Management Consulting Group PLC
Annual report and accounts 2014

Management Consulting Group PLC

Kurt
Salmon

Kurt Salmon is a global management consultancy, with deep industry expertise and a broad perspective, dedicated to building the market leaders of tomorrow–whatever tomorrow might look like.

Read more about
Kurt Salmon on p14

Progressing

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

Together

MCG operates through two independently managed practices: Alexander Proudfoot and Kurt Salmon. We utilise our expertise to enable both practices to progress to their fullest potential – distinctly, but in tandem – creating maximum shareholder value.

Alexander Proudfoot

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

Read more about
Alexander Proudfoot on p18

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Segmental review

Alexander Proudfoot

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KS AP

MCG is made up of two businesses: Alexander Proudfoot ("AP") and Kurt Salmon ("KS"). Throughout the report the use of this symbol signifies whether the whole of MCG or one of the two businesses is being discussed.

Highlights
A year of evolution

2014 was a year of evolution for MCG in which we worked to develop and enhance our offerings in response to market change.

Our progression

Kurt Salmon

Innovating for growth

Kurt Salmon has benefited from its increasing expertise in digital transformation, helping clients across a range of industries to adapt their strategy and operations to the digital world.

Read about
Kurt Salmon on p14

Alexander Proudfoot
people • productivity • profitability

Building a firm platform

Alexander Proudfoot's powerful core offering is being expanded and developed in new directions to increase its flexibility and focus in response to client demand.

Read about
Alexander Proudfoot on p18

Our year in brief/financial highlights

“

The Group’s reported results in 2014 reflect the impact of strong currency headwinds and a year of planned change and weak revenues in Alexander Proudfoot. Kurt Salmon delivered an encouraging performance overall, despite continued weakness in its key French market, delivering underlying revenue growth and maintaining its margin. We have had a good start to 2015 in Kurt Salmon and we expect the trends seen in that business in 2014 to continue this year. We will continue to invest in the Alexander Proudfoot business and develop the operating model to improve its longer term performance.

Nick Stagg Chief Executive

Reported revenues down 6% at £242.8m (2013: £257.3m) due to strong currency headwinds. Revenues flat at constant exchange rates

Underlying* operating profit of £11.8m (2013: £21.2m), with underlying operating profit margin lower at 4.9% (2013: 8.2%), reflecting revenue weakness and the impact of investment in Alexander Proudfoot

Profit from operations of £8.1m (2013: £17.5m), with margin on profit from operations down at 3.3% (2013: 6.8%)

Retained loss for the year of £1.0m (2013: profit of £9.1m) reflecting an unusually high tax charge in 2014

Strong cash generation in the second half of the year resulting in a reduction in net debt to £33.6m (2013: £39.8m), representing approximately 2x adjusted EBITDA** and comfortably within the Group’s revised banking covenants

Underlying* EPS of 0.2p (2013: 2.4p); basic loss per share of 0.2p (2013: EPS 1.9p)

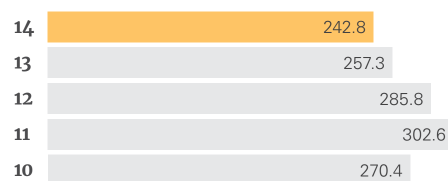
Proposed final dividend of 0.595p per share. Total dividend unchanged at 0.825p per share (2013: 0.825p per share)

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

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

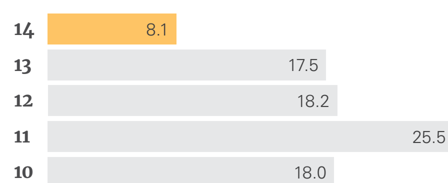
Revenue (£m)

242.8



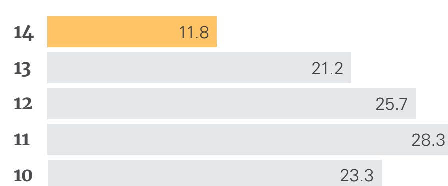
Profit from operations (£m)

8.1



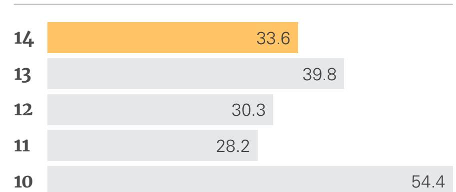
Underlying operating profit (£m)

11.8



Net debt (£m)

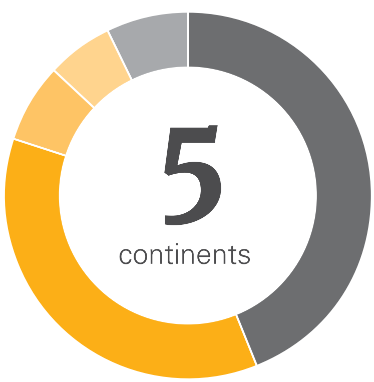
33.6



At a glance
Our global reach

We work for many leading global companies, helping them to succeed in a rapidly changing world and applying deep industry knowledge in key sectors.

Diversified by geography
(Revenue by project delivery location)



Europe	45%
North America	35%
Africa	7%
South and Central America	6%
Asia	7%

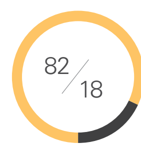
The Group is present in the important markets across the globe

96% of MCG's revenues were derived from outside the UK

20% of 2014 revenues related to client projects outside North America and Western Europe

North America

Revenue by business (%)



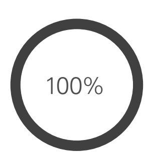
Kurt Salmon's North American practices serve leading US and international retailers, major hospital groups and global financial institutions.

Alexander Proudfoot's clients in 2014 included a Canadian nuclear power company, one of the largest producers of natural gas in the US and a major national healthcare provider with several hundred medical centres.

Read more in our Segmental Review on pages **14 to 21**

South and Central America

Alexander Proudfoot



Latin America is an important market for Alexander Proudfoot, with about one-third of revenues here being derived from natural resources clients. Client projects in 2014 included locations in Brazil, Chile, Mexico, Peru, Argentina and the Caribbean. One of the larger ongoing projects is for an important Canadian headquartered client of our global natural resources practice, at one of its major asset locations in South America.

Sectors we operate in

Kurt Salmon is a global leader in consulting to clients in the retail and consumer goods sector. Alexander Proudfoot works for natural resources clients across the globe in remote and difficult locations. Both businesses also have strong capabilities in the financial sector and in industrials and utilities.

Alexander Proudfoot

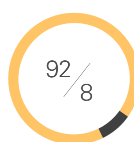
- Natural resources / 52%
- Industrials and utilities / 31%
- Financial / 8%
- Healthcare / 6%
- Retail / 3%

Kurt Salmon

- Retail / 41%
- Financial / 24%
- Industrials and utilities / 18%
- Healthcare / 11%
- Public sector / 6%

Europe

Revenue by business (%)



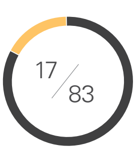
Kurt Salmon has a leading market position in France serving large CAC40 and other multinational clients, across a wide range of industry sectors. In Germany and the UK Kurt Salmon serves major retail and consumer goods clients.

In 2014 Alexander Proudfoot worked for one of the world's leading cement and aggregates businesses, on a multi-project basis in a number of European locations and elsewhere around the world.

Read more in our Segmental Review on pages **14 to 21**

Africa

Revenue by business (%)

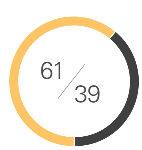


Alexander Proudfoot's African business unit is based in Johannesburg and serves clients in South Africa and across sub-Saharan Africa in the natural resources, financial services and manufacturing sectors. Africa based projects are also sold to clients headquartered in Europe and elsewhere.

Kurt Salmon serves clients in French-speaking North Africa from its office in Casablanca and its base in France.

Asia

Revenue by business (%)



Kurt Salmon serves leading national and global retail and consumer goods clients in Asia from its offices in Shanghai, Hong Kong and Tokyo, working closely with other parts of the global retail and consumer goods practice. In 2014 Kurt Salmon's US healthcare practice worked on some major hospital developments in the Middle East.

Alexander Proudfoot serves clients in Asia from a base in Hong Kong.

Read more in our Segmental Review on pages **14 to 21**

Chairman's statement

The Group's performance in 2014 was badly affected by the impact of strong currency headwinds. On a local currency basis, weaker revenues in Alexander Proudfoot were offset by a stronger performance in Kurt Salmon.

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Kurt Salmon and Alexander Proudfoot are long established and successful consulting businesses with a superb portfolio of clients and highly capable employees. The Board of MCG will continue to focus on promoting profitable growth in these businesses to benefit our shareholders.

Alan Barber Chairman

Highlights

- We have invested in and taken action to restore growth and profitability in Alexander Proudfoot
- Kurt Salmon has performed well in North America and other geographies, despite continued weakness in France
- We have reduced our net indebtedness further in the year to £33.6m at the year end
- The Board is proposing to maintain the dividend for the full year at 0.825p per share

The Group's performance in 2014 was badly affected hit by the impact of strong currency headwinds accounting for the six per cent decline in reported revenues. On a local currency basis, weaker revenues in Alexander Proudfoot were offset by a stronger performance in Kurt Salmon. We have invested in and taken action to restore growth and profitability in Alexander Proudfoot and I am confident that we will begin to see the benefits in 2015. Kurt Salmon has performed well in North America and other geographies and, despite continued macro economic weakness in France, it is now well placed to prosper in its core markets.

Some of the significant reduction in our profitability has been caused by our decision to develop and invest in Alexander Proudfoot to establish a firm platform for future profitable growth. After a long period during which it has been successful and profitable we are investing in the business to establish Alexander Proudfoot on a clear growth path. In the short term the action we have taken has adversely affected our 2014 results but we believe that the changes we are making will lead to a better performing and less volatile business in the future. As previously announced in 2015 I will continue to support our Group Chief Executive, Nick Stagg, in his additional role as Chief Executive of Alexander Proudfoot. Proudfoot has a distinctive and valuable offering in a crowded consulting market and we need to preserve and enhance what makes it different and compelling to clients.

Kurt Salmon had a good start to 2014 and despite some signs of weakness in the third quarter, it delivered a strong performance towards the end of the year, which bodes well for 2015. In its French business, revenues are stable and margins in 2014 benefited from the management action taken in 2013 to adjust resources to lower activity levels. We saw positive underlying trends in revenue elsewhere in Europe. In North America Kurt Salmon delivered an excellent performance and our challenge now is to respond to improving demand by growing our capacity to deliver, which may affect margins in 2015 as we recruit. Kurt Salmon continues to benefit from increasing work in digital transformation for clients across all sectors, and it has developed a real expertise here which is proving to be a competitive advantage.

The Group remains in a good financial position. Despite weaker profits in 2014 we have produced strong operating cash flows and have reduced our net indebtedness further in the year to £33.6m at the year end. The Board is proposing to maintain the dividend for the full year at 0.825p per share.

Kurt Salmon and Alexander Proudfoot are long established and successful consulting businesses with a superb portfolio of clients and highly capable employees. The Board of MCG will continue to focus on promoting profitable growth in these businesses to benefit our shareholders.

Alan Barber
Chairman
5 March 2015

Strategic report

KS AP

MCG is made up of two businesses: Alexander Proudfoot ("AP") and Kurt Salmon ("KS"). Throughout the report the use of this symbol signifies whether the whole of MCG or one of the two businesses is being discussed.

Chief Executive's review
Focus on profitable growth

The Group's profit performance in 2014 was affected by currency headwinds, weaker revenues in Alexander Proudfoot and the adverse impact on profit of the change initiatives being implemented in that business to build a more flexible model focused on profitable growth. Alexander Proudfoot reported a small loss in 2014, but the Board believes that the current strategy for the business will deliver an improved performance in 2015 and beyond.

"

We are investing in the Alexander Proudfoot business and developing the operating model to improve its longer term performance. Kurt Salmon delivered an encouraging performance overall, despite continued weakness in its key French market, delivering underlying revenue growth and maintaining its margin.

Nick Stagg Chief Executive

Highlights

- MCG's strategy is to exploit the platform provided by its existing businesses to drive organic revenue and margin growth
- The geographical spread of our businesses and our existing global office infrastructure will support an increase in operational activity
- We will focus on opportunities in growth markets and industry sectors where we can readily exploit our strengths
- Net debt has decreased to £33.6m and remains at a comfortable level in relation to the Group's bank facility and covenant requirements

Overview

The Group's profit performance in 2014 was affected by currency headwinds, weaker revenues in Alexander Proudfoot and the adverse impact on profit of the change initiatives being implemented in that business to build a more flexible model focused on profitable growth. As a consequence, Alexander Proudfoot reported a small loss in 2014 but the Board believes that the current strategy for the business will deliver an improved performance in 2015 and beyond.

In Kurt Salmon, revenues on a constant currency basis increased in 2014 from the previous year and the underlying operating profit margin also increased slightly. Continued weakness in its key French market has contrasted with impressive revenue growth in the North American operations, and the business is well placed to benefit from further growth opportunities in 2015.

MCG operates globally, with 96% of revenues in 2014 coming from projects delivered outside the UK. The same proportion of the Group's revenues in the year were billed in currencies other than Sterling and most of these currencies weakened significantly (in terms of average exchange rates) between 2013 and 2014. All of the 6% reported reduction in Group revenues in to 2014 is attributable to currency translation.

MCG's strategy is to exploit the platform provided by its existing businesses to drive organic revenue and margin growth. We have no current intention to make large scale acquisitions but will look to add capabilities where appropriate through smaller acquisitions and team hires. We will focus on opportunities in growth markets and industry sectors where we can readily exploit our strengths. The geographical spread of our businesses and our existing global office infrastructure will support an increase in operational activity.

Results for the year

Total revenue for the year ended 31 December 2014 was £242.8m, 6% lower than the previous year (2013: £257.3m). As noted, currency headwinds had a significant effect on reported revenues in both of MCG's businesses, accounting for all of the year on year reduction. Alexander Proudfoot's revenues on a constant currency basis in 2014 were 4% lower than those in the previous year, with both first and second half reported revenues in the order of £30m, in contrast to 2013, which benefited from a much stronger second half. On the same constant currency basis, and excluding the Cleversys business sold in 2013, Kurt Salmon's revenues increased by more than 4% from the previous year.

Underlying operating profit in 2014 was £11.8m (2013: £21.2m), the £9.4m reduction principally reflecting the impact of lower revenues and margins in Alexander Proudfoot, resulting in a loss for the year as a whole in that business of £1.6m. Underlying operating profit in Kurt Salmon was slightly lower than the previous year in absolute terms at £13.4m, although the margin improved slightly on 2013.

Underlying operating profit for 2014 reflects a charge of £2.4m relating to share awards made to employees (2013: £3.9m). During the year 105 senior employees received awards over approximately 9.4 million shares in total, generally vesting over three years and conditional upon continued employment, and in some cases also subject to financial or share price performance. At the year end there were outstanding awards in place over 35.5 million shares relating to 141 employees (2013: 48.8 million shares and 135 employees). Some 24.0 million of these share awards, should they vest, are required to be satisfied from existing MCG shares and the other awards may be satisfied from existing or new shares. The Group's employee benefit trusts held 8.5 million shares at the year end for this purpose and a further 2.4 million treasury shares were held by the Group which may be used to satisfy share awards.

The Group's reported non-recurring expenses of £2.9m in 2014 (2013: £1.5m), which are largely related to the change initiatives implemented in Alexander Proudfoot and mainly comprises redundancy costs and the costs associated with the departure of the former Chief Executive of that business in March 2014.

The charge for amortisation of acquired intangibles was £0.8m (2013: £2.2m).

Consequently the profit from operations decreased to £8.1m (2013: £17.5m), representing a margin of 3.3% (2013: 6.8%).

The net interest expense was lower at £3.2m (2013: £3.5m). In accordance with IAS 19R the reported net interest charge for 2014 includes an imputed charge in relation to defined benefit pensions of £0.8m (2013: £1.2m).

The profit before tax was lower at £4.9m (2013: £14.0m). The tax charge was £5.9m (2013: £4.9m). After adjusting for non-underlying items, the underlying effective tax rate was 89% (2013: 34%). The significant increase in the tax charge and the underlying tax rate in 2014 reflects the impact of project-specific tax charges in the Alexander Proudfoot business in certain geographies, together with revenue-based taxes or unrelieved losses in certain jurisdictions. A large component of the £5.9m tax charge for the year is a £2.8m non-cash item relating to the utilisation of part of the deferred tax asset relating to brought forward losses.

Consequently, there was a loss for the year attributable to the shareholders of £1.0m (2013: a profit of £9.1m). Underlying earnings per share were 0.2p (2013: 2.4p) and the basic loss per share was 0.2p (2013: EPS 1.9p).

Kurt Salmon
Technology

Kurt Salmon has benefited from its increasing expertise in digital transformation, helping clients across a range of industries to adapt their strategy and operations to the digital world.

Read more in our
Segmental Review p14

Alexander Proudfoot
New market offering

Alexander Proudfoot's powerful core offering is being expanded and developed in new directions to increase its flexibility and focus in response to client demand.

Read more in our
Segmental Review p18

Chief Executive's review continued

Balance sheet and dividend
The weak first half revenue performance in Alexander Proudfoot resulted in net debt rising to £48.0m at the half year stage; however, strong cash generation from operations in the second half reduced net debt by £14.4m to £33.6m at the end of the year (2013: £39.8m). This equates to 2.04x adjusted EBITDA for 2014 as measured for the purpose of the Group's borrowing facility, an increase from 1.46x at the previous year end, reflecting lower profits in 2014. As a precautionary measure in order to provide some additional headroom the maximum leverage covenant has been increased at the next two quarterly testing dates in March and June 2015, from 2.75x to 3x. Positive working capital movements meant that cash generated by operations was £17.6m, significantly higher than in the previous year (2013: £6.7m).

During 2014 the Group's employee benefit trusts purchased 3.8 million of the Company's ordinary shares of 1p each for a total consideration of £1.0m.

The interim dividend for 2014 of 0.23p per share was paid on 6 January 2015. The Board is recommending, subject to shareholder approval, an unchanged total dividend for the year of 0.825p per share. The directors therefore recommend, subject to shareholder approval, a final dividend for 2014 of 0.595p per share to be paid on 7 July 2015 to shareholders on the register on 15 May 2015.

Summary
The Group's reported results for 2014 are in line with our revised expectations highlighted in the trading update on 6 October 2014. The primary driver of what is a disappointing overall result for the Group was the performance of Alexander Proudfoot, which experienced a year of planned change and weak revenues, and strong currency headwinds.

Alexander Proudfoot has been a successful and highly profitable business for many years but it has always suffered from volatility in its revenues from quarter to quarter and has not been able to grow revenues consistently year on year. The MCG Board decided in March 2014 to make a number of changes designed in part to mitigate revenue volatility, but primarily to restore the growth potential of business for the longer term. This has involved some investment and additional cost, and consequent margin erosion in 2014, which unfortunately has coincided with a year in which revenues were weak in both the first and second halves. As a result the business has reported a small underlying operating loss for the first time in more than a decade. Good progress has been made with the "growth plan" initiatives so far and these continue in 2015, with some further adverse margin impact this year but alongside an encouraging revenue trend at this stage of the year, which, if maintained, should restore the business to profitability.

Kurt Salmon's performance provided a contrast between its two largest markets in France and North America, which each produced around 40% of divisional revenues. In North America both the retail and consumer goods and the healthcare practices produced excellent underlying revenue growth in US Dollars and good margins. In France activity levels were broadly flat year on year, although total revenues in Euros were slightly lower than 2013 in a market which continues to be affected by macro economic weakness and shows few clear signs of growth. In overall terms Kurt Salmon increased underlying revenues on a constant currency basis by more than 4% and slightly increased its underlying operating profit margin, but currency headwinds led to a reported decrease in revenue and profit in absolute terms.

Net debt has decreased year on year to £33.6m (2013: £39.8m) and remains at a comfortable level in relation to the Group's bank facility and covenant requirements. The normal phasing of cash flows means that indebtedness tends to increase towards the half year stage with stronger cash generation in the second half of the year, as was the case in 2014.

Outlook

Kurt Salmon has had a good start to 2015, with continuing strong demand in North America. In France our business has seen some benefit in the first two months of the year from a slightly more optimistic outlook amongst some clients, perhaps partly in anticipation of a positive impact on businesses from a weaker Euro and Quantitative Easing in the Eurozone. The current order book in Kurt Salmon is slightly higher than the same period last year. For Kurt Salmon overall, we expect the trends we saw in 2014 to continue in 2015. As we increase the pace of recruitment this year in our growth markets, there is likely to be some negative margin impact in the short term before new senior employees become fully productive.

Alexander Proudfoot has had a satisfactory start to 2015. There is a promising pipeline of opportunities at this stage, although the current order book is a little lower than the same stage last year and the rate of order input will need to build from current levels to meet our objectives over the course of the year as a whole. The new and enhanced offerings which we have developed have had some recent success with clients. The investment and change initiatives that we launched in 2014 are continuing this year and will continue have some adverse effect on profitability, as we build a firmer platform to generate revenue growth.

Recent shifts in exchange rates, if they persist, are likely to have some impact on MCG's reported results in 2015 compared with 2014.

The Group's reported results will benefit from a stronger US Dollar, but a weaker Euro will have the opposite effect on reported revenues and profits in Sterling.

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

Nick Stagg
Chief Executive
5 March 2015

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Kurt Salmon has had a good start to 2015, with continuing strong demand in North America, and we expect the trends we saw in 2014 to continue. Alexander Proudfoot has had a satisfactory start to 2015 although the rate of order input will need to build from current levels to meet our objectives over the course of the year as a whole.

Kurt Salmon

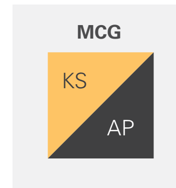
Kurt Salmon is a management consultancy business that partners with its clients to drive strategies and solutions that make a lasting and meaningful impact, working from its deep knowledge in industry verticals and its functional expertise.

Revenue (£m)

181.9

What sets us apart

Kurt Salmon is a global management consultancy dedicated to effecting real change. We understand that, while business challenges follow common trends, each of our clients is unique. We integrate with organisations to develop innovative and customised responses to the increasing complexities of 21st century business.



