilian business, the placing and open offer and the Kurt Salmon escrow funding and bank facilities. Mr M Capello was unable to attend certain meetings due to conflicting business issues that arose unexpectedly.

Corporate governance report continued

Board of Directors

The Board is collectively responsible to our shareholders 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.

The Board currently comprises two executive directors and four non-executive directors, only one of whom is independent. The Code requires that smaller companies should have at least two independent non-executive directors and the Company no longer complies with this requirement given that Julian Waldron has served more than nine years as a director since 2017.

The Company complied with the requirement to separate the roles of Chairman and Chief Executive until 31 December 2016. Following the successful disposal of the remaining Kurt Salmon business in November 2016 and the return of capital to shareholders in December 2016, it was considered that the size of the business no longer warranted a separate Chairman and Nick Stagg was appointed to the role as well as retaining his position as Chief Executive. The main operating business, Proudfoot, has its own Chief Executive, who is responsible for delivering the Group strategy for that business and the roles of the Board and management are clearly defined. 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.

Following a review of directors' independence, the Board has concluded that Ms Czerniawska, is considered to be independent. Ms Czerniawska is a director of Source Information Services Limited. Mr Waldron is no longer considered to be independent, solely by virtue of having served more than nine years as a director.

The Board is satisfied that each of the non-executive directors committed sufficient time during 2018 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 23.

Election and re-election of directors

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

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

The Board evaluates the performance of individual directors, the Board as a whole and its Committees. This review comprises the completion of structured questionnaires by each director and follow-up interviews carried out by the Company Secretary. The results of this process are presented to the Board and via individual discussions with the Chairman. The results of the evaluation were approved by the Chairman and an agreed plan of action was produced. The results are specifically taken into account when considering the reappointment of directors. The next review is planned to take place during 2019.

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 was put in place for Pamela Hackett following her appointment as an Executive director.

Diversity

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 33% (two) female and 67% (four) male board members. The Group consists of 75% male employees and 25% female employees; 85% of senior managers are male and 15% are female.

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. Seven scheduled meetings were held during 2018 and there were eight additional meetings to consider the disposal of the Brazilian business, the placing and open offer and the Kurt Salmon escrow funding and bank facilities.

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 on page 15.

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 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.

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.

Corporate governance report continued

Consideration of the 2018 UK Corporate Governance Code (the "New Code")

The Board has considered the New Code, which applies to financial years commencing on or after 1 January 2019.

The Board intends to carry out an analysis of the impact of the New Code during 2019, in order to identify areas that may require further attention over the coming year. We will report further on any changes to the Company's governance framework in next year's Annual Report and Accounts.

Nick Stagg
Director
14 March 2019

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 2018	Audit and Risk Committee meetings
J D Waldron (Chairman)	■■■
F Czerniawska	■■■
Total meetings held	■■■

■ Attended ■ Did not attend

Membership

The membership of the Committee from 1 January 2018 was:

Mr Julian Waldron

(Chairman, member since 2008)

Ms Fiona Czerniawska

(Member since 2017)

Dear shareholder

On behalf of the Board, I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2018.

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. A review of the group's internal control was also undertaken and management's analysis of the risks that the business faced were considered.

In addition, the Committee assisted the Board in the review of the necessary documentation for the equity offering, and in particular the assumptions used by management to support the necessary going concern statements.

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.

Julian Waldron
Chairman of the Audit and Risk Committee
14 March 2019

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 controls and to review the Group's 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 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
7. to develop and implement the policy on the engagement of the external auditor to supply non-audit services, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and recommending the steps to be taken; and
8. to oversee whistleblowing arrangements.

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

Report of the Audit and Risk Committee Continued

Structure

The Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors. In October 2017, Julian Waldron completed nine years of service, and under provision B.1.1 can no longer be considered as independent solely by virtue of having served more than 9 years as a director. Therefore, the Committee is not compliant with this requirement. It is intended that a new independent non-executive director will be appointed to the Board and the Committee during 2019.

The Code provides that at least one member of the Committee should have recent and relevant financial experience. Mr Waldron was the chief financial officer of a French listed company, and the chief operating officer of a US and French listed group and is considered to have such experience.

Ms Czerniawska has experience relevant to the industry in which the Group operates.

The profiles and qualifications of the Committee members are shown on pages 13 to 14. 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.

The Committee's terms of reference were reviewed and updated with effect from 13 March 2017 to conform with current best practice and the revised Code and guidance from the Financial Reporting Council on audit committees. They are available on the Group's website (www.mcgplc.com).

Operation of the Committee

The Committee works with a structured annual agenda of matters tied into 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.

The Committee assessed the Group's going concern risks at the Committee's meetings to review the full year 2017 accounts and at the meeting reviewing the half year 2018 accounts.

In considering the financial results contained in the 2018 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:

Key risks	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.
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 adoption of the IFRS15, the new revenue recognition standard, and its potential impact on the accounting methodology. In addition, it reviewed and approved a detailed paper on the impact of IFRS15.

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 2018. This decision will be reviewed during 2019.

External auditor

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

Independence

The Committee undertakes 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. The current audit partner was appointed in 2017.
- *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 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 2016 applicable to auditors. In 2018, the Auditor was reporting accountant in respect of the Placing and Open Offer in June 2018 and provided tax compliance services in respect of Group subsidiaries. Fees for non-audit services totalled £370,000 during 2018. £250,000 related to fees in respect of the fundraising exercise undertaken in July 2018, £82,000 related to fees for tax compliance services and £38,000 related to fees for audit related assurance services in respect of the 2018 Interim results which were pre-approved by the Committee."
- *The relationship of the auditor with senior management* - The Committee reviews the relationship to ensure it has not become compromised due to familiarity or other factors.

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

Audit effectiveness

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

- a review of the external audit plan;
- the auditor's assessment of Group accounting and business risks;
- the auditor's own quality control procedure;
- the auditor's assessment of the key risks of misstatement;
- consideration of the audit strategy and its communication;
- whether the staffing of the external audit has continuity whilst maintaining independence; and
- communication of the findings to the Committee and the quality and key features of its work.

Audit tendering

Deloitte LLP has been the Group's auditor since 2001 when it was appointed under a tender process. Under the transitional arrangements for mandatory audit rotation, the Company will be required to rotate the audit by the financial year ended 2024 and plans to complete a competitive tender process by this time. Notwithstanding these requirements and current plans, the Committee will continue to consider the tender of the audit annually depending on the current auditor's performance and its assessment of the current auditor's independence.

Reappointment

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

Auditor and disclosure of information to auditor

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

- there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Julian Waldron
Chairman of the Audit and Risk Committee
14 March 2019

Report of the Nominations Committee

Composition

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

Membership and attendance

Committee attendance 2018	Nomination Committee meetings
M Capello	■
F Czerniawska	■
J D Waldron	■
Total meetings held	■

■ Attended ■ Did not attend

Membership

The membership of the Committee from 1 January 2018 was:

Mr Julian Waldron
(Chairman and member since 2009)

Mr Marco Capello
(Member since 2010)

Ms Fiona Czerniawska
(Member since 2017)

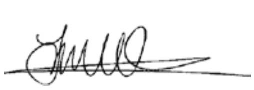
Dear shareholder

On behalf of the Board, I am pleased to present the report of the Nominations Committee.

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

The key task for the Committee during 2018 was considering and recommending the appointment of Pamela Hackett as an executive director and considering future appointments to the Board.

During 2019, further work will be undertaken to strengthen the team of independent non-executive directors for the Group.



Julian Waldron
Chairman of the Nomination Committee
14 March 2019

Structure

The Code recommends that a majority of the members of the Nominations Committee should be independent non-executive directors. On 10 March 2017, Fiona Czerniawska, an independent non-executive director, was appointed to the Committee and thus the majority of the Committee were independent non-executive directors until October 2017 when Julian Waldron ceased to be independent by virtue of having served as a director for more than nine years.

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

Activities

The Committee meets on an ad hoc basis as required. During 2018, the Committee reviewed group succession plans and recommended the appointment of Pamela Hackett as an executive director of the Board.

When searching for candidates, the Committee has regard for the benefits of diversity and considers the diversity balance of the Board. The Board and the Committee have noted the recommendation of the Hampton-Alexander review in November 2016 to increase female board representation and the Parker review on board ethnic diversity.

Directors' Remuneration Report

Chairman's Annual Statement

Dear shareholder

I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2018.

The report has three parts:

- The Directors' Remuneration Policy (our Policy) - our Policy was approved by shareholders at our 2017 AGM and a summary is included in this report. The Committee will review our Policy during 2019 and consider what, if any, changes are required before putting a new policy to shareholders for approval at our 2020 AGM;
- The Annual Report on Remuneration sets out details of the remuneration paid to our directors in 2018 and describes how our Policy will be implemented in 2019. The Annual Report on Remuneration, together with this Annual Statement, will again be subject to an advisory vote at the forthcoming AGM; and
- Details of the composition, structure and operation of the Remuneration Committee

Activities of the Remuneration Committee during 2018

The Committee considers Group strategy when setting and reviewing remuneration.

We were pleased to welcome Pamela Hackett, CEO of Proudfoot, to the Board as an executive director in July 2018. The Committee considered and agreed Ms Hackett's revised remuneration package on her appointment as an executive director.

During the year, the Remuneration Committee restructured the remuneration and benefits of Nick Stagg, Chairman and Chief Executive and the following contractual benefits were removed and will reduce the Company's cash outflow and contributes to a group wide cost saving exercise:

- the disruption allowance of £50,000 per annum, paid as compensation for the significant disruption to Mr Stagg's personal life as a result of the considerable time he is required to spend in the US was withdrawn with effect from 1 May 2018; and
- the contractual provision of a company car was withdrawn with effect from 1 May 2018, thereby removing the Company's obligation to replace the car on a three-year cycle and the company car benefit of £38,566 per annum received by Mr Stagg. As compensation for the withdrawal of the Company's contractual obligation to provide a company car going forwards, the Remuneration Committee agreed that the ownership of the car provided to Nick Stagg would be transferred to him with effect from 1 May 2018. It also agreed that the Company would make a payment to Mr Stagg to cover his income tax liability in respect of the market value of the car at the date of transfer of ownership.

Details of the total remuneration received by Mr Stagg and Ms Hackett for the year ended 31 December 2018 are set out in the Annual Report on Remuneration.

The Committee consider the Group strategy when setting remuneration and this is reflected in performance targets set in relation to bonus awards. Details of annual bonus payments for the year ended 31 December 2018 are disclosed in the Annual Report on Remuneration.

No awards were made under the Performance Share Plan in 2018.

Our Policy, which was first approved by shareholders at the Company's 2017 AGM, will be due for renewal at the 2020 AGM. During the coming year, we will be reviewing the existing Policy, and as appropriate, engaging with our shareholders in relation to any proposed changes.

Marco Capello
Chairman of the Remuneration Committee
14 March 2019

Directors' Remuneration Report Continued

Directors' Remuneration Policy

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

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

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

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

The Group's Remuneration Policy was approved by shareholders at the 2017 Annual General meeting.

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

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required	The Committee's policy is to set the base salaries of each executive director at levels that reflect their roles, experience and practices in the employment market whilst ensuring that they take account, where applicable, of the pay and employment conditions of other employees within their business units and countries of employment as well as market practice in the countries in which they are operating. The Committee will usually review executive directors' base salaries at the end of each calendar year with any increases effective from 1 January. The directors' salaries (and other elements of the remuneration package) are paid in the currency appropriate to their geographic location.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population of the Group and the country and business unit in which the director is employed, but on occasions may need to recognise that higher increases may be appropriate, for example, development in role, change in responsibility, where the size, composition and/or complexity of the Group changes or where an individual is materially below market comparators. Details of the outcome of the most recent salary review are provided in the Annual Remuneration Report.
Benefits	To provide market competitive benefits to ensure the wellbeing of employees	Benefits vary according to the employing country of the executive director but may comprise some or all of the following: a car (or car allowance), insurances for life, personal accident, disability and permanent health and family medical cover.	Value of benefits is based on the cost to the Company, is not pre-determined and does not represent a significant part of the executives' overall remuneration. Additional benefits may be provided and the range of those benefits may vary taking into account market practice, the relevant circumstances and the requirements of the executive.
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. For directors based outside the UK, contributions to relevant retirement arrangements in those other countries, e.g. US 401(k) retirement provisions. Only base salary is pensionable.	UK resident: 17.5% of salary. Non-UK resident: retirement provision will be consistent with market practice in the relevant country.

