Management Consulting Group PLC

Management Consulting Group PLC
Annual report and accounts 2015

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

Kurt Salmon | KS AP | Alexander Proudfoot

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.

Strategic report

Governance

Financials

Highlights

A year of change

"MCG has completed the sale of the French and related operations of Kurt Salmon and we have repaid the Group's bank debt. The Group is in a strong financial position, debt free, and well placed to promote profitable growth in its continuing operations. Alexander Proudfoot had a very disappointing 2015 and continues to be significantly affected by weaker demand from natural resources clients. Kurt Salmon is now primarily focused on the global retail and consumer goods practice, together with a US healthcare practice. The Board of MCG will remain alert to all opportunities to generate value from the Group's portfolio of businesses."

Nick Stagg Chief Executive

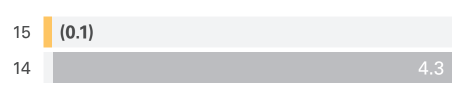
- Reported revenues from continuing operations of £138.9m (2014*: £145.9m), approximately 4.8% lower as a result of weakness in Alexander Proudfoot
- Underlying** operating profit from continuing operations of £0.8m (2014: £7.7m), with profit of £6.1m for the retained Kurt Salmon business offset by loss of £5.3m for Alexander Proudfoot
- Sale of Kurt Salmon business in France and related geographies was completed on 7 January 2016, the Group receiving gross proceeds at completion of approximately £65.9m
- Loss from discontinued operations of £57.8m (2014: £1.1m profit)
- Retained loss for the year of £65.5m (2014: £1.0m)
- Net debt at 31 December of £52.8m (31 December 2014: £33.6m) repaid in full in January 2016 from disposal proceeds

Revenue from continuing operations (£m)

£138.9m

(Loss)/profit from continuing operations (£m)

£(0.1)m

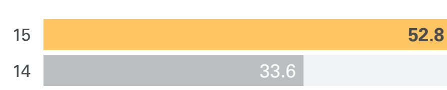


Underlying operating profit from continuing operations (£m)

£0.8m

Net debt (£m)

£52.8m



* 2014 comparatives have been restated to reflect continuing operations only.

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

At a glance

Management Consulting Group PLC

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

Kurt Salmon

Innovating for growth

Alexander Proudfoot

Building a firm platform

Kurt Salmon

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.

Our expertise

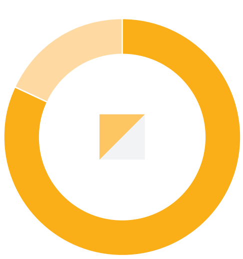
Through our deep expertise and innovative solutions, Kurt Salmon can deliver the building blocks of success in the 21st century. We understand that tomorrow's organisation needs a different approach to formulating strategy. Kurt Salmon helps its clients to deliver:

– 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.

Revenue by sector (continuing operations)



- Retail / 82%
- Healthcare / 18%

Read more about Kurt Salmon **p12**

Alexander Proudfoot
people • productivity • profitability

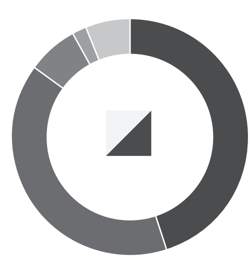
Alexander Proudfoot's powerful core offering is being expanded and developed in new directions to increase its flexibility and focus in response to client demand.

Our expertise

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.

Revenue by sector



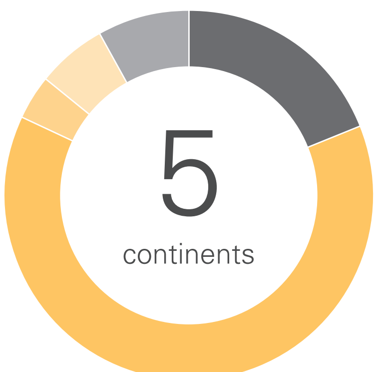
- Natural resources / 45%
- Industrials and utilities / 40%
- Financial / 7%
- Healthcare / 2%
- Retail / 6%

Read more about Alexander Proudfoot **p16**

Our global reach

Diversified by geography

(Revenue from continuing operations)



Europe	19%
North America	63%
Africa	4%
South and Central America	6%
Asia	8%

The Group is present in the important markets across the globe

93% of MCG's revenues were derived from outside the UK

North America

Kurt Salmon's North American practices serve leading retail and consumer goods companies as well as major hospitals and healthcare organisations.

United States

Digital commerce

Kurt Salmon designed, developed, and implemented a new mobile application for a leading pre-portioned meal delivery provider. The app was one of Apple's top 25 apps of 2015, and is featured on all iPhones in Apple Retail Stores in North America.

Chile

Mining

Alexander Proudfoot helped a global leader in the natural resources sector to boost productivity and cut costs at its copper mining operations in order to supplement the achievement of its five-year plan.

South and Central America

Latin America is an important market for Alexander Proudfoot, with about one-third of revenues here being derived from natural resources clients.

Germany

eCommerce

Kurt Salmon supported one of Europe's leading eCommerce companies with merchandise planning and management process definition, organisation design and system selection.

Europe

Kurt Salmon has unparalleled industry expertise, serving Europe's most renowned retailers, specialty and global brands, grocers, fashion, apparel and consumer goods companies.

Alexander Proudfoot serves clients across the continent and has a global delivery capability for European clients with operations in other geographies.

Japan

Omnichannel operationalisation

One of the largest retailers in Asia sought to transform its fulfilment network to improve speed of product delivery for the growing direct-to-consumer business. Kurt Salmon analysed consumer behaviours and inventory management strategy to design an optimised supply chain network that included ship-from-store, dark-store and dark-floor capabilities and a rationalised network of distribution centres.

South Africa

Insurance

Alexander Proudfoot improved the sales effectiveness of this global insurance company's field- and branch-based teams. The project delivered higher productivity and an increase in policy conversion rates.

India

Manufacturing

This global manufacturer of electrical components needed to restore profitability. The Alexander Proudfoot project eliminated unnecessary costs and established best-in-class operations to put the company on a firmer footing.