Business drivers

1 Digital disruption is the new normal
The competitive landscape is changing at an ever-faster pace, and business models that were traditionally successful no longer work. Kurt Salmon helps clients to address the challenges of the digital world

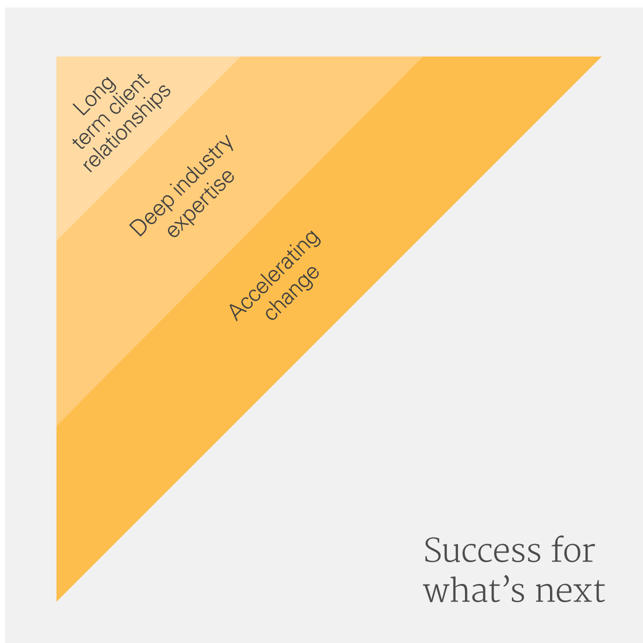
2 The customer is king
Information that was once proprietary is now available to everyone, and options are seemingly limitless. Today's empowered consumer knows more, compares more, demands more and is less loyal. Customers are at the heart of Kurt Salmon's approach

3 Competition, once local, is now global
Companies that would never have been considered a threat are suddenly encroaching on vulnerable businesses. At Kurt Salmon we help our clients to understand and evolve to meet these market challenges

4 Operations are strategic
Operations must be reshaped and honed to become a source of competitive advantage, and the search for talent must shift to the search for the right talent. Kurt Salmon has decades of experience turning strategic intent into effective operational excellence

Read about Kurt Salmon strategic priorities on **p17**

Kurt Salmon business model



Our approach

The most successful organisations integrate strategic insight, operational excellence and a deep understanding of their customers. They take an integrated approach, refusing to compromise between these key components of competitive advantage. So does Kurt Salmon.

Succeeding today is not enough. The world's greatest organisations will position themselves for success in an uncertain future. We call it delivering "success for what's next".

What we deliver

Through our deep expertise and innovative solutions, Kurt Salmon can deliver the building blocks of success in the 21st century. We understand that tomorrow's organisation needs a different approach to formulating strategy. Kurt Salmon helps its clients to deliver:

- operations that are lean and efficient yet agile and capable of adjusting quickly to changing circumstances;
- information technology that facilitates the future and is not constrained by the present; and
- people who are engaged, inspired and innovative.

Segmental review
Kurt Salmon

Helping clients to succeed in a changing world

Kurt Salmon is a global management consultancy business that partners with its clients to drive innovative strategies and solutions that make a lasting and meaningful impact on their businesses. Kurt Salmon operates internationally in certain key industry verticals with a particular focus in retail and consumer products and in financial services.

Highlights

- On a constant currency basis, Kurt Salmon's revenues increased by 2% on the previous year and by more than 4% on a like-for-like basis (excluding disposals)
- Revenues in France remained depressed, but Kurt Salmon remains a leading player in the French market
- The North American retail and consumer good practice had a very successful year with revenues growing by more than 12% in local currency terms
- The underlying operating profit margin for the division as a whole increased slightly to 7.4%

Results for the year

Kurt Salmon's reported revenue for 2014 was £181.9m, £6.6m or 3.5% lower than 2013 revenues of £188.5m. Revenues in 2013 included £5.0m from the Cleversys business, which was sold in September of that year. On a constant currency basis 2014 revenues would have been £191.7m, an increase of 2% on the previous year, or more than 4% if the Cleversys revenues in 2013 are excluded.

Underlying operating profit for 2014 was £13.4m (2013: £13.8m), representing a slightly improved margin of 7.4% (2013: 7.3%).

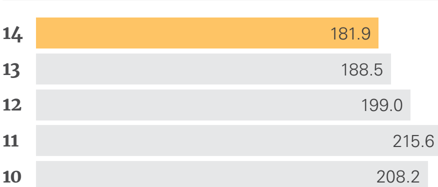
The number of staff employed by Kurt Salmon increased during the year from 1,131 at the end of 2013 to 1,161 at the end of 2014. The overall increase in headcount mainly reflects a deliberate increase in capacity in North America in response to growth in demand, whilst in Europe there has been some net recruitment on a smaller scale. Kurt Salmon continues to recruit in the higher growth sectors and geographies within the business. Average headcount during 2014 was lower than the previous year at 1,140 (2013: 1,227), reflecting the impact of the initiatives which reduced headcount during 2013.

Key performance indicators

Our KPIs show how we are delivering on our strategic priorities.

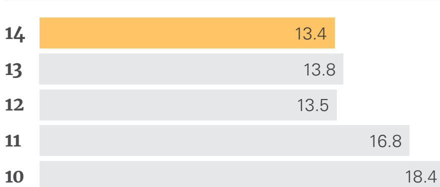
Revenue (£m)

181.9



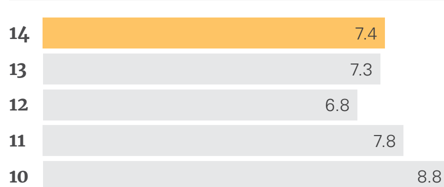
Underlying operating profit (£m)

13.4



Underlying operating profit margin (%)

7.4



Review of operations

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

Kurt Salmon's operations in North America represent nearly 40% of the division as a whole, the largest element of which is the retail and consumer goods practice which contributed nearly two thirds of North American revenues in 2014. This practice delivered an impressive performance in 2014, growing revenues by more than 12% on a constant currency basis. The business has benefited from increasing demand from US retail clients facing the challenges of adapting business models and operations to a digital environment. Kurt Salmon's healthcare consulting practice represents around 20% of North American revenues and continued to make good progress, growing revenues by nearly 7% on a constant currency basis. Kurt Salmon's other activities in North America are represented by its New York based financial sector and related CIO advisory practices, which, in aggregate, delivered slightly lower year on year revenues on a constant currency basis.

Kurt Salmon's French consulting practice produced about 40% of divisional revenues in 2014 and market conditions in France have therefore continued to be a key driver for the business as a whole. Kurt Salmon remains a leader in the French management consulting market with a stable blue chip client base and a high proportion of its annual revenues derived from clients who have been commissioning work from Kurt Salmon for many years. Demand for Kurt Salmon's services was broadly stable during the year, but the year did not bring clear signs of growth in the French market and business sentiment remained fragile. Overall revenues in France were some 4% lower than the previous year on a constant currency basis but this was exacerbated in terms of reported results by the weaker Euro. Headcount in France increased slightly during 2014, mainly through recruitment at more junior levels.

Elsewhere in Europe, Kurt Salmon's operations in the UK, Germany, Luxembourg, Belgium and Switzerland together represented approximately 15% of total divisional revenues in 2014. In aggregate these other European practices performed well in 2014, generating near double-digit revenue growth on a constant currency basis, led by a particularly strong performance from the retail practices in Germany and the UK.

In Asia the Kurt Salmon retail consulting operations in China and Japan have continued to make progress but these are relatively small components of the division as a whole and reported revenues in 2014 were affected by significant currency headwinds.

The overall underlying operating profit margin for Kurt Salmon overall in 2014 was slightly better than the previous year at 7.4%, on slightly lower reported revenues. While margins in the French business remain weaker than those in North America at this stage, France remains an important and profitable market for Kurt Salmon. In Kurt Salmon's North American operations there are good short term prospects for organic growth and management will continue to explore opportunities for investment, recognising the need to balance the impact of costs associated with promoting growth initiatives with the overall profitability of the business.

Strategic priorities

We are focusing on growth markets and digital transformation

Read more about how we are putting our strategy in practice on **p15**

1

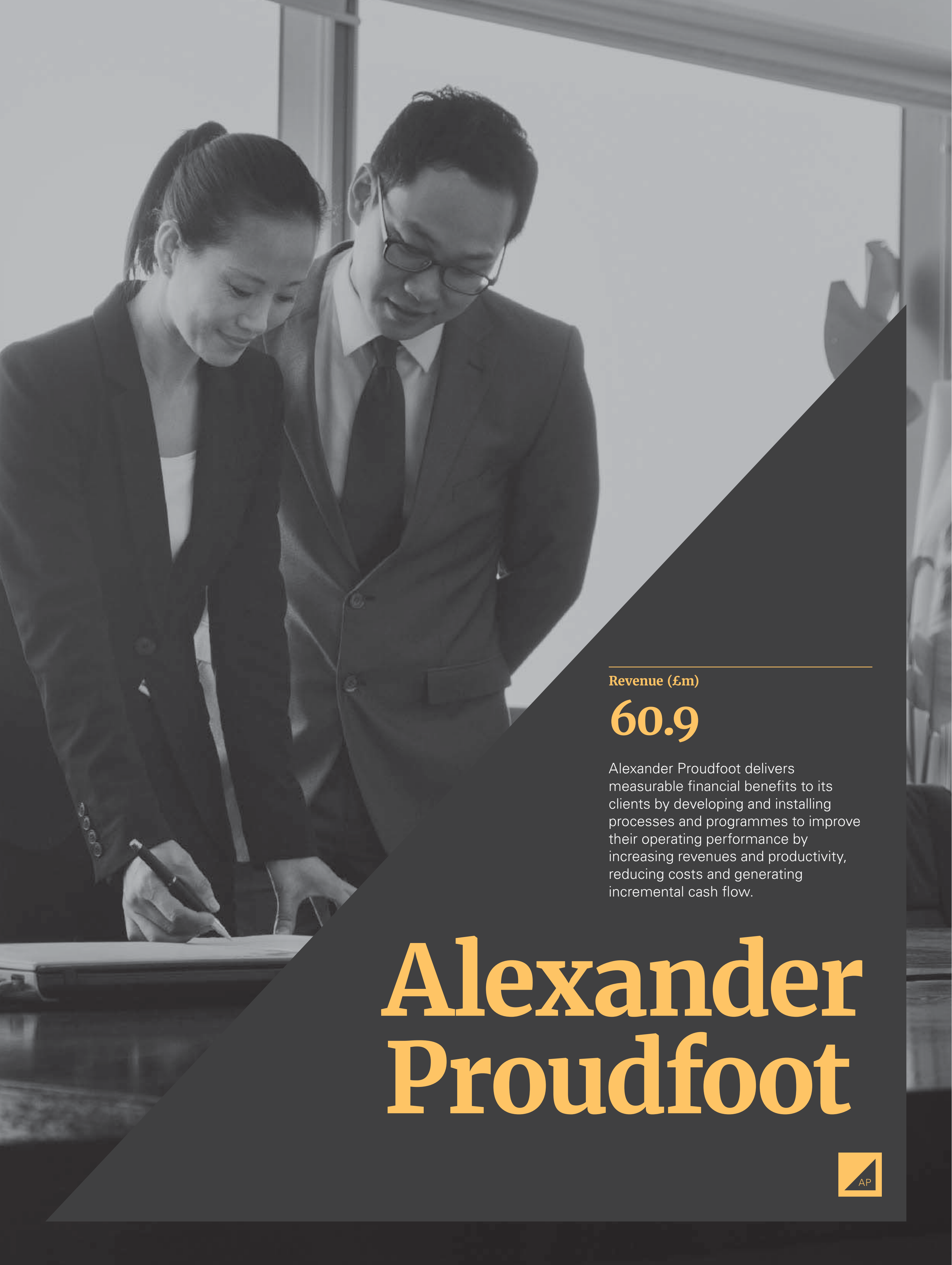
Strengthening our existing global industry capabilities in Retail and Consumer Goods and Financial Services

2

Supporting and investing for growth in North America and Asia

3

Enhancing our growing leadership position in digital transformation



Revenue (£m)

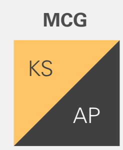
60.9

Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve their operating performance by increasing revenues and productivity, reducing costs and generating incremental cash flow.

Alexander Proudfoot

What sets us apart

Alexander Proudfoot helps executives achieve their revenue and profit goals with greater speed, predictability and control. Business leaders who need substantial results in a short period of time rely on Alexander Proudfoot



Business drivers

1 Tried and tested methodology
We use a long established and proven methodology that can be applied to any business environment where there are large scale processes. Over 65 years we have completed more than 16,000 projects across the globe

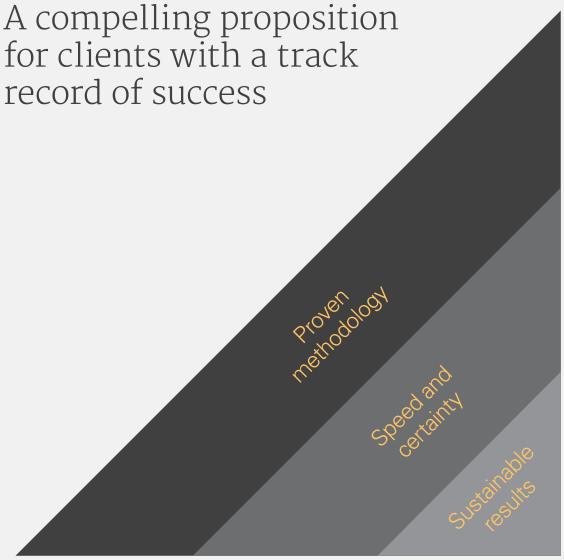
2 Disciplined and structured approach
Our teams develop on-site solutions that combine a common methodology with a collaborative approach, working hand-in-hand with client staff, with a strong infrastructure of support to deliver results

3 Expertise and specialists
We bring industry and technical expertise where it is required, building on our deep knowledge and experience in the many industry sectors and operating environments in which we have a track record of success

4 Sustainable improvements
We specialise in the installation of performance programmes that deliver rapid and sustainable operational and financial improvements – the key drivers of profitability and shareholder value

Alexander Proudfoot business model

A compelling proposition for clients with a track record of success



Our approach

At the outset we work to understand our client's strategy and plans and in the analysis phase to identify opportunities for operational and financial improvements.

We implement transformational programmes on site to help clients better execute their plans to deliver substantial improvements in performance and profitability, with speed and certainty.

What we deliver

We work in the field, deploying teams quickly to our clients' operational sites, wherever in the world they may be. We have a flexible approach tailoring our core methodology to the requirements of each project.

We work alongside client staff, engaging with them, to install performance programmes that deliver rapid and sustainable operational and financial improvements.

Read about Alexander Proudfoot strategic priorities on **p21**

Segmental review
Alexander Proudfoot

Transforming operational performance

Alexander Proudfoot differentiates itself from its competitors by working side-by-side with client management and front-line workers, helping companies to better execute their plans and strategies to deliver substantial improvements in performance and profitability.

Highlights

- Alexander Proudfoot's reported revenues were down 12% on the previous year, but on a constant currency basis the decrease was lower at 4% on the previous year
- The business reported an underlying operating loss for the year of £1.6m, reflecting revenue weakness and the impact of the change initiatives announced in March 2014
- Alexander Proudfoot has strong capabilities in emerging markets – nearly 60% of 2014 revenues related to client projects outside North America and Western Europe
- More than half the revenues in 2014 related to work for clients in the broadly defined natural resources sector

Results for the year

Alexander Proudfoot's reported revenue for 2014 was 12% lower than 2013 at £60.9m (2013: £68.8m). The year on year comparison has been affected by a significant negative currency translation effect; at constant exchange rates, 2014 revenues would have been £66.2m, a decrease of 4% on 2013.

The business reported a broadly break-even position for the first half of 2014 on revenues of £31.3m and a loss of £1.7m in the second half on slightly weaker revenues of £29.6m, compared with underlying operating profit of £7.4m and a margin of 10.8% for 2013 as a whole. The loss for 2014 reflects both the margin impact of weaker revenues and, as expected, the impact of additional expenses and investment associated with the change initiatives announced in March 2014.

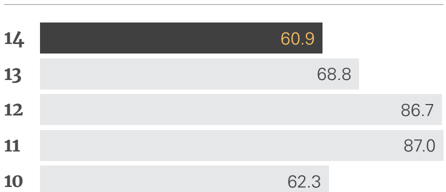
The number of staff employed by Alexander Proudfoot decreased from 337 at the end of 2013 to 327 at the end of 2014. Whilst overall headcount has reduced slightly at the year end there has been investment in people and capabilities during 2014, in particular in adding industry sector expertise and strengthening the team of executives responsible for business development. Average headcount during 2014 was slightly higher than the previous year at 343 (2013: 332).

Key performance indicators

Our KPIs show how we are delivering on our strategic priorities.

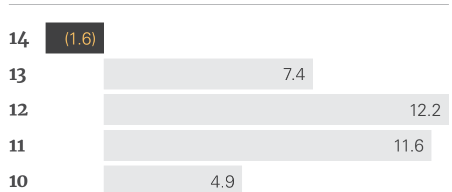
Revenue (£m)

60.9



Underlying operating loss (£m)

(1.6)



Review of operations

During 2014 Alexander Proudfoot was organised on the basis of six business units: Europe, North America, Africa, Brazil, Chile and Hong Kong. The business is headquartered in Atlanta in the US. Alexander Proudfoot serves clients globally and, frequently, the project delivery location lies outside the geography of the business unit from which it is sold and managed. In the second quarter of 2014 a dedicated natural resources business unit was established, working across geographies.

Alexander Proudfoot had a slow start to 2014. The opening order book at the beginning of the year was stronger than at the same time in 2013 but the rate of order input in the first quarter was lower than in the second half of 2013 and so revenues were consequently weaker. There was some improvement in order input at the half year stage but the third quarter was disappointing and saw the postponement of certain significant planned client projects from 2014 to 2015, affecting the North American business unit in particular. As a result the trading update on 6 October 2014 reported that MCG expected Alexander Proudfoot to deliver second half revenues in 2014 close to those in the first half of the year and a small operating loss for the year as a whole; actual results for the year are in line with these revised expectations.

The revenue weakness in 2014 was not obviously driven by common macro economic factors across all geographies. Revenues in the North American business unit, representing around one third of total revenues in 2014, were significantly weaker than in 2013. In Europe, 2014 revenues were broadly stable versus 2013. Elsewhere the business units in Brazil and Africa reported weaker revenues, whilst revenues from the business units in Latin America and Asia were higher than the previous year.

The proportion of work for clients in the natural resources sector was higher than in 2013, at around half the total revenue for the year (2013: approximately one third), and higher in absolute terms. Alexander Proudfoot continues to excel in this sector, where the business has a distinctive offering well suited to the practical operational issues faced by its clients in often difficult locations. Alexander Proudfoot's work in natural resources is diverse, ranging from precious metals to aggregates and phosphates. Work for clients in the oil and gas sector has been a relatively small proportion of the total and has not been significantly affected by falling oil prices. Alexander Proudfoot has continued to find success across a range of other industries, with the financial services and manufacturing sectors again being the most significant sources of revenue after natural resources clients.

In March 2014 the then Chief Executive of Alexander Proudfoot stepped down and the MCG Board announced that it intended to invest in and develop the Alexander Proudfoot offering in order to help build a more stable and predictable revenue base and drive top-line growth. A series of initiatives has been implemented to enhance sales and operations, introduce innovations relating to the offering and explore new contracting models with clients. Good progress was made during 2014 with these changes which we believe will in time deliver improved performance. As previously reported, these initiatives have required investment principally in recruitment and lower utilisation and have had an adverse effect on underlying profit in 2014 estimated at more than £2m in the year, compounding the margin impact of weaker than expected revenues. Much of the focus of the change initiatives has been on the North American operations and the adverse margin impact in 2014 has been most apparent here.

Alexander Proudfoot has a unique and compelling offering that produces real and sustainable performance improvement for its clients. The business has a global reach and a flexible capability and is well placed to grow in those industry sectors where it has a strong track record of success, in both developed and emerging markets. It continues to operate very effectively in emerging market locations and in 2014 nearly 60% of total revenues related to work delivered outside North America and Western Europe (2013: nearly 50%). The strategy of the MCG Board and the Alexander Proudfoot management team is to build on these existing strengths, and to develop and invest in the offering, in order to provide a more stable revenue base and establish a sound platform for long-term profitable growth.

Strategic priorities

We are developing the Alexander Proudfoot model and offering to provide a firmer platform for growth.

Read more about how we are putting our strategy in practice on **p19**

1

Broadening the offering and develop new delivery capabilities

2

Building long term client relationships and increase repeat work

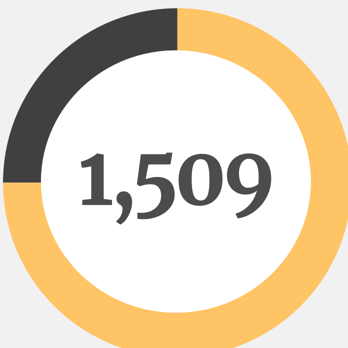
3

Improving revenue visibility and reduce volatility

Corporate social responsibility
Our people

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

No. MCG employees

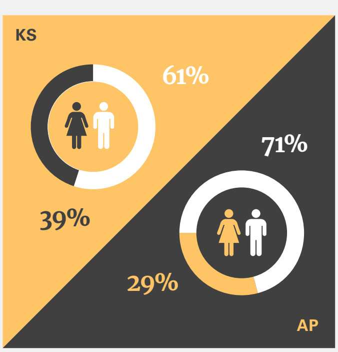


1,509	**MCG Group**	(2013: 1,490)
1,161	**Kurt Salmon**	(2013: 1,131)
327	**Alexander Proudfoot**	(2013: 337)

Gender diversity

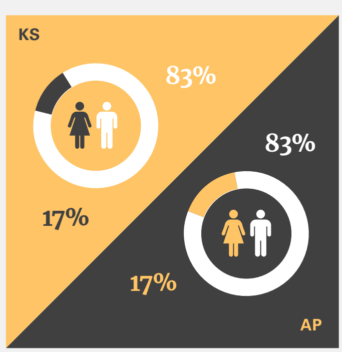
Total workforce

63%	(2013: 62%)
37%	(2013: 38%)



Senior management

83%	(2013: 85%)
17%	(2013: 15%)



> Employees are the Group's most important asset and their health and safety is critical to business performance.

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.

Human rights and health and safety requirements

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

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

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

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

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

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

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

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

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

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

Our impact

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

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

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

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

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

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

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

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

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 offices in the UK, France, US, Germany, South Africa, Brazil, Luxembourg and China.

Total greenhouse gas emissions
892.2 tCO_2e

Scope 2 emissions: Purchased electricity
40.1 tCO_2e

Scope 1 emissions: Natural gas refrigerants
852.1 tCO_2e

Greenhouse gas emissions per FTE: FTE
59 tCO_2e

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

- installing automatic power off systems on lights and certain equipment;
- using energy efficient lighting;
- using time switches on air conditioning systems; and
- reducing travel by making use of video conferencing and web-based facilities.

Greenhouse gas emissions
We have used the main requirements of the greenhouse gas GHG protocol corporate accounting and reporting standard (revised edition) and the international standard ISO14064–1 (2006) to issue our report of greenhouse gas (GHG) emissions.

The greenhouse gas emissions statement opposite provides a summary of the Company's greenhouse gas emissions from 1 October 2013 to 30 September 2014. It gives a summary of emissions from fuel combustion and the operation of our office buildings (scope 1), and from our purchased electricity during the year (scope 2). We have reported on all of the relevant emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 using the operational control approach.