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. Details of the performance targets set for the year under review and performance against them is provided in the Annual Remuneration Report. A clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons.	The maximum bonus opportunity for all executive directors is 100% of salary. 0% of salary vests for threshold performance. For performance below threshold, no bonus is payable. A graduated scale of targets operates between entry level and maximum performance.
Long-term incentives ("LTIP")[1]	To incentivise and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares Designed to motivate directors and senior employees, whilst retaining them in the Group's employment	Executive directors are eligible to participate in the Management Consulting Group 2008 Performance Share Plan ("PSP"). Awards vest subject to continued employment and satisfaction of challenging performance conditions measured over three years. The Committee will select the most appropriate measures to support the Company's medium to long-term strategy. In addition to the specified performance condition, the Committee must be satisfied that the vesting level is warranted by the Company's underlying financial performance over the three-year performance period. A clawback mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	Maximum award in any financial year over shares with a market value (at date of award) of 100% of annual base salary in that financial year. In exceptional circumstances, this limit may be increased to 200% of an employee's annual base salary. 20% of the award vests for threshold performance. No vesting for below threshold performance.

1 The Management Consulting Group 2008 Performance Share Plan, can no longer make awards. As the Company has no immediate plans to make an award, new rules will not be recommended to shareholders until a decision to award is made.

Directors' Remuneration Report Continued

Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum opportunity
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.
Shareholding guidelines	To align interests of executive directors with those of shareholders	Executive directors are required to retain 50% of the post-tax shares received under LTIPs until their shareholding represents 100% of their base salary.	n/a

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 2018 AGM. The information on pages 27 to 28 has been audited.

Remuneration for the year ended 31 December 2018

The table below sets out the remuneration of the directors for the financial year ended 31 December 2018 and the comparative figures for the year ended 31 December 2017. 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 2018

	Note	Year	Salary and fees	Annual Bonus	Benefits	Pension	Other	Total
Executive directors								
N Stagg[1,2,3,8]		**2018**	**400,000**	**100,000**	**32,635**	**70,000**	**112,792**	**715,427**
		2017	400,000	-	90,655	70,000	-	560,655
M Comras[4]		**2018**	**125,641**	**-**	**818**	**4,503**	**-**	**130,962**
(from 1/1/18-9/5/18)		2017	143,833	-	2,454	7,292	-	153,579
P Hackett[5,8]		**2018**	**187,527**	**100,000**	**1,182**	**6,987**	**-**	**295,696**
(from 18/7/18-31/12/18)		2017	-	-	-	-	-	-
Non-executive directors								
M Capello[6]		**2018**	**-**	**-**	**-**	**-**	**-**	**-**
		2017	-	-	-	-	-	-
F Czerniawska		**2018**	**35,000**	**-**	**-**	**-**	**-**	**35,000**
		2017	28,404	-	-	-	-	28,404
E Di Spiezio Sardo[6]		**2018**	**-**	**-**	**-**	**-**	**-**	**-**
		2017	-	-	-	-	-	-
JD Waldron[7]		**2018**	**45,000**	**-**	**-**	**-**	**20,000**	**65,000**
		2017	45,000	-	-	-	-	45,000
Total		**2018**	**793,168**	**200,000**	**34,635**	**81,490**	**132,792**	**1,242,085**
		2017	619,237	-	93,109	77,292	-	787,638

1. Mr Stagg’s benefits comprise: disruption allowance (2018: £16,667; 2017: £50,000); company car benefit of £12,840 in respect of a company car between 6 April 2018 - 1 May 2018 when the ownership was transferred to Mr Stagg; insurance for life, personal accident, permanent health and family medical cover of £3,128.
2. Mr Stagg receives a salary supplement in lieu of a pension contribution of 17.5% of base salary.
3. Other 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 was appointed as a director on 18 July 2018. Her annual contracted salary is in US dollars - US$550,000, converted at the group average rate of £1:US$1.3349. 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$1.729. The annual amounts have been pro-rated from the date of her appointment to 31 December 2018. The bonus payment for 2018 will be paid in Canadian dollars.
6. Mr Capello and Mr Di Spiezio Sardo have voluntarily agreed not to take fees.
7. Mr Waldron received an additional fee of £20,000 for services carried out in relation the Placing and Open Offer in July 2018.
8. This represents partial achievement of financial objectives set by the Board for the second half of the year, subsequent to the fundraising.

Directors' Remuneration Report continued

Annual Report on Remuneration

Commentary on the Single Figure Table

Salary
There was no change in Mr Stagg's salary in 2017 or 2018.

Annual bonus
The annual bonus for the year under review was determined by reference to the Group's adjusted operating profit and strategic objectives.

An annual bonus of up to 50% of 2018 annual base salary was awarded to the executive directors under the annual bonus scheme subject to the achievement of certain performance measures. These measures related to generation of additional revenue, cost savings achieved and improvements to the Company's adjusted EBITDA.

Achievement of the performance targets was measured and assessed by the Remuneration Committee. The Remuneration Committee has assessed the performance targets relating to revenue generation and improvements to adjusted EBITDA and bonus payments will not be awarded for these components. The performance target relating to cost savings was achieved and a bonus of £100,000 will be payable to Mr Stagg and Ms Hackett on 31 March 2019.

Benefits
As explained in the Annual Statement on page 27, 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.

Other - company car
As explained in the Annual Statement on page 27, as compensation for the withdrawal of certain benefits as set out above, the Company transferred the ownership of a company car with a market value of £61,000 to Mr Stagg as at 1 May 2018 and paid £51,792 to him to cover his income tax liability in respect of the market value of the car at the date of transfer of ownership. Please see the Annual Statement for further details.

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 CAD26,550 (£15,353 (£1:CAD1.73)).

2008 Performance Share Plan ("PSP") awards
No PSP awards were granted to the executive directors in 2018.

At 31 December 2018, there were no awards outstanding over new shares under the PSP.

Restricted Share Plan
In her role as an executive of Proudfoot, Ms Hackett was awarded 1,000,000 nil-cost options under the Company's Restricted Share Plan in January 2016. On her appointment as a director of the Company in July 2018, it was agreed that she would retain the options due to vest on 14 January 2019; 1,000,000 options are exercisable up to 13 January 2026. She will not be entitled to any future awards under the Restricted Share Plan.

Directors' shareholding and share interests
At a general meeting of the Company held on 18 July 2018, the shareholders approved resolutions in respect of a Placing and Open Offer which resulted in the allotment of 1,005,391,567 new ordinary shares of 1p ("New Ordinary Shares") which were admitted to trading on the London Stock Exchange's main market for listed securities with effect from 19 July 2018.

As set out in the Prospectus in respect of the Placing and Open Offer, 5,341,195 ordinary shares were issued to Ms P Hackett following admission of the New Ordinary Shares on 19 July 2018.

Mr N S Stagg and Mr J D Waldron were entitled to take up shares under the Open Offer and acquired 3,705,759 shares and 720,743 shares respectively on 19 July 2018.

Mr Stagg, Mr Waldron and Ms Hackett agreed, subject to certain exceptions, not to dispose of any interest in any ordinary shares held by them until the earlier of them ceasing to be a member of the Board and the date falling eighteen months from Admission of the New Ordinary Shares on 19 July 2018.

Details of the interests in shares of the directors in office as at 31 December 2018 are shown in the table below.

	Beneficially owned at 31 December 2018
Executive directors	
Mr N S Stagg	5,197,065
Ms P Hackett	5,341,195
Non-executive directors	
M Capello[1]	-
F Czernwiaska	-
E Di Spiezio Sardo[1]	-
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 2019 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

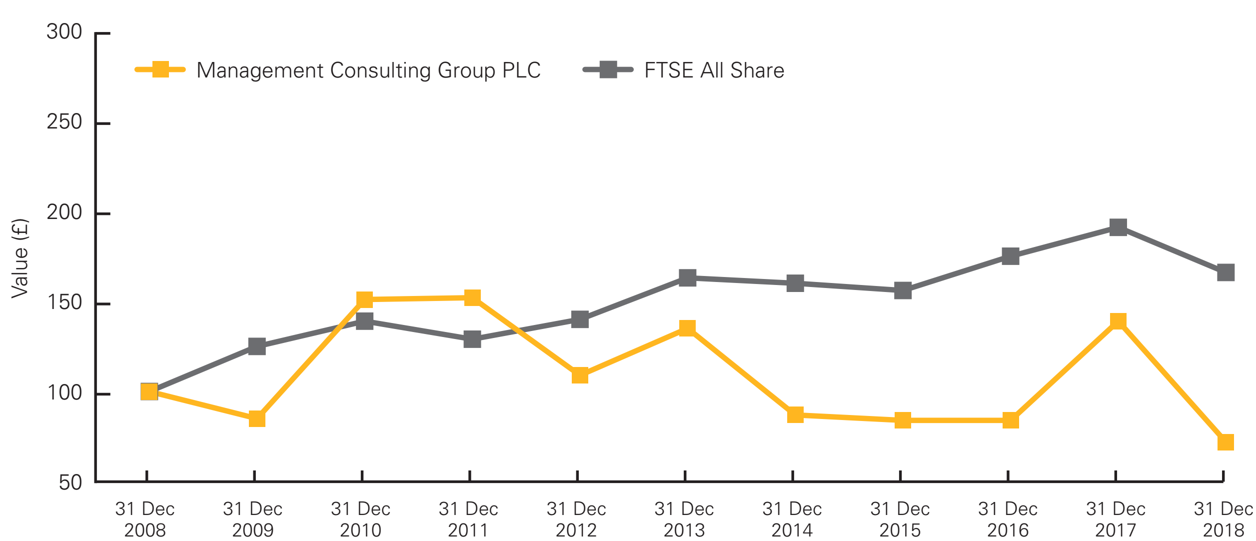
	% change 2017 to 2018
Chief Executive	
Salary	-
Benefits*	-64%
Bonus	100%
Average per employee	
Salary	-
Benefits	2%
Bonus	38%

* Benefits in 2018 and 2017 include the disruption allowance outlined on page 28.

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 regulations require this report to contain a graph illustrating 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 continued

Annual Report on Remuneration

This graph shows the value, by 31 December 2018, 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Total remuneration (£'000)	500	521	717	534	956	597	713	1,111	561	**715**
Annual bonus (% of maximum)	0%	22.3%	54.7%	24.9%	45.9%	21.3%	0%	0%	0%	**25%**
LTIP vesting (% of maximum)	0%	0%	0%	0%	28.9%	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

	2018	2017 restated	% increase/ (decrease)
Staff costs £'000	**20,456**	23,557	(13.2)%
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

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

The Company did not need to make significant changes to its remuneration packages and no advice was sought during 2018; therefore, no fees were paid to NBS during the year.

External directorships

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

Position	FY 2018	FY 2017
N S Stagg		
Shinetrip Ltd	-	-
Wedlake Bell - adviser to board	£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

	2018 AGM	%
Votes cast in favour	**322,944,018**	99.98
Votes cast against	**59,367**	0.02
Total votes cast	**323,003,385**	63.19
Votes withheld	**23,324**	

Vote on the Directors' Remuneration Policy

At the 2017 AGM, the Remuneration Policy received the following votes from shareholders:

	2017 AGM	%
Votes cast in favour	**307,646,351**	99.7%
Votes cast against	**937,981**	0.3%
Total votes cast	**308,584,332**	100.0%
Votes withheld	**39,325**	

How our Policy will be applied in 2019

2019 salary and benefits

Mr Stagg and Ms Hackett's salaries have been reviewed with effect from 1 January 2019 and there is no increase.

	Salary as at 1 January 2018	Salary as at 1 January 2019	% increase
Mr N S Stagg	£400,000	£400,000	-
Ms P Hackett[1]	£426,161	£412,030	

1. Ms Hackett's annual salary is contracted in US dollars (US$550,000). 2018 salary was converted at the 2017 group average rate of £1:US$1.29. 2019 salary was converted at the 2018 group average rate of £1:US$1.33.

Mr Stagg receives personal accident, life assurance, permanent health and family medical cover to the value of £3,128 per annum.

Ms Hackett receives personal accident, life assurance, permanent health and family medical cover to the value of £2,592 per annum.

Annual Bonus Scheme Performance targets for the 2019 bonus

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

The annual bonus maximum opportunity is 100% of base salary.

Pension

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 2019.