Africa

Alexander Proudfoot serves clients in South Africa and across sub-Saharan Africa in the natural resources, financial services and manufacturing sectors.

Asia

Kurt Salmon serves the senior executives of and private equity investors in retail and consumer goods throughout Asia from its base offices in Tokyo and Shanghai.

Alexander Proudfoot operates from a base in Hong Kong serving clients throughout Asia.

Chairman's statement

Alan Barber

2015 was an important year for MCG which delivered significant changes to the structure and financial position of the Group. In November we announced the sale of a substantial part of the Kurt Salmon operations, principally those in France. The Kurt Salmon business which the Group has retained is focused on serving global clients in the retail and consumer goods sectors where it is a recognised market leader. With this enhanced focus and without the burden of indebtedness at the Group level we are now well placed to drive an improving performance.

Highlights

- Sale of the French and related operations of Kurt Salmon completed in January 2016
- Net proceeds from the disposal equivalent to more than 80% of the Group's market capitalisation
- The Group has used the net proceeds to repay all bank borrowings
- Reported results for 2015 reflect much of the one-off impact of this transaction

2015 was an important year for MCG which delivered significant changes both to the structure and financial position of the Group. In November we announced the sale of a substantial part of the Kurt Salmon operations, principally those in France, together with certain related operations in Europe and the United States. The net proceeds from this disposal, which completed in early January 2016, were equivalent to more than 80% of the Group's market capitalisation and allowed the Group to repay all of its bank borrowings. Our reported results for 2015 reflect much of the one-off impact of this transaction.

The Kurt Salmon business retained by the Group, in Europe, North America and Asia, is focused on serving global clients in the retail and consumer goods sectors, where it is a recognised market leader, and its successful US healthcare consulting practice.

With this enhanced focus in the Kurt Salmon business and without the burden of indebtedness at the Group level we are now well placed to drive an improving performance in Kurt Salmon, and to continue to explore a range of opportunities both to create shareholder value and to provide a rewarding future for the hugely talented group of partners and staff in the Kurt Salmon business.

We remain committed to aligning reward for our employees with shareholder value creation. As a consequence of the disposal of the French and other operations, the Board has implemented a significant retention plan focused on the continuing Kurt Salmon business in order to stabilise and motivate our people. This is based principally on a one-off share award programme, over approximately 42 million shares with a three-year vesting period.

“Following the disposal of parts of the Kurt Salmon business the Group is smaller, but more focused, and debt free. The Board of MCG will continue to promote profitable growth in our operations and will remain alert to all opportunities to generate value from the Group’s portfolio of businesses.”

Alan Barber **Chairman**

Alexander Proudfoot had a very difficult year in 2015. The North American operations delivered an improved performance in the first half, but weaker revenues in that business and in other geographies in the second half led to Alexander Proudfoot reporting a loss for the year as a whole. Lower levels of activity in the key natural resources sector contributed to the poor performance. A number of important changes to the business were made during 2015 however there is more work to do to rebuild revenues and profitability. Alexander Proudfoot has had a better start to 2016 although we are at a very early stage in relation to the outcome for the year as a whole.

Chiheb Mahjoub and Andrew Simon stepped down from the Board of MCG after we reached agreement on the sale of part of the Kurt Salmon business and I would like to thank them for their valuable contributions to the sale process, and to the Group over their many years of service. Stephen Ferriss will step down at the forthcoming Annual General Meeting following ten years of sterling service and I am delighted that Nigel Halkes, a former Managing Partner at Ernst & Young, has joined the Board as a non-executive director and has become Chairman of the Remuneration Committee. I am pleased that the Board has asked me to remain as Chairman and we have agreed, subject to my reappointment at the AGM that I will continue in my role until my retirement in 2017.

As a result of the disposal of parts of the Kurt Salmon business the Group is smaller, but more focused, and debt free. The Board of MCG will continue to promote profitable growth in our operations and will remain alert to all opportunities to generate value from the Group’s portfolio of businesses.

Alan Barber
Chairman
21 March 2016

Chief Executive's review

Nick Stagg

The Group's reported results in 2015 reflect the impact of the Disposal of a substantial part of the Kurt Salmon operations, which was announced in November 2015 and completed on 7 January 2016. The continuing operations of the Group comprise the retained Kurt Salmon business, focused on the global retail and consumer goods sector, and Alexander Proudfoot.

Highlights

- Revenues from continuing operations lower at £138.9m, reflecting weakness in Alexander Proudfoot
- Underlying operating profit from continuing operations lower at £0.8m, reflecting £6.1m profit in Kurt Salmon offset by loss-making Alexander Proudfoot
- The Group is debt free and in a strong financial position following completion of the Disposal

Overview

The Group's reported results in 2015 reflect the impact of the Disposal of a substantial part of the Kurt Salmon operations, to Solucom, which was announced in November 2015 and completed on 7 January 2016 ("the Disposal"). The results of the businesses which have been sold are reported in the 2015 Group financial statements (and in the restated 2014 results) as discontinued operations. Reported discontinued operations in 2015 also reflect most of the financial effects of the Disposal and include related non-recurring items. The commentary below on the 2015 results (and 2014 comparatives) chiefly relates to the retained Kurt Salmon business and Alexander Proudfoot, which are reported in the 2015 Group financial statements as continuing operations.

The Kurt Salmon businesses which were sold comprised the French operations and those operations in other geographies closely related to the French operations, namely the Kurt Salmon businesses in Belgium, Luxembourg, Switzerland and Morocco together with two New York-based practices within the larger Kurt Salmon operations in the United States. The majority of the Kurt Salmon operations in the United States have been retained by MCG. The Board concluded that the Disposal provided an opportunity to exit from the French and related operations at an attractive price for shareholders, given the limited potential for investment and growth in these operations as part of the MCG Group, thus reducing the Group's significant exposure to the French market, and allowing MCG to repay its bank borrowings.

As a result of the Disposal, the proportion of the Group's business which is derived from France and Continental Europe has reduced, and the relative proportion of the Group's revenues from other markets, in particular

> "As a result of the Disposal, the proportion of the Group's business which is derived from France and Continental Europe has reduced, and the relative proportion of the Group's revenues from other markets, in particular North America, has increased. This is consistent with the Board's strategy to focus on higher growth opportunities in North America and Asia. The Kurt Salmon business that the Group has retained is focused largely on serving global clients in the retail and consumer goods sector, where the business is a market leader."