Greenhouse gas emissions statement

ASSESSMENT PARAMETERS

Baseline year	1 October 2012 – 30 September 2013 used as a baseline year
Consolidation approach	Operational control
Boundary summary	All facilities under operational control were included in our assessment
Consistency with the financial statements	The use of the operational control approach causes a variation to those assets listed in our financial statements as all of our greenhouse gas emissions relate to our leased offices
Emission factor data source	Defra (October 2014)
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)

	2013/14		2012/13	
Greenhouse gas emission source	**tCO_2e**	**tCO_2e/FTE**	tCO_2e	tCO_2e/FTE
Scope 1	**40.1**	**0.02**	42.4	0.03
Fuel combustion (natural gas)	**17.7**	**0.01**	25.8	0.02
Operation of facilities (refrigerants)	**22.3**	**0.01**	16.7	0.01
Scope 2	**852.1**	**0.57**	751.3	0.47
Purchased electricity	**852.1**	**0.57**	751.3	0.47
Statutory total (Scope 1 and 2)*	**892.2**	**0.59**	793.7	0.50

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

Group metrics	**2014**	2013
FTE	**1,504**	1,581

Intensity ratio (gross emissions)	**2014**	2013
Tonnes of carbon dioxide equivalent per FTE (tCO_2e/FTE)	**0.59**	0.50

Financial review

Currency headwinds affected reported revenues, and a weaker performance in Alexander Proudfoot was offset by progress in Kurt Salmon. In spite of lower profits, strong cash flows from operations in the second half helped to reduce the Group's net debt over the course of the year.

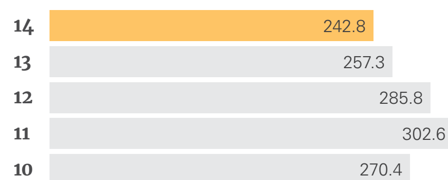
Highlights

- 96% of Group revenue in 2014 related to projects delivered outside the UK, and 19% to work outside Western Europe and North America
- All of the 6% reduction in reported revenue in 2014 is attributable to currency translation
- The Group generated strong operational cash flows in the second half to reduce net debt over the year as a whole by £6.2m to £33.6m

Exchange rates
MCG derives the vast majority of its revenue and profit from outside the UK and in currencies other than Sterling. As the Group's results are presented in Sterling, changes in average exchange rates, particularly those of the US Dollar and the Euro in relation to Sterling, can have a significant effect on the translation of those results. On average in 2014 compared with 2013, Sterling strengthened by approximately 5% against the Euro, the currency in which around 45% of the Group's revenues were denominated. About 40% of the Group's 2014 revenues were generated in US Dollars and Sterling strengthened against the US Dollar, also by approximately 5%. The average exchange rates used to translate the 2014 results were £1=$1.6494 (2013: £1=$1.5653) for the US Dollar and £1=€1.2411 (2013: £1=€1.1781) for the Euro. Sterling also strengthened significantly during 2014 against the Brazilian Real (by 13%), South African Rand (by 15%) and Japanese Yen (by 12%), which had a significant adverse impact on the reported results of the Alexander Proudfoot operations in Brazil and South Africa and the Kurt Salmon operations in Asia. In overall terms, changes in average exchange rates had a significant negative effect on reported revenue for the Group as a whole in 2014.

Whilst the translation impact on reported revenues of changes in exchange rates has been significant, the profit impact of exchange rate shifts is mitigated by the large degree of natural hedging in the Group's operations in that its expenses are broadly denominated in a similar mix of currencies to its revenues. However, the proportion of the Group's expenses that are denominated in Sterling is somewhat higher than revenues in that currency and therefore does have some negative impact on reported Group profit margins when Sterling has strengthened.

Revenue (£m)
242.8



Revenue
Total revenue for 2014 was £14.5m lower than the previous year at £242.8m (2013: £257.3m). The decrease in revenue reflects lower reported revenues both in the Kurt Salmon business and in Alexander Proudfoot, although all of the 6% reduction is accounted for by the currency translation effects of stronger Sterling. Alexander Proudfoot accounted for 25% of Group revenue (2013: 27%) and Kurt Salmon for 75% (2013: 73%).

Alexander Proudfoot reported 2014 revenues 12% lower than the previous year at £60.9m (2013: £68.8m), much of which is attributable to significant negative currency translation effect. At 2013 exchange rates, 2014 revenues would have been £66.2m, a decrease of 4% on 2013.

Kurt Salmon's revenues for the year were 3.5% lower than the previous year at £181.9m (2013: £188.5m). On a constant currency basis 2014 revenues would have been £191.7m, an increase of 2% on the previous year, or more than 4% if 2013 revenues from the Cleversys business (sold in September 2013) are excluded.

In terms of geography for the Group as a whole, the business units in the Americas reported a 5% decrease in revenue to £103.2m (2013: £108.4m). Revenue from the Americas accounted for 43% of Group revenue (2013: 42%). Revenues from Europe decreased by 7% to £120.1m (2013: £129.7m), slightly reducing its share of total Group revenues to 49% (2013: 50%). The Rest of the World, with revenues predominantly from Africa, Japan and China, accounted for 8% of Group revenue (2013: 7%) at £19.5m (2013: £19.2m). Segmental revenues are reported on the basis of the location of the business unit where the client project is sold and the revenue accounted for, which is the basis on which the Group's operations are managed. This may differ from the geography in which the project is delivered, particularly in the Alexander Proudfoot business. As in previous years, a proportion of the revenues generated in the European and North American business units of Alexander Proudfoot in 2014 related to services which were delivered elsewhere, in Latin America, Africa and Asia. As a result, in 2014 approximately 20% (2013: 17%) of overall Group revenues related to work delivered outside North America and Western Europe. Revenue from projects delivered in the UK accounted for less than 4% of total Group revenue in 2014.

Employees
There were 1,509 people employed in the Group at the end of 2014 compared to 1,490 at the end of 2013, reflecting net recruitment in Kurt Salmon. The average number of people employed by the Group during the year was 1,504 (2013: 1,581).

Underlying operating profit
Underlying operating profit in 2014 was £9.4m lower at £11.8m (2013: £21.2m). This chiefly reflects the weaker revenue and margin performance in Alexander Proudfoot. As a result the underlying operating profit margin for the Group as a whole decreased from 8.2% in 2013 to 4.9% in 2014.

Underlying operating profit in 2014 reflected a charge of £2.4m relating to share awards (2013: £3.9m). Excluding the cost of share awards, underlying operating profit was £14.2m, which represents a margin of 5.8% (2013: £25.1m and 9.8%).

Alexander Proudfoot reported a loss of £1.6m (2013: a profit of £7.4m) on total revenues, 12% lower than the previous year. Kurt Salmon reported a slightly lower underlying operating profit of £13.4m (2013: £13.8m) and slightly improved margin of 7.4% (2013: 7.3%).

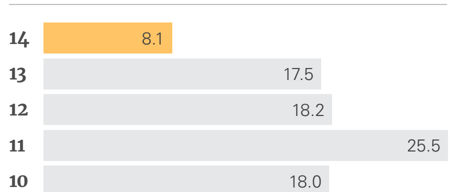
Non-recurring costs
The Group is reporting non-recurring expenses of £2.9m in 2014 (2013: £1.5m). Restructuring costs arising from planned management action in Alexander Proudfoot, including costs associated with the departure of the former Chief Executive of that business in March 2014, account for £2.4m of the total. These non-recurring costs were related to the wider change initiatives being implemented in Alexander Proudfoot. Some additional redundancy costs related to Kurt Salmon are also included.

Profit from operations
The charge for the amortisation of acquired intangible assets was £0.8m (2013: £2.2m). Consequently the profit from operations decreased to £8.1m (2013: £17.5m), a margin of 3.3% (2013: 6.8%).

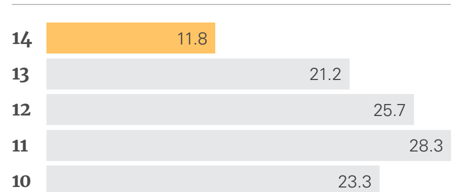
Interest
The total interest payable on borrowings was £2.4m (2013: £2.4m). Taking into account interest received on bank deposits and finance charges related to retirement benefit plans, the total net finance charge was £3.2m (2013: £3.5m).

The interest margin paid on the outstanding balance of the debt drawn under the borrowing facility in place during 2014 was 2.25%–2.75% above Euribor and US Dollar Libor (2013: 2.25%–2.75%).

Profit from operations (£m)
8.1



Underlying operating profit (£m)
11.8



Financial review continued

Taxation

The total taxation expense for the year was £5.9m (2013: £4.9m). After adjusting for non-underlying items, the underlying effective tax rate was 89% (2013: 34%). The increase in the underlying tax rate in 2014 reflects the impact of project-specific tax charges in the Alexander Proudfoot business in certain geographies, revenue-based taxes in some geographies which in some cases have not allowed the business to take advantage of cost deductions at the corporate level, and unrelieved losses, in certain tax jurisdictions. A significant component of the £5.9m total tax charge is a £2.8m non-cash expense relating to utilisation of part of the deferred tax asset.

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

Earnings per share

The Group reported a loss for the year attributable to the shareholders of £1.0m (2013: profit of £9.1m). This generated a basic loss per share of 0.2p (2013: EPS 1.9p).

> “
>
> Underlying operating profit in 2014 was £9.4m lower at £11.8m. This chiefly reflects the weaker revenue and margin performance in Alexander Proudfoot.

Underlying earnings per share, after adjusting for non-recurring items and the amortisation of acquired intangibles, were lower at 0.2p (2013: 2.4p).

Net assets

The Group holds the vast majority of its assets and liabilities in currencies other than Sterling, particularly the US Dollar and the Euro, and translates the value of these into Sterling at the year end exchange rate. Comparing exchange rates at the beginning and the end of 2013, Sterling strengthened against the Euro by 6.6% and weakened against the US Dollar by 5.5%. This had the net effect of reducing the Sterling value of the Group’s assets and liabilities at the end of 2014. The year end exchange rates used to translate the 2014 balance sheet were £1=$1.5560 (2013: £1=$1.6471) for the US Dollar and £1=€1.2757 (2013: £1=€1.1970) for the Euro. During 2014 net assets decreased to £197.7m (2013: £210.9m), principally due to the net impact of currency movements.

The largest item on the balance sheet is the intangible asset recognised on the acquisitions of the businesses that now form Kurt Salmon of £210.6m (2013: £213.8m). This is held in US Dollars and Euros. Net trade receivables decreased to £40.7m (2013: £45.0m) and accrued income decreased to £15.2m (2013: £17.0m), reflecting lower revenues versus 2013 and improved billing and collection at the 2014 year end. Debtor days (in relation to trade receivables) at the end of 2014 were 49 days (2013: 62 days). Accruals increased slightly to £38.5m (2013: £37.8m). Long-term provisions decreased to £4.9m (2013: £5.3m), largely reflecting the unwinding of provisions for surplus property.

Pension obligations

The Group’s retirement benefits liability relates to: a closed US defined benefit pension scheme; a closed US post-retirement medical benefits plan; French statutory retirement provisions; and an unfunded German retirement obligation. There are no defined benefit pension schemes in the Group that are open to new employees and, in the case of the closed US defined benefit pension scheme, the existing members are not accruing further benefits. The Group actively manages the potential liabilities arising from these schemes, regularly reviewing performance in conjunction with qualified independent actuaries and making changes where appropriate. The net post-retirement obligation for these schemes increased from £19.6m at 31 December 2013 to £22.9m at 31 December 2014, principally as a result of the use of lower discount rates in calculating the obligations. Cash contributions to the US defined benefit scheme amounted to £1.2m in 2014 (2013: £1.2m).

Liquidity and capital resources

The Group’s capital structure is reviewed regularly to ensure that it remains relevant to the business and its planned development.

During 2014 the trustees of the Management Consulting Group PLC employee benefit trusts purchased 3.8 million of the Company’s shares, for a total consideration of £1.0m, for use in satisfying future awards under the Company’s employee share incentive plans.

At 31 December 2014 2.4 million shares purchased by the Company were held as treasury shares and were therefore excluded from the reported share capital in the Group balance sheet. A further 8.5 million shares were held by the trustees of the Management Consulting Group PLC employee benefit trusts.

> Cash generated by operations in 2014 was £10.9m higher than the previous year at £17.6m reflecting favourable working capital movements.

Net debt
The Group ended the year with net debt of £33.6m compared with £48.0m at 30 June 2014 and £39.8m at the end of 2013. The year on year decrease in net debt reflects strong cash generation from operations in 2014 in spite of lower profits, in part reflecting an improved working capital position.

During 2014 the Group was financed by a multi-currency borrowing facility negotiated in December 2011 that runs until July 2016. The facility is a revolving credit facility for up to £85m.

There are two financial covenants under the facility, which were calculated at 30 June and 31 December 2014. The first of these is that interest cover must be greater than four times at the calculation dates. At 31 December 2014 the interest cover covenant ratio was 7.0 (31 December 2013: 11.7). The second covenant is a leverage covenant, which is that net debt divided by adjusted EBITDA must remain below 2.75 times at the calculation dates (increased to 3.0 times for the covenant testing dates on 31 March 2015 and 30 June 2015). Under the borrowing facility net debt for covenant testing purposes is measured on the basis of average exchange rates over the relevant period, consistent with the measurement of adjusted EBITDA. Adjusted EBITDA is defined as underlying operating profit plus certain non-cash items such as depreciation and amortisation. At 31 December 2014 the leverage covenant ratio was 2.04 times (31 December 2013: 1.46). The gross amount drawn down at that date was £58.5m (2013: £54.5m).

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

Cash flow
Cash generated by operations in 2014 was £10.9m higher than the previous year at £17.6m (2013: £6.7m), reflecting favourable working capital movements. Cash outflows as a result of dividend payments were £4.1m (2013: £3.9m). Cash outflows related to capital expenditure were £1.1m (2013: £2.5m).

Dividend
An interim dividend for the 2014 financial year of 0.23p per share was paid to shareholders on 6 January 2015. The directors recommend, subject to shareholder approval, a final dividend of 0.595p per share to be paid on 7 July 2015 to shareholders on the register at 15 May 2015. The recommended total dividend for the 2014 financial year is therefore 0.825p per share (2013: 0.825p per share).

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

Financial review continued

Principal risks and uncertainties
The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework. The key risks to which the business is exposed are reviewed regularly by senior management and the Board. The major risks facing the business and the means by which they are mitigated and managed are set out on the principal risks and uncertainties pages 32 to 33. The directors are not aware of any material outstanding litigation against the Group.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group is described in this Financial Review. In addition, note 23 of the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital and its exposure to risks. The Group's committed borrowing facilities are detailed under the "Liquidity and capital resources" section of this Financial Review.

The Group prepares regular business forecasts and monitors its projected compliance with the borrowing facility covenants which are reviewed by the Board. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration is given to actions open to management to mitigate the impact of these sensitivities.

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

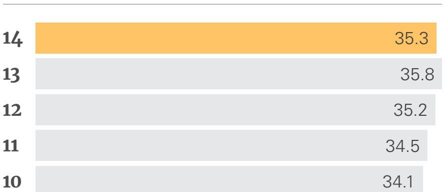
Key performance indicators
The key performance indicators used by the Board to monitor progress are: revenue growth; operating profit; operating margin; net debt; and earnings per share. These key performance indicators are used to monitor performance as they indicate achievement against the Group's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

> "
> The Group's key assets are its client relationships, its people and its intellectual property.

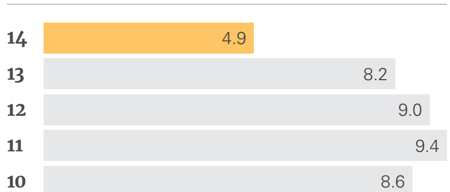
Critical accounting policies
The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements prepared in accordance with International Financial

Financial performance indicators

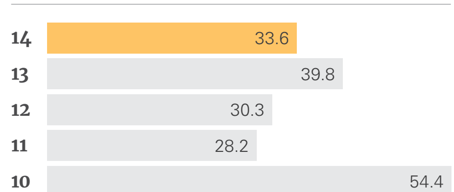
Gross margin (%)
35.3



Underlying operating profit margin (%)
4.9%



Net debt (£m)
33.6



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

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

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

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

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

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

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

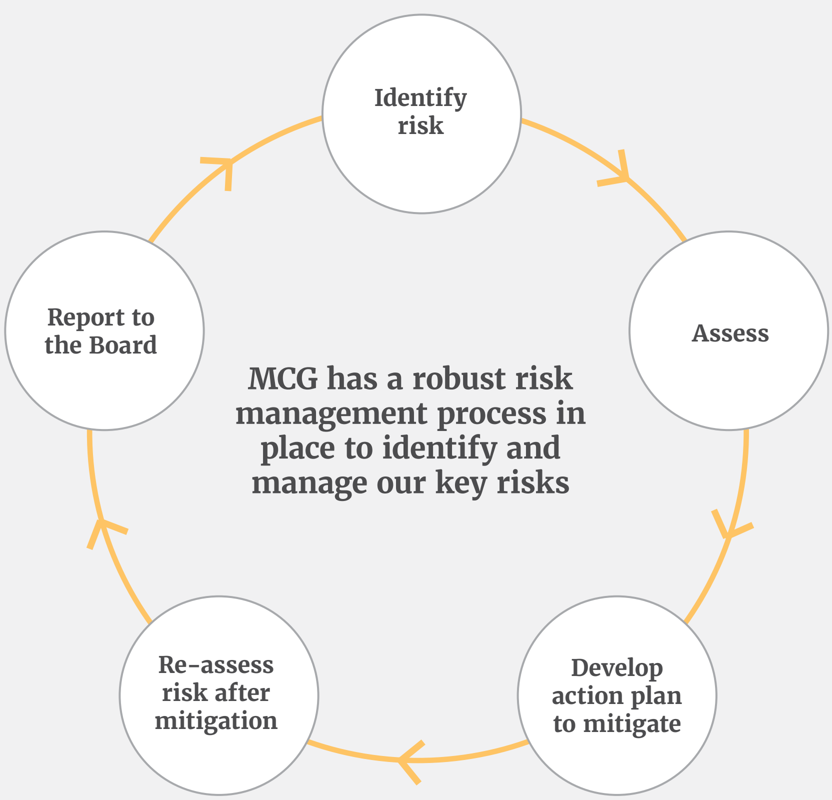
Chris Povey

Chris Povey
Finance Director
5 March 2015

Principal risks and uncertainties
Identifying key areas

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

Risk management process



Read more about the Group's governance and approach to risk management on **pages 42 to 44**

Risk
1 Demand for services provided by the Group in the markets and sectors in which it operates
2 Retention and development of key client relationships
3 Recruitment and retention of talented employees
4 Optimisation of the Group's intellectual capital
5 Fluctuations in foreign currency exchange rates

Description	Mitigation	Change in level of risk from 2013
Changes in demand for MCG's services can significantly impact revenues and profits. The Group's businesses operate in a number of geographies and industry sectors and demand for their services can be affected by global, regional or national macro economic conditions and conditions within individual industry sectors. The Group's businesses operate in a competitive environment, where other consulting firms seek to provide similar services to MCG's clients.	The Group seeks to monitor demand for its services, to anticipate changes in demand and competitive pressures where possible, and to develop a strategy and offering to exploit opportunities for growth in geographies and sectors where demand is increasing. The diversity of MCG's businesses provides some protection against adverse trends in individual sectors or geographies and the Group retains some flexibility (in Alexander Proudfoot in particular) in its ability to deploy staff to areas of higher demand to optimise utilisation. A significant proportion of the total remuneration paid to senior employees is in the form of variable pay related to financial performance, which provides some profit mitigation in the event of a decline in revenues.	**Level** **Market conditions in 2014 varied between the key sectors and geographies in which we operate, in some cases showing positive trends, in others negative ones.**
Any failure by the Group to retain its existing client relationships could result in a significant reduction in the Group's revenues. MCG's businesses typically contract with clients for the delivery of project related consulting services over relatively short periods. Individual clients of the Group may change their preferred suppliers of the services that the Group's businesses provide or may change the quantity of such services or the price at which they buy such services. Potential unforeseen contractual liabilities may arise from client engagements that are not completed satisfactorily.	MCG's businesses have longstanding relationships with key clients. The Group's business processes are designed to promote and enhance such relationships to generate revenues over much longer periods than those of a typical single project. This includes a focus on the delivery of high quality work that meets clients' expectations and human resources management policies that emphasise the importance of maintaining and developing client relationships. Potential contractual liabilities arising from client engagements are managed through the control of contractual conditions and insurance arrangements.	**Reducing** **We retained our key client relationships and continued to work to develop new long-term relationships.**
The Group is dependent on the recruitment and retention of key personnel to develop and maintain relationships with clients and to deliver high quality services. Any failure to attract and retain such personnel which results in their unforeseen departure from the business may have detrimental consequences on the Group's financial performance.	The Group seeks to develop remuneration policies and structures that reward good performance and promote continued employment with the Group, consistent with prevailing market levels of remuneration. For senior employees a significant element of total remuneration is variable and linked to financial and other performance measures, which provides opportunities for enhanced rewards. Conditional share awards to staff are structured to include retention criteria and may also be linked to financial targets or share price performance over a period longer than one year.	**Level** **Staff retention has been managed effectively and we have recruited in areas of the business which are growing.**
The intellectual capital of the Group's businesses, including its methodologies and its track record of successful sale and delivery of assignments to clients, is a key asset which must be maintained, continually developed and protected, so that its offerings remain distinctive and attractive to clients. It is possible that employees who exit the business may appropriate this intellectual capital for use by themselves or by the Group's competitors.	The Group maintains a comprehensive knowledge management system to record its methodologies and track record of client assignments. It develops and refreshes these continually in response to, and in anticipation of, market demand. The Group protects its intellectual property through appropriate contractual arrangements with employees and others, and through legal action where necessary.	**Reducing** **We have continued to invest to develop new offerings and to build our intellectual capital in the digital space.**
The Group reports its results and financial position in Pounds Sterling, but operates in and provides services to clients in many countries around the world, conducting most of its business in other currencies. In particular, a significant proportion of the Group's business is conducted in US Dollars and Euros. Fluctuations in prevailing exchange rates may have a significant impact on reported revenues and profits.	Where appropriate, the Group will undertake hedging to mitigate currency risk. This is rarely undertaken since the Group's cost base is, in broad terms, located in those countries in which the Group generates revenues. The currencies in which costs and revenues are denominated are therefore, to a great extent, matched and this tends to reduce the impact of exchange rate fluctuations on reported profits.	**Increasing** **Currency volatility and the strengthening of Sterling had a significant negative impact on reported revenues and profit in 2014.**

Governance

Chairman's introduction

"

As a global business working in a number of industries and countries, the Group's governance structures are designed to be effective wherever we work.