Fees for the non-executive directors

A summary of fees as at 1 January 2019 is as follows:

	Fees at 1 January 2018	Fees at 1 January 2019	% 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.

Report of the Remuneration Committee continued

Structure and operation of the Committee

Composition

Chairman (non-executive)	1
Non-executive	2

Membership and attendance

Committee attendance 2018	Renumeration Committee meetings
M Capello	■
F Czerniawska	■
J D Waldron	■
Total meetings held	■

■ Attended ■ Did not attend

Structure

The Code recommends that the Committee should comprise at least two independent non-executive directors. From 31 December 2016, until 9 March 2017 it was composed of one independent and one non-independent director. On 10 March 2017, Fiona Czerniawska - an independent non-executive director - was appointed to the Committee and thus the majority of the Committee were independent non-executive directors until October 2017 when Julian Waldron ceased to be independent by virtue of having served as a director for more than nine years.

The terms of reference for the Committee were reviewed in 2017 and no changes were deemed necessary. Copies are available on the Group's website.

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 through regular dialogue. 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.

New Bridge Street (a trading name of Aon Hewitt, an Aon plc company) is the independent adviser to the Remuneration Committee. Aon plc also provided insurance broking services to the Company during the year. The Committee has been advised that New Bridge Street operates as a distinct business within the Aon Group and that there is a robust separation between the business activities and management of New Bridge Street and the wider Aon Group. The Committee considers that this provision of other services by Aon plc does not prejudice New Bridge Street's independence. New Bridge Street provides advice to the Remuneration Committee on the remuneration of executive and non-executive directors as well as employee remuneration and may also advise the Committee on other matters within the Committee's terms of reference. The Committee did not require any services from New Bridge Street during 2018.

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.

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

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

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

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

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.

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 14 March 2019 and signed on its behalf by:

Marco Capello
Chairman of the Remuneration Committee
14 March 2019

Directors' Report

The directors present their annual report, incorporating their reports on corporate governance, audit and risk, and remuneration, together with the audited financial statements for the year ended 31 December 2018. The Directors' Report incorporates the Strategic Report and Governance sections of this annual report, excluding the Independent Auditor's Report. These will be laid before the shareholders at the 2019 Annual General Meeting.

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 24 to the financial statements.

Group results

The Group's loss before taxation from continuing operations for the year ended 31 December 2018 amounted to £6,948,000 (2017 restated: loss of £25,308,000).

Dividends

The directors do not recommend the payment of a dividend for 2018.

Repurchase of shares

The Company obtained shareholder authority at the 2018 Annual General Meeting to buy back its own shares. In the year under review, the Company made no share repurchases. The authority will be renewed at the 2019 AGM.

Placing and Open Offer and share capital structure

At a general meeting of the Company held on 18 July 2018, the shareholders approved resolutions in respect of a Placing and Open Offer and 1,005,391,567 new ordinary shares of 1p were allotted and admitted to trading on the London Stock Exchange's main market for listed securities with effect from 19 July 2018. As at the date of this report, there were 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 17 to the financial statements.

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.

Substantial share interests

As at 28 February 2019 (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	330,913,559	21.82
Richard Griffiths	223,656,585	14.75
Aberforth Partners LLP	180,639,185	11.91
Fidelity Worldwide Investment	94,235,502	6.21

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, can be located as follows:

Branches 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 pages 7 to 8.
Financial risk management objectives and policies	Disclosure can be found in Note 21 of the financial statements.

Post balance sheet events

There were no post balance sheet events as at the date of this report.

Annual General Meeting

The 2019 Annual General Meeting of the Company (2019 AGM) will be held at the offices of Baker McKenzie, 100 New Bridge Street, London EC4V 6JA at 11am on Tuesday 18 June 2019. The Notice of the 2019 AGM (2019 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 2019 AGM and the recommendations in relation to them will be set out in the 2019 AGM Notice.

The Directors' Report was approved by the Board of Directors on 14 March 2019.

By Order of the Board

Nick Stagg
Chief Executive
14 March 2019

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

Directors' responsibility statement

Nick Stagg

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

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

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

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

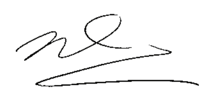
The Chairman's Statement, the Business Review and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 14 March 2019. The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this report should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board



Nick Stagg
Chairman and Chief Executive
14 March 2019

Independent auditor's report

to the members of Management Consulting Group PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Management Consulting Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements 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 sheets;
- the group and company cash flow statements; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Financial Reporting Council's (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 confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: ▪ Adoption of the going concern basis of accounting; and ▪ Revenue recognition and the adoption of IFRS 15. Within this report, any new key audit matters are identified with ⓘ and any key audit matters which are the same as the prior year identified with ➲.
Materiality	The materiality that we used for the group financial statements was £225,000 (2017: £225,000) which was determined on the basis of 0.8 percent of revenue.
Scoping	Our full scope audit procedures provided coverage at the Group's key locations representing 80% of revenue and 71% of the loss before tax.
Significant changes in our approach	As set on the next page, we have revised our key audit matters in the year. There have been no other significant changes to our approach.

Independent auditor's report continued

to the members of Management Consulting Group PLC

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and 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.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 7-8 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 8 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 8 as to how they have assessed the prospects of the group, over what period they have 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.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. These matters included 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. At the time of issuing this report, it is unclear whether or when the United Kingdom will leave the European Union ("Brexit"). We have therefore taken into account the potential impact of Brexit during the process of identifying the key audit matters reported upon below.

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 the prior year, there was a material uncertainty relating to going concern. In 2018, while there was no material uncertainty, going concern was still considered to be a key audit matter.

Last year our report included additional matters relating to recoverability of deferred tax assets and the carrying value of goodwill. This is no longer significant to our audit approach as both balance sheet items were written down in full during the year ending 31 December 2017.

Going concern

Key audit matter description	Management is required to assess the ability of the Group to continue as a going concern for the foreseeable future. Management is also required to provide information to stakeholders about the economic and financial viability of the Group and to help demonstrate the directors' stewardship and governance of the company in that respect. At the time that the 2017 Financial Statements were issued, management's forecasts for the business contained a number of assumptions upon which there were material uncertainties which cast significant doubt about the entity's ability to continue as a going concern. At 31 December 2018, the Group had shown improved results with an increase in activity and revenue at the end of 2018 and evidence of continued growth in the early part of 2019. During the course of 2018 the Group also raised £8.6 million (net of issue costs) from the issue of new shares in July 2018. At 31 December 2018 the Group had £17.3m of cash, including £4.2m of restricted cash. Net cash outflows from operating activities in 2018 was £12.0m. Under management's 'base case' forecast, refer to Note 2, and under management's sensitised forecast, revenue was forecast to grow. Under both scenarios, the Group has sufficient headroom up to December 2020.
How the scope of our audit responded to the key audit matter	We have reviewed and challenged the key assumptions made by management in the cash flow forecasts, particularly in respect of revenue growth, which we considered to be optimistic and necessitating further downward sensitivity. The procedures performed included: ▪ Challenging the Board's approved forecasts and obtained sensitised versions of that forecast which include a number of reasonably possible down-side scenarios. Those down-side scenarios do not cover every conceivable eventuality and assume a level of stabilisation of the business compared with historic performance; ▪ Review of the documentation in connection with the release of the escrow funds and the letter of intent in connection with the fund raising; ▪ Assessing the design and implementation of controls around management's forecasting processes; ▪ Considering the arithmetic accuracy of and key principles underlying the forecasts presented to the Board; ▪ Considering and evaluating the key assumptions within management's forecasts, with particular focus on assessment of forecasts against historical forecasting accuracy as well as the potential impact of the uncertainty created by Brexit on the forecasted revenue. While we noted the evidence of improved performances in Quarter 4 2018 and Quarter 1, to date, 2019, we also considered that the reversal in revenue decline was only recent and therefore may not necessarily be indicative of a longer term trend. The longer term average revenue decline over the previous four years (excluding disposed operation) averaged 13.5%. Given this historical trend we performed additional sensitivities, modelling scenarios in which: ▪ revenue remains flat in 2019 and 2020; and ▪ revenue continues to decline at the long term average of 13.5% per annum. In both cases, we considered reasonable mitigating actions management could undertake, including: ▪ reduction in sales related headcount; and ▪ reduction in discretionary marketing spend, bonuses and other costs.
Key observations	Under both the additional sensitivity scenarios, the Group's forecast unrestricted cash remains positive throughout the period. We are therefore satisfied that directors' use of the going concern assumption is appropriate.

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

Revenue recognition and the adoption of IFRS 15

Key audit matter description	We consider the risk specifically relates to the cut-off and valuation of revenue manifesting as the valuation of contract assets (previously accrued income) and contract liabilities (previously deferred income) on ongoing projects at year end. Please refer to the Audit and Risk committee's assessment on this matter and Note 2 for the accounting policies relating to revenue recognition. Due to the high level of judgement involved, we consider this to be the presumed fraud risk relating to revenue as required by International Standards on Auditing. Revenue recognised relating to ongoing projects as at 31 December 2018 amounted to £3.4 million (2017: £8.3 million) out of the total contract value of those ongoing projects of £4.9 million (2017: £12.3 million). Contract assets at 31 December are £0.4 million (2017: £0.0 million) and contract liabilities are £0.2 million (2017: £0.8 million), whilst total revenue for the year amounted to £28.3 million (£32.7 million). Recognition of revenue based on stage of completion of ongoing projects requires management judgement and is susceptible to error or manipulation. We also note the introduction of IFRS 15 for 2018, which in management's view does not have a material impact on the Group. This was identified as an area of audit focus as opposed to a significant risk.
How the scope of our audit responded to the key audit matter	We performed procedures to evaluate the design and implementation of the internal controls operating over the revenue business cycles. We noted that there were limited segregation of duties in the finance over postings to revenue. We therefore did not take a controls reliance approach and performed a fully substantive audit over revenue. We performed specific substantive procedures on a sample of open and closed contracts at year-end to evaluate whether that revenue had been correctly recognised according to the stage of completion, and that the calculated stage of completion was accurate. We have also reviewed management's conclusions on IFRS 15, including the consideration of the 'Five step model' in respect of contracts under the group's normal terms of business together with identified 'non-standard' contracts, and assess whether with management's conclusion that this does not have a material impact on the Group.
Key observations	We conclude that the cut off and valuation of revenue recognised in the current year is appropriate and not materially misstated. We also concur with management that IFRS 15 does not have a material impact on the recognition of revenue.

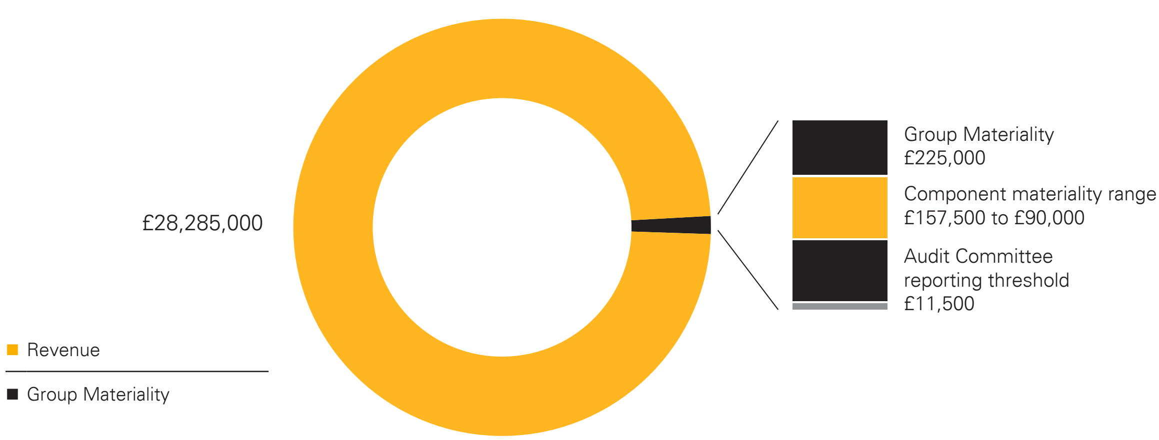
Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	£225,000 (2017: £225,000)	£112,500 (2017: £112,500)
Basis for determining materiality	We have used 0.8% of revenue (2017: blended measure using a combination of revenue and net assets benchmarks) as the benchmark for determining materiality.	We determined materiality for the parent company financial statements of 3% of net assets prior to the recognition of impairment charges, but capped this at 50% of the Group materiality.
Rationale for the benchmark applied	Where we used blended rate materiality in the prior year based on revenue and net asset benchmarks, for 2018 we have deemed it appropriate to use revenue as the sole benchmark. This is due to fact that net assets has substantially changed following the goodwill impairment in prior year. We have used 0.8% of revenue as the benchmark for determining materiality. The slight increase in the percentage applied is due to the fact that we have not applied a blended rate in the current year, however this has not resulted in a change to materiality on prior year.	We consider that total assets reflect the underlying position of the entity, as primary activity of the company is to manage the investments in other group entities.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,250 (2017: £11,250), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements



An overview of the scope of our audit

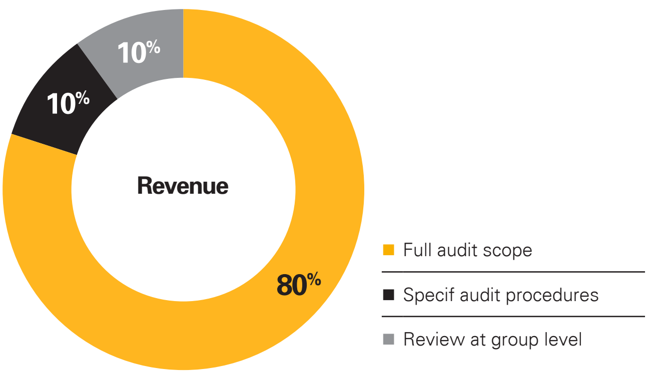
The following components have been identified as significant to our audit: Proudfoot US, Proudfoot Brazil (focussing on the disposal), Proudfoot UK, Proudfoot France, and Proudfoot Singapore. This is consistent with the previous year, except that in 2017 we included Proudfoot South Africa rather than Singapore.