Nick Stagg Chief Executive

North America, has increased. This is consistent with the Board's strategy to focus on higher growth opportunities in North America and Asia. The Kurt Salmon business that the Group has retained is focused largely on serving global clients in the retail and consumer goods sector, where the business is a market leader.

MCG operates globally with 93% of 2015 revenues from continuing operations generated outside the UK. The same proportion of the Group's revenues from continuing operations in the year were billed in currencies other than Sterling, with the US Dollar representing approximately 65% of the total.

Continuing operations

The performance of the Group's continuing operations in 2015 was affected by significantly weaker revenues in Alexander Proudfoot, which delivered a loss for the year as a whole. Reported revenues in the retained Kurt Salmon business were higher than in the previous year, although its margins were weaker. Total revenue from continuing operations for the year ended 31 December 2015 was £138.9m, 4.8% lower than the previous year (2014: £145.9m).

The Group's underlying operating profit from continuing operations in 2015 was £0.8m (2014: £7.7m), the reduction principally reflecting the impact of lower revenues and margins in Alexander Proudfoot, which report an underlying operating loss for the year as a whole of £5.3m (2014: £1.6m). Underlying operating profit in the retained Kurt Salmon business was lower than the previous year at £6.1m (2014: £9.3m).

Underlying operating profit for 2015 reflects a charge of £1.2m relating to share awards made to employees (2014: £2.4m). Share awards have been made to promote retention and to improve employee alignment with shareholder value creation.

As a consequence of the Disposal, in order to stabilise and motivate senior employees of the continuing operations of the Group, the Board has implemented a significant share-based retention plan focused on the retained Kurt Salmon business which has resulted, in January 2016, with the issue of further awards to employees over 42.4 million shares, normally vesting after three years. The total number of outstanding unvested awards to employees which are subject only to retention criteria is currently approximately 58.6 million, of which 3.5 million are due to vest in 2016 (subject to continued employment).

The Group's employee benefits trusts currently hold 4.3 million shares, and the Group has shareholder approval to issue up to a further 3.0 million new shares in order to satisfy vesting share awards. A further 2.4 million treasury shares are held by the Group.

The Group is reporting net non-recurring expenses relating to continuing operations of £0.2m in 2015 (2014: £2.5m). These comprise restructuring-related redundancy costs of £1.1m, principally in Alexander Proudfoot, offset by the release of provisions of £0.9m relating to surplus property as a result of the Group rationalising its office accommodation in London and Atlanta.

The charge for amortisation of acquired intangibles in relation to continuing operations was £0.6m (2014: £0.8m). Consequently there was a loss from continuing operations of £0.1m (2014: £4.3m profit).

Kurt Salmon
The Digital World

Kurt Salmon is benefiting 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 about Kurt Salmon **p12**

Alexander Proudfoot
New market offerings

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 about Alexander Proudfoot **p16**

Chief Executive's review continued

Nick Stagg

Continuing operations continued

The net interest expense from continuing operations was higher at £3.7m (2014: £1.5m). In accordance with IAS 19 the reported net interest charge for 2015 includes an imputed charge in relation to defined benefit pensions of £1.7m (2014: £0.8m).

The loss before tax on continuing operations was £3.7m (2014: £2.8m profit). The tax charge on continuing operations was £4.0m (2014: £4.9m), of which approximately £1.2m relates to the utilisation of losses reflected as a deferred tax asset and which therefore does not represent a cash tax outflow. The continuing high tax charge in 2015 reflects the impact of unrelieved losses in certain jurisdictions driven largely by loss-making operations, the impact of project specific withholding takes in Alexander Proudfoot and the effects of higher tax rates and certain taxable intra-group dividends in Kurt Salmon.

Discontinued operations

The Disposal was completed on 7 January 2016 but the transaction was sufficiently advanced as at 31 December 2015 to warrant treatment as a discontinued operation under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Discontinued operations comprise the underlying operating results for the year of the Kurt Salmon businesses which were part of the Disposal, the loss on sale related to the impairment of goodwill, and non-recurring items related to the operations of the businesses concerned and the Disposal itself.

Revenues from discontinued operations in 2015 were £91.5m (2014: £96.9m). Underlying operating profit from discontinued operations in 2015 was £4.8m (2014: £4.2m). Non-recurring expenses related to discontinued operations were £6.6m (2014: £0.4m), comprising severance costs relating to Chiheb Mahjoub of £2.0m, other non-recurring employee-related costs of £3.6m, and expenses related to share awards of £1.0m. Net finance costs relating to discontinued operations were £1.5m (2014: £1.6m) and the tax charge relating to discontinued operations was £1.2m (2014: £1.0m). Consequently the loss after taxation from discontinued operations for the period was £4.4m (2014: £1.1m profit).

The loss on Disposal of £53.4m reported in the loss from discontinued operations line within the 2015 Group income statement arose as a result of the impairment of goodwill relating to the Kurt Salmon businesses which have been sold. The cash proceeds paid by the acquiror at completion were €89.0m (equivalent to £65.9m) which included €4.0m (equivalent to £3.0m) relating to estimated cash balances which remained in the businesses disposed of at the completion date. The consideration is subject to post-closing adjustments relating to amounts of debt, debt-like items, provisions and working capital at the completion date, and the reported loss on Disposal reflects estimates of the impact of such post-closing adjustments. Goodwill allocated to the businesses sold was £106.2m (before impairment) and £52.8m after impairment.

Taking into account the discontinued operations and the loss on Disposal, there was a total loss for the Group for the year attributable to the shareholders of £65.5m (2014: £1.0m).

The underlying loss per share attributable to continuing operations was 1.5p (2014: 0.1p) and the basic loss per share attributable to continuing operations was 1.6p (2014: 0.4p).