Alan Barber Chairman

The Board continues its commitment to high standards of corporate governance. Whilst in 2013 there were a number of changes in legislation which needed to be taken into account in our corporate governance structures and reflected in the annual report and accounts for the first time, this year the landscape has remained relatively unchanged. Accordingly, the relevant legislation remains the September 2012 version of the UK Corporate Governance Code ("the Code") and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations").

Last year in compliance with the Regulations the Directors' Remuneration Report introduced a separate section setting out our remuneration policy and this was adopted following a binding vote at the 2014 Annual General Meeting. This year there is just the normal advisory vote on the annual implementation of the policy, although we do include the remuneration policy for ease of reference.

Our Board is composed of directors from differing international backgrounds with a range of business experience and we recognise the importance of diversity on the Board. During 2014 the Board members continued to bring a wide range of experience and knowledge to bear in developing strategy, challenging management and bringing fresh perspectives.

In this regard, we appreciate the importance of the Board meeting senior management and each year the Board holds certain of its meetings at its main business locations abroad, giving the Board the opportunity to meet local management.

On 5 March 2014, we announced that Luiz Carvalho was stepping down as CEO of Alexander Proudfoot and as a director of MCG. Our Group CEO, Nick Stagg, took on the Alexander Proudfoot CEO role on an interim basis in addition to his Group role. In view of this I increased my day-to-day involvement with the Group, supporting the executive management team.

It was originally envisaged that I would stand down from your Board at the end of 2014. However, in view of Nick's continuing involvement in the Alexander Proudfoot CEO role, it was agreed that I should continue for a further year as Chairman.

We have commenced the search for new independent non-executive directors using external search agents, looking to broaden the Board's diversity, both in terms of their business background – industry and geographical markets – and gender, and we expect to announce appointments in the coming months.

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

Alan Barber
Chairman
5 March 2015

Board of Directors
A strong leadership team

1 A. J. Barber
N

Chairman

Term of office: Alan Barber, aged 67, joined the Board in April 2005 as a non-executive director and was appointed Executive Chairman on 19 February 2008. He relinquished his executive duties on 31 December 2010 and is now non-executive Chairman.

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

External appointments: He is a non-executive director of JP Morgan Japanese Investment Trust PLC and Witan Pacific Investment Trust PLC.

2 N. S. Stagg

Chief Executive

Term of office: Nicholas Stagg, aged 55, was appointed Executive Director on 21 October 2009 and Chief Executive with effect from 1 July 2010.

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

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

3 C. J. Povey

Finance Director

Term of office: Chris Povey, aged 54, was appointed Finance Director on 31 October 2010.

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

External appointments: None

5 S. A. Ferriss
R / **N** / AR

Non-executive Director

Term of office: Stephen Ferriss, aged 69, joined the Board on 3 March 2006.

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

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

6 E. Di Spiezio Sardo

Non-executive Director

Term of office: Emilio Di Spiezio Sardo, aged 38, joined the Board on 18 June 2010.

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

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

7 C. W. Ansley

Company Secretary

Term of office: Charles Ansley, aged 64, was appointed Company Secretary in April 2007, having joined the Group in 2001.

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

External appointments: None

9 A. H. Simon OBE
R / N / AR

Non-executive Director

Term of office: Andrew Simon, aged 69, joined the Board on 3 March 2006.

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

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

10 J. D. Waldron
R / N / **AR**

Non-executive Director

Term of office: Julian Waldron, aged 50, joined the Board on 8 October 2008.

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

External appointments: Chief financial officer of Technip.

Committee key

R / Remuneration Committee
N / Nominations Committee
AR / Audit and Risk Committee
X / Committee Chairman

4 M. Capello
R / N

Non-executive Director

Term of office: Marco Capello, aged 54, joined the Board on 18 June 2010.

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

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

8 C. Mahjoub

Executive Director

Term of office: Chiheb Mahjoub, aged 51, was appointed an executive director on 10 November 2009.

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

External appointments: None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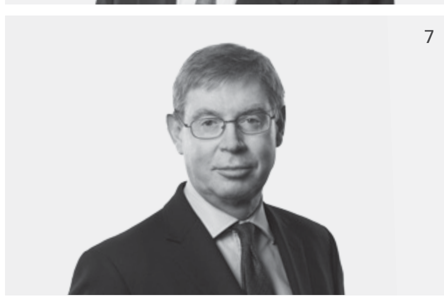
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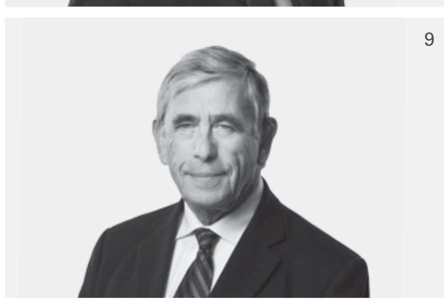
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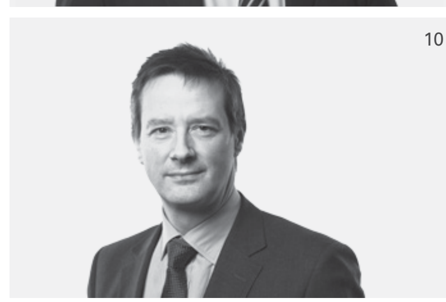
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Corporate governance report
A strong governance framework

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 is responsible for
the overall management of our organisation and our business

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

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

Board Committees
Specific review and oversight committees

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

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

Read the Audit and Risk Committee Report on **p42**

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

Read about the Nominations Committee on **p45**

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

Read the Remuneration Committee Report on **p46**

Executive management
everyday management of our business and operations, and responsibility 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 two divisions each have their own leadership and management structures functioning within clearly established procedures and authority limits set by the Board.

Balance of executive and non-executive directors at year end

Chairman (non-executive)	1
Executive	3
Non-executive	5

Board and Committee attendance 2014

	Board meetings	Audit and Risk Committee meetings*	Remuneration Committee meetings*	Nominations Committee meetings*
A J Barber	10	—	—	2
M Capello	10	—	3	2
L H Carvalho (stood down 5 March 2014)	1	—	—	—
S A Ferriss	8	4	3	2
C Mahjoub	10	—	—	—
C J Povey	10	—	—	—
E Di Spiezio Sardo	10	—	—	—
A H Simon OBE	10	4	3	2
N S Stagg	10	—	—	—
J D Waldron	10	4	3	2
Total meetings held	**10**	**4**	**3**	**2**

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

Board of Directors

The Board is collectively responsible to our shareholders for the success of the Company. From 1 January 2014 until 5 March 2014 the Board comprised the non-executive Chairman, four executive directors and five non-executive directors. On 5 March 2014 Luiz Carvalho stood down as an executive director. Thus from 6 March 2014 until the year end the Board comprised the non-executive Chairman, three executive directors and five non-executive directors. The Code requires that smaller companies should have at least two independent non-executive directors and the Company complied with this aspect. The Company also complied with the requirement to separate the roles of Chairman and Chief Executive.

Mr Ferriss, Mr Simon and Mr Waldron were considered to be independent non-executive directors throughout the year. Mr Ferriss and Mr Simon have just passed the ninth anniversary of their appointment on the Board. The Board has specifically considered whether they remain independent in accordance with guidance in the Code. Both Mr Ferriss and Mr Simon have maintained a range of other unrelated business interests and the Board has determined that they remain independent in character and judgement and there are no other relationships or circumstances which are likely to affect or could appear to affect their judgement.

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

The Board is satisfied that each of the non-executive directors committed sufficient time during 2014 for the fulfilment of their duties as directors of the Company. None of the non-executive directors has any conflict of interest which has not been disclosed to the Board.

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

Election and re-election of directors

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

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

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

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

Operation of the Board

The Board meets regularly. There is a core of six meetings each year with further ad hoc meetings scheduled when necessary. Ten meetings were held during 2014. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. During the year the Chairman met the non-executive directors in the absence of the executive directors.

Corporate governance report continued
A strong governance framework continued

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

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

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

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

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

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

The notice convening the Annual General Meeting to be held on 22 April 2015 is contained in the circular to shareholders. To ensure our shareholders have time to consider our annual report and accounts and Notice of the AGM and lodge their proxy votes, the documents are made available more than 20 working days prior to the meeting. We offer all shareholders the choice of submitting proxy votes either electronically or in paper format.

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

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

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

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

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

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

- organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
- defined expenditure and contract authorisation levels;
- on-site, video and teleconferencing reviews of operations, covering all aspects of each business, are conducted by Group executive management on a regular basis throughout the year;
- the financial reporting and information systems which comprise a comprehensive annual budget which is approved by the Board; weekly reports of key operating information; cash flow and capital expenditure reporting; monthly results; and forward performance indicators which are measured against the annual budget and the prior year's results. Significant variances are reviewed by the Board and executive management and action is taken as appropriate. The forecast for the year is revised when necessary;
- Group tax and treasury functions are coordinated centrally. There is weekly cash and treasury reporting to Group management and periodic reporting to the Board on the Group's tax and treasury positions; and
- internal audits are performed by Group's internal audit function.

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

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

- During the year, the directors are available to respond to enquiries from investors on the Group's operations.
- Effective communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

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

- The Chairman is available to shareholders if there are matters that they wish to discuss with him directly.
- Announcements are made to the London Stock Exchange and the business media concerning trading and business developments to provide wider dissemination of information.

Other disclosures

The directors present their annual report, incorporating their reports on corporate governance, audit and risk, and remuneration, together with the audited financial statements for the year ended 31 December 2014. These will be laid before the shareholders at the Annual General Meeting on 22 April 2015.

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

Group results
The Group's profit before taxation for the year ended 31 December 2014 amounted to £4,934,000 (2013: £14,020,000).

Dividends
An interim dividend of 0.23p per share was paid on 6 January 2015. The directors recommend the payment of a final dividend of 0.595p per share (2013: interim dividend of 0.23p; final dividend of 0.595p) per share to be paid on 7 July 2015 to shareholders on the register on 15 May 2015.

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

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

Political contributions
No political donations were made in 2014 or 2013.

Charitable donations
Charitable donations of £354,000 were made during the year (2013: £317,000).

Annual General Meeting
The Annual General Meeting will be held at 10.00 am on 22 April 2015 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. Details of the meeting are included in the circular to shareholders enclosed with this report, at the back of which is the Notice of Meeting.

Substantial share interests
As at 4 March 2015 (the latest practicable date prior to the issue of this report), the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules issued by the Financial Conduct Authority, of the following interests in the voting rights in the Company's issued share capital.

	Number of voting rights	% of issued share capital
BlueGem LP	124,629,895	25.50
Henderson Global Investors	89,281,160	18.00
Aberforth Partners LLP	24,844,660	5.02
Norges Bank	18,696,236	3.78

By order of the Board

Charles Ansley
Company Secretary
5 March 2015

Registered office
10 Fleet Place
London EC4M 7RB

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 and internal auditors.

Julian Waldron,
Chairman of the Audit and Risk Committee

Membership

During 2014 the membership of the Committee was:

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

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

Structure

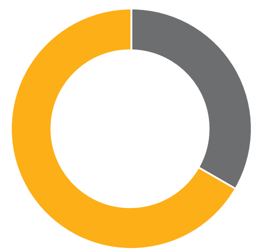
The Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors. The Committee comprised three independent non-executive directors throughout the year.

The Code provides that at least one member of the Committee should have recent and relevant financial experience. Mr Ferriss is a banker and Mr Waldron is the chief financial officer of a French listed company and both are considered to have such experience. The profiles and qualifications of the Committee members are shown on pages 36 and 37. The Chairman, Chief Executive, Finance Director, Group Head of Finance, Head of Internal Audit, other financial managers and external auditors are invited to attend Audit Committee meetings. The Committee met four times during the year. The external auditor attended all of the meetings and the Committee met privately with it on one occasion.

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

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

Composition of the Audit and Risk Committee



Chairman (non-executive)	**1**
Non-executive	**2**

Attendance of the Committee

Committee attendance 2014	Audit and Risk Committee meetings
J D Waldron (Chairman)	4
S A Ferriss	4
A H Simon	4
Total meetings held	**4**

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 effectiveness of the Group's 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; and
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.

The Committee's terms of reference were reviewed and updated with effect from 3 March 2015 to conform with current best practice and the revised guidance from the Financial Reporting Council on Audit Committees. They are available on the Group's website (www.mcgplc.com) as well as in hard copy format from the Company Secretary.

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

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

FINANCIAL STATEMENTS
The Committee reviewed the interim financial statements and the annual report and accounts. Following discussion with both management and the external auditor, the Committee's determination of the key risks of misstatement for 2014 was the same as for 2013 and the steps it took to address these are shown in the table below.

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

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

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

Report of the Audit and Risk Committee continued

Operation of the Committee continued

INTERNAL FINANCIAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

INTERNAL AUDIT FUNCTION

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

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 consider this is a key control in ensuring continued independence and objectivity by reducing the risk of familiarity. The current audit partner was appointed with effect from the audit of the 2012 annual report and accounts.
- Restrictions on the nature and amount of non-audit work – In accordance with the Code, the Committee has established policies that the auditor shall not provide any services that would potentially result in them auditing the result of their own work or which are prohibited under the US Sarbanes Oxley Act and procedures to ensure compliance with the policies.

  The Committee reviews annually its policy and procedures on this area to ensure they remain appropriate in the context of regulatory changes and changes in the nature of the Group's activities. Under the procedures in force in the year, the Committee pre-approves any permitted non-audit engagements with fees of more than £25,000 or which would cause the cumulative fees of such engagements for the year to exceed £100,000. At each Committee meeting a report is presented on non-audit activities and fees payable to the external auditor in order to ensure that the non-audit work is appropriate and relationship between non-audit fees and audit fees is not inappropriate.
- The relationship of the auditor with senior management – The Committee reviews the relationship to ensure it has not become compromised due to familiarity or other factors.

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

Audit effectiveness

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

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

Audit tendering

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

Reappointment

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

Auditor and disclosure of information to auditor

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

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

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

Julian Waldron
Chairman of the Audit and Risk Committee
5 March 2015

The Nominations Committee

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

Mr Stephen Ferriss,
Chairman of the Nominations Committee

Membership

During 2014 the membership of the Committee was:

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

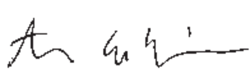
Structure

The Code recommends that a majority of the members of the Nominations Committee should be independent non-executive directors. The majority of the Committee was independent throughout 2014.

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

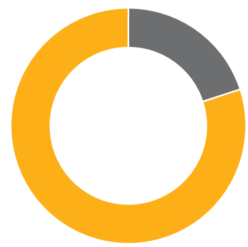
Activities

The Committee meets on an ad hoc basis as required. The Committee has ongoing succession plans particularly in respect of non-executive directors approaching retirement due to their length of service. The Committee has identified the skill sets needed for new non-executive directors, taking into account that one will need to take on the chairmanship of the Audit and Risk Committee and considering the diversity of the Board, and instructed a search agency to identify suitable candidates. Interviews with candidates are ongoing with a view to appointments in the coming months.



Stephen Ferriss
Chairman of the Nominations Committee
5 March 2015

Composition of the Nominations Committee



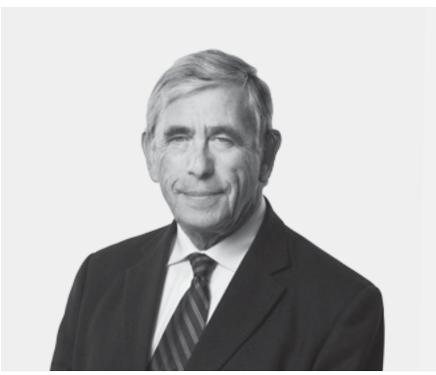
Chairman (non-executive)	**1**
Non-executive	**4**

Attendance of the Committee

Committee attendance 2014	Nominations Committee meetings
S A Ferriss (Chairman)	2
A J Barber	2
M Capello	2
A H Simon	2
J D Waldron	2
Total meetings held	**2**

Report of the Remuneration Committee

Chairman's summary statement



Membership

During 2014 the membership of the Committee was:

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

Dear shareholder,

I am pleased to write to you again as Chairman of the Remuneration Committee to summarise the activities of the Committee during 2014 and to provide an overview of our strategy and business performance and the linkage to our executives' remuneration outcomes for the year under review.

Shareholders approved our Directors' Remuneration Policy as set out in the 2013 Directors' Remuneration Report at the 2014 AGM and the Remuneration Committee is comfortable that the policy remains appropriate and should continue to operate for 2015 with no changes proposed. There will therefore not be a shareholder vote on policy at the 2015 AGM. However, our Remuneration Policy has been included in this report to assist shareholders in reviewing the Company's implementation of its policy during 2014. The Annual Report on Remuneration, which describes the implementation of the policy during the year, will again be subject to an advisory vote at the forthcoming AGM.

During 2014 the Remuneration Committee has dealt with the following specific remuneration matters in addition to its normal annual timetable. On 5 March 2014 Luiz Carvalho stepped down as CEO of Alexander Proudfoot and as an Executive Director of Management Consulting Group, but remained an employee on garden leave until 5 March 2015. The Committee agreed the terms of Mr Carvalho's remuneration on his cessation as set out in the Annual Report on Remuneration and within the terms of our shareholder approved Remuneration Policy.

As a result of Mr Carvalho's departure, Nick Stagg took on the role of CEO of Alexander Proudfoot on an interim basis in addition to his Group CEO role and our Chairman, Alan Barber, agreed to increase the time he spends at MCG and the Committee agreed an increase to his fee to reflect this increased time commitment. Towards the end of 2014 the Committee reviewed the terms on which the Chairman was engaged by the Company and, as part of the arrangements to retain Mr Barber as Chairman until the end of 2015, agreed that he be provided with a fixed term agreement for one year effective from 1 January 2015.

During the year it was also necessary for the Committee to review the remuneration arrangements for Mr Mahjoub in the context of his role and responsibilities. Mr Mahjoub had last had an increase to his base salary on 1 January 2010 and it was agreed that Mr Mahjoub's salary should be increased from 1 July 2014 by 5% to €525,000 per annum. Mr Mahjoub was also provided with a car allowance and a pension contribution, further details of which are set out in the Annual Report on Remuneration.

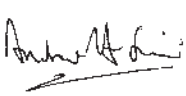
Consistent with our approach in 2013 our aim is to have a simple remuneration package for the executive directors which reflects their day-to-day duties and responsibilities, whilst having a significant element of remuneration which is performance related through the use of annual bonus and share incentive schemes in order to align the interests of executive directors with those of shareholders. As always, the Committee remains mindful of the interest in executive remuneration and has sought to ensure that the remuneration policies and practices at Management Consulting Group drive behaviour that is in the long-term interests of the Company and its shareholders.

Structure and operation of the Remuneration Committee

As outlined in the Chairman's statement, whilst we have taken action to restore the growth and profitability of Alexander Proudfoot, the weak revenues in that business badly hit the Group's performance and its overall profitability in 2014. Kurt Salmon has performed well in North America and other geographies, although France has remained weak. These factors are reflected in the annual bonus for 2014, with there being no bonus for the achievement of Group financial objectives. Performance against management's individual strategic objectives, which are essential to restoring the growth and prosperity of the business, was strong - further details are set out on page 57. Due to disappointing TSR performance the performance conditions set for the PSP awards granted on 5 January 2012 (in respect of the financial year 2011) have not been met and there is therefore no vesting of these awards.

The Committee continues to believe that our Remuneration Policy supports and rewards the Group's business strategy and results as demonstrated by the remuneration outcomes for the year. I hope, therefore, that you will be supportive of the remuneration resolution being presented at our AGM. I will be happy to engage with you if there are any matters set out in the report which you would like to discuss in the meantime.

Yours sincerely



Andrew Simon
Chairman of the Remuneration Committee
5 March 2015

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

The terms of reference for the Committee were last updated in December 2010. They were last reviewed in 2014 and no changes were deemed necessary. Copies are available on the Group's website.

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

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

Composition of the Remuneration Committee

Chairman (non-executive)	**1**
Non-executive	**3**

Attendance of the Committee

Committee attendance 2014	Remuneration Committee meetings
A H Simon (Chairman)	3
M Capello	3
S A Ferriss	3
J D Waldron	3
Total meetings held	**3**

Report of the Remuneration Committee continued

Introduction

This 2014 Remuneration Report is divided into two sections:

– **Remuneration Policy Report**, setting out the framework within which the Company remunerates its Directors. The Company's remuneration policy was put to a shareholder vote at the 2014 Annual General Meeting of the Company ("AGM") and was approved by 83% of shareholders. There is no requirement to vote on the policy in 2015 unless any changes to the policy are proposed, and the Committee does not intend making any changes to the policy at this time. The policy is included in this 2014 Remuneration Report for information only; the chart showing remuneration scenarios on page 54 has been updated to reflect proposed 2015 remuneration levels and minor changes to the text of the policy have been made to reflect the fact that the policy has already been approved by shareholders. Where additional information has been included in the policy this has been clearly indicated.

– **Annual Report on Remuneration**, setting out how the Company's present remuneration policy was applied during 2014 and how the policy will be implemented in 2015. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 22 April 2015. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting.

Remuneration policy report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy was developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders and describes the policy applicable from 2014 onwards.

Policy overview

OVERVIEW

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

HOW THE VIEWS OF SHAREHOLDERS AND EMPLOYEES ARE TAKEN INTO ACCOUNT

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

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

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

There is no consultation with employees.

Remuneration policy

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

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

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

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

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

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required	The Committee's policy is to set the base salaries of each executive director at levels that reflect their roles, experience and practices in the employment market whilst ensuring that they take account, where applicable, of the pay and employment conditions of other employees within their business units and countries of employment as well as market practice in the countries in which they are operating. The Committee will usually review executive directors' base salaries at the end of each calendar year with any increases effective from 1 January. The Directors' salaries (and other elements of the remuneration package) are paid in the currency appropriate to their geographic location.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population of the Group and the country and business unit in which the director is employed, but on occasions may need to recognise that higher increases may be appropriate, for example, development in role, change in responsibility, where the size, composition and/or complexity of the Group changes or where an individual is materially below market comparators. Details of the outcome of the most recent salary review are provided in the Annual Remuneration Report.
Benefits	To provide market competitive benefits to ensure the 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, 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 money purchase pension scheme or provision of cash allowance in lieu of pension at the request of the individual. For directors based outside the UK, contributions to relevant retirement arrangements in those other countries, e.g. US 401(k) retirement provisions. Only base salary is pensionable.	UK resident: 17.5% of salary. Non-UK resident: retirement provision will be consistent with market practice in the relevant country.

Remuneration policy report continued

Remuneration policy continued

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")	To incentivise and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares Designed to motivate directors and senior employees, whilst retaining them in the Group's employment	Executive directors are eligible to participate in the Management Consulting Group 2008 Performance Share Plan ("PSP"). Awards vest subject to continued employment and satisfaction of challenging performance conditions measured over three years. All outstanding awards are subject to absolute total shareholder return ("TSR") targets. The Committee intends that future awards will continue to be subject to absolute TSR targets but retains the flexibility to set targets using other measures if it considers that these are appropriate based on the strategic aims of the Company. In addition to the specified performance condition, the Committee must be satisfied that the vesting level is warranted by the Company's underlying financial performance over the three year performance period. A clawback mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	Maximum award in any financial year over shares with a market value (at date of award) of 100% of annual base salary in that financial year. In exceptional circumstances, this limit may be increased to 200% of an employee's annual base salary. 20% of the award vests for threshold performance. No vesting for below threshold performance.