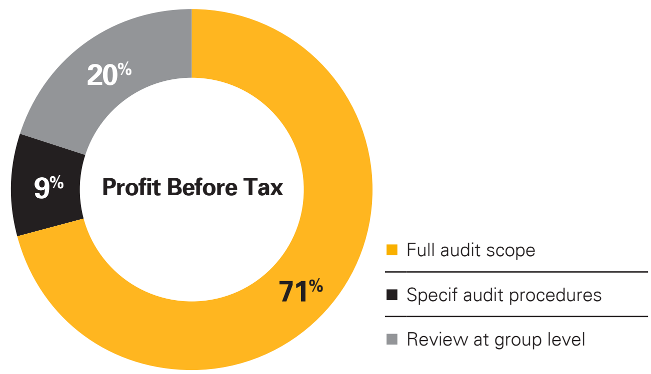
Full scope audit procedures were performed at each of these components based on the applicable component materiality level, which range from £90,000 to £157,500 (2017: £90,000 to £129,000).

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

The Group audit team performed the audit of all of these components with the exception of Proudfoot France where we include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work. The parent company is located in the UK and audited directly by the Group audit team.

The locations where we have undertaken full scope audits represent the principal business units within the Group and represent 80% (2017: 80%) of the Group's revenue and 71% (2017: 92%) of the loss before tax from continuing operations. Central analytical review procedures were performed at Group level for all other components.





Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- 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 position and 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.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax and pensions, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: going concern and revenue recognition; and
- obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

Audit response to risks identified
As a result of performing the above, we identified going concern and revenue recognition as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and

Independent auditor's report continued

to the members of Management Consulting Group PLC

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure
Following the recommendation of the audit committee, we were appointed by the Board on 7 January 2002 to audit the financial statements for the year ending 31 December 2001 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 31 December 2001 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Saunders (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 March 2019

Group income statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**28,285**	32,714
Cost of sales		**(13,975)**	(17,122)
Gross profit		**14,310**	15,592
Administrative expenses - adjusted	4	**(18,521)**	(23,068)
Loss from operations - adjusted		**(4,211)**	(7,476)
Administrative expenses - non-underlying impairment	4a	**-**	(16,665)
Administrative expenses - non-underlying other	4a	**(2,156)**	(1,336)
Administrative expenses - non-underlying credit	4a	**-**	664
Total administrative expenses		**(20,677)**	(40,405)
Operating loss	3	**(6,367)**	(24,813)
Investment revenues	6a	**89**	224
Finance costs	6b	**(670)**	(719)
Loss before tax	4	**(6,948)**	(25,308)
Tax	7	**(112)**	(4,350)
Loss for the period from continuing operations		**(7,060)**	(29,658)
Loss for the period from discontinued operations	25	**(6,670)**	(1,361)
Loss for the period		**(13,730)**	(31,019)
Loss per share - pence			
From loss from continuing operations for the year attributable to owners of the Company:			
Basic	8	**(0.7)**	(5.8)
Diluted	8	**(0.7)**	(5.8)
Basic - adjusted	8	**(0.5)**	(2.4)
Diluted - adjusted	8	**(0.5)**	(2.4)
From the loss for the period:			
Basic	8	**(1.4)**	(6.1)
Diluted	8	**(1.4)**	(6.1)
Basic - adjusted	8	**(0.6)**	(2.6)
Diluted - adjusted	8	**(0.6)**	(2.6)

Group statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Loss for the year		**(13,730)**	(31,019)
Items that will not be reclassified subsequently to profit and loss			
Actuarial (losses)/gains on defined benefit post-retirement obligations	15	**(789)**	3,838
Tax items taken directly to comprehensive income	14	**6**	(3,867)
Exchange differences recycled through loss for the year as part of the Brazil disposal	25	**4,931**	-
		4,148	(29)
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(342)**	643
		(342)	643
Total comprehensive expense for the year attributable to owners of the Company		**(9,924)**	(30,405)

Group statement of changes in equity

for the year ended 31 December 2018

	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
Balance at 1 January 2017	**5,111**	**8,023**	**226**	**(108)**	**(3,376)**	**7,064**	**15,672**	**32,612**
Loss for the period	-	-	-	-	-	-	(31,019)	(31,019)
Other comprehensive income/(expense)	-	-	-	-	643	-	(29)	614
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**643**	**-**	**(31,048)**	**(30,405)**
Share based payments	-	-	(63)	-	-	-	-	(63)
Lapsed/Vested shares	-	-	(5)	-	-	-	-	(5)
Shares transferred from ESOP	-	-	-	5	-	-	-	5
Balance at 31 December 2017	**5,111**	**8,023**	**158**	**(103)**	**(2,733)**	**7,064**	**(15,376)**	**2,144**
Loss for the period	-	-	-	-	-	-	(13,730)	(13,730)
Other comprehensive income/(expense)	-	-	-	-	4,589	-	(783)	3,806
Total comprehensive income/(expense)	**-**	**-**	**-**	**-**	**4,589**	**-**	**(14,513)**	**(9,924)**
Transition to IFRS 9	-	-	-	-	-	-	(153)	(153)
Issue of new shares	10,054	(1,409)	-	-	-	-	-	8,645
Share based payments	-	-	74	-	-	-	-	74
Balance at 31 December 2018	**15,165**	**6,614**	**232**	**(103)**	**1,856**	**7,064**	**(30,042)**	**786**

Group balance sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets and goodwill	9	**40**	151
Property, plant and equipment	10	**108**	358
Other receivables	12	**420**	394
Deferred tax assets	14	**86**	79
Total non-current assets		**654**	982
Current assets			
Trade and other receivables	12	**6,400**	4,075
Current tax receivables	14	**164**	965
Cash and cash equivalents	20	**17,263**	20,979
Total current assets		**23,827**	26,019
Total assets		**24,481**	27,001
Current liabilities			
Trade and other payables	13	**(9,548)**	(11,390)
Current tax liabilities	14	**(1,153)**	(1,391)
Total current liabilities		**(10,701)**	(12,781)
Net current assets		**13,126**	13,238
Non-current liabilities			
Retirement benefit obligations	15	**(9,286)**	(7,320)
Deferred tax liabilities	14	**(4)**	(24)
Long-term provisions	16	**(3,704)**	(4,732)
Total non-current liabilities		**(12,994)**	(12,076)
Total liabilities		**(23,695)**	(24,857)
Net assets		**786**	2,144
Equity			
Share capital	17	**15,165**	5,111
Share premium account		**6,614**	8,023
Share compensation reserve		**232**	158
Shares held by employee benefit trusts	18	**(103)**	(103)
Translation reserve	18	**1,856**	(2,733)
Other reserves	18	**7,064**	7,064
Retained earnings		**(30,042)**	(15,376)
Equity attributable to owners of the Company		**786**	2,144

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2019. They were signed on its behalf by:

Nick Stagg
Director

Group cash flow statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash outflow from operating activities	20	**(11,867)**	(15,014)
Investing activities			
Interest received		**89**	224
Purchases of property, plant and equipment		**(4)**	(108)
Purchases of intangible assets		**-**	(15)
Net cost of disposal		**(804)**	-
Net cash (used in)/generated from investing activities		**(719)**	101
Financing activities			
Net proceeds of issue of new shares		**8,645**	-
Net cash generated from financing activities		**8,645**	-
Net decrease in cash and cash equivalents		**(3,941)**	(14,913)
Cash and cash equivalents at beginning of year		**20,979**	38,067
Effect of foreign exchange rate changes on cash		**225**	(2,175)
Cash and cash equivalents at end of year	20	**17,263**	20,979

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

Company balance sheet
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Retirement benefit asset	15	**200**	200
Property, plant and equipment	10	**59**	144
Investments	11	**2,000**	2,000
Total non-current assets		**2,259**	2,344
Current assets			
Trade and other receivables	12	**1,405**	510
Current tax receivable		**1**	1
Cash and cash equivalents	20	**13,102**	16,429
Total current assets		**14,508**	16,940
Total assets		**16,767**	19,284
Current liabilities			
Trade and other payables	13	**(1,465)**	(1,648)
Total current liabilities		**(1,465)**	(1,648)
Net current assets		**13,043**	15,292
Non-current liabilities			
Long-term provisions	16	**(3,064)**	(2,753)
Total non-current liabilities		**(3,064)**	(2,753)
Total liabilities		**(4,529)**	(4,401)
Net assets		**12,238**	14,883
Equity			
Share capital	17	**15,165**	5,111
Share premium account		**6,614**	8,023
Share compensation reserve		**232**	158
Shares held by employee benefit trusts		**(103)**	(103)
Capital redemption reserve		**1,186**	1,186
Retained earnings		**(10,856)**	508
Equity attributable to owners of the Company		**12,238**	14,883

The Company made a loss of £11.4m in 2018 (2017: £12.5m).

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2019. 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 2018

	Share capital £'000	Share premium £'000	Merger reserve £'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 2017	**5,111**	**8,023**	**-**	**226**	**(108)**	**1,186**	**12,755**	**27,193**
Loss for the period	-	-	-	-	-	-	(12,547)	(12,547)
Other comprehensive income	-	-	-	-	-	-	300	300
Total comprehensive expense	-	-	-	-	-	-	(12,247)	(12,247)
Share-based payments	-	-	-	(63)	-	-	-	(63)
Lapsed/vested shares	-	-	-	(5)	-	-	-	(5)
Shares transferred from employee benefit trusts	-	-	-	-	5	-	-	5
Balance at 31 December 2017	**5,111**	**8,023**	**-**	**158**	**(103)**	**1,186**	**508**	**14,883**
Loss for the period	-	-	-	-	-	-	(11,364)	(11,364)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	-	-	(11,364)	(11,364)
Share-based payments	-	-	-	74	-	-	-	74
Issue of new shares	10,054	(1,409)	-	-	-	-	-	8,645
Balance at 31 December 2018	**15,165**	**6,614**	**-**	**232**	**(103)**	**1,186**	**(10,856)**	**12,238**

Company cash flow statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash (outflow)/inflow from operating activities	20	**(3,135)**	1,359
Investing activities			
Interest received		**59**	53
Purchases of property, plant and equipment		**-**	(80)
Proceeds from disposal of subsidiary		**-**	679
Cash advances to subsidiaries		**(8,807)**	(9,319)
Net cash used in investing activities		**(8,748)**	(8,667)
Financing activities			
Proceeds from issue of shares		**8,645**	-
Net cash generated from financing activities		**8,645**	
Net decrease in cash and cash equivalents		**(3,238)**	(7,308)
Cash and cash equivalents at beginning of year		**16,429**	25,361
Effect of foreign exchange rate changes		**(89)**	(1,624)
Cash and cash equivalents at end of year	20	**13,102**	16,429

Notes to the financial statements

for the year ended 31 December 2018

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 activity are set out in note [3] and in the Financial Review.