Balance sheet and dividend

The Group balance sheet at 31 December 2015 reflects the impact of the Disposal in January 2016. The assets and liabilities of the business which have been sold are shown in the Group balance sheet as assets and liabilities held for sale of £91.8m and £33.1m respectively. The assets held for sale include the impaired goodwill and other intangible assets related to the businesses which have been sold of £52.8m, and cash balances of £5.3m. The net assets of the Group have decreased from £197.7m at 31 December 2014 to £129.3m at 31 December 2015, chiefly as a result of the loss on Disposal and the retained loss for the year from continuing operations.

The weak second half revenue performance in Alexander Proudfoot resulted in reported net debt increasing at the 2015 year end. Reported net debt at 31 December 2015 was £52.8m, excluding £5.3m of cash balances in the Kurt Salmon businesses which have been sold. This was £11.1m higher than the £41.7m reported at the half-year stage (2014 year end: £33.6m). The Group's bank borrowings were repaid in full on 7 January 2016 from the net proceeds of the Disposal and the Group's existing borrowing facility was terminated on that date. The Group has been in a net cash position following completion of the Disposal on 7 January 2016; net cash at the end of February 2016 was £6.1m. The Group now has in place a three-year £15m working capital facility with HSBC, expiring in March 2019.

The Board announced on 23 November 2015 that no interim dividend for 2015 would be paid in January 2016, given the likely accounting impact of the impairment of investments as a result of the Disposal on the Company's distributable reserves. The Board has reviewed the position following the completion of the Disposal and during preparation of the financial statements for 2015 and considers that it remains likely that it will seek to implement a reconstruction of reserves before dividend payments are resumed. The Board will consider the Company's future dividend policy once this process is complete, and in light of the trading performance and financial position of the Group at that time.

Summary

The sale of the French and related operations of Kurt Salmon in January 2016 has had a significant impact on the reported results for 2015, although the full effect of the Disposal on the Group's financial position is only partly reflected in the Group's reported balance sheet at 31 December 2015, since the payment of the consideration and other deal-related cash flows did not occur until after the year end. The expected financial impact of the Disposal is in line with that set out in the circular to shareholders dated 30 November 2015.

The reported results for 2015 from the Group's continuing operations, being the Kurt Salmon business which the Group has retained, together with Alexander Proudfoot, are in line with the trading update provided at the time of the circular sent to shareholders dated 30 November 2015. The weak second half performance of Alexander Proudfoot has been the principal driver of a disappointing overall result for the continuing operations of the Group.

The changes to the Alexander Proudfoot business launched in 2014 in order to mitigate revenue volatility and restore the growth potential of the business for the longer term showed signs of success in the first half of the year in the key North American operations. These improvements in North America were not sustained in the second half, and the business as a whole has also suffered from significantly weaker demand from clients in the challenging natural resources sector. Alexander Proudfoot delivered an underlying operating loss of £5.3m for 2015, on revenues of £50.2m. The Board remains committed to executing its plan for restoring revenue growth and profitability in Alexander Proudfoot.

The retained Kurt Salmon business is primarily a leading international consulting business in the retail and consumer goods sector, together with a successful US consulting business in the healthcare sector. Both of these practices delivered a satisfactory result in 2015 with reported revenues 4.5% higher. Although operating profit margins were lower year on year, partly as a result of investment in recruitment, and the business suffered from some weakness mid year, the underlying market trends remained positive. The retained Kurt Salmon business delivered an underlying operating profit of £6.1m for 2015 on revenues of £88.8m.

The Disposal has enabled the Group to repay bank borrowings in full and so MCG has started the current financial year in a strong financial position, being cash positive following the various cash flows arising as a result of completion of the Disposal, and with net cash at the end of February 2016 of £6.1m. The normal phasing of cash flows means that the Group typically experiences net cash outflows in the course of the first half of the year and a £15m working capital facility is in place to support the business through this cycle.

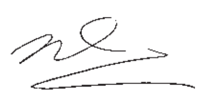
Outlook

Global market conditions are more fragile now than a year ago, although following the Disposal the Group's operations are now much more weighted towards the North American market, where economic indicators have remained relatively strong so far. The outlook for the Group in 2016 remains uncertain at this relatively early stage in the financial year.

The Board expects that Alexander Proudfoot will continue to be adversely affected by weakness in both emerging markets and in the key natural resources sector. Alexander Proudfoot currently has a more promising order book and pipeline than we have seen during the previous nine months, but activity levels are still well below those which the business has achieved in the past and at this stage the outlook remains uncertain. As a consequence, revenue is unlikely to quickly recover to historic levels. However the Board remains confident that in the medium term the changes made to the business will in time build a firm platform for growth and profitability.

The Kurt Salmon business is now largely focused on the global retail and consumer goods sector, together with a smaller US based healthcare business. The retail and consumer goods practice has had a good start to the year, particularly in the US, and current market trends remain positive for 2016 as a whole.