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

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

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

Remuneration policy report continued

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

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of last year's annual bonus or the vesting/exercise of share awards granted in the past) that have been disclosed in previous Remuneration Reports and in respect of long-term incentive awards as detailed on pages 58 to 59 of the Annual Report on Remuneration. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

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

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

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

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

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

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

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

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

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

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

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

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 and Mr Povey have contracts with the Company which either party is able to terminate by giving twelve months' notice. Mr Mahjoub has an appointment letter in respect of his role as a director of the Company which may be terminated with no notice. Mr Mahjoub also has a contract with a Group company which either party is able to terminate by giving three months' notice. Mr Stagg's and Mr Povey's contracts continue until age 65. Mr Mahjoub's contract continues until the mandatory retirement age as specified under French employment legislation. Mr Carvalho stepped down from his role in March 2014 and details of his contract (which were set out in the shareholder approved policy) have been deleted from this section.

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

In summary, the contractual provisions are as follows:

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

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

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

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

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

Report of the Remuneration Committee continued

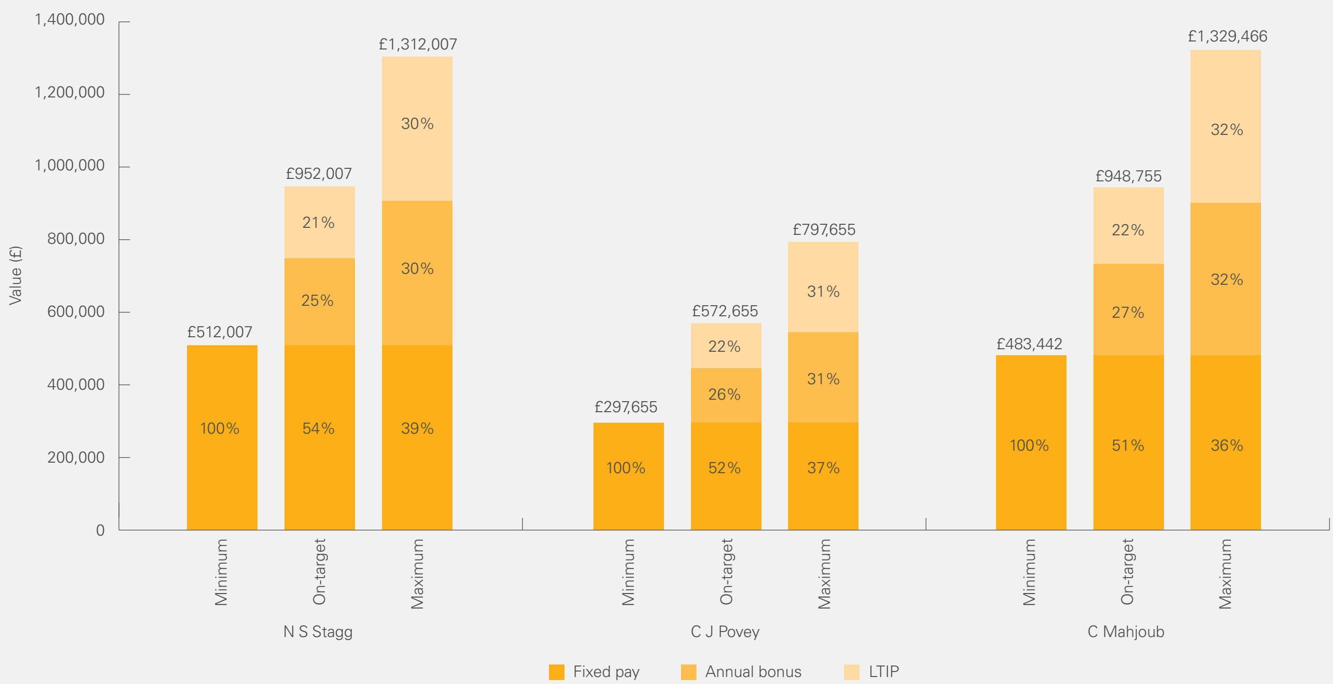
Remuneration policy report continued

Chairman and non-executive directors

The shareholder approved policy states that the chairman and non-executive directors do not have service contracts and all are appointed for limited terms and subject to annual reappointment at the AGM. At the time the policy was approved, neither the Chairman nor the non-executive directors were subject to notice periods or had any rights to compensation on termination, although the policy reserves the right to introduce notice periods if they are considered appropriate. In 2014 the Committee reviewed the terms on which the Chairman is engaged by the Company and agreed that the Chairman should be provided with a fixed term agreement for one year effective from 1 January 2015.

Reward scenarios

The chart below provides an indication of the remuneration of the executive directors at minimum, in line with expectation on-target and maximum performance, in accordance with the policy to be implemented in 2015. The chart does not include share price movement and all other assumptions are noted below.



Assumptions:

1 Fixed pay consists of base salary, benefits and pension.

2 Base salaries are as at 1 January 2015.

3 Value of benefits is based on the expected value for 2015. Pension is based on 2015 policy applied to 1 January 2015 salaries.

4 Target annual bonus is 60% of maximum.

5 Target PSP award assumes vesting of 50% of award in the year.

6 Maximum is full vesting of annual bonus and PSP award in the year.

7 Annual bonus and PSP awards are in accordance with implementation of policy for 2015.

8 No share price appreciation is assumed.

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 2015 AGM. The information on pages 55 to 60 has been audited.

How the policy will be applied in 2015

2015 SALARY REVIEW

With the departure of Mr Carvalho in early 2014 and the increase in time commitment of the Chairman, the Committee agreed in 2014 that it was necessary to review the remuneration arrangements for Mr Mahjoub in the context of his role and responsibilities. For 2015 Mr Mahjoub's salary is €525,000 per annum with a car allowance of €22,500 per annum and a pension contribution of 10% of base salary.

The other executive directors' salaries have been reviewed with effect from 1 January 2015 and there are no increases.

The current salaries as at 1 January 2015 are as follows:

	Salary as at 1 January 2014	Salary as at 1 January 2015	% increase
N S Stagg	£400,000	£400,000	0%
C J Povey	£250,000	£250,000	0%
C Mahjoub	€500,000	€525,000	5%

Fees for the Chairman and non-executive directors

A summary of fees as at 1 January 2015 is as follows:

	Fees at 1 January 2014	Fees at 1 January 2015	% increase
Chairman	£300,000 (from 1 April 2014)	£300,000	0%
Base fee	£35,000	£35,000	0%
Senior Independent Director and Committee Chair	£5,000	£5,000	0%

As mentioned in the 2013 Annual Report on Remuneration, with Mr Carvalho stepping down from his role on 5 March 2014 and Mr Stagg taking on the role of CEO of Alexander Proudfoot as well as his Group CEO role, the Chairman agreed to increase his day-to-day time commitment with the Group and his fees were reviewed and increased to £300,000 p.a. In 2014 the Committee reviewed the terms on which the Chairman is engaged by the Company and agreed that the Chairman should be provided with a fixed term agreement for one year effective from 1 January 2015.

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. The Chairman and 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.

PERFORMANCE TARGETS FOR THE ANNUAL BONUS AND LTIP AWARDS TO BE GRANTED IN 2015

For 2015, the major part of the annual bonus will be assessed on financial targets set around the Group's and individual businesses' budgeted profits from operations and revenue with the remainder based on the achievement of personal strategic objectives.

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

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

The performance conditions for any PSP awards to be granted in 2015 will be agreed by the Remuneration Committee prior to grant. The performance conditions attached to awards will be disclosed in the appropriate RNS announcement.

Annual report on remuneration continued

Remuneration for the year ended 31 December 2014

The table below sets out the remuneration received by the directors in relation to performance in FY 2014 (or for performance periods ending in FY 2014 in respect of long-term incentives).

£'000		Salary and fees	Benefits[1]	Pension[2]	Annual bonus[3]	Long-term incentives[4]	Other	Total
Executive directors								
N S Stagg	2014	400,000	42,007	70,000	85,000	—	—	597,007
	2013	400,000	37,395	70,000	183,600	264,801	—	955,796
C J Povey	2014	250,000	3,905	43,750	53,100	—	—	350,755
	2013	250,000	2,796	43,750	114,800	—	—	411,346
C Mahjoub	2014	412,940	14,560	34,630	238,176	—	—	700,306
	2013	424,395	—	—	162,543	—	—	586,938
L H Carvalho[5]	2014	135,248	3,610	5,762	—	—	8,803	153,423
	2013	638,869	16,527	14,043	47,915	—	—	717,354
Chairman								
A J Barber	2014	250,000	—	—	—	—	—	250,000
	2013	100,000	—	—	—	—	—	100,000
Non-executive directors								
M Capello	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
S A Ferriss	2014	45,000	—	—	—	—	—	45,000
	2013	45,000	—	—	—	—	—	45,000
E Di Spiezio Sardo	2014	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—
A H Simon	2014	44,029	—	—	—	—	—	44,029
	2013	44,244	—	—	—	—	—	44,244
J D Waldron	2014	40,000	—	—	—	—	—	40,000
	2013	40,000	—	—	—	—	—	40,000
Total	**2014**	**1,577,217**	**64,083**	**154,142**	**376,276**	**—**	**8,803**	**2,180,520**
	2013	1,942,508	56,718	127,793	508,858	264,801	—	2,900,678

1 Benefits include, where appropriate, a car, insurances for life, personal accident, disability, permanent health and family medical cover.

2 For UK resident directors, pensions represent 17.5% of base salary. For the US-based director they represent the employing company's contribution to the director's 401(k) plan and for the French resident director €44,000.

3 This relates to the payment of the annual bonus for performance in the relevant year. The bonus is paid entirely in cash. Further details are provided below.

4 This relates to the vesting of PSP awards. The performance period for the 2011 PSP award ended on 5 January 2015. The performance conditions were not met and there was no vesting. Details can be found on page 59.

5 Remuneration disclosed above for Mr Carvalho is up to 5 March 2014 when he ceased to be an Executive Director.

The Committee agreed within the terms of its shareholder approved policy to increase Mr Mahjoub's base salary from €500,000 to €525,000 per annum from 1 July 2014 and to provide a car allowance and pension contribution as detailed above. From 2015 Mr Mahjoub will receive a car allowance of €22,500 p.a. and a pension contribution of 10% of base salary.

Annual bonus for the year ended 31 December 2014

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

N S Stagg Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objective				
Group underlying operating profit of £14.175m for threshold vesting to £18.9m for maximum vesting	75%	75%	£11.8m	0.00%
Personal objectives	25%	25%	85%	21.25%
Total	**100%**	**100%**		**21.25%**

Strategic objectives included:

– development and implementation of cultural change at Alexander Proudfoot;

– improving the financial efficiency of the business; and

– completion of internal strategic projects.

C J Povey Performance hurdle	Proportion of total bonus available Weighting	 % of salary	Actual performance achieved	% of salary payable
Financial objective				
Group underlying operating profit of £14.175m for threshold vesting to £18.9m for maximum vesting	75%	75%	£11.8m	0.00%
Personal objectives	25%	25%	85%	21.25%
Total	**100%**	**100%**		**21.25%**

Strategic objectives included:

– development and implementation of cultural change at Alexander Proudfoot;

– improving the financial efficiency of the business; and

– completion of internal strategic projects.

Annual report on remuneration continued

Annual bonus for the year ended 31 December 2014 continued

C Mahjoub Performance hurdle	Proportion of total bonus available: Weighting	% of salary	Actual performance achieved	% of salary payable
Financial objective				
Kurt Salmon divisional operating profit of £14.475m for threshold vesting to £19.3m for maximum vesting	56.25%	56.25%	£17.6m	36.43%
Group underlying operating profit of £14.175m for threshold vesting to 18.9m for maximum vesting	18.75%	18.75%	£11.8m	0.00%
Financial total	75%	75%		36.43%
Personal objectives	25%	25%	85%	21.25%
Total	**100%**	**100%**		**57.68%**

Strategic objectives included:

- growing key client relationships;
- improving the financial efficiency of the business; and
- developing specific practices.

Share awards

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

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

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

2 Awards made 6 January 2012 lapsed shortly after the year end – see below.

PSP awards made during the year

No PSP awards were granted to executive directors in 2014.

Vesting of PSP awards

In 2012 each executive director received two awards. The first award made on 6 January 2012 was in respect of financial year 2011 and the second was in respect of the financial year 2012. No awards were made in the financial year 2011. Thus the underlying intention of not awarding more than 100% of base salary per year was maintained. The PSP awards granted on 6 January 2012 (in respect of the financial year 2011) were based on performance to the third anniversary of the date of grant. The performance conditions for these awards and performance achieved were as follows:

Metric	Condition	Actual	% vesting
Total shareholder return ("TSR")	20% vesting at TSR creation of 6p to 100% vesting for TSR creation of 30p with straight-line vesting in between	No TSR created	0%
		Total vesting	–

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Share price on vesting date	Value
N S Stagg	971,000	—	971,000	16p	£0
C J Povey	647,000	—	647,000		£0
C Mahjoub	1,341,000	—	1,341,000		£0

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

Except for the directors shown in the above tables no other director held share awards at 31 December 2014. There have been no variations to the terms and conditions or performance criteria for share awards during the financial year.

The market price at 31 December 2014 was 15.875p and the range during 2014 was 15.75p to 29.50p.

Outstanding PSP awards

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

Date of grant	31 August 2012	7 March 2013
Share price at grant	24.63p	28.5p
20% vesting at TSR creation of	5.0p	5.0p
100% vesting at TSR creation of	25.0p	25.0p

Straight-line vesting between 20% and 100%.

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

At 31 December 2014, there were awards outstanding over new shares under the 2008 Performance Share Plan of 11.4 million (excluding the awards lapsing on 5 January 2015), comprising 2.3% of the issued share capital.

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

Deferred Share Bonus ("DSB")

Prior to 2013 part of a larger annual bonus entitlement was paid in deferred shares. In 2013 the annual bonus maximum of the executive directors was reduced and there is no longer a deferred share element. Deferred shares are released three years after the end of the relevant financial year with the exception of Mr Mahjoub's 2012 award in respect of his annual bonus in the financial year 2011 which vested on 31 May 2014.

Annual report on remuneration continued

Directors' shareholding and share interests

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

	Beneficially owned at 31 December 2014	**Beneficially owned at 5 March 2015**	Outstanding PSP awards[1]	Outstanding DSB awards	% shareholding guideline achieved at 31 December 2014
Executive directors					
N S Stagg	1,364,972	**1,364,972**	2,603,000	—	54.17%
C J Povey	32,000	**32,000**	1,677,000	—	2.03%
C Mahjoub	3,439,532	**3,439,532**	2,603,000	—	132.68%
L H Carvalho[2]	1,657,006	**1,657,006**	—	—	n/a
Chairman and non-executive directors					
A J Barber	2,200,000	**2,200,000**	—	—	n/a
M Capello[3]	—	**—**	—	—	n/a
S A Ferriss	367,451	**367,451**	—	—	n/a
E Di Spiezio Sardo[3]	—	**—**	—	—	n/a
A H Simon	62,937	**62,937**	—	—	n/a
J D Waldron	256,725	**256,725**	—	—	n/a

1 Excludes FY 2011 awards which lapsed in January 2015.
2 Shareholdings and share awards shown as at 5 March 2014 being the date of cessation as an executive director of Management Consulting Group PLC.
3 Mr Capello and Mr Di Spiezio Sardo are partners of BlueGem Capital Partners LLP, the manager of BlueGem LP, whose interest in the Company is disclosed in the Directors' Report.

DEPARTURE OF MR LUIZ CARVALHO

Mr Carvalho ceased to be an executive director of the Company on 5 March 2014 and his remuneration to that date is included in the remuneration table on page 56. Mr Carvalho remained in employment with the Group but on gardening leave during his twelve month notice period (which commenced on 5 March 2014). He continued to receive his salary of $1,000,000 per annum to 5 March 2015 and has also been paid health and dental cover to the value of $22,300 p.a. and an amount for $14,519 for accrued but unused holiday (in line with US legislation). In lieu of his 2012 deferred bonus for performance in the financial year 2011 he received $156,733 and his deferred share bonus award lapsed. All unvested PSP awards lapsed on his ceasing to be a director on 5 March 2014.

Unaudited information

PERCENTAGE INCREASE IN THE REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

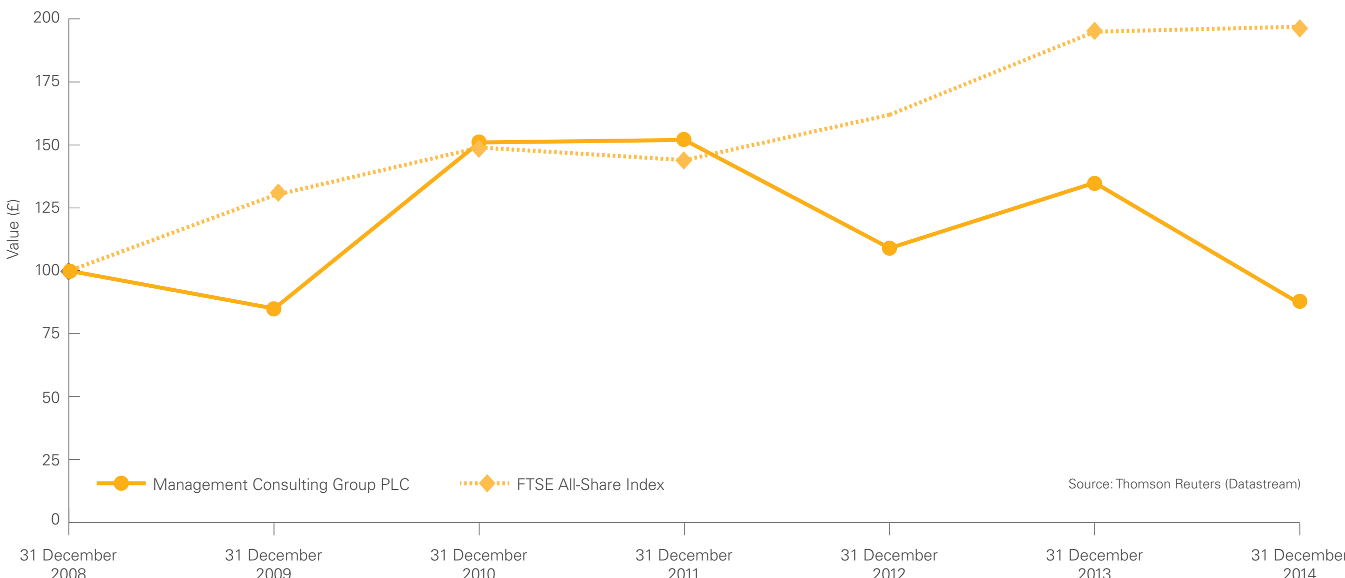
	% change 2013 to 2014
Chief Executive	
Salary	0%
Benefits	12.3%
Bonus	(53.7)%
Average per employee	
Salary	2.3%
Benefits	1.1%
Bonus	(5.5)%

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

PERFORMANCE GRAPH

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

TOTAL SHAREHOLDER RETURN



This graph shows the value, by 31 December 2014, of £100 invested in Management Consulting Group PLC on 31 December 2009 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

	2009	2010	2011	2012	2013	**2014**
Total remuneration (£'000)	500	521	717	534	956	**597**
Annual bonus (% of maximum)	0%	22.3%	54.7%	24.9%	45.9%	**21.3%**
LTIP vesting (% of maximum)	0%	0%	0%	0%	28.94%	**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).

RELATIVE IMPORTANCE OF THE SPEND ON PAY

	2013	**2014**	% increase/ (decrease)
Staff costs £'000	159,816	**150,502**	(5.8)%
Dividends £'000	3,983	**4,005**	0.6%

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

Report of the Remuneration Committee continued

Annual report on remuneration continued

Unaudited information continued

EXTERNAL ADVISERS

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

The total fees paid to NBS in respect of its services to the Committee during the year were £16,137. The fees are predominantly charged on a "time spent" basis.

EXTERNAL DIRECTORSHIPS

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

Position	FY 2014	FY 2013
N S Stagg		
Shinetrip Ltd	**£27,500**	£27,500
Wedlake Bell – adviser to board	**—**	—

STATEMENT OF SHAREHOLDER VOTING

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

Vote on the Company's Remuneration Policy Report

	2014 AGM	%
Votes cast in favour	**286,611,866**	82.6%
Votes cast against	**60,541,616**	17.4%
Total votes cast	**348,460,041**	100%
Votes withheld	**1,306,559**	

Vote on the Company's Remuneration Report

	2014 AGM	%
Votes cast in favour	**327,827,072**	94.1%
Votes cast against	**20,626,638**	5.9%
Total votes cast	**348,460,041**	100%
Votes withheld	**6,331**	

Approval

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

Signed on behalf of the Board of Directors.

Yours sincerely

A H Simon
Chairman of the Remuneration Committee
5 March 2015

Directors' responsibility statement

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

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

– make an assessment of the Group's ability to continue as a going concern.

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

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

The Chairman's Statement, Business Review and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 5 March 2015. The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this report should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

– the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Nick Stagg
Chief Executive
5 March 2015

Chris Povey
Finance Director

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

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

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 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.

The financial statements comprise the Group income statement, the Group statement of comprehensive income, the Group statement of changes in equity, the Group balance sheet, the Group cash flow statement, the Company balance sheet, the Company statement of changes in equity, the Company cash flow statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern
As required by the Listing Rules we have reviewed the Directors' statement contained within the Financial Review that the Group is a going concern.

We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These remain unchanged from the risks identified in 2013.

Carrying value of goodwill	
Risk description	The assessment of the carrying value of goodwill due to the significance of the goodwill asset on the balance sheet (£253.2 million) and judgements required in respect of forecasting future cash flows, associated discount rates and growth rates. Further information in this area is discussed in the critical accounting judgements in note 2 of the accounts.
How the scope of our audit responded to the risk	We tested management's assumptions used in the impairment model for goodwill, described in note 10 to the financial statements. We considered and evaluated the key assumptions, which we judged to be future cash flows, growth rates and the discount rate applied, to the separate cash-generating units, Kurt Salmon and Proudfoot, through benchmarking against comparator businesses, comparison against the market rate and the prevailing Group cost of capital, and our understanding of the future prospects of the business, with particular focus on assessment of forecasts against historical forecast accuracy. We used our internal valuation specialists to assess the calculation methodology for the discount rate. We have critically assessed the reasonableness of sensitivities applied by management against the base case scenario and recalculated the headroom available under the sensitised position. In addition, we have considered the levels to which profits would have to decline before an impairment is triggered. We have audited the mechanics of the impairment model prepared by management.