2. Significant accounting policies

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

(a) Basis of preparation

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

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The 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. The Board used assumptions for 2019 and in particular, the Board noted that Proudfoot revenues in H2 2018 were 14% higher than in the corresponding period of 2017 and early indications are for a continuation of this trend into 2019. For 2020, the Board's base case assumed that Proudfoot's revenues would continue to rise.

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, including no growth in revenue and decreasing revenue in line with historic long-term trends. In addition, we have considered the risks related to the Kurt Salmon escrow funds (being an amount of £4.2m 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, including reductions in discretionary compensation and reversal of the investments made in marketing and business development expenditure that could be taken if any of these scenarios become likely and these have been reflected in our sensitised forecasts.

In addition, the Board has taken into consideration, as at the date of this report, that it is not yet clear whether or when the UK will leave the European Union ('Brexit'). Despite the continued uncertainly, the Board has reviewed the impact of the various potential outcomes of Brexit on the Group, and although the final outcome is not yet clear, we have considered the impact of labour mobility, our client base, regulatory issues, taxation, the potential for more complex administration matters and foreign exchange implications. In particular the Board have considered the impact on our future cash flow forecasts for the purposes of assessing the Group's status as a going concern. Due to the nature of Proudfoot's business and our group structure and operating model, based on the information available at the date of approving these financial statements, the Board believes that the Group will not be materially impacted by Brexit, irrespective of the form this takes.

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.

These assumptions are predicated on Proudfoot continuing to win and deliver on contracts throughout 2019 and 2020 in line with board expectations

The Board has concluded that its forecasts, even on a worst case basis, indicate that the Group has adequate resources to be able to operate for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

Adoption of new and revised standards

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements.

Notes to the financial statements continued

for the year ended 31 December 2018

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to ISA 7: Disclosure initiative

New and revised standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

IFRS 16 "Leases"

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Annual Improvements 2014-2016 Cycle

Amendments to IAS 40: Transfers of Investment Property

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 17: Insurance Contracts

IFRS 4 (amendments): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRIS 23: Uncertainty over Income Tax Treatments

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

IFRS 16: Leases
IFRS 16 'Leases' will be effective in the financial statements from 1 January 2019. IFRS 16 provides a single model that will be applied by lessees to all leases with the option not to recognise leases of small value or with terms less than twelve months. It is expected that most operating leases will be included on the balance sheet as a right-of-use asset, together with the corresponding liability, namely the present value of the future lease payments. Note 22, Operating Lease Arrangements, reflects the aggregate outstanding commitments at the balance sheet date. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation, adjusted for any remeasurement of the lease liability. The lease liability is measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments.

The classification of cash flows will also be impacted as operating lease payments under IAS 17 are presented as operating cash flows, whereas under IFRS 16, the lease payment will be split into a principal and an interest portion which will be presented as operating and financing cost flows respectively.

Initial assessments indicate that the Group's current operating lease arrangements will meet the definition of a lease under IFRS 16, and therefore the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they are deemed low value or shorter than one year.

Whilst work is still being finalised in relation to the impact of the adoption of IFRS 16, it is anticipated that the adoption of IFRS 16 will increase assets by approximately £2m and have the same impact on liabilities. Finance costs on the income statement will increase, however this is predicted to not be significant. Operating costs are anticipated to remain at a similar level as under IAS 17: Leases.

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

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

IFRS 9: 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. Management have reconsidered its treatment of cash assets under this standard from the half year report. The Kurt Salmon escrow funds are security for potential claims and the Groups provisions are not directly linked to this security therefore we have concluded that expected credit losses should only be applied to trade receivables and in the case of Company only, intercompany receivables. In the current year, the Group has applied IFRS 9 Financial Instruments in accordance with the transition provisions set out in IFRS 9. The date of initial application is 1 January 2018. Accordingly, the Group has applied the requirements to IFRS 9 to assets as at 1 January 2018.

The table below illustrates the result of the adoption of IFRS 9 and the measurement impact on the respective categories of financial instruments. Trade and other receivables are held and measured at amortised cost.

Impact on assets, liabilities and equity as at 1 January 2018

	Under IAS 39 £'000	IFRS 9 adjustments impacting opening reserves £'000	Under IFRS 9 £'000
Trade and other receivables	4,075	(153)	3,922

Impact on loss for the year

	2018	2017
(Decrease)/Increase in administration expenses	**(92)**	153

Company Only

Expected credit losses have been recognised in respect of impairing intercompany receivable balances held by the Company with its subsidiary undertakings. The recoverability of the Company's intercompany receivables has been assessed and an impairment of £8.5m has been recognised in the income statement of the Company. There was no adjustment required on transition to IFRS 9 at 1 January 2018 as the recoverability of the intercompany receivables was assessed as part of the 2017 audit and PLC company receivables were impaired at that point. Intercompany receivables are held and measured at amortised cost.

Impact on loss for the year

	2018	2017
Increase in administration expenses	**8,498**	21,786

Critical accounting judgements

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.

Key sources of estimation uncertainty

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. Sensitivities applied to such estimates provide a range of current year current tax charge of between £0.4m and £0.8m. The amount recorded is £0.6m.

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, therefore involves estimates regarding the forecasting of taxable profits of the business. Refer to note 7.

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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 15 to the financial statements.

Provisions

Provisions are estimates and relate to onerous lease and contract commitments arising from the disposal of Kurt Salmon businesses in 2016 and continued simplification of the Group. The San Francisco lease has been sublet in 2018, and any changes to the expected outturn out of this sublet could lead to changes in the level of provision required. Outcomes range from £0.3m up to £1.5m. The amount provided in respect of the San Francisco lease and sublet is £0.3m as at 31 December 2018.

(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

IFRS 15 "Revenue from contracts with customers" became effective 1 January 2018 and replaces IAS 18 "Revenue". The Group has applied the full retrospective approach to transition to IFRS 15 which has had no impact on revenue recognition in prior or current periods. No practical expedients were applied on transition. 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 components to be delivered, those components may work in conjunction with one another and therefore the client may be unable to benefit from each component individually. In the instances where there are two distinct groups of components that can be delivered and measured separately, we would recognise as two separate performance obligations.

- 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 12 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.

  Management have assessed the revenue recognition policy in line with the specified five step model and have identified that no changes in the revenue recognition criteria are required under IFRS 15. Management continue to closely monitor each new contract to ensure that the five step approach is applied.

(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.

Notes to the financial statements continued

(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.

(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 by the Board.

(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.

(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.

(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.

(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) Operating leases

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

(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.

Notes to the financial statements continued

for the year ended 31 December 2018

(x) Foreign currencies

The average monthly exchange rates used to translate the 2018 results were £1=$1.33 (2017: £1=$1.29) and £1=€1.13 (2017: £1=€1.14). The year-end exchange rates used to translate the 2018 balance sheet were £1=$1.27 (2017: £1=$1.35) and £1=€1.11 (2017:£1=€1.13).

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

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

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

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

(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

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.

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.

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 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)**

Included in revenues arising from Europe are revenues of approximately £3.7m which arose from sales in 2018 to the Group's largest customer. In 2017, revenues in Americas reflected £3.6m of revenue which arose from sales to Groups largest customer. In either year no other single customer contributed to 10% or more to the Group's revenue in 2018 or 2017.

Year ended 31 December 2017	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue - continuing operations	12,988	14,762	4,964	32,714
Adjusted loss from operations	(5,321)	(1,580)	(575)	(7,476)
Non-underlying expenses	(1,037)	(148)	(151)	(1,336)
Non-underlying income	664	-	-	664
Loss from operations before impairment	(5,694)	(1,728)	(726)	(8,148)
Goodwill impairment				(16,665)
Loss from operations				(24,813)
Investment revenue				224
Finance costs				(719)
Loss before tax				(25,308)

Notes to the financial statements continued

for the year ended 31 December 2018

(ii) Net assets by geography

Year ended 31 December 2018	**Americas £'000**	**Europe £'000**	**Rest of the World £'000**	**Group £'000**
Assets				
Intangibles	**40**	**-**	**-**	**40**
Other segment assets	**3,353**	**5,510**	**105**	**8,968**
Total assets allocated to segments	**3,393**	**5,510**	**105**	**9,008**
Unallocated corporate assets				**15,473**
Consolidated total assets				**24,481**
Liabilities				
Segment liabilities	**(11,194)**	**(6,522)**	**(1,038)**	**(18,754)**
Unallocated corporate liabilities				**(4,941)**
Consolidated total liabilities				**(23,695)**
Net assets				**786**

Year ended 31 December 2017	Americas £'000 restated	Europe £'000 restated	Rest of the World £'000 restated	Group £'000 restated
Assets				
Intangibles	151	-	-	151
Other segment assets	2,401	3,417	901	6,719
Total assets allocated to segments	2,552	3,417	901	6,870
Unallocated corporate assets				20,131
Consolidated total assets				27,001
Liabilities				
Segment liabilities	(10,909)	(5,692)	(2,269)	(18,870)
Unallocated corporate liabilities				(5,987)
Consolidated total liabilities				(24,857)
Net assets				2,144

4. Loss before tax

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

	Note	**2018 £'000**	2017 £'000 restated
Net foreign exchange losses		**58**	1,175
Amortisation of intangible assets		**114**	1,503
Depreciation of property, plant and equipment		**126**	784
Loss on disposal of fixed assets		**117**	-
Non-underlying items - impairment	4a	**-**	16,665
Non -underlying expense - other	4a	**2,156**	1,336
Non-underlying income	4a	**-**	(664)
Staff costs	5	**20,456**	23,557
Auditors remuneration		**602**	414

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

Auditor's remuneration	**2018 £'000**	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**50**	47
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**182**	173
Total audit fees	**232**	220
Taxation compliance services	**71**	51
Audit related assurance services	**38**	30
Taxation advisory services	**11**	-
Other non-audit services*	**250**	113
Total non-audit fees	**370**	194
Total auditor's remuneration	**602**	414

* Other non-audit services in 2018 include a fee of £250,000 for reporting accounts work performed in respect of the placing and open offer. (2017: £112,500 for reviewing the projections and assumptions within the Group's financial models).

4a. Non underlying items

	2018 £'000	2017 £'000 restated
Restructuring	**1,630**	984
Employee provision	**-**	352
Goodwill impairment	**-**	16,665
Defined medical benefit scheme closure	**(74)**	(664)
Additional costs relating to prior year disposals	**600**	-
	2,156	17,337

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. The £2.2m (2017 restated: £17.3m) of non-underlying expenses comprises £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

£17.3m of non-underlying expenses in 2017 comprise £16.7m of goodwill impairment, £0.9m of restructuring-related redundancy costs and employee severance, £0.3m in connection to a provision charge for a former Proudfoot employee's ongoing contractual pension payments and £0.1m in relation to advisory fees incurred for restructuring. The £0.7m 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.

Notes to the financial statements continued

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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:

	2018 Number	2017 Number re-presented
Sales and marketing	**42**	38
Consultants	**79**	107
Support staff	**33**	46
Continuing activities	**154**	191
Discontinued operations	**19**	23
Total	**173**	214

The number of Group employees at the year-end was 147 being employed by continuing operations (2017 restated: 191).

The aggregate payroll costs were as follows:

	2018 £'000	2017 £'000 restated
Wages and salaries	**18,063**	20,573
Social security costs	**1,693**	2,163
Other including pension costs	**700**	821
	20,456	23,557

The average number of Company employees for the year was 9 (2017: 11). The payroll costs of the Company were £1,605,000 (2017: £1,565,000) for wages and salaries, £140,000 (2017: £189,000) for social security costs and £77,000 (2017: £68,000) for pension costs. Disclosures in respect of directors' emoluments are included in the Directors' Remuneration Report.