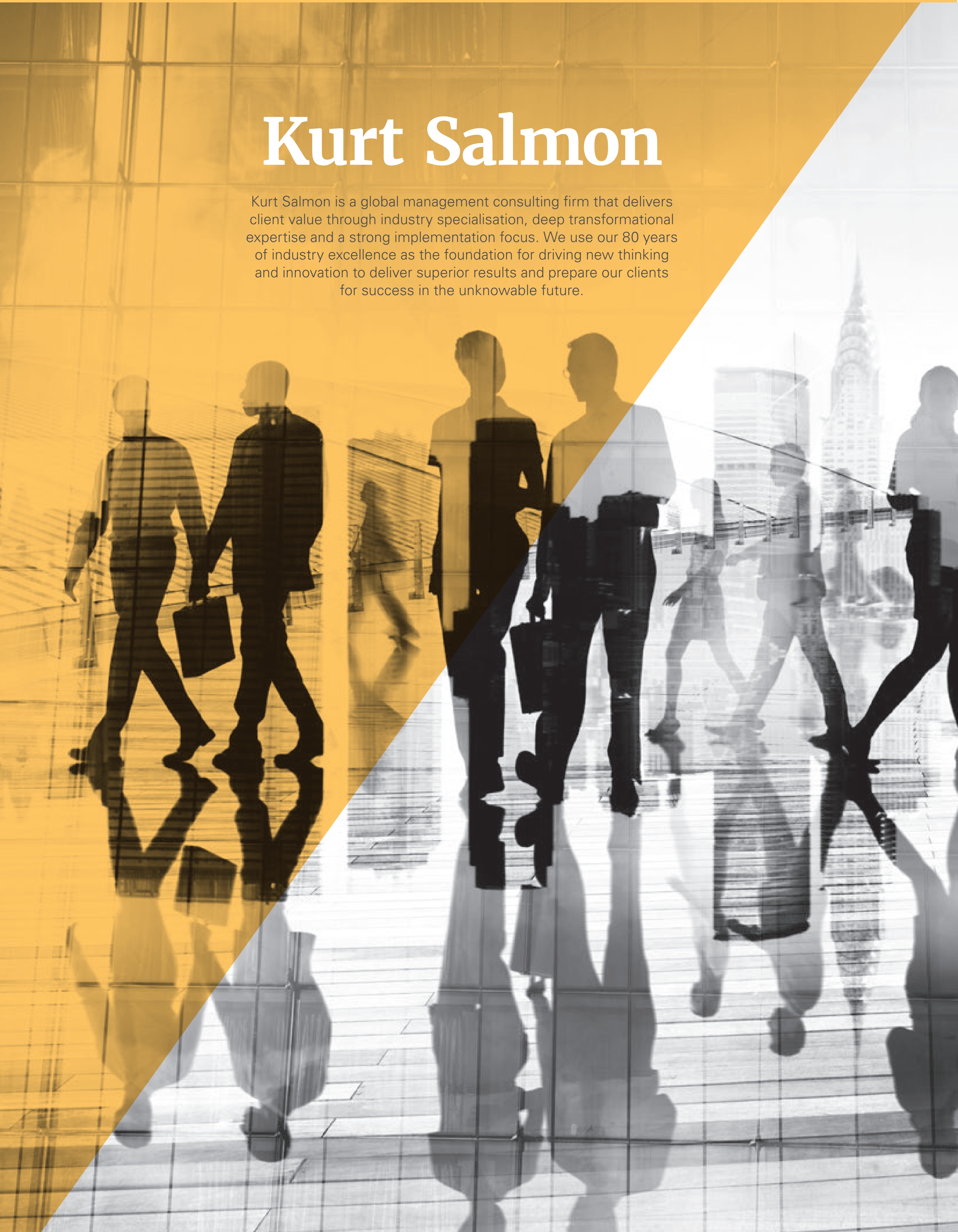
The Group will continue to consider opportunities to further invest in and grow the Group's remaining businesses while remaining alert to all opportunities to generate value for shareholders.



Nick Stagg
Chief Executive
21 March 2016

Kurt Salmon

Kurt Salmon is a global management consulting firm that delivers client value through industry specialisation, deep transformational expertise and a strong implementation focus. We use our 80 years of industry excellence as the foundation for driving new thinking and innovation to deliver superior results and prepare our clients for success in the unknowable future.



Segmental review
Kurt Salmon

What sets us apart

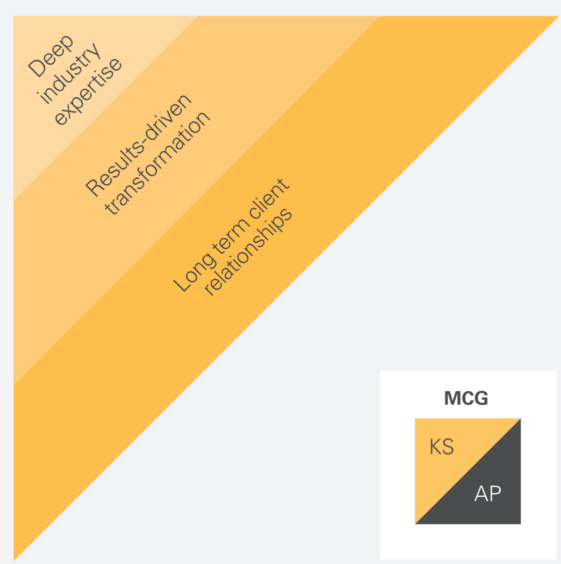
Kurt Salmon is a global management consulting firm dedicated to building the market leaders of tomorrow – whatever tomorrow might look like. We effect real change and understand that while business challenges follow common trends, each of our clients is unique. So we do more than just partner with clients. We integrate seamlessly with them to develop innovative and customised responses to the increasing complexities of business in the 21st century.

Kurt Salmon business model

Success for what's next

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 do we.

Our combination of perspective, skills, experience and cultural adaptability uniquely enables us to help our clients succeed both now and tomorrow, no matter what tomorrow brings. We call it delivering "success for what's next."



Business drivers

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

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

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

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

Segmental review continued

Kurt Salmon continued

Deep industry expertise and broad perspective

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 to build the market leaders of tomorrow. Kurt Salmon operates internationally in the retail and consumer goods sector and in the healthcare sector in the United States.

Highlights

- Revenues 4.5% higher at £88.8m, benefiting from the translation impact of a stronger US Dollar
- Underlying operating profit lower at £6.1m, reflecting the adverse margin impact of investment in recruitment to drive future revenue growth
- Now highly focused on global retail and consumer goods sector, plus US healthcare practice
- Continuing development of digital transformation consulting for retailers, enhanced by small acquisition in the US

Results for the year

The Kurt Salmon continuing operations reported revenue for 2015 of £88.8m, some £3.8m or 4.5% higher than 2014 revenues of £85.0m. On a constant currency basis at 2014 exchange rates the 2015 revenues would have been £85.2m, in line with the previous year. Underlying operating profit for 2015 was £6.1m (2014: £9.3m) representing a margin of 6.9% (2014: 10.9%).

The number of staff employed by Kurt Salmon's continuing operations increased by 31 during the year from 397 at the end of 2014 to 428 at the end of 2015. The overall increase in headcount reflects investment in recruitment at all levels to build a platform for revenue growth. Average headcount during 2015 was 57 higher than the previous year at 436 (2014: 379).