Revenue recognition	
Risk description	Revenue recognition, specifically the valuation of revenue, and receivable and accrued income exposure due to the risk on the timing of revenue recognition on contracts which span the year end which involves a level of management judgement. Further information in this area is discussed in the critical accounting judgements in note 2 of the accounts.
How the scope of our audit responded to the risk	We assessed the revenue recognition policies applied in the two divisions of the Group, including the valuation and timing of revenue recognition. We evaluated the design and implementation of revenue controls across the locations subject to a full audit. We performed substantive tests on a sample of projects, agreeing fees and project dates to contracts. Independent recalculation was performed on a sample of the accrued and deferred income balances by reference to the revenue recognised and pre-year end billing; in addition, accrued balances were tied to post-year end billings. Time reports were assessed and used to recalculate revenue recognised for the year under review. We assessed whether the revenue recognition policies adopted complied with IFRS.

Recoverability of deferred tax assets	
Risk description	Recognition and recoverability of £14.7 million deferred tax assets, in particular those in overseas jurisdictions due to the judgement in assessing the probability that sufficient future taxable profits will be generated against which the deferred tax asset can be offset. Further information in this area is discussed in the critical accounting judgements in note 2 of the accounts.
How the scope of our audit responded to the risk	We tested and evaluated the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets as described in note 15 to the financial statements, considering those assumptions and supporting forecasts and estimates as well as the appropriateness of tax disclosures. We used our internal tax specialists to assess tax rates against local tax legislation and review supporting documentation as well as assessing management's assumptions and estimates.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 43.

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

Our application of materiality

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

We determined materiality for the Group to be £0.45 million, which is below 10% of pre-tax profit, below 0.2% of revenue and below 0.25% of equity. This is a change of approach from 2013, where materiality of £1.05 million was calculated having regard to a number of factors including the level of non-recurring items and average of pre-tax profit over the previous three years and was below 7.5% of pre-tax profit, below 0.5% of revenue and below 0.5% of equity. The change has been made following emerging market practice and changing investor expectations.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2013: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at five key locations being the UK, the US, France, South Africa and Germany, the key components of which were all subject to a full audit. These locations represent the principal business units within each of the Group's reportable segments and the full audits undertaken at these locations account for 79% of the Group's revenue and 81% of the Group's total assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the five key locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and capped at £325,000. The Group audit team also performed specified audit procedures on a number of locations across the Group, accounting for a further 12% of the Group's revenue and 7% of the Group's total assets.

The Group audit team met with the management teams in the UK, the US and France this year. The Senior Statutory Auditor also attended audit close meetings at these locations. Annually, for each of the significant components, we include the component audit team in our team briefing, discuss and agree their risk assessment and audit approach before their work commences, attend the audit close meetings either via telephone, teleconference or in person, and review a selection of working papers on scoped significant audit risks.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

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

CORPORATE GOVERNANCE STATEMENT

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

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

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

– materially inconsistent with the information in the audited financial statements; or

– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

– otherwise misleading.

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

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

Anthony Morris, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5 March 2015

Financials

Group income statement
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Revenue	3	**242,774**	257,304
Cost of sales		**(157,031)**	(165,226)
Gross profit		**85,743**	92,078
Administrative expenses – underlying		**(73,925)**	(70,898)
Profit from operations – underlying		**11,818**	21,180
Administrative expenses – non-recurring (net)	4	**(2,912)**	(1,525)
Profit from operations before amortisation of acquired intangibles		**8,906**	19,655
Administrative expenses – amortisation of acquired intangibles	10	**(787)**	(2,161)
Total administrative expenses		**(77,624)**	(74,584)
Profit from operations	3	**8,119**	17,494
Investment revenues	6a	**69**	121
Finance costs	6b	**(3,254)**	(3,595)
Profit before tax	4	**4,934**	14,020
Tax	7	**(5,896)**	(4,897)
(Loss)/profit for the year attributable to owners of the Company		**(962)**	9,123
Earnings per share – pence			
From (loss)/profit for the year attributable to owners of the Company:			
Basic	9	**(0.2)**	1.9
Diluted	9	**(0.2)**	1.8
Basic – underlying	9	**0.2**	2.4
Diluted – underlying	9	**0.2**	2.3

Group statement of comprehensive income
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
(Loss)/profit for the year		**(962)**	9,123
Items that will not be reclassified subsequently to profit and loss			
Actuarial (losses)/gains on defined benefit post-retirement obligations	17	**(3,828)**	5,205
Tax items taken directly to comprehensive income	7, 15	**594**	1,124
		(3,234)	6,329
Items that may be reclassified subsequently to profit and loss			
Loss on available-for-sale investments	20	**(218)**	(83)
Exchange differences on translation of foreign operations	20	**(6,097)**	1,912
		(6,315)	1,829
Total comprehensive (expense)/income for the year attributable to owners of the Company		**(10,511)**	17,281

Group statement of changes in equity

for the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Merger reserve £'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 2014	**84,504**	**82,040**	**32,513**	**6,239**	**(4,111)**	**25,126**	**6,300**	**(21,745)**	**210,866**
Loss for the year	—	—	—	—	—	—	—	(962)	(962)
Other comprehensive expense	—	—	—	—	—	(6,097)	(218)	(3,234)	(9,549)
Total other comprehensive expense	—	—	—	—	—	(6,097)	(218)	(4,196)	(10,511)
Shares issued	14	322	—	—	—	—	—	—	336
Share-based payments	—	—	—	3,028	—	—	—	—	3,028
Lapsed/vested shares	—	—	—	(3,530)	2,005	—	—	412	(1,113)
Shares acquired by employee benefit trusts	—	—	—	—	(1,015)	—	—	—	(1,015)
Shares transferred from employee benefit trusts	—	—	—	—	58	—	—	—	58
Dividends paid to shareholders	—	—	—	—	—	—	—	(3,984)	(3,984)
Balance at 31 December 2014	**84,518**	**82,362**	**32,513**	**5,737**	**(3,063)**	**19,029**	**6,082**	**(29,513)**	**197,665**
Balance at 1 January 2013	84,504	82,040	32,513	5,732	(3,627)	23,214	6,383	(36,193)	194,566
Profit for the year	—	—	—	—	—	—	—	9,123	9,123
Other comprehensive income	—	—	—	—	—	1,912	(83)	6,329	8,158
Total comprehensive income	—	—	—	—	—	1,912	(83)	15,452	17,281
Tax on equity items	—	—	—	—	—	—	—	(195)	(195)
Share-based payments	—	—	—	3,039	—	—	—	—	3,039
Lapsed/vested shares	—	—	—	(2,532)	140	—	—	2,069	(323)
Shares acquired by employee benefit trusts	—	—	—	—	(718)	—	—	—	(718)
Shares transferred from employee benefit trusts	—	—	—	—	94	—	—	—	94
Dividends paid to shareholders	—	—	—	—	—	—	—	(2,878)	(2,878)
Balance at 31 December 2013	**84,504**	**82,040**	**32,513**	**6,239**	**(4,111)**	**25,126**	**6,300**	**(21,745)**	**210,866**

Group balance sheet
as at 31 December 2014

	Note	**2014 £'000**	2013 £'000
Non-current assets			
Intangible assets and goodwill	10	**258,542**	266,806
Property, plant and equipment	11	**2,747**	2,724
Investments	12	**727**	2,444
Deferred tax assets	15	**14,722**	16,486
Total non-current assets		**276,738**	288,460
Current assets			
Trade and other receivables	13	**62,901**	68,709
Current tax receivables	15	**2,136**	1,941
Cash and cash equivalents	22	**24,920**	14,669
Total current assets		**89,957**	85,319
Total assets		**366,695**	373,779
Current liabilities			
Trade and other payables	14	**(71,073)**	(70,787)
Current tax liabilities	15	**(7,643)**	(9,014)
Total current liabilities		**(78,716)**	(79,801)
Net current assets		**11,241**	5,518
Non-current liabilities			
Financial liabilities	16	**(58,521)**	(54,481)
Retirement benefit obligations	17	**(22,920)**	(19,582)
Non-current tax liabilities	15	**(3,956)**	(3,764)
Long-term provisions	18	**(4,917)**	(5,285)
Total non-current liabilities		**(90,314)**	(83,112)
Total liabilities		**(169,030)**	(162,913)
Net assets		**197,665**	210,866
Equity			
Share capital	19	**84,518**	84,504
Share premium account	20	**82,362**	82,040
Merger reserve	20	**32,513**	32,513
Share compensation reserve	20	**5,737**	6,239
Shares held by employee benefit trusts	20	**(3,063)**	(4,111)
Translation reserve	20	**19,029**	25,126
Other reserves	20	**6,082**	6,300
Retained earnings	21	**(29,513)**	(21,745)
Equity attributable to owners of the Company		**197,665**	210,866

The financial statements were approved by the Board of Directors and authorised for issue on 5 March 2015. They were signed on its behalf by:

Chris Povey
Director

Group cash flow statement
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	22	**13,088**	1,842
Investing activities			
Interest received		**69**	30
Purchases of property, plant and equipment		**(849)**	(1,213)
Purchases of intangible assets		**(252)**	(1,333)
Purchase of financial assets		**(87)**	(362)
Disposal of financial assets		**1,674**	—
Disposal of subsidiary		**—**	98
Acquisition of subsidiaries		**(600)**	(320)
Net cash used in investing activities		**(45)**	(3,100)
Financing activities			
Interest paid		**(1,957)**	(2,067)
Dividends paid		**(4,088)**	(3,890)
Proceeds from borrowings		**28,049**	29,543
Repayment of borrowings		**(23,406)**	(20,617)
Purchase of own shares		**(1,014)**	(718)
Net cash (used in)/generated from financing activities		**(2,416)**	2,251
Net increase in cash and cash equivalents		**10,627**	993
Cash and cash equivalents at beginning of year		**14,669**	14,863
Effect of foreign exchange rate changes		**(376)**	(1,187)
Cash and cash equivalents at end of year	22	**24,920**	14,669

Company balance sheet
as at 31 December 2014

	Note	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	10	**144**	256
Property, plant and equipment	11	**348**	475
Investments	12	**235,745**	235,987
Total non-current assets		**236,237**	236,718
Current assets			
Trade and other receivables	13	**25,717**	23,805
Cash and cash equivalents	22	**362**	181
Total current assets		**26,079**	23,986
Total assets		**262,316**	260,704
Current liabilities			
Trade and other payables	14	**(39,394)**	(36,461)
Total current liabilities		**(39,394)**	(36,461)
Net current liabilities		**(13,315)**	(12,475)
Non-current liabilities			
Long-term provisions	18	**(2,139)**	(1,789)
Total non-current liabilities		**(2,139)**	(1,789)
Total liabilities		**(41,533)**	(38,250)
Net assets		**220,783**	222,454
Equity			
Share capital	19	**84,518**	84,504
Share premium account	20	**82,362**	82,040
Merger reserve	20	**26,830**	26,830
Share compensation reserve	20	**5,737**	6,239
Shares held by employee benefit trusts	20	**(3,063)**	(4,111)
Capital redemption reserve	20	**1,186**	1,186
Retained earnings	21	**23,213**	25,766
Equity attributable to owners of the Company		**220,783**	222,454

The financial statements were approved by the Board of Directors and authorised for issue on 5 March 2015. They were signed on its behalf by:

Chris Povey

Chris Povey
Director

Company number
1000608

Company statement of changes in equity
for the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefit trusts £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014	**84,504**	**82,040**	**26,830**	**6,239**	**(4,111)**	**1,186**	**25,766**	**222,454**
Profit for the year	—	—	—	—	—	—	1,019	1,019
Shares issued	14	322	—	—	—	—	—	336
Share-based payments	—	—	—	3,028	—	—	—	3,028
Lapsed/vested shares	—	—	—	(3,530)	2,005	—	412	(1,113)
Shares acquired by employee benefit trusts	—	—	—	—	(1,015)	—	—	(1,015)
Shares transferred from employee benefit trusts	—	—	—	—	58	—	—	58
Dividends paid to shareholders	—	—	—	—	—	—	(3,984)	(3,984)
Balance at 31 December 2014	**84,518**	**82,362**	**26,830**	**5,737**	**(3,063)**	**1,186**	**23,213**	**220,783**
Balance at 1 January 2013	84,504	82,040	26,830	5,732	(3,627)	1,186	22,826	219,491
Loss for the year	—	—	—	—	—	—	(2,969)	(2,969)
Tax on equity items	—	—	—	—	—	—	(195)	(195)
Share-based payments	—	—	—	3,039	—	—	—	3,039
Lapsed/vested shares	—	—	—	(2,532)	140	—	2,069	(323)
Shares acquired by employee benefit trusts	—	—	—	—	(718)	—	—	(718)
Shares transferred from employee benefit trusts	—	—	—	—	94	—	—	94
Dividends received from subsidiaries	—	—	—	—	—	—	6,913	6,913
Dividends paid to shareholders	—	—	—	—	—	—	(2,878)	(2,878)
Balance at 31 December 2013	**84,504**	**82,040**	**26,830**	**6,239**	**(4,111)**	**1,186**	**25,766**	**222,454**

Company cash flow statement
for the year ended 31 December 2014

	Note	**2014 £'000**	2013 £'000
Net cash inflow from operating activities	22	**1,182**	687
Investing activities			
Purchases of property, plant and equipment		**(19)**	(114)
Purchases of intangible assets		**(5)**	(10)
Investment in subsidiaries		**—**	(237)
Cash advances from/(to) subsidiaries		**906**	(2,129)
Dividends received		**—**	6,913
Net cash raised from investing activities		**882**	4,423
Financing activities			
Interest paid		**(219)**	(866)
Dividends paid		**(4,088)**	(3,890)
Purchase of own shares		**(1,014)**	(718)
Net cash used in financing activities		**(5,321)**	(5,474)
Net decrease in cash and cash equivalents		**(3,257)**	(364)
Cash and cash equivalents at beginning of year		**181**	71
Effect of foreign exchange rate changes		**3,438**	474
Cash and cash equivalents at end of year	22	**362**	181

Notes to the financial statements
for the year ended 31 December 2014

1. General information
Management Consulting Group PLC (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 115. The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review.

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

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

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

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

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

As detailed under "Liquidity and capital resources" in the Financial Review, the Group has a borrowing facility, which runs until July 2016. The facility is a fully revolving credit facility under which the Group can draw up to £85m. The facility is subject to financial covenants (referred to in note 23). At 31 December 2014, £58.5m was drawn on the facility. The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed. Consideration is given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of a significant amount of cost incurred by the Group.

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

Adoption of new and revised standards
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.

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

Amendments to IFRS 10, IFRS 12 and IAS 27

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 Levies

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

2. Significant accounting policies continued

(A) BASIS OF PREPARATION continued

Adoption of new and revised standards continued

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 had not yet been adopted by the EU.

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 11 (amendments) clarification of acceptable methods of depreciation and amortisation

IAS 19 (amendments) defined benefit plans: employee contributions

IAS 27 (amendments) equity method in separate financial statements

IFRS 10 and IAS 28 (amendments) sale of contribution of assets between an investor and its associate or joint venture

Annual Improvements to IFRSs: 2010–2012

Annual Improvements to IFRSs: 2011–2013

Annual Improvements to IFRSs: 2012–2014 cycle

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

IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Revenue recognition

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

Goodwill and other intangible fixed assets

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

2. Significant accounting policies continued

(A) BASIS OF PREPARATION continued

Employee benefits

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

Income taxes

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

Provisions

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

(B) BASIS OF CONSOLIDATION

Subsidiaries

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

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

(C) BUSINESS COMBINATIONS

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

(D) GOODWILL

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

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

2. Significant accounting policies continued

(E) INTANGIBLE ASSETS

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

(F) PROPERTY, PLANT AND EQUIPMENT

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

(G) LEASEHOLD IMPROVEMENTS

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

(H) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

(I) DIVIDEND DISTRIBUTION

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

(J) CASH AND CASH EQUIVALENTS

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

(K) FINANCIAL LIABILITIES

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

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

Notes to the financial statements continued
for the year ended 31 December 2014

2. Significant accounting policies continued

(L) TAXATION

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

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

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

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

(M) PROVISIONS

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

(N) OWN SHARES

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

(O) INVESTMENTS

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

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

(P) INTEREST INCOME

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

(Q) DIVIDEND INCOME

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

(R) OPERATING LEASES

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

2. Significant accounting policies continued

(S) RETIREMENT BENEFIT COSTS

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

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

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

(T) SHARE-BASED PAYMENTS

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

(U) FOREIGN CURRENCIES

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

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

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

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

(V) NON-RECURRING ITEMS

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

Notes to the financial statements continued
for the year ended 31 December 2014

3. Operating segments

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

Inter-segmental sales are not significant.

(A) GEOGRAPHICAL ANALYSIS

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

(i) Revenue and underlying operating profit by geography

Year ended 31 December 2014	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	**103,152**	**120,105**	**19,517**	**242,774**
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	**6,045**	**5,753**	**20**	**11,818**
Non-recurring (expenses)/income and amortisation of acquired intangibles	**(2,679)**	**(1,698)**	**678**	**(3,699)**
Profit from operations	**3,366**	**4,055**	**698**	**8,119**
Investment income				**69**
Finance costs				**(3,254)**
Profit before tax				**4,934**

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

(ii) Net assets by geography

At 31 December 2014	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Assets				
Intangibles, including goodwill	**115,286**	**139,964**	**3,292**	**258,542**
Other segment assets	**46,905**	**55,144**	**4,325**	**106,374**
	162,191	**195,108**	**7,617**	**364,916**
Unallocated corporate assets				**1,779**
Consolidated total assets				**366,695**
Liabilities				
Segment liabilities	**(75,478)**	**(85,693)**	**(5,461)**	**(166,632)**
Unallocated corporate liabilities				**(2,398)**
Consolidated total liabilities				**(169,030)**
Net assets				**197,665**

3. Operating segments continued

(A) GEOGRAPHICAL ANALYSIS continued

(ii) Net assets by geography continued

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

(iii) Capital additions, depreciation and amortisation by geography

At 31 December 2014	**Americas £'000**	**Europe £'000**	**Rest of the World £'000**	**Group £'000**
Capital additions	**714**	**380**	**42**	**1,136**
Unallocated corporate additions				**23**
Total capital additions				**1,159**
Depreciation and amortisation	**2,214**	**573**	**84**	**2,871**

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

(B) REVENUE AND UNDERLYING OPERATING PROFIT BY OPERATING SEGMENT

The two operating segments are combined into one reportable segment owing to similar underlying economic characteristics across the practices.

Not all significant non-recurring items and financial items can be allocated to the practices and are therefore disclosed for the reportable segment as a whole. Assets and liabilities by practice are not reviewed by the Board and are therefore not disclosed.

Year ended 31 December 2014	**Alexander Proudfoot £'000**	**Kurt Salmon £'000**	**Total £'000**
Revenue – continuing operations	**60,884**	**181,890**	**242,774**
Underlying operating (loss)/profit	**(1,619)**	**13,437**	**11,818**
Non-recurring expenses and amortisation of acquired intangibles			**(3,699)**
Operating profit			**8,119**
Investment income			**69**
Finance costs			**(3,254)**
Profit before tax			**4,934**

Notes to the financial statements continued
for the year ended 31 December 2014

3. Operating segments continued

(B) REVENUE AND UNDERLYING OPERATING PROFIT BY OPERATING SEGMENT continued

Year ended 31 December 2013	Alexander Proudfoot £'000	Kurt Salmon £'000	Total £'000
Revenue – continuing operations	68,760	188,544	257,304
Underlying operating profit	7,352	13,828	21,180
Non-recurring expenses and amortisation of acquired intangibles			(3,686)
Operating profit			17,494
Investment income			121
Finance costs			(3,595)
Profit before tax			14,020

4. Profit before tax

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

	Note	**2014 £'000**	2013 £'000
Net foreign exchange losses/(gains)		**203**	(269)
Amortisation of intangible assets		**2,041**	4,073
Depreciation of property, plant and equipment		**830**	989
Gain on disposal of fixed assets		**(341)**	(116)
Non-recurring items (net)		**2,912**	1,525
Staff costs	5	**150,502**	159,816

Non-recurring items in 2014 comprise £2.5m in respect of restructuring costs within Alexander Proudfoot and £0.4m in relation to redundancy costs in Kurt Salmon. Non-recurring items in 2013 comprised £1.2m in relation to restructuring within Kurt Salmon and £0.3m in respect of a loss on disposal of a subsidiary.

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

Auditor's remuneration	**2014 £'000**	**2014 %**	2013 £'000	2013 %
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**43**	**5**	45	7
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**358**	**42**	351	53
Total audit fees	**401**	**47**	396	60
Taxation compliance services	**417**	**49**	224	34
Other non-audit services	**35**	**4**	42	6
Total non-audit fees	**452**	**53**	266	40
Total auditor's remuneration	**853**	**100**	662	100

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

5. Staff numbers and costs

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

	2014 Number	2013 Number
Sales and marketing	**110**	124
Consultants	**1,164**	1,238
Support staff	**230**	219
	1,504	1,581

The number of Group employees at the year end was 1,509 (2013: 1,490).

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 Represented £'000
Wages and salaries	**122,284**	129,039
Social security costs	**18,991**	21,565
Other pension costs	**9,227**	9,212
	150,502	159,816

Prior year representment relates to a £4,619,000 reclassification from social security to other pension costs.

A charge of £401,000 (2013: £404,000) is included in the operating results in respect of the current service cost of the retirement benefit obligations (see note 17).

The average number of Company employees for the year was 21 (2013: 22). The payroll costs of the Company were £2,972,000 (2013: £2,181,000) for wages and salaries, £297,000 (2013: £256,000) for social security costs and £217,000 (2013: £192,000) for pension costs.