6a. Investment revenues

	2018 £'000	2017 £'000
Interest receivable on bank deposits and similar income	**89**	224

6b. Finance costs

	Note	2018 £'000	2017 £'000
Interest payable on bank overdrafts and loans and similar charges		**(37)**	(77)
Finance costs on retirement benefit plans	15	**(633)**	(642)
		(670)	(719)

7. Tax

Recognised in the income statement: Income tax expense on continuing operations	2018 Before non-underlying items £'000	2018 Non-underlying items £'000	2018 Total £'000	2017 Before non-underlying items £'000 restated	2017 Non-underlying items £'000 restated	2017 Total £'000 restated
Current tax						
Current year	**380**	**-**	**380**	856	-	856
Adjustment in respect of prior years	**(249)**	**-**	**(249)**	95	-	95
Current tax expense	**131**	**-**	**131**	951	-	951
Deferred tax						
Current year	**(19)**	**-**	**(19)**	3,204	6	3,210
Adjustment in respect of prior years	**-**	**-**	**-**	189	-	189
Deferred tax (credit)/expense	**(19)**	**-**	**(19)**	3,393	6	3,399
Total income tax						
Income tax expense on continuing activities	**112**	**-**	**112**	4,344	6	4,350

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19% (2017: 19.25%). 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:

	2018 Before non-underlying items £'000	2018 Non-underlying items £'000	2018 Total £'000	2017 Before non-underlying items £'000 restated	2017 Non-underlying items £'000 restated	2017 Total £'000 restated
Loss before tax from continuing operations	**(4,792)**	**(2,156)**	**(6,948)**	(7,971)	(17,337)	(25,308)
Notional income tax credit at the effective UK tax rate of 19.00% (2017: 20.0%)	**(910)**	**(424)**	**(1,334)**	(1,534)	(3,337)	(4,871)
Unrelieved current year tax losses	**1,925**	**266**	**2,191**	2,688	262	2,950
Irrecoverable withholding tax	**153**	**-**	**153**	231	-	231
Effects of different tax rates of subsidiaries operating in other jurisdictions	**(293)**	**-**	**(293)**	(71)	1	(70)
Reassessment of deferred tax recognition policy	**-**	**-**	**-**	3,291	-	3,291
Profits offset by losses not previously recognised	**(452)**	**-**	**(452)**	(746)	-	(746)
Other temporary differences not previously recognised	**(573)**	**-**	**(573)**	(1,713)	-	(1,713)
Permanent differences	**511**	**158**	**669**	1,915	3,080	4,995
Relating to prior years	**(249)**	**-**	**(249)**	283	-	283
Income tax expense on continuing operations	**112**	**-**	**112**	4,344	6	4,350
Effective tax rate for the year	**(2%)**	**-**	**(2%)**	(54%)	-	(17%)

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.

	2018 £'000	2017 £'000
Tax credited to other comprehensive income		
Deferred tax credits on actuarial and other movements on post-employment benefits	**(6)**	(3,867)
Tax charged on items recognised in other comprehensive income	**(6)**	(3,867)

Notes to the financial statements continued

for the year ended 31 December 2018

8. Earnings per share

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

	2018			2017		
Earnings	**All £'000**	**Continuing £'000**	**Discontinued £'000**	All £'000 restated	Continuing £'000 restated	Discontinued £'000 restated
Loss for the period	**(13,730)**	**(7,060)**	**(6,670)**	(31,019)	(29,658)	(1,361)
Add back: non-underlying items	**2,156**	**2,156**	**-**	1,070	672	398
Add back: non-underlying items - impairment	**-**	**-**	**-**	16,665	16,665	-
Adjustment for profit on disposals	**5,287**	**-**	**5,287**	-	-	-
Reduction in tax charge due to add backs	**-**	**-**	**-**	(192)	(192)	-
Adjusted loss for the period	**(6,287)**	**(4,904)**	**(1,383)**	(13,476)	(12,513)	(963)

Number of shares	**2018 Number million**	2017 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	**930**	511
Effect of dilutive potential ordinary shares:		
Restricted share plan	**0**	0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**930**	511

	2018			2017 re-presented		
Loss per share	**All Pence**	**Continuing Pence**	**Discontinued Pence**	All Pence	Continuing Pence	Discontinued Pence
Basic loss per share for the year attributable to the owners of the Company	**(1.4)**	**(0.7)**	**(0.7)**	(6.1)	(5.8)	(0.3)
Diluted loss per share for the year attributable to the owners of the Company	**(1.4)**	**(0.7)**	**(0.7)**	(6.1)	(5.8)	(0.3)
Basic loss per share - excluding non-underlying items and amortisation of acquired intangibles	**(0.6)**	**(0.5)**	**(0.1)**	(2.6)	(2.4)	(0.2)
Diluted loss per share - excluding non-underlying items and amortisation of acquired intangibles	**(0.6)**	**(0.5)**	**(0.1)**	(2.6)	(2.4)	(0.2)

The average share price for the year ended 31 December 2018 was 3.4p (2017: 7.2p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted loss per share in 2018 includes rights over 364,890 ordinary shares (2017: 364,890).

9. Intangible assets and goodwill

Group	Goodwill £'000	Software costs £'000	Total intangibles £'000
Cost			
At 1 January 2018	47,023	3,872	50,895
Additions	-	-	-
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

Group	Goodwill £'000	Software costs £'000	Total intangibles £'000
Cost			
At 1 January 2017	46,358	4,398	50,756
Additions	-	15	15
Disposals	-	(300)	(300)
Exchange differences	665	(241)	424
At 31 December 2017	**47,023**	**3,872**	**50,895**
Amortisation and impairment			
At 1 January 2017	30,358	2,674	33,032
Charge for the year	-	1,503	1,503
Impairment charge	16,665	-	16,665
Disposals	-	(300)	(300)
Exchange differences	-	(156)	(156)
At 31 December 2017	**47,023**	**3,721**	**50,744**
Carrying amount			
At 31 December 2017	-	151	151
At 31 December 2016	16,000	1,724	17,724

All intangibles in the Company are fully amortised.

Notes to the financial statements continued

for the year ended 31 December 2018

10. Property, plant and equipment

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

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 2017	3,271	927
Additions	108	82
Disposals	(809)	(798)
Exchange differences	(170)	-
At 31 December 2017	**2,400**	**211**
Accumulated depreciation		
At 1 January 2017	2,163	759
Charge for the year	815	106
Disposals	(809)	(798)
Exchange differences	(127)	-
At 31 December 2017	**2,042**	**67**
Carrying amount		
At 31 December 2017	**358**	**144**
At 31 December 2016	1,108	168

11. Investments

Company	Shares	Total £'000
Investment in Group companies		
At 1 January 2018	2,000	2,000
Impairment	-	-
Decrease in shareholding	-	-
At 31 December 2018	**2,000**	**2,000**
At 31 December 2017	2,000	2,000

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

12. Trade and other receivables

	Group		Company	
Amounts due <1 year	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables - gross	**3,303**	1,765	**-**	-
Allowance for doubtful debts	**(61)**	-	**-**	-
Trade receivables - net	**3,242**	1,765	**-**	-
Amounts owed by Group undertakings	**-**	-	**1,149**	228
Other receivables	**2,044**	1,635	**84**	109
Contract assets	**409**	36	**-**	-
Prepayments	**705**	639	**172**	173
	6,400	4,075	**1,405**	510

Amounts due >1 year	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Other receivables	**420**	394	**-**	-
	420	394	**-**	-

Debtor days at the year-end were 34 (2017: 50 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 £8.5m were recognised in respect of intercompany receivables (2017: £21.8m).

Notes to the financial statements continued

for the year ended 31 December 2018

Reconciliation of contract assets and liabilities

	£'000
Opening contract assets	36
Opening contract liabilities	(781)
Net	(745)
Discontinued operations	(34)
Revenue recognised	28,284
Billings in year	(27,299)
Subtotal	**206**
Closing contract assets	409
Closing contract liabilities	(203)
Net Contract Assets	**206**

13. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade payables	**602**	619	**90**	480
Amounts owed to Group undertakings	**-**	-	**326**	122
Other taxes and social security	**1,121**	1,135	**88**	103
Other payables	**597**	998	**136**	141
Contract liabilities	**203**	781	**-**	-
Accruals	**7,025**	7,857	**825**	802
	9,548	11,390	**1,465**	1,648

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 24 days (2017: 14 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 21).

14. Tax assets and liabilities

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current tax				
Current tax receivables	**164**	965	**-**	-
Current tax liabilities	**(1,153)**	(1,391)	**-**	-

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 2017	4,300	487	2,830	7,617
Disposals	-	-	-	-
Foreign exchange	(177)	5	(122)	(294)
Reclassification	(175)	-	175	-
Recognised in Group statement of comprehensive income	(3,869)	-	-	(3,869)
Charged to Group income statement	-	(492)	(2,907)	(3,399)
At 31 December 2017	79	-	(24)	55
Disposals	-	-	-	-
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**

Group	31 December 2018 £'000	31 December 2017 £'000
Deferred tax assets	**86**	79
Deferred tax liabilities	**(4)**	(24)
Total	**82**	55

At 31 December 2018 the Group recognised a deferred tax asset of £0.1m (2017: £0.1m), of which £nil (2017: £nil) are in respect of tax losses, £0.1m (2017: £0.1m) are in respect of other temporary differences.

At 31 December 2018 the Group did not recognise deferred tax assets totalling £27.6m (2017: £30.4m), of which £21.1m (2017: £24.5m) are in respect of tax losses, £6.5m (2017: £5.9m) 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 2018 of £0.9m (2017: £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 2018 or 2017. The Company has an unrecognised deferred tax asset of £5.2m (2017: £5.6m).

Notes to the financial statements continued

for the year ended 31 December 2018

15. 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 £700,000 (2017 restated: £821,000), 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 2018 relates to the net liability under a part-funded US defined benefit pension scheme of £9.1m, an unfunded French retirement obligation of £0.3m, and a legacy Kurt Salmon UK defined pension scheme which shows a closing asset position of £0.2m. The net post-retirement obligation for defined benefit schemes increased from £7.2m at 31 December 2017 to £9.1m at 31 December 2018, principally as a result of the actuarial changes in respect of the US Scheme liabilities together with a fall in market value of the investments held to support this liability.

The retirement benefit obligations are summarised below:

	Note	**2018 £'000**	2017 £'000
US defined benefit pension scheme		**(9,140)**	(7,205)
Proudfoot French statutory obligation		**(346)**	(315)
UK defined benefit pension scheme		**200**	200
All schemes		**(9,286)**	(7,320)

(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 are 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. The plan scheme assets are invested in a diversified range of equities, bonds and cash and during 2018 the fund has been held in a conservative split of 60% bonds and 40% in equities. The investment split is considered by the investment committee on a quarterly basis but has not changed during the year.

The scheme represents over 98% of the Groups pension obligations. 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.

The pension deficit has increased during 2018 by £2.0m (2017: £3.7m decrease).

The principal assumptions used for the recent actuarial valuations were:

	2018	2017
Discount rate	**4.22%**	3.55%
General inflation assumption	**n/a**	n/a
Mortality table	RP 2014 (scale: MP 2018)	RP 2014 (scale: MP 2017)

	2018		2017	
	Male	**Female**	Male	Female
Life expectancy at age 75	**12.84**	**14.29**	12.89	14.34

The MP 2018 projection scale published by the Society of Actuaries (SOA) show a lower degree of longevity improvement than projected based on previous SAO assumptions.

There are neither guaranteed nor discretionary increases to benefits after retirement. Expected pension contributions for 2018 are £nil (2017: £nil).

(i) Components of amounts recognised in the income statement

	2018 £'000	2017 £'000
Service costs	374	244
Effects of settlement	-	-
Interest expense on plan obligations	1,897	2,219
Interest income on plan assets	(1,642)	(1,820)
Total charge to income statement	629	643

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

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

	2018 £'000	2017 £'000
Liability (gains)/losses due to changes in assumptions	(3,025)	1,638
Liability experience gain arising in the year	(181)	(244)
Asset losses/(gains) arising during the year	3,992	(4,888)
Total loss/(gain) recognised in the other comprehensive income statement	786	(3,494)

(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	**2018 £'000**	2017 £'000
Present value of defined benefit obligations	15(iv)	**(50,860)**	(52,951)
Fair value of scheme assets	15(iv)	**41,720**	45,746
Liability recognised in the balance sheet		**(9,140)**	(7,205)

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:

	2018 £'000	2017 £'000
Opening defined benefit obligation	**(52,951)**	(58,541)
Interest cost	**(1,897)**	(2,219)
Service cost	**(374)**	(244)
Actuarial gain/(loss) - Financial assumption changes	**2,869**	(2,130)
Actuarial gain - Demographic assumption changes	**156**	491
Actuarial gain - unexpected experience	**181**	245
Contributions by participants	**-**	-
Exchange differences	**(3,029)**	4,953
Benefits paid	**4,185**	4,494
Settlements	**-**	-
Closing defined benefit obligation	**(50,860)**	(52,951)

Notes to the financial statements continued

for the year ended 31 December 2018

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

	2018 £'000	2017 £'000
Opening fair value of plan assets	**45,746**	47,685
Expected return	**1,642**	1,820
Actuarial (loss)/gain	**(3,993)**	4,888
Exchange differences	**2,510**	(4,153)
Benefits paid	**(4,185)**	(4,494)
Closing fair value of plan assets	**41,720**	45,746
Net retirement benefit obligation	**(9,140)**	(7,205)

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

	2018 £'000	2017 £'000
Equities	**15,320**	17,741
Bonds	**25,207**	17,867
Cash	**924**	9,933
Other	**269**	205
	41,720	45,746

The plan assets held are traded in liquid markets and the expected rates of return are based on actuarial advice received.