Review of operations

The continuing operations of Kurt Salmon comprise an international practice serving clients in the retail and consumer goods sector, representing approximately 80% of 2015 Kurt Salmon revenues, and a US-based practice serving clients in the healthcare sector, representing approximately 20% of 2015 revenues. Kurt Salmon has its headquarter operations in New York and operates in the United States from offices in New York, Atlanta and San Francisco. In Europe Kurt Salmon operates from offices in Dusseldorf and London, and in Asia Kurt Salmon has offices in Tokyo, Shanghai and Hong Kong.

Kurt Salmon's retail and consumer goods practice in North America delivered more than half the 2015 revenues for the continuing operations of Kurt Salmon. The business has continued to benefit from demand from US retail clients facing the challenges of adapting business models and operations to a digital environment. Revenues on a constant currency basis were slightly lower year on year, partly the result of strong comparatives in 2014 during which revenues increased by more than 9%. The year on year performance was also affected in 2015 by some weakness mid year as certain larger client projects were completed and not immediately replaced.

Key performance indicators
(from continuing operations)

Revenue (£m)

£88.8m

Underlying operating profit (£m)

£6.1m

Underlying operating profit margin (%)

6.9%

> "The business has benefited from increasing demand from US retail clients facing the challenges of adapting business models and operations to a digital environment."

Nevertheless underlying demand remained healthy and the business reported a stronger finish to the financial year.

Operating profit margins were adversely affected by the impact of recruitment during the year, in anticipation of revenue growth which did not materialise on the scale expected in 2015 however the Board believes this should leave the business well placed for growth in 2016.

In October 2015 Kurt Salmon completed the acquisition of Mobispoke LLC, a small US digital retail technology consulting business for a consideration of £0.6m. Mobispoke will operate as Kurt Salmon Digital, and will focus on new technologies and transformative strategies for Kurt Salmon's retail clients, including, for example, smart fitting rooms, integrated mobile apps and other leading-edge, interactive shopping experience technologies. The consideration payable for Mobispoke, some of which is deferred and contingent on performance over two years, comprises cash and MCG shares.

The European operations of the retained Kurt Salmon business, which represented approximately 15% of 2015 revenues for the continuing operations of Kurt Salmon, are focused on the retail and consumer goods practices in Germany and the UK, although the business also delivers services in other European geographies.

The German operations delivered a strong performance, growing revenues and margins. In the UK, year on year revenues and margins were significantly lower, reflecting the impact of the winding down and completion of a number of larger projects for clients during the year. In both Germany and the UK, Kurt Salmon is a strong brand in the retail sector and the underlying market trends during 2015 remained encouraging.

The Kurt Salmon retail consulting operations in China and Japan represented approximately 10% of 2015 revenues for the continuing operations of Kurt Salmon and have continued to make progress, with both geographies reporting increased revenues year on year.

The Kurt Salmon US healthcare consulting practice represented around 20% of 2015 revenues for the continuing operations of Kurt Salmon and delivered a satisfactory performance for the year, with broadly stable revenues. The practice mainly serves large leading US hospital groups focusing on strategic planning around facilities, but has also delivered projects on an international basis.

Following the Disposal, in January 2016, the Kurt Salmon US business retained by MCG will provide certain services to the buyer, Solucom, under the terms of Transitional Services Agreements. In 2016 these arrangements will provide a contribution to the indirect costs of the retained Kurt Salmon business in North America.

Under the terms of a licence agreement, Solucom may use the Kurt Salmon name for a period of three years in certain specified territories, and both Solucom and MCG have agreed to certain restrictive covenants in relation to competition in specified territories over the same period. The Board of MCG does not expect these arrangements to adversely affect the operations of the retained Kurt Salmon business in the retail and consumer goods and healthcare sectors in which it operates.

Strategic priorities

Kurt Salmon is focusing on growth markets and digital transformation.

1

Strengthening existing global industry capabilities in the retail and consumer goods sector

2

Supporting and investing for growth in North America and Asia

3

Enhancing growing leadership position in digital transformation

Read more about how we are putting our strategy in practice on **p13**

Alexander Proudfoot

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.

Segmental review continued
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.

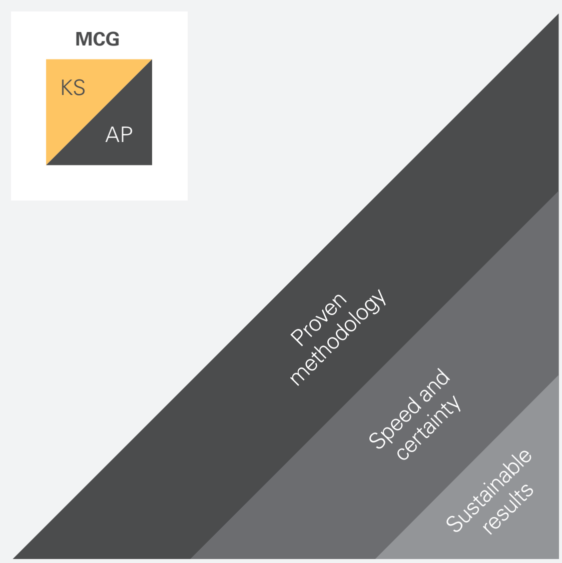
Alexander Proudfoot business model

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.



Business drivers

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

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

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

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

Segmental review continued

Alexander Proudfoot continued

Transforming operational performance

Alexander Proudfoot helps clients to 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 Proudfoot to work hand-in-hand with their people.

Highlights

- Revenues 17.6% lower at £50.2m, driving a £5.3m underlying operating loss for the year
- Weak revenues in second half followed positive progress in US in first half
- Reduced demand from natural resources clients in 2015, but this sector still represented 40% of revenues
- Better start to 2016, but current activity levels remain below those achieved in the past

Results for the year

Alexander Proudfoot's reported revenue for 2015 was 17.6% lower at £50.2m (2014: £60.9m). The year on year comparison has been affected by negative currency translation effects; at 2014 exchange rates the 2015 revenues would have been £51.8m, a decrease of 14.9% on 2014. Alexander Proudfoot reported a small underlying operating loss for the first half of 2015 of £0.4m on revenues of £29.3m. In line with the Board's expectations highlighted in the trading update on 23 November 2015 second half revenues were significantly weaker at £20.9m generating an underlying operating loss for the year as a whole of £5.3m (2014: £1.6m).