6a. Investment revenues

	2014 £'000	2013 £'000
Interest receivable on bank deposits and similar income	**69**	30
Gain in relation to financial instruments	**—**	91
	69	121

6b. Finance costs

	Note	**2014 £'000**	2013 £'000
Interest payable on bank overdrafts and loans and similar charges		**2,426**	2,435
Finance costs on retirement benefit plans	17	**828**	1,160
		3,254	3,595

7. Tax

Recognised in the income statement: Income tax expense on continuing operations	2014 Before non-underlying items £'000	2014 Non-underlying items £'000	2014 Total £'000	2013 Before non-underlying items £'000	2013 Non-underlying items £'000	2013 Total £'000
Current tax						
Current year	**6,345**	**(907)**	**5,438**	5,665	(418)	5,247
Adjustment in respect of prior years	**(1,760)**	**(606)**	**(2,366)**	(3,287)	—	(3,287)
Current tax expense/(credit)	**4,585**	**(1,513)**	**3,072**	2,378	(418)	1,960
Deferred tax						
Current year	**4,337**	**(299)**	**4,038**	6,547	(780)	5,767
Adjustment in respect of prior years	**(1,214)**	**—**	**(1,214)**	(2,830)	—	(2,830)
Deferred tax expense/(credit)	**3,123**	**(299)**	**2,824**	3,717	(780)	2,937
Total income tax						
Income tax expense/(credit) on continuing activities	**7,708**	**(1,812)**	**5,896**	6,095	(1,198)	4,897

UK corporation tax is calculated at 21.50% (2013: 23.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2014 Before non-underlying items £'000	2014 Non-underlying items £'000	2014 Total £'000	2013 Before non-underlying items £'000	2013 Non-underlying items £'000	2013 Total £'000
Profit before tax from continuing operations	**8,633**	**(3,699)**	**4,934**	17,706	(3,686)	14,020
Tax at the average rate applicable across the Group of 48% (2013: 33%)	**4,148**	**(1,777)**	**2,371**	5,861	(1,220)	4,641
Net tax effect of unrelieved losses	**1,477**	**—**	**1,477**	1,963	—	1,963
Overseas tax rate differences and irrecoverable withholding tax	**1,461**	**918**	**2,379**	1,488	(94)	1,394
Net tax effect of permanent differences and unrecognised temporary differences	**3,596**	**(347)**	**3,249**	2,899	116	3,015
Relating to prior years	**(2,974)**	**(606)**	**(3,580)**	(6,116)	—	(6,116)
Income tax expense/(credit) on continuing operations	**7,708**	**(1,812)**	**5,896**	6,095	(1,198)	4,897
Effective tax rate for the year	**89%**		**120%**	34%		35%

7. Tax continued

The average tax rate applicable across the Group has increased to 48% (2013: 33%). This rate has been calculated at the rates prevailing in the jurisdictions where the Group operates. The increase in the average rate arises due to the split of profit and loss making jurisdictions and the corporate tax rates applied in those jurisdictions.

	2014 £'000	2013 £'000
Tax credited to other comprehensive income		
Current and deferred tax credits on actuarial and other movements on post-employment benefits	**594**	1,124
Tax credit on items recognised in other comprehensive income	**594**	1,124

	2014 £'000	2013 £'000
Tax charged to equity		
Current and deferred tax charges in respect of share-based payments	**—**	(195)
Tax charge on items recognised in equity	**—**	(195)

8. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2013 of 0.595p per share (2012: 0.595p)	**2,873**	2,878
Interim dividend for the year ended 31 December 2013 of 0.230p per share	**1,111**	—
	3,984	2,878

Dividends are not payable on shares held in the employee share trust, which has waived its entitlement to dividends. The amount of the dividend waived in 2014 in respect of the interim dividend for the year ended 31 December 2014 and the final dividend for year ended 31 December 2013 was £29,783 and £77,660 respectively (2013: £32,934 and £79,135).

The 2013 final dividend of 0.595p per share was paid on 2 July 2014.

The 2014 interim dividend of 0.230p per share was paid on 6 January 2015.

The directors propose a final dividend of 0.595p per share for the year ended 31 December 2014.

9. Earnings per share

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

Earnings	2014 £'000	2013 £'000
(Loss)/earnings for the purposes of basic earnings per share and diluted earnings per share, being net (loss)/profit attributable to owners of the Company	**(962)**	9,123
Non-recurring items (net)	**2,912**	1,525
Amortisation of acquired intangibles	**787**	2,161
Taxation on non-recurring items and amortisation of acquired intangibles	**(1,812)**	(1,198)
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**925**	11,611

Number of shares	Number million	Number million
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles	**485.0**	484.0
Effect of dilutive potential ordinary shares:		
Restricted share plan	**7.5**	14.4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**492.5**	498.4

9. Earnings per share continued

	2014 p	2013 p
Basic (loss)/earnings per share for the year attributable to owners of the Company	**(0.2)**	1.9
Diluted (loss)/earnings per share for the year attributable to owners of the Company	**(0.2)**	1.8
Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**0.2**	2.4
Diluted earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**0.2**	2.3

The average share price for the year ended 31 December 2014 was 23.0p (2013: 27.4p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted profit per share in 2014 includes rights over 7,535,929 ordinary shares (2013: 14,366,218).

10. Intangible assets and goodwill

Group	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost				
At 1 January 2014	259,903	19,083	11,591	290,577
Additions	—	—	252	252
Disposals	—	—	(1,092)	(1,092)
Exchange differences	(6,708)	(122)	7	(6,823)
At 31 December 2014	**253,195**	**18,961**	**10,758**	**282,914**
Amortisation				
At 1 January 2014	—	16,631	7,140	23,771
Charge for the year	—	787	1,254	2,041
Disposals	—	—	(1,092)	(1,092)
Exchange differences	—	(81)	(267)	(348)
At 31 December 2014	**—**	**17,337**	**7,035**	**24,372**
Carrying amount				
At 31 December 2014	**253,195**	**1,624**	**3,723**	**258,542**
At 31 December 2013	259,903	2,452	4,451	266,806

Company	Software costs £'000
Cost	
At 1 January 2014	868
Additions	5
At 31 December 2014	**873**
Amortisation	
At 1 January 2014	612
Charge for the year	117
At 31 December 2014	**729**
Carrying amount	
At 31 December 2014	**144**
At 31 December 2013	256

10. Intangible assets and goodwill continued

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

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

ANALYSIS OF GOODWILL

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

	Kurt Salmon £'000	Alexander Proudfoot £'000	Total £'000
Cost as at 1 January 2014	213,780	46,123	259,903
Translation	(3,212)	(3,496)	(6,708)
Cost as at 31 December 2014	**210,568**	**42,627**	**253,195**

Notes to the financial statements continued
for the year ended 31 December 2014

10. Intangible assets and goodwill continued

ANALYSIS OF GOODWILL continued

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

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

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

The cash flow forecast for Kurt Salmon assumes some revenue growth in 2015, reflecting the regional mix for the business as a whole, which includes stabilised client activity levels in France and better short-term prospects in North America and Asia. EBITA margins are assumed to remain stable next year with modest growth in the following year.

The cash flow forecast for Alexander Proudfoot assumes significant revenue growth in 2015 together with a corresponding EBITA margin improvement following change initiatives implemented during 2014.

Beyond the three year strategic plan, cash flows for Kurt Salmon are extrapolated based on steady long-term growth assumptions reflecting the long-term average growth rates, which for Kurt Salmon is a rate of 1.8% (2013: 2.25%) for the European region and 1.9% (2013: 3.1%) for the Americas region. For Alexander Proudfoot we apply a long-term average growth rate of 1.6% (2013: 3.5%) for Europe and 1.9% (2013: 3.25%) for the Americas regions.

The rates used to discount the forecast post-tax cash flows for each CGU are 8.54% (2013: 7.98%) for Kurt Salmon and 9.29% (2013: 8.02%) for Alexander Proudfoot. CGU discount rates are based on the relevant regional weighted average cost of capital.

Following the 2014 impairment review management concluded that the recoverable amounts for both the Alexander Proudfoot and the Kurt Salmon CGUs exceeded carrying value. However, sensitivity analysis on key assumptions included in the impairment review of the Kurt Salmon CGU indicates that a reasonably possible change in key assumptions over the course of the next year could result in the recoverable amount falling below the carrying value as at 31 December 2014. The carrying value of the Alexander Proudfoot CGU remained satisfactory having taken into account reasonably possible changes in key assumptions.

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2014	8,100	1,832
Additions	907	19
Exchange differences	(69)	—
Disposals	(692)	—
At 31 December 2014	**8,246**	**1,851**
Accumulated depreciation		
At 1 January 2014	5,376	1,357
Charge for the year	830	146
Exchange differences	(89)	—
Disposals	(618)	—
At 31 December 2014	**5,499**	**1,503**
Carrying amount		
At 31 December 2014	**2,747**	**348**
At 31 December 2013	2,724	475

11. Property, plant and equipment continued

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

12. Investments

Group	**2014 £'000**	2013 £'000
Cost		
At 1 January 2014	**2,444**	2,025
Additions	**89**	1,003
Disposals	**(1,715)**	(542)
Exchange differences	**(91)**	115
Revaluation	**—**	(157)
At 31 December 2014	**727**	2,444

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

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

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

Notes to the financial statements continued
for the year ended 31 December 2014

12. Investments continued

Company	Shares £'000	Loans £'000	Total £'000
Investment in Group companies			
At 1 January 2014	235,423	564	235,987
Addition	322	—	322
Repayment of loans	—	(564)	(564)
At 31 December 2014	**235,745**	**—**	**235,745**
At 1 January 2013	235,423	327	235,750
Addition	—	822	822
Repayment of loans	—	(1,360)	(1,360)
Provision release	—	775	775
At 31 December 2013	235,423	564	235,987

Shares are stated net of provisions of £5,970,000 (2013: £5,970,000) against impairment in value. Additions in the year reflect increased investments in intermediate holding companies.

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

13. Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade receivables – gross	**42,419**	46,816	**—**	—
Allowance for doubtful debts	**(1,764)**	(1,804)	**—**	—
Trade receivables – net	**40,655**	45,012	**—**	—
Amounts owed by Group undertakings	**—**	—	**23,741**	21,922
Other receivables	**4,965**	4,644	**717**	166
Accrued income	**15,210**	17,025	**—**	—
Prepayments	**2,071**	2,028	**1,259**	1,717
	62,901	68,709	**25,717**	23,805

Debtor days at the year end were 49 days (2013: 62 days). No interest was charged on receivables. The directors consider that the carrying value of trade and other receivables approximates to their fair value (see note 23).

14. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade payables	**4,263**	3,092	**873**	205
Amounts owed to Group undertakings	**—**	—	**33,592**	31,482
Other taxes and social security	**18,033**	18,581	**1,660**	1,576
Other payables	**2,032**	1,176	**169**	233
Deferred income	**8,223**	10,175	**—**	—
Accruals	**38,522**	37,763	**3,100**	2,965
	71,073	70,787	**39,394**	36,461

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 53 days (2013: 24 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 23).

15. Tax assets and liabilities

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Current tax				
Current tax receivable	**2,136**	1,941	**—**	—
Current tax payable	**(7,643)**	(9,014)	**—**	—
Non-current tax				
Deferred tax assets	**14,722**	16,486	**—**	—
Deferred tax liabilities	**(3,956)**	(3,764)	**—**	—

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

Group	Share awards £'000	Pension £'000	Tax losses £'000	Other £'000	Total £'000
Deferred tax assets					
At 1 January 2013	195	3,711	10,490	5,589	19,985
Foreign exchange	—	(114)	(43)	(642)	(799)
Recognised in Group statement of comprehensive income	—	1,124	—	—	1,124
Recognised direct to equity	(195)	—	—	—	(195)
Credited/(charged) to Group income statement	—	1,354	(3,564)	(1,419)	(3,629)
At 1 January 2014	—	6,075	6,883	3,528	16,486
Foreign exchange	—	84	238	171	493
Recognised in Group statement of comprehensive income	—	594	—	—	594
Credited/(charged) to Group income statement	—	180	(2,736)	(295)	(2,851)
At 31 December 2014	**—**	**6,933**	**4,385**	**3,404**	**14,722**

Group	Intangibles £'000	Goodwill and other £'000	Total £'000
Deferred tax liabilities			
At 1 January 2013	2,188	2,328	4,516
Foreign exchange	(7)	(53)	(60)
(Credit)/charge to Group income statement	(767)	75	(692)
At 1 January 2014	1,414	2,350	3,764
Foreign exchange	61	158	219
(Credit)/charge to Group income statement	(367)	340	(27)
At 31 December 2014	**1,108**	**2,848**	**3,956**

Company	Other £'000
Deferred tax assets	
At 1 January 2014	—
Recognised direct to equity	—
At 31 December 2014	**—**

Notes to the financial statements continued
for the year ended 31 December 2014

15. Tax assets and liabilities continued
At 31 December 2014 the Group recognised deferred tax assets totalling £14.7m (2013: £16.5m), of which £4.4m (2013: £6.9m) are in respect of US tax losses, £7.6m (2013: £7.0m) are in respect of other temporary differences relating to the US and £2.7m (2013: £2.6m) in respect of other temporary differences relating to non-US jurisdictions. The Group believes there will be sufficient future taxable profits to utilise these tax losses and the deductions arising from the reversal of these other deferred tax assets. No deferred tax asset has been recognised in respect of non-US tax losses.

At 31 December 2014 the Group did not recognise deferred tax assets totalling £26.2m (2013: £26.0m), of which £6.0m (2013: £5.7m) are in respect of US tax losses, £19.1m (2013: £20.3m) are in respect of non-US losses and £1.1m (2013: £nil) are in respect of temporary differences other than losses. Based on the current tax rules in the respective jurisdictions, the non-US losses of £74.8m are expected to expire as follows: £12.7m by the end of 2018, £2.0m by the end of 2023, £1.2m by the end of 2033, with the remaining £58.9m being carried forward indefinitely. The losses may be subject to adjustment on tax audit and it is uncertain if there will be sufficient future profits against which the losses can be offset.

No deferred tax liability is recognised in relation to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of the temporary differences which would give rise to the liability and it is probable that they will not reverse in the foreseeable future. The unrecognised deferred tax liability at 31 December 2014 of £1.5m (2013: £1.8m) 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.

16. Bank borrowings
GROUP

	2014 £'000	2013 £'000
Non-current: bank borrowings	**58,521**	54,481
Total borrowings	**58,521**	54,481

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

	2014 £'000	2013 £'000
In the first to second year	**58,521**	—
In the third to fifth year	**—**	54,481
Total	**58,521**	54,481

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

	2014 £'000	2013 £'000
Six months or less	**58,521**	54,481

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

	Carrying amount 2014 £'000	**Fair value 2014 £'000**	Carrying amount 2013 £'000	Fair value 2013 £'000
Bank borrowings	**58,521**	**55,740**	54,481	49,558

The fair values for non-current borrowings are based on cash flows discounted using a rate based on the borrowing rate of 2.89% for Euro and 3.11% for US Dollar (2013: Euro 3.14% and US Dollar 3.14%).

16. Bank borrowings continued

GROUP continued

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

Currency	**2014 £'000**	2013 £'000
Euro	**35,648**	36,032
US Dollar	**22,873**	18,449
	58,521	54,481

The Group has the following undrawn borrowing facilities:

	2014 £'000	2013 £'000
Floating rate	**25,259**	28,934

COMPANY

The Company is party to the Group borrowing facility of £85m.

17. Retirement benefit obligations

DEFINED CONTRIBUTION SCHEMES

The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to income in respect of defined contribution schemes was £9,227,000 (2013 represented: £9,212,000), representing contributions payable to these schemes by the Group at rates specified in the rules of the plans.

DEFINED BENEFIT SCHEMES

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

The retirement benefit obligations are summarised below:

	2014 £'000	2013 £'000
US defined benefit pension scheme	**8,340**	5,529
US post-retirement medical plan	**2,499**	3,256
French statutory obligation	**2,501**	1,991
German obligation	**9,580**	8,806
UK defined benefit pension scheme	**—**	—
	22,920	19,582

A 1% change in the discount rates used in calculating the above obligations is estimated to affect the total retirement benefit obligation by £7,640,000 (2013: £6,500,000). The cumulative amount of other gains and losses recognised in the other comprehensive income since the date of transition to IFRS is a loss of £22,428,000 (2013: £18,600,000).

Notes to the financial statements continued
for the year ended 31 December 2014

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

US schemes

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

The principal assumptions used for the recent actuarial valuations were:

	2014 %	2013 %
Discount rate	**3.99**	4.73
General inflation assumption	**n/a**	n/a

There are neither guaranteed nor discretionary increases to benefits after retirement. The mortality table used was the RP 2014 mortality tables for males and females projected with scale MP2014 (2013: scale BB-2D). The discount rate assumption was changed to reflect changes in long-term corporate bond yields. Expected pension contributions for 2015 are £1,720,000.

(A) AMOUNTS RECOGNISED IN FINANCE COSTS IN RESPECT OF THESE BENEFIT SCHEMES ARE AS FOLLOWS:

	2014 £'000	2013 £'000
US defined benefit pension scheme		
Net interest on US defined benefit pension scheme	**(399)**	(695)
US medical benefits plan		
Interest on plan liabilities	**(97)**	(128)
Net finance expense	**(496)**	(823)

Actuarial gains and losses have been reported in the Group statement of comprehensive income. The actual return on scheme assets was £4,452,300 (2013: £7,817,000).

(B) THE AMOUNT INCLUDED IN THE BALANCE SHEET ARISING FROM THE GROUP'S OBLIGATIONS IN RESPECT OF THE US DEFINED BENEFIT PENSION SCHEME AND MEDICAL BENEFITS PLAN IS AS FOLLOWS:

	Note	2014 £'000	2013 £'000
Present value of defined benefit obligations		**(63,130)**	(55,418)
Fair value of scheme assets		**52,291**	46,633
Liability recognised in the balance sheet		**(10,839)**	(8,785)
Defined benefit pension scheme	(17)(e)(i)	**(8,340)**	(5,529)
Medical benefit plan	(17)(e)(ii)	**(2,499)**	(3,256)
		(10,839)	(8,785)

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

US schemes continued

(C) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2014 £'000	2013 £'000
Opening defined benefit obligation	**(55,418)**	(56,578)
Interest cost	**(2,737)**	(2,531)
Actuarial loss	**(4,511)**	(886)
Contributions by participants	**(75)**	(81)
Exchange differences	**(3,497)**	1,189
Benefits paid	**3,108**	3,469
Closing defined benefit obligation	**(63,130)**	(55,418)

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

	2014 £'000	2013 £'000
Opening fair value of plan assets	**46,633**	41,952
Expected return	**2,241**	1,708
Actuarial gain	**2,212**	6,108
Contributions by employer/participants	**1,275**	1,230
Exchange differences	**2,896**	(1,172)
Benefits paid	**(2,966)**	(3,193)
Closing fair value of plan assets	**52,291**	46,633
Net retirement benefit obligations	**(10,839)**	(8,785)

(D) THE FAIR VALUE OF PLAN ASSETS AT THE BALANCE SHEET DATE AND THE EXPECTED RATE OF RETURN ARE ANALYSED AS FOLLOWS:

	2014 £'000	2013 £'000
Equities	**42,564**	37,306
Bonds	**9,439**	8,860
Cash	**288**	467
	52,291	46,633

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

(E) HISTORY OF EXPERIENCE GAINS AND LOSSES

(I) US DEFINED BENEFIT PENSION SCHEME

The five year history of experience adjustments in relation to the US defined benefit pension scheme is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligations	**(60,631)**	(52,162)	(54,388)	(52,102)	(50,398)
Fair value of scheme assets	**52,291**	46,633	41,952	39,322	35,685
Deficit in the scheme	**(8,340)**	(5,529)	(12,436)	(12,780)	(14,713)
Experience adjustments on scheme liabilities					
Amount	**42**	(836)	164	(1,568)	(4,657)
Percentage of scheme liabilities	**(0)%**	(2)%	0%	(3)%	(9)%
Experience adjustments on scheme assets					
Amount	**2,121**	6,121	3,362	(983)	(1,609)
Percentage of scheme assets	**4%**	13%	8%	(2)%	(4)%

Notes to the financial statements continued
for the year ended 31 December 2014

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

US schemes continued

(E) HISTORY OF EXPERIENCE GAINS AND LOSSES continued

(II) UNFUNDED US MEDICAL BENEFIT PLAN

The five year history of experience adjustments in relation to the US medical plan is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of plan liabilities	**(2,499)**	(3,256)	(2,190)	(3,346)	(4,143)
Experience adjustments of plan liabilities	**(352)**	1,111	(923)	(745)	(217)
Percentage of plan liabilities	**(14)%**	34%	(42)%	(22)%	(5)%

French schemes

(F) UNFUNDED FRENCH RETIREMENT OBLIGATION

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

	2014	2013
Rate of increase in salaries	**3–4%**	3–6%
Discount rate	**1.7%**	3.3%

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

In both years the mortality table used was TGH/TGFOS (2013 INSEE 00/02).

(I) AMOUNTS RECOGNISED IN FINANCE COSTS IN RESPECT OF THE FRENCH POST-RETIREMENT SCHEME ARE AS FOLLOWS:

	2014 £'000	2013 £'000
Interest on liabilities	**(52)**	(59)

(II) THE AMOUNT INCLUDED IN THE BALANCE SHEET ARISING FROM THE GROUP'S OBLIGATIONS IN RESPECT OF THE FRENCH POST-RETIREMENT BENEFIT SCHEME IS AS FOLLOWS:

	2014 £'000	2013 £'000
Present value of defined benefit obligations	**(2,501)**	(1,991)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(2,501)**	(1,991)

(III) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2014 £'000	2013 £'000
At start of year	**(1,991)**	(1,598)
Service cost	**(145)**	(98)
Actuarial loss	**(465)**	(211)
Employer contribution	**12**	—
Interest cost	**(52)**	(59)
Foreign exchange difference	**140**	(25)
Closing defined benefit obligation	**(2,501)**	(1,991)

The French obligation is unfunded and holds no plan assets.

(IV) HISTORY OF EXPERIENCE GAINS AND LOSSES

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

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

German schemes

(G) UNFUNDED GERMAN RETIREMENT OBLIGATION

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

	2014	2013
Rate of increase in salaries	**4%**	4%
Discount rate	**2.3%**	3.35%

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

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

(I) AMOUNTS RECOGNISED IN FINANCE COSTS IN RESPECT OF THE GERMAN POST-RETIREMENT SCHEME ARE AS FOLLOWS:

	2014 £'000	2013 £'000
Interest on liabilities	**(280)**	(278)

(II) THE AMOUNTS INCLUDED IN THE BALANCE SHEET ARISING FROM THE GROUP'S OBLIGATIONS IN RESPECT OF THE GERMAN POST-RETIREMENT BENEFIT SCHEME ARE AS FOLLOWS:

	2014 £'000	2013 £'000
Present value of defined benefit obligations	**(9,580)**	(8,806)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(9,580)**	(8,806)

(III) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2014 £'000	2013 £'000
At 1 January	**(8,806)**	(8,537)
Service cost	**(283)**	(306)
Interest cost	**(280)**	(278)
Actuarial (loss)/gain	**(1,063)**	194
Benefits paid	**272**	278
Foreign exchange difference	**580**	(157)
Closing defined benefit obligation	**(9,580)**	(8,806)

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

(IV) HISTORY OF EXPERIENCE GAINS AND LOSSES

The history of experience adjustments in relation to the German post-retirement scheme that arose in the period since acquisition is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of plan liabilities	**(9,580)**	(8,806)	(8,537)	(5,863)	(5,889)
Experience adjustments of plan liabilities	**(97)**	(16)	3	(264)	(485)
Percentage of the plan liabilities	**1%**	0%	0%	(4.5)%	(8.2)%

Notes to the financial statements continued
for the year ended 31 December 2014

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

UK schemes

(H) UK RETIREMENT OBLIGATION

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

	2014 %	2013 %
Discount rate	**3.4**	4.4

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

At 31 December 2014 and 31 December 2013 there are no amounts recognised in finance costs in respect of the UK post-retirement scheme.