(vi) Sensitivities on key assumptions

US DB pension

A 1% decrease in the discount rate would increase the benefit obligation by £4,616,000 an increase of 9%

A 1 year increase in life expectancy would increase the benefit obligation by £1,872,000 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

	2018 £'000	2017 £'000
In one year	**4,285**	3,962
In two years	**4,268**	4,052
In three years	**4,191**	4,024
In four years	**4,105**	3,953
In five years	**4,032**	3,874
In six to ten years	**18,489**	18,075

(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:

	2018	2017
Rate of increase in salaries	**2%**	2%
Discount rate	**1.35%**	1.2%
Mortality tables	TPGFO5/TPGHO5	TPGFO5/TPGHO5

(i) Components of amounts recognised in the income statement

	2018 £'000	2017 £'000
Service costs	**20**	21
Interest expense on plan obligations	**4**	4
Total charge to income statement	**25**	30

(ii) Amounts recognised in the other comprehensive income statement

	2018 £'000	2017 £'000
Liability loss/(gain)due to changes in assumptions	**3**	(44)
Total loss/(gain) recognised in the other comprehensive income statement	**3**	(44)
Total (gain)/loss recognised in the other comprehensive income statement	**(44)**	52

(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	**(346)**	(315)
Fair value of scheme assets	**-**	-
Liability recognised in the balance sheet	**(346)**	(315)

(iv) Movements in balance sheet amounts

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	**(315)**	(321)
Service cost	**(20)**	(21)
Actuarial (loss) / gain	**(3)**	44
Employer contribution	**-**	-
Interest cost	**(4)**	(4)
Foreign exchange difference	**(4)**	(13)
Closing defined benefit obligation	**(346)**	(315)

The French obligation is unfunded and holds no plan assets.

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for the year ended 31 December 2018

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
A 0.5% decrease in the discount rate would increase the benefit obligation by £2,893.

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

The sensitivities applied are in line with recent experience.

(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 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:

	2018	2017
Discount rate	**2.8%**	2.4%
Inflation	**3.3%**	3.5%
Mortality table	**90% of S2PA**	90% of S2PA

Assumption at Valuation date	**31/12/2018**	**31/12/2018**	**31/12/2017**	**31/12/20/17**
Mortality projection table	**2017**	**2017**	**2015**	**2015**
Gender	**Male**	**Female**	**Male**	**Female**
Mortality at 31/12/2018	21.6	23.3	21.8	23.5
Mortality for birth year 1952	23.0	24.5	23.6	24.9
Mortality for birth year 1975	24.9	25.9	26.1	26.6

Life expectancy
For the last ten years, life expectancy tables have incorporated automatic adjustments for life expectancy to improve for every year in the future. The above illustrates this for the current table and the prior year table. The different lines represent:

- Life expectancy assuming mortality at 31/12/2018 with no future improvements
- Life expectancy assuming project mortality for a member aged 65 at 31/12/2018
- 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:

	2018	2017
Interest expense on plan liabilities	**-**	95
Interest income on plan assets	**100**	(95)
Total charge to the income statement	**100**	-

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

	2018 £'000	2017 £'000
Liability losses due to change in assumptions	**(100)**	(100)
Asset gains arising during the year	**100**	400
Total loss/gain recognised in the other comprehensive income statement	**-**	300

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:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	**(1,600)**	(2,400)
Fair value of scheme assets	**1,800**	2,600
Asset/(liability) recognised in the balance sheet	**200**	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:

	2018 £'000	2017 £'000
Opening defined benefit obligation	**(2,400)**	(5,800)
Interest cost	**-**	(100)
Settlements	**700**	3,600
Actuarial gain/(loss) - financial assumption changes	**100**	(100)
Actuarial gain/(loss) - demographic assumption changes	**-**	-
Closing defined benefit obligation	**(1,600)**	(2,400)

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

	2018 £'000	2017 £'000
Opening fair value of plan assets	**2,600**	5,400
Interest income	**100**	100
Settlements	**(800)**	(3,400)
Company contributions	**-**	100
Actuarial (loss)/gain	**(100)**	400
Closing fair value of plan assets	**1,800**	2,600

For the year 2018 there was no return on scheme assets. (2017: £500,000).

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for the year ended 31 December 2018

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

	2018 £'000	2017 £'000
Equities	**1,302**	2,044
Bonds	**273**	346
Cash	**180**	90
Other	**80**	115
	1,835	2,595

All equity investments are in quoted stocks.

	2018		2017	
	Expected return %	**£'000**	Expected return %	£'000
Equities	**2.8%**	**1,800**	2.4	2,600

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

(iv) Sensitivities on key assumptions
A 0.5% decrease in the discount rate would increase the benefit obligation by £200,000.

A 0.5% increase in the rate of inflation would increase the benefit obligation by £100,000.

An increase of one year life expectancy, from 23.0 for males and 24.5 for females, to 24.0 and 25.5 respectively would increase in the benefit obligation by £100,000

The sensitivities applied are in line with recent experience.

16. Long-term provisions

	Group			
	Property provision £'000	Litigation £'000	Other provision £'000	Total £'000
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	584	254	916
Foreign exchange movement	37	--	12	49
At 31 December 2018	**358**	**1,975**	**1,371**	**3,704**

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

	Group			
	Property provision £'000	Litigation £'000	Other provision £'000	Total £'000
At 1 January 2017	7,708	-	3	7,711
Utilised	(4,177)	-	-	(4,177)
Released	(2,033)	-	-	(2,033)
Charge	561	1,610	1,440	3,611
Foreign exchange movement	(367)	-	(13)	(380)
At 31 December 2017	**1,692**	**1,610**	**1,430**	**4,732**

	Company			
	Property provision £'000	Litigation £'000	Other provision £'000	Total £'000
At 1 January 2017	192	-	-	192
Utilised	(192)	-	-	(192)
Released	-	-	-	-
Charge	-	1,610	1,143	2,753
At 31 December 2017	**-**	**1,610**	**1,143**	**2,753**

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

Property provisions relate to onerous leases and contracts arising following the disposal of Kurt Salmon with cash outflows arising when rent falls due under existing lease arrangements. 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. Litigation provisions represent ongoing legal claims in relation to the Kurt Salmon disposal.

17. Share capital

(a) Called up share capital

	2018 £'000	2017 £'000
Issued and fully paid		
1,516,528,424 (2017: 511,136,857) shares of 1p each	**15,165**	5,111
	15,165	5,111

	2018 1p shares number	Nominal value £'000
At 1 January 2018	**511,136,857**	5,111
Issue of new shares	**1,005,391,567**	10,054
At 31 December 2018	**1,516,528,424**	15,165

On 18 July 2018, a General Meeting of MCG PLC approved the Placing and Open Offer of 1,000,050,372 new ordinary shares at 1p per share and the PH Placing of 5,341,195 new ordinary shares at 1p per share. In total 1,005,391,567 shares were issued raising £10,053,915, in cash, before expenses. Costs relating to the issue of new equity amounted to £1,409,000 which have been charged against the share premium account. The net proceeds raised amounted to £8,645,000.

An expense of £78,000 (2017: credit £63,000) has been recognised in the year in respect of share awards. The cumulative share compensation reserve at 31 December 2018 is £232,000 (2017: £158,000). No awards were granted in the year.

Notes to the financial statements continued

for the year ended 31 December 2018

(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 23.

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	Weighted average exercise price pence
Outstanding at 1 January 2018	1,717,864	0.0
Granted during the year	-	0.0
Forfeited during the year	-	0.0
Satisfied during the year	-	0.0
Outstanding at 31 December 2018	1,717,864	0.0
Exercisable at 31 December 2018	**17,864**	0.0

The awards outstanding at 31 December 2018 had a weighted average exercise price of 0.0p. The outstanding awards vest in January 2019.

18. Other reserves

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2017	5,878	1,186	-	7,064
At 31 December 2017	5,878	1,186	-	7,064
At 31 December 2018	5,878	1,186	-	7,064

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 344,204 shares (2017: 344,204). The value of these shares held in reserves is £103,000 (2017: £103,000).

The translation reserve of £1,856,000 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.

During 2018 the Group's employee benefit trust did not purchase any called up share capital (2017: £nil).

19. Retained earnings (Company only)

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 £11,364,000 (2017: £12,547,000 loss) dealt with in the financial statements of the Company.

20. Notes to the cash flow statement

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Operating loss from continuing operations	**(6,367)**	(25,788)	**(11,364)**	(13,228)
Operating loss from discontinued operations	**(612)**	(251)	**-**	-
Operating loss	**(6,979)**	(26,039)	**(11,364)**	(13,228)
Adjustments for:				
Depreciation of property, plant and equipment	**126**	273	**30**	105
Amortisation of intangible assets	**114**	223	**-**	6
Loss on disposal of fixed assets	**117**	-	**55**	-
Adjustment for the cost of share awards	**78**	(87)	**78**	(87)
(Increase)/decrease in provisions	**(1,078)**	(2,598)	**311**	2,561
Goodwill impairment	**-**	16,665	**-**	-
Non-cash Intercompany debt forgiveness	**-**	-	**8,048**	(83,568)
Non-cash dividend	**-**	**-**	**-**	(14,669)
Impairment of investments	**-**	-	**-**	110,020
Other non-cash items	**58**	1,045	**74**	1,148
Operating cash flows before movements in working capital	**(7,564)**	(10,518)	**(2,768)**	2,288
(Increase)/decrease in receivables	**(2,141)**	3,160	**28**	903
Decrease in payables	**(1,838)**	(6,739)	**(395)**	(1,832)
Cash (used) in/generated from operations	**(11,543)**	(14,097)	**(3,135)**	1,359
Income taxes paid	**(287)**	(840)	**-**	-
Interest paid	**(37)**	(77)	**-**	-
Net cash (outflow)/inflow from operating activities	**(11,867)**	(15,014)	**(3,135)**	1,359

The Group had no financing liabilities arising from cash flow activities in the year ended 31 December 2018.

Company Only
Reconciliation of financial liabilities

	Opening balance at 1/1/18 £'000	Intercompany debt forgiveness £'000	Intercompany cash outflows £'000	Translation £'000	Closing balance at 31/12/18 £'000
Intercompany receivables	**1,373**	**(8,048)**	7,805	**20**	1,150
Intercompany payables	**(1,266)**	**-**	1,002	**(63)**	(327)
Total	**107**	**(8,048)**	8,807	**(43)**	823

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Cash at bank and in hand	**17,263**	20,979	**13,102**	16,429
Cash and cash equivalents	**17,263**	20,979	**13,102**	16,429

Included within the 2018 Group cash balance of £17.3m and Company cash balance of £13.1 is £4.2m (2017: £8.5m) 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.

Notes to the financial statements continued

for the year ended 31 December 2018

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

	2018		2017	
	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	2018 Floating rate £'000	2017 Floating rate £'000
Financial assets			
Sterling		**9,266**	2,629
US Dollar		**4,160**	15,709
Euro		**3,210**	972
Other		**627**	1,669
Cash and cash equivalents	20	**17,263**	20,979
Sterling		**2,161**	1,195
US Dollar		**1,341**	788
Euro		**1,926**	1,276
Other		**972**	816
Trade and other receivables	12	**6,400**	4,075
Financial liabilities			
Sterling		**(5,122)**	(5,536)
US Dollar		**(181)**	(368)
Euro		**(3,163)**	(3,102)
Other		**(1,082)**	(2,384)
Trade and other payables	13	**(9,548)**	(11,390)

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	**2018 £'000**	2017 £'000
Cash and cash equivalents	20	**17,263**	20,979
		17,263	20,979

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

		Carrying amount	
	Note	**2018 £'000**	2017 £'000
Europe		**998**	448
United States		**299**	134
Rest of the World		**751**	623
United Kingdom		**1,194**	560
	12	**3,242**	1,765

The Group's most significant customer accounts for 11% of the trade receivables carrying amount at 31 December 2018 (2017: 20%).