The number of staff employed by Alexander Proudfoot decreased from 327 at the end of 2014 to 301 at the end of 2015. Notwithstanding the overall reduction in numbers, as a result of lower revenues and activity, the business has continued its investment in people and capabilities during 2015, adding industry sector expertise and strengthening the team of executives responsible for business development. Average headcount during 2015 was lower than the previous year at 307 (2014: 343).

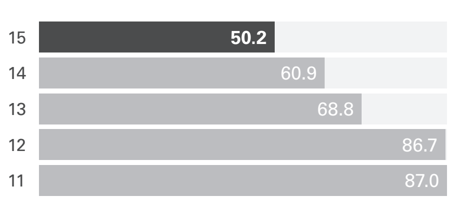
Review of operations

Alexander Proudfoot is now organised on the basis of two regional centres, one focused on The Americas and one focused on Europe/Africa/Asia. The principal office locations are in the United States, Brazil and Chile, serving The Americas, and in the UK, France, South Africa and Hong Kong. There is also a dedicated natural resources business unit working across geographies. Alexander Proudfoot has a global delivery capability, frequently operating in remote and difficult locations.

Key performance indicators

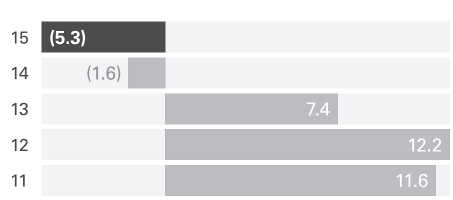
Revenue (£m)

£50.2m



Underlying operating (loss)/profit (£m)

£(5.3)m



In 2014 the Board of MCG 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. Good progress was made during the first half of 2015 in implementing these changes. In the North American operations, where the change process was most advanced, first half revenues in 2015 were 25% higher than the previous six month period. The improved first half performance in North America was countered by weakness in other geographies, Europe, Africa and Asia in particular, where the conversion of pipeline opportunities was disappointing. At the half-year stage some management changes were made, and the new regional structure for the business units outside The Americas was put in place.

As previously reported the order book at the half-year stage was significantly lower year on year and order intake in the third quarter was poor. In addition weaker demand from natural resources clients has affected revenue opportunities in that sector. The trading update released on 23 November highlighted the significant deterioration in the outlook for the year as a whole. The North American operations, which had underpinned the first half performance of the business as a whole, reported lower revenues and a broadly break-even profit performance for the second half, and elsewhere the business reported losses.

Action was taken in the second half of 2015 to mitigate the profit impact of lower revenues by reducing headcount and discretionary expenditure, although a significant element of the operating costs of the business relate to the sales function and infrastructure of the business across a range of geographies and these are less easily flexed downwards without reducing the potential for revenue recovery and growth in the future.

The poor second half revenue performance persisted to the end of the year. The order book position at the year end remained weak, although the pipeline of prospects at that stage suggested a more encouraging start to 2016.

Alexander Proudfoot has a long and successful history. It has a distinctive operating model which delivers real value to clients, together with global reach and a flexible delivery capability. The business is currently undergoing its planned transition to develop a platform for profitable growth, focusing on new delivery capabilities and building long term client relationships. The Board of MCG continued to execute the changes needed to implement this plan during 2015 and it remains confident that the performance of the business can be improved in the medium term.

Strategic priorities

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

1

Broadening the offering and developing new delivery capabilities

2

Building long-term client relationships and increasing repeat work

3

Improving revenue visibility and reducing volatility

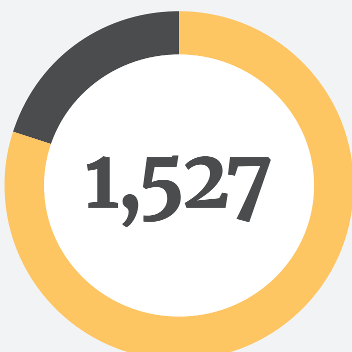
Read more about how we are putting our strategy in practice on **p17**

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



1,527 **MCG Group** (2014: 1,509)

1,206 **Kurt Salmon** (2014: 1,161)

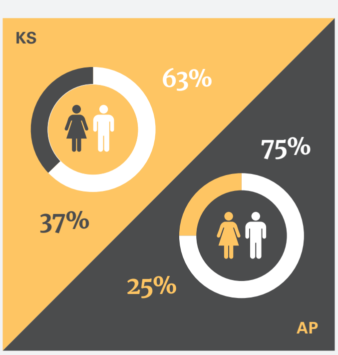
301 **Alexander Proudfoot** (2014: 327)

Gender diversity

Total workforce

65% (2014: 63%)

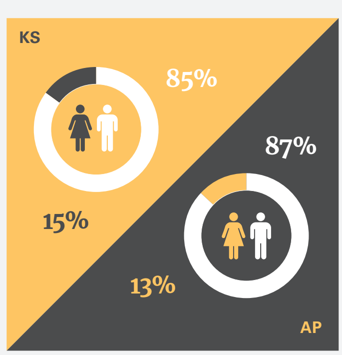
35% (2014: 37%)



Senior management

85% (2014: 83%)

15% (2014: 17%)



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.

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

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

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

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

Employee consultation

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

Corporate social responsibility continued

Our impact

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

Environmental policy

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

As a 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.