At 31 December 2014 and 31 December 2013 there are no actuarial gains and losses reported in the Group statement of comprehensive income relating to the UK scheme.

(I) THE AMOUNTS INCLUDED IN THE BALANCE SHEET ARISING FROM THE GROUP'S OBLIGATIONS IN RESPECT OF THE UK POST-RETIREMENT BENEFIT SCHEME ARE AS FOLLOWS:

	2014 £'000	2013 £'000
Present value of defined benefit obligations	**(4,700)**	(4,200)
Fair value of scheme assets	**4,700**	4,300
Provision	**—**	(100)
Asset recognised in the balance sheet	**—**	—

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

	2014 £'000	2013 £'000
Opening defined benefit obligation	**(4,200)**	(3,800)
Interest cost	**(200)**	(200)
Benefits paid	**—**	—
Settlements	**—**	200
Actuarial loss	**(300)**	(400)
Closing defined benefit obligation	**(4,700)**	(4,200)

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

	2014 £'000	2013 £'000
Opening fair value of plan assets	**4,300**	3,900
Interest income	**200**	200
Benefits paid	**—**	—
Settlements	**—**	(200)
Actuarial gain	**200**	400
Closing fair value of plan assets	**4,700**	4,300

The actual return on scheme assets was £400,000 (2013: £600,000).

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

	2014		2013	
	Expected return %	**£'000**	Expected return %	£'000
Equities	**3.4**	**4,700**	4.4	4,300

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

17. Retirement benefit obligations continued

DEFINED BENEFIT SCHEMES continued

UK schemes continued

(H) UK RETIREMENT OBLIGATION continued

(II) HISTORY OF EXPERIENCE GAINS AND LOSSES

The history of experience adjustments in relation to the UK post-retirement scheme that arose in the period since acquisition is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of plan liabilities	**(4,700)**	(4,200)	(3,800)	(3,700)	(4,200)
Fair value of scheme assets	**4,700**	4,300	3,900	3,800	4,300
Experience adjustments on scheme assets	**200**	400	100	(200)	300
Percentage of scheme assets	**4%**	9%	3%	(5)%	7%
Experience adjustments of plan liabilities	**(300)**	(400)	(100)	200	(300)
Percentage of the plan liabilities	**6%**	(10)%	3%	5%	(7)%

18. Long-term provisions

	Group			Company
	Property provision £'000	Pensions provision £'000	Total £'000	Property provision £'000
At 1 January 2014	5,171	114	5,285	1,789
Utilised	(1,336)	(45)	(1,381)	(450)
Charge	800	—	800	800
Foreign exchange movement	205	8	213	—
At 31 December 2014	**4,840**	**77**	**4,917**	**2,139**

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

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

19. Share capital

(A) CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Issued and fully paid		
498,400,995 (2013: 497,050,995) shares of 1p each	**4,984**	4,970
331,390,961 (2013: 331,390,961) deferred shares of 24p each	**79,534**	79,534
	84,518	84,504

Shares issued in the year were:

	24p shares Number	1p shares Number	Nominal value £'000
At 1 January 2014	331,390,961	497,050,995	84,504
Issue of new shares	—	1,350,000	14
At 31 December 2014	**331,390,961**	**498,400,995**	**84,518**

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

An net expense of £2,410,000 (2013: £3,928,000) has been recognised in the year in respect of share awards. The cumulative share compensation reserve at 31 December 2014 is £5,737,000 (2013: £6,239,000). The weighted average fair value of awards granted in the year was 23.49p (2013: 28.15p).

(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 58.

	Number of shares
Outstanding at 1 January 2014	22,973,000
Forfeited during the year	(5,475,000)
Lapsed during the year	(6,081,000)
Outstanding at 31 December 2014	**11,417,000**

The performance conditions for conditional awards granted during the year are either purely TSR based or a combination of share price performance and the achievement of other non-market based financial targets. The remaining awards are exercisable note earlier than the period January 2015 to April 2016.

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

19. Share capital continued

(B) SHARE AWARDS continued

Restricted awards

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

	Number of shares	Weighted average exercise price
Outstanding at 1 January 2014	25,854,907	28.8
Granted during the year	9,755,246	23.5
Forfeited during the year	(3,148,818)	26.0
Exercised during the year	(8,331,086)	28.7
Outstanding at 31 December 2014	**24,130,249**	**26.1**
Exercisable at 31 December 2014	**2,581,250**	**28.1**

The weighted average share price at the date of exercise for share options exercised during the period was 28.7p. The options outstanding at 31 December 2014 had a weighted average exercise price of 24.5p and a weighted average remaining contractual life of 15 months. In 2014, options were granted on 30 April, 25 June, 30 June and 14 November. The aggregate of the estimated fair values of the options granted on those dates is £2,141,200.

20. Equity

Group	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefit trusts £'000	Currency translation reserve £'000
At 1 January 2013	82,040	32,513	5,732	(3,627)	23,214
Currency translation differences	—	—	—	—	1,912
Share-based payments	—	—	3,039	—	—
Lapsed/vested shares	—	—	(2,532)	140	—
Shares acquired by employee benefit trusts	—	—	—	(718)	—
Shares transferred from employee benefit trusts	—	—	—	94	—
At 31 December 2013	82,040	32,513	6,239	(4,111)	25,126
Currency translation differences	—	—	—	—	(6,097)
Shares issued	322	—	—	—	—
Share-based payments	—	—	3,028	—	—
Lapsed/vested shares	—	—	(3,530)	2,005	—
Shares acquired by employee benefit trusts	—	—	—	(1,015)	—
Shares transferred from employee benefit trusts	—	—	—	58	—
At 31 December 2014	**82,362**	**32,513**	**5,737**	**(3,063)**	**19,029**

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2013	5,878	1,186	(681)	6,383
Loss on available-for-sale investments	—	—	(83)	(83)
At 31 December 2013	5,878	1,186	(764)	6,300
Loss on available-for-sale investments	—	—	(218)	(218)
At 31 December 2014	**5,878**	**1,186**	**(982)**	**6,082**

Notes to the financial statements continued
for the year ended 31 December 2014

20. Equity continued

Company	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefit trusts £'000	Capital redemption reserve £'000
At 1 January 2013	82,040	26,830	5,732	(3,627)	1,186
Share-based payment	—	—	3,039	—	—
Lapsed/vested shares	—	—	(2,532)	140	—
Shares acquired by employee benefit trusts	—	—	—	(718)	—
Shares transferred from employee benefit trusts	—	—	—	94	—
At 31 December 2013	82,040	26,830	6,239	(4,111)	1,186
Shares issued	322	—	—	—	—
Share-based payment	—	—	3,028	—	—
Lapsed/vested shares	—	—	(3,530)	2,005	—
Shares acquired by employee benefit trusts	—	—	—	(1,015)	—
Shares transferred from employee benefit trusts	—	—	—	58	—
At 31 December 2014	**82,362**	**26,830**	**5,737**	**(3,063)**	**1,186**

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

Shares to be issued comprise the estimated value of shares that may be issued under the Management Incentive Plan. The share compensation reserve represents the net credit arising from the charge for share awards less amounts transferred to retained earnings following the lapse of share awards. Shares held in treasury and by the employee benefit trusts represent 10,941,929 shares (2013: 14,366,218). The value of these shares held in reserves is £3,063,041 (2013: £4,111,242).

During 2014 the Group's employee benefit trust purchased 1% of called up share capital.

21. Retained earnings

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
At 1 January	**(21,745)**	(36,193)	**25,766**	22,826
Net (loss)/profit for the year	**(962)**	9,123	**1,019**	(2,969)
Dividends paid to shareholders	**(3,984)**	(2,878)	**(3,984)**	(2,878)
Dividends received from subsidiaries	**—**	—	**—**	6,913
Lapsed/vested shares	**412**	2,069	**412**	2,069
Actuarial (loss)/gain related to retirement benefit schemes	**(3,828)**	5,205	**—**	—
Tax on items taken to comprehensive income	**594**	1,124	**—**	—
Tax on items taken directly to equity	**—**	(195)	**—**	(195)
At 31 December	**(29,513)**	(21,745)	**23,213**	25,766

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 profit of £1,019,000 (2013: loss of £2,969,000) dealt with in the financial statements of the Company.

22. Notes to the cash flow statement

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Profit/(loss) from operations	**8,119**	17,494	**(1,416)**	(2,519)
Adjustments for:				
Depreciation of property, plant and equipment	**830**	989	**146**	141
Amortisation of intangible assets	**2,041**	4,073	**116**	151
Profit on disposal of fixed assets	**(341)**	(116)	**—**	—
Adjustment for the cost of share awards	**2,410**	3,928	**2,060**	3,928
Decrease in provisions	**(1,906)**	(4,692)	**(607)**	(504)
Loss on disposal of subsidiary	**—**	279	**—**	—
Other non-cash items	**—**	(33)	**—**	—
Operating cash flows before movements in working capital	**11,153**	21,922	**299**	1,197
Decrease/(increase) in receivables	**3,796**	(4,625)	**(93)**	394
Increase/(decrease) in payables	**2,676**	(10,634)	**976**	(904)
Cash generated by operations	**17,625**	6,663	**1,182**	687
Income taxes paid	**(4,537)**	(4,821)	**—**	—
Net cash inflow from operating activities	**13,088**	1,842	**1,182**	687

CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash at bank and in hand	**24,920**	12,108	**362**	181
Cash equivalents	**—**	2,561	**—**	—
Cash and cash equivalents	**24,920**	14,669	**362**	181

Included within the year end cash balance of £24.9m is cash of £1.8m which is not available for use by the Group.

23. Financial instruments

CAPITAL STRUCTURE AND TREASURY POLICIES

Review of treasury policies

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

Risk management

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

Notes to the financial statements continued
for the year ended 31 December 2014

23. Financial instruments continued

CAPITAL STRUCTURE AND TREASURY POLICIES continued

Covenant compliance

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

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

	2014		2013	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.65**	**1.56**	1.57	1.65
£1 = Euro	**1.24**	**1.28**	1.18	1.20

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

Currency	Note	**2014 Floating rate £'000**	2013 Floating rate £'000
Financial assets			
Sterling		**1,230**	850
US Dollar		**5,683**	1,811
Euro		**11,250**	7,051
Other		**6,757**	4,957
Cash and cash equivalents	22	**24,920**	14,669
Euro		**319**	2,148
US Dollar		**408**	296
Investments	12	**727**	2,444
Sterling		**3,829**	4,456
US Dollar		**19,062**	19,191
Euro		**33,671**	38,678
Other		**6,339**	6,384
Trade and other receivables	13	**62,901**	68,709
Financial liabilities			
Sterling		**(10,219)**	(10,388)
US Dollar		**(14,210)**	(15,712)
Euro		**(35,440)**	(36,317)
Other		**(11,204)**	(8,370)
Trade and other payables	14	**(71,073)**	(70,787)

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.

23. Financial instruments continued

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:

	Note	Carrying amount 2014 £'000	Carrying amount 2013 £'000
Investments	12	**727**	2,444
Cash and cash equivalents	22	**24,920**	14,669
		25,647	17,113

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

	Note	Carrying amount 2014 £'000	Carrying amount 2013 £'000
Europe		**21,423**	26,296
United States		**14,575**	12,435
Rest of the World		**3,946**	4,871
United Kingdom		**711**	1,410
	13	**40,655**	45,012

The Group's most significant customer accounts for 12% of the trade receivables carrying amount at 31 December 2014 (2013: 4%).

	Note	2014 £'000	2013 £'000
Not past due		**22,540**	23,357
Past due 0–30 days		**10,475**	11,710
Past due 31–120 days		**7,640**	9,945
	13	**40,655**	45,012

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 2014	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12 months £'000**	**1–2 years £'000**	**2–5 years £'000**
Non-derivative financial liabilities							
Bank loans	16	**(58,521)**	**—**	**—**	**—**	**(58,521)**	**—**
Trade and other payables	14	**(71,073)**	**(71,073)**	**(71,073)**	**—**	**—**	**—**
		(129,594)	**(71,073)**	**(71,073)**	**—**	**(58,521)**	**—**

31 December 2013	Note	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000
Non-derivative financial liabilities							
Bank loans	16	(54,481)	—	—	—	—	(54,481)
Trade and other payables	14	(70,787)	(70,787)	(70,787)	—	—	—
		(125,268)	(70,787)	(70,787)	—	—	(54,481)

23. Financial instruments continued

CURRENCY RISK – GROUP

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

	31 December 2014		31 December 2013	
	€'000	$'000	€'000	$'000
Trade receivables	21,423	14,575	26,296	12,435
Bank loans	(35,648)	(22,873)	(36,032)	(18,449)
Trade payables	(1,469)	(650)	(1,715)	(651)
Gross balance sheet exposure	(15,694)	(8,948)	(11,451)	(6,665)
Notional current year sales	104,612	87,160	116,208	91,137
Notional current year purchases	(77,287)	(53,871)	(86,600)	(53,155)
Gross and net exposure	27,325	33,289	29,608	37,982

SENSITIVITY ANALYSIS – GROUP

A 10% strengthening of Sterling against the following currencies at 31 December 2014 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 2013.

	Equity £'000	Profit or loss £'000
2014		
US Dollar	813	(3,026)
Euro	1,427	(2,484)
2013		
US Dollar	606	(2,692)
Euro	1,044	(3,453)

A 10% weakening of Sterling against the above currencies at 31 December 2014 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments	2014 %	2013 %
Financial liabilities of less than six months	—	—
Financial liabilities of one to two years	2.8	—
Financial liabilities of two to five years	—	3.1

The Group has no variable or fixed rate financial assets. The Group has variable rate financial liabilities which are fixed at intervals of up to six months.

FAIR VALUES VERSUS CARRYING AMOUNTS – GROUP

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 December 2014		31 December 2013	
	Note	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Available-for-sale financial assets	12	727	727	2,444	2,444
Cash and cash equivalents		24,920	24,920	14,669	14,669
Bank loans	16	(58,521)	(55,740)	(54,481)	(49,558)
Trade and other payables	14	(71,073)	(71,073)	(70,787)	(70,787)

The basis for determining fair values for bank loans is disclosed in note 16.

23. Financial instruments continued

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT THE YEAR END – COMPANY

Currency	Note	**2014 Floating rate £'000**	2013 Floating rate £'000
Financial assets			
Sterling		**362**	2
US Dollar		**—**	—
Euro		**—**	179
Cash and cash equivalents	22	**362**	181
Sterling		**17,361**	16,245
US Dollar		**7,767**	6,857
Euro		**589**	703
Other		**—**	—
Trade and other receivables	13	**25,517**	23,805
Financial liabilities			
Sterling		**(6,961)**	(6,329)
US Dollar		**(2,617)**	(949)
Euro		**(28,494)**	(27,134)
Other		**(1,322)**	(2,049)
Trade and other payables	14	**(39,394)**	(36,461)

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	
	2014 £'000	2013 £'000
Cash and cash equivalents	**362**	181

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

LIQUIDITY RISK – COMPANY

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

31 December 2014	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Non-derivative financial liabilities			
Trade and other payables	**(39,394)**	**(39,394)**	**(39,394)**
	(39,394)	**(39,394)**	**(39,394)**

31 December 2013	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Non-derivative financial liabilities			
Trade and other payables	(36,461)	(36,461)	(36,461)
	(36,461)	(36,461)	(36,461)

23. Financial instruments continued

CURRENCY RISK – COMPANY

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

	31 December 2014		31 December 2013	
	€'000	$'000	€'000	$'000
Intercompany receivables	**589**	**7,767**	703	6,857
Intercompany payables	**(28,494)**	**(2,617)**	(27,134)	(949)
Gross balance sheet exposure	**(27,905)**	**5,150**	(26,431)	5,908

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 2014 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 2013.

	Equity £'000	Profit or loss £'000
2014		
US Dollar	**(300)**	**300**
Euro	**1,982**	**(1,982)**
2013		
US Dollar	(326)	326
Euro	2,002	(2,002)

A 10% weakening of Sterling against the above currencies at 31 December 2014 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments	**2014 %**	2013 %
Financial liabilities less than six months	**—**	—

The Company has no variable or fixed rate financial assets or financial liabilities.

FAIR VALUES VERSUS CARRYING AMOUNTS – COMPANY

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2014		31 December 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**362**	**362**	181	181
Trade and other payables	**(39,394)**	**(39,394)**	(36,461)	(36,461)

24. Operating lease arrangements

Group	**2014 £'000**	2013 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**7,621**	8,021

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:

	2014		2013	
Group	**Land and buildings £'000**	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**6,407**	**81**	7,223	76
In the second to fifth years inclusive	**20,656**	**99**	24,764	163
After five years	**4,127**	**—**	5,146	—
	31,190	**180**	37,133	239

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of four years.

25. Related party transactions

GROUP

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Except as disclosed below, no Group company entered into a transaction with a related party that is not a member of the Group. Goods and services purchased from related parties are on normal commercial terms and conditions.

During the year, the Group entered into the following transactions with related parties:

Julian Waldron, a director of the Company, is the Chief Financial Officer of Technip SA. During 2014 Kurt Salmon Consulting SAS provided consultancy services at fair market rates to Technip SA valued at £196,875 (2013: £937,310) and at year end there was a receivable from Technip SA of £66,712 (2013: £326,041).

All transactions with pension trustees have been disclosed in note 17.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2014 £'000	2013 £'000
Short-term employee benefits	**1,802**	2,543
Post-employment benefits	**154**	128
	1,956	2,671

Notes to the financial statements continued
for the year ended 31 December 2014

26. Principal subsidiary undertakings
At 31 December 2014, the Company had the following principal subsidiary undertakings engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Countries of incorporation/operation
Kurt Salmon Associés France SA	France
Kurt Salmon US Inc.	United States
Alexander Proudfoot Company	United States
Alexander Proudfoot (Europe) Limited*	United Kingdom
Alexander Proudfoot (Botswana) Pty Ltd	Botswana
Kurt Salmon UKI Limited*	United Kingdom
Alexander Proudfoot Inc.	Canada
Kurt Salmon Luxembourg SA	Luxembourg
Alexander Proudfoot South Africa (Pty) Limited	South Africa/Africa
Alexander Proudfoot Services Empresariais LTDA	Brazil
Kurt Salmon Germany GmbH	Germany
Kurt Salmon Belgium SA/NV	Belgium
Alexander Proudfoot GmbH	Austria
Kurt Salmon Switzerland Sarl	Switzerland
Kurt Salmon Capital Advisors, Inc.	United States
Kurt Salmon France SAS	France
Kurt Salmon Canada Ltd/Ltée	Canada

* Held directly.

A full list of subsidiary and other related companies will be appended to the next annual return of Management Consulting Group plc to be filed with the Registrar of Companies.

26. Principal subsidiary undertakings continued

COMPANY

Amounts owed by/(owed to) subsidiary undertakings

	2014 £'000	2013 £'000
Alexander Proudfoot (Europe) Limited	**1,303**	(367)
Alexander Proudfoot Company of Europe Ltd	**(1,000)**	(1,000)
MCG Holdings Netherlands BV	**24**	26
Alexander Proudfoot SpA Chile	**—**	27
Alexander Proudfoot Japan KK	**21**	21
Proudfoot de Mexico	**—**	2
Alexander Proudfoot GmBh	**—**	1
Alexander Proudfoot Australia	**(1,253)**	(1,297)
Alexander Proudfoot Inc.	**2**	181
MCG US Holdings Inc.	**(1,602)**	164
Alexander Proudfoot – Serviços Empresariais LTDA	**383**	299
MCG Overseas Holdings Limited (UK)	**—**	432
Alexander Proudfoot Company	**1,791**	720
Alexander Proudfoot Europe SA	**3**	—
Management Consulting Group Overseas Limited	**(267)**	—
MCG Overseas Holdings BV	**3**	3
MCG Company No. 4 Limited	**(19,196)**	(18,450)
Kurt Salmon US Inc.	**10,145**	7,936
Kurt Salmon UKI Limited	**6,250**	8,226
Management Consulting Group SAS	**(247)**	(13)
Kurt Salmon Associés France SA	**(115)**	(19)
Kurt Salmon France SAS	**3,024**	2,200
Kurt Salmon Belgium SA/BV	**6**	(42)
Kurt Salmon Luxembourg SA	**245**	170
Kurt Salmon Switzerland Sarl	**11**	1
Kurt Salmon GmbH	**(7,409)**	(6,890)
Kurt Salmon Associates AG	**(1,987)**	(2,007)
Alexander Proudfoot Botswana (Pty) Ltd	**—**	85
Proudfoot (Malaysia) SDN BHD	**8**	—
MCG Nederland B.V.	**6**	—
Vertical Retail Consulting	**—**	(240)
Alexander Proudfoot South Africa (Pty) Ltd	**—**	82
Ending balance	**(9,851)**	(9,749)

Notes to the financial statements continued
for the year ended 31 December 2014

26. Principal subsidiary undertakings continued

COMPANY continued

Transactions with subsidiary undertakings

	2014 £'000	2013 £'000
Alexander Proudfoot (Europe) Limited	**45**	—
Alexander Proudfoot Company	**(2,669)**	(1,684)
Alexander Proudfoot Botswana (Pty) Ltd	**—**	(140)
Kurt Salmon UKI Limited	**(310)**	(594)
Kurt Salmon US Inc.	**(1,632)**	(851)
Kurt Salmon France SAS	**(3,536)**	(3,512)
Kurt Salmon Belgium SA/BV	**(56)**	(1)
Kurt Salmon Luxembourg SA	**(349)**	(259)
Kurt Salmon Switzerland Sarl	**(5)**	(6)
Kurt Salmon Germany GmbH	**(62)**	—
Alexander Proudfoot Inc	**—**	(181)
Kurt Salmon Associates AG	**68**	110
Cleversys SASU	**—**	(74)
Management Consulting Group France SAS	**(99)**	—
Kurt Salmon US Inc. (Japan branch)	**(87)**	13
Income from transactions with subsidiary undertakings	**(8,692)**	(7,179)

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Company Secretary

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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.

Financial calendar

Annual General Meeting: 22 April 2015

Operational contacts

We welcome clients introduced by shareholders. Shareholders wishing to provide introductions to potential clients should contact Chris Povey (see contact details above).

Share price information

The Company's share price information can be found at www.mcgplc.com or through your broker. The share symbol is MMC.L.

Shareholder services

Online services are available to private shareholders. To use these facilities visit www.capitaassetservices.com.

"Account Enquiry" allows shareholders to access their shareholding on the register including transaction history, dividend payment history and up to date share valuation. "Amendment of Standing Data" allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Certain forms can be downloaded, such as dividend mandate forms and stock transfer forms.

Should you have any queries please contact Capita Asset Services' helpline on 0871 664 0300, from overseas on +44 20 8639 3399 or email shareholderenquiries@capita.co.uk.

Share dealings

A quick and easy share dealing service is provided by Capita Share Dealing Services for UK registered certificated holders to either buy or sell shares. For further information on this service, or to buy and sell shares, please contact www.capitadeal.com (online dealing) or 0871 664 0364 (telephone dealing).

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