	Note	**2018 £'000**	2017 £'000
Not past due		**1,995**	715
Past due 0-30 days		**1,152**	588
Past due 31-120 days		**95**	462
	12	**3,242**	1,765

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 liabilities:

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	13	**(9,548)**	**(9,548)**	**(9,548)**	**-**	**-**
		(9,548)	**(9,548)**	**(9,548)**	**-**	**-**

31 December 2017	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	13	(11,390)	(11,390)	(11,390)	-	-
		(11,390)	(11,390)	(11,390)	-	-

Notes to the financial statements continued

for the year ended 31 December 2018

Currency risk - Group

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

	31 December 2018		31 December 2017	
	Euro £'000	**US Dollar £'000**	Euro £'000	US Dollar £'000
Trade receivables	**998**	**299**	448	134
Trade payables	**(29)**	**(127)**	(6)	(38)
Gross balance sheet exposure	**969**	**172**	442	96
Notional current year sales	**7,970**	**5,506**	8,255	10,730
Notional current year purchases	**(3,774)**	**(3,206)**	(3,940)	(5,422)
Gross and net exposure	**4,196**	**2,300**	4,315	5,308

Sensitivity analysis - Group

A 10% strengthening of Sterling against the following currencies at 31 December 2018 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. The analysis is performed on the same basis for 2017. 10% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience.

	Equity £'000	Profit or loss £'000
2018		
US Dollar	**(16)**	**(212)**
Euro	**(88)**	**(381)**
2017		
US Dollar	(9)	(483)
Euro	(40)	(392)

A 10% weakening of Sterling against the following currencies at 31 December 2017 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. The analysis is performed on the same basis for 2016. 10% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience.

	Equity £'000	Profit or loss £'000
2018		
US Dollar	**19**	259
Euro	**264**	466
2017		
US Dollar	**11**	590
Euro	**146**	479

The Group has no 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 2018		31 December 2017	
	Note	**Carrying amount £'000**	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Trade and other receivables	12	**6,400**	**6,400**	4,075	4,075
Cash and cash equivalents	20	**17,263**	**17,263**	20,979	20,979
Trade and other payables	13	**(9,548)**	**(9,548)**	(11,390)	(11,390)

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

Currency	Note	**2018 Floating rate £'000**	2017 Floating rate £'000
Financial assets			
Sterling		**8,443**	2,308
US Dollar		**2,363**	14,062
Euro		**2,296**	59
Cash and cash equivalents	20	**13,102**	16,429
Sterling		**1,313**	146
US Dollar		**92**	364
Euro		**-**	-
Trade and other receivables	12	**1,405**	510
Financial liabilities			
Sterling		**(1,159)**	(1,529)
US Dollar		**(272)**	(119)
Euro		**(34)**	-
Trade and other payables	13	**(1,465)**	(1,648)
Other		**-**	(28)
Trade and other payables	13	**(1,648)**	(133,946)

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	
	2018 £'000	2017 £'000
Cash and cash equivalents	**13,102**	16,429

The Company has no exposure to credit risk for trade receivables.

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for the year ended 31 December 2018

Liquidity risk - Company

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

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)**

31 December 2017	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Non-derivative financial liabilities			
Trade and other payables	(1,649)	(1,649)	(1,649)
	(1,649)	(1,649)	(1,649)

Currency risk - Company

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

	31 December 2018		31 December 2017	
	Euro £'000	**US Dollar £'000**	Euro £'000	US Dollar £'000
Intercompany receivables	**-**	**1,145**	-	229
Intercompany payables	**(3)**	**(304)**	-	(122)
Gross balance sheet exposure	**(3)**	**841**	-	107

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

Sensitivity analysis - Company

A 10% strengthening of Sterling against the following currencies at 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017. The sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience.

	Equity £'000	Profit or loss £'000
2018		
US Dollar	**30**	**30**
Euro	**3**	**3**
2017		
US Dollar	(10)	(10)
Euro	-	-

A 10% weakening of Sterling against the following currencies at 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017. The sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience.

	Equity £'000	Profit or loss £'000
2018		
US Dollar	**(36)**	**(36)**
Euro	**(4)**	**(4)**
2017		
US Dollar	11	11
Euro	-	-

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 2018		31 December 2017	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**13,102**	**13,102**	16,429	16,429
Trade and other receivables	**1,405**	**1,405**	510	510
Trade and other payables	**(1,465)**	**(1,465)**	(1,649)	(1,649)

22. Operating lease arrangements

Group	**2018 £'000**	2017 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**1,736**	1,360

These payments represent payments for office space.

At the balance sheet date, the Group has aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018			2017		
Group	**Land and buildings £'000**	**Other £'000**	**Total £'000**	Land and buildings £'000	Other £'000	Total £'000
Within one year	**930**	**12**	**942**	2,080	-	2,080
In the second to fifth years inclusive	**1,072**	**6**	**1,078**	1,355	-	1,355
After five years	**367**	**-**	**367**	-	-	-
	2,369	**18**	**2,387**	3,435	-	3,435

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of four years. The Group entered into a sublease agreement of its San Francisco office and expected future sublease income of £0.9m is expected until September 2020 when the lease expires.

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for the year ended 31 December 2018

23. 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 24, 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 2018, Wedlake Bell LLP provided services at fair market rates to Management Consulting Group PLC valued at £1,000 (2017:£135,000). IGlobal, a subsidiary of Wedlake Bell LLP provided services at fair market rates to Alexander Proudfoot (Europe) Limited valued at £98,000 (2017: £16,000) and at year end there was a liability due to IGlobal of £14,000 (2017: £nil).

Fiona Czerniawska, a non-executive director of the Company is Founder and Director of Source Global Research. During 2017, Source Global Research provided services at fair market rates to Alexander Proudfoot valued at £24,000.

All transactions with pension trustees have been disclosed in note 15.

Remuneration of key management personnel

The aggregate remuneration of the key management personnel of the Group is set out below. Key management personnel are the heads of the consultancies and other executive directors. Information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

	2018 £'000	2017 £'000
Short-term employee benefits	**1,061**	639
Post-employment benefits	**81**	77
Termination benefits	**-**	-
	1,142	716

24. Subsidiary undertakings

At 31 December 2018, 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.

	Registered address	Countries of incorporation/operation
Management Consulting Group Overseas Ltd*	St Paul's House, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
MCG Company No 4 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 71/72 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 I, 3446 GE Woerden, The Netherlands	Netherlands
Proudfoot (Netherlands) BV	Van der Valk Boumanlaan 13 I, 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
Ineum Consulting Pty Ltd (Australia)	c/o KD Partners, Suite 3, Level 4, 12-14 Mount Street, North Sydney, NSW, 2060, Australia	Australia
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
AP Participações Ltda	12551 Avenida das Nacoes Unidas, Chacara Itaim - 17 Andar, Sao Paulo (CEP 04578-000), Brazil	Brazil
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 - Serviços Empresariais LTDA	Rua Iguatemi, 151 - 8o. andar, 01451-011 - São Paulo, SP, Brazil	Brazil
Proudfoot (de Mexico) SC	Río Guadiana No. 11, Col. Cuauahtémoc, 06500 México, D.F.	Mexico
Alexander Proudfoot South Africa (Pty) Ltd	1st Floor, Crawford House, 17 Muswell Road South, Bryanston 2021 Johannesburg, South Africa	South Africa
Alexander Proudfoot Africa (Pty) Ltd**	1st Floor, Crawford House, 17 Muswell Road South, Bryanston 2021 Johannesburg, South Africa	South Africa
Alexander Proudfoot (Botswana) Pty LTD	1st Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana	Botswana

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

Notes to the financial statements continued

for the year ended 31 December 2018

Company

Amounts owed by / (owed to) subsidiary undertakings

	2018 receivable/ (payable) £'000	2017 receivable/ (payable) £'000
Alexander Proudfoot (Europe) Limited	**1,126**	-
MCG Company No. 1 Limited	**1**	-
Proudfoot (de Mexico) SC	**(8)**	(59)
Proudfoot (Singapore) Pte	**3**	-
Alexander Proudfoot Company	**(18)**	-
Alexander Proudfoot France SAS	**(3)**	-
MCG Overseas Limited	**-**	229
MCG Overseas Holdings BV	**(32)**	-
MCG Holdco LLC	**(246)**	(63)
Amounts owed by subsidiary undertakings	**823**	107

Transactions with subsidiary undertakings

	2018 expense/ (income) £'000	2017 expense/ (income) £'000
Alexander Proudfoot (Europe) Limited	**69**	44
Alexander Proudfoot Company	**(784)**	(1,007)
Income from transactions with subsidiary undertakings	**(715)**	(963)

25. Discontinued operations and disposals

Discontinued operations comprise Brazilian operations and for 2017 discontinued operations also comprised residual transitional service agreements and obligations including contingent liabilities of the business that were sold in 2016. Costs relating to prior year disposals incurred during 2018 have not been reclassed to discontinued and are recognised in non-underlying expenses within the Group income statement for continuing operations.

The sale of the Brazilian entity was completed on 23 May 2018 for cash consideration of $80,000. The results of its operations and the loss on disposal are reported as discontinued operations. The comparatives for 2017 have been restated on the same basis in relation to discontinued operations. The disposed entity was presented in the geographical region of the Americas.

The loss after tax for Brazil for the year up to disposal date was £1.4m (2017 £1.1m). The loss on disposal before the effect of foreign exchange was £0.3m. The loss on disposal includes £4.9m of cumulative historic foreign exchange losses which crystallise on disposal and are therefore transferred from the translation reserve. The results of the discontinued operations, which have been included in the consolidated income statement within the loss from discontinued operations line, were as follows:

	2018				2017			
	Kurt Salmon France £'000	**Kurt Salmon Healthcare £'000**	**Kurt Salmon Consumer Group £'000**	**Total £'000**	Kurt Salmon France £'000	Kurt Salmon Healthcare £'000	Kurt Salmon Consumer Group £'000	Total £'000
Revenue	**446**	**-**	**-**	**446**	2,389	-	-	2,389
Cost of sales	**(334)**	**-**	**-**	**(334)**	(1,524)	-	-	(1,524)
Gross profit	**112**	**-**	**-**	**112**	865	-	-	865
Administrative expenses - underlying	**(724)**	**-**	**-**	**(724)**	(1,693)	-	-	(1,693)
Loss from operations - adjusted	**(612)**	**-**	**-**	**(612)**	(828)	-	-	(828)
Administrative expenses - non-underlying other	**-**	**-**	**-**	**-**	(147)	(1,396)	(1,143)	(2,686)
Administrative expenses - non underlying credit	**-**	**-**	**-**	**-**	-	-	2,288	2,288
Total administrative expenses	**(724)**	**-**	**-**	**(724)**	(1,840)	(1,396)	1,145	(2,091)
(Loss)/profit from operations	**(612)**	**-**	**-**	**(612)**	(975)	(1,396)	1,145	(1,226)
Net finance cost	**-**	**-**	**-**		-	-	-	-
(Loss)/Profit) before tax	**(612)**	**-**	**-**	**(612)**	(975)	(1,396)	1,145	(1,226)
Attributable tax expense	**(771)**	**-**	**-**	**(771)**	(135)	-	-	(135)
(Loss)/profit after tax	**(1,383)**	**-**	**-**	**(1,383)**	(1,110)	(1,396)	1,145	(1,361)
Loss on disposal of discontinued operations	**(5,287)**	**-**	**-**	**(5,287)**	-	-	-	-
Net (loss)/profit attributable to discontinued operations	**(6,670)**	**-**	**-**	**(6,670)**	(1,110)	(1,396)	1,145	(1,361)

In 2017, the French and related operations of Kurt Salmon non-underlying expenses relate to a provision for future employee related litigation claims arising post sale of this business to Wavestone. The Kurt Salmon Consumer Group net non-underlying credit relates to a release of surplus TSA onerous space and contract provisions following the sublet of the legacy San Francisco office (£2.3m) and charges relating to provision for tax claims arising from the sale of the business to Accenture of net £0.3m and £0.8m of provision relating to the continued administration of the legacy Kurt Salmon UK defined benefit pension scheme.

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

	£'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**

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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

The Group welcomes contact with its shareholders.

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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
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- View your dividend payment history
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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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