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

The Group'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

694.3 tCO_2e

Scope 1 emissions:
Natural gas refrigerants

33.2 tCO_2e

Scope 2 emissions:
Purchased electricity

661.1 tCO_2e

Greenhouse gas emissions per FTE:
FTE

0.44 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 2014 to 30 September 2015. 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)

	2014/15		2012/13	
Greenhouse gas emission source	tCO_2e	tCO_2e/FTE	tCO_2e	tCO_2e/FTE
Scope 1	**33.2**	**0.01**	42.4	0.03
Fuel combustion (natural gas)	**8.3**	**0.01**	25.8	0.02
Operation of facilities (refrigerants)	**24.9**	**0.02**	16.7	0.01
Scope 2	**661.1**	**0.43**	751.3	0.47
Purchased electricity	**661.1**	**0.43**	751.3	0.47
Statutory total (Scope 1 and 2)*	**694.3**	**0.44**	793.7	0.50

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

Group metrics	2015	2013
FTE	**1,527**	1,581

Intensity ratio (gross emissions)	2015	2013
Tonnes of carbon dioxide equivalent per FTE (tCO_2e/FTE)	**0.44**	0.50

Financial review

Chris Povey

Exchange rates

In 2015 MCG derived the majority of its revenue and most of its expenditure from outside the United Kingdom and in currencies other than Sterling. As the Group's results are presented in Sterling, changes in average exchange rates, particularly those of the US Dollar and the Euro in relation to Sterling, can have a significant effect on the translation of those results. About 60% of the Group's 2015 revenues from continuing operations were generated in US Dollars and, on average, in 2015 compared with 2014, Sterling weakened against the US Dollar by approximately 8%. Against the Euro, the currency in which around 12% of the Group's revenues from continuing operations were denominated, Sterling strengthened by approximately 10%. The average exchange rates used to translate the 2015 results were £1=$1.5293 (2014: £1=$1.6494) for the US Dollar and £1=€1.3776 (2014: £1=€1.2411) for the Euro. During 2015, Sterling also strengthened significantly against the Brazilian Real (by 24%), the South African Rand (by 9%) and the Canadian Dollar (by 7%), which had an adverse impact on the reported results of the Alexander Proudfoot operations in those currencies.

In overall terms, changes in average exchange rates had a positive effect on reported revenue from continuing operations for the Group as a whole in 2015. 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.

Employees in continuing operations

There were 748 people employed in the continuing operations of the Group at the end of 2015 compared to 745 at the end of 2014. The average number of people employed by the continuing operations of the Group during the year was 765 (2014: 743). The small increase in numbers at the end of 2015 reflects the net impact of recruitment in Kurt Salmon, offset by planned reductions in headcount in Alexander Proudfoot.

Revenue from continuing operations

Total revenue from continuing operations for the year ended 31 December 2015 was £7.0m lower than the previous year at £138.9m (2014: £145.9m). The reduction in revenue reflects lower reported revenues in Alexander Proudfoot, offset by higher revenues in the retained Kurt Salmon business. Alexander Proudfoot accounted for 36% of the Group's revenue from continuing operations (2014: 42%) and Kurt Salmon for 64% (2014: 58%).

Alexander Proudfoot reported 2015 revenues 17.6% lower than the previous year at £50.2m (2014: £60.9m), reflecting, in particular, weak activity levels in the second half of the year. The revenues of the retained Kurt Salmon business for the year were 4.5% higher at £88.8m (2014: £85.0m). On a constant currency basis, at 2014 exchange rates 2015 revenues for the Group as a whole would have been £137.0m, a decrease of 6.1% on the previous year.

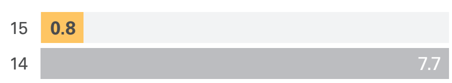
In terms of geography for the continuing operations of the Group as a whole, the business units in The Americas reported an increase in revenue to £96.5m (2014: £93.5m). Revenue from the Americas accounted for 69.5% of Group revenue (2014: 64.1%). Revenue from continuing operations in Europe decreased to £26.5m (2014: £32.8m), slightly reducing its share of total revenue to 19.0% (2014: 22.5%). The Rest of the World, with revenues predominantly from Africa, Japan and China, accounted for 11.5% of

Revenue from continuing operations (£m)

£138.9m

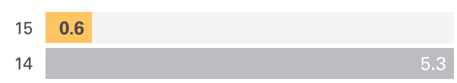
Underlying operating profit from continuing operations (£m)

£0.8m



Underlying operating profit margin from continuing operations (%)

0.6%



Group revenue from continuing operations (2014: 13.3%) at £16.0m (2014: £19.5m). 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.

Underlying operating profit from continuing operations

Underlying operating profit from continuing operations in 2015 was £6.9m lower at £0.8m (2014: £7.7m). This chiefly reflects the weaker revenue and margin performance in Alexander Proudfoot. As a result, the underlying operating profit margin from continuing operations for the Group as a whole decreased from 5.3% in 2014 to 0.6% in 2015.

Underlying operating profit in 2015 reflected a charge of £1.2m relating to share awards (2014: £2.4m). Excluding the cost of share awards, underlying operating profit was £2.0m, which would represent a margin of 1.4% (2014: £10.1m and 6.9%).

Underlying operating profit from continuing operations in 2015 also reflects a charge of £0.2m relating to part of the consideration payable for the acquisition of Mobispoke by the Kurt Salmon US business which is required, under IFRS 3, to be treated as remuneration in the Group income statement.

Alexander Proudfoot reported an underlying operating loss of £5.3m (2014: £1.6m). Kurt Salmon's continuing operations reported a lower underlying operating profit of £6.1m (2014: £9.3m).

Non-recurring costs related to continuing operations

The Group is reporting net non-recurring expenses from continuing operations of £0.2m in 2015 (2014: £2.5m). These comprise restructuring related redundancy costs of £1.1m, principally in Alexander Proudfoot, offset by the release of provisions of £0.9m relating to surplus property as a result of the Group rationalising its office accommodation in London and Atlanta.

Profit from continuing operations

The charge for the amortisation of acquired intangible assets was £0.6m (2014: £0.8m). Consequently, there was a loss from continuing operations of £0.1m (2014: profit of £4.3m), representing a negative margin of 0.1% (2014: positive margin of 2.9%).

Interest on continuing operations

The total net finance charge for continuing operations was £3.7m (2014: £1.5m). The total interest payable on borrowings related to continuing operations was £2.0m (2014: £0.8m). The net finance charge also includes an imputed charge in relation to defined benefit pensions of £1.7m (2014: £0.8m).

Taxation on continuing operations

The taxation expense on continuing operations for the year was £4.0m (2014: £4.9m). The high tax charge in 2015, given the reported loss position overall, largely reflects the impact of tax charges in the Alexander Proudfoot business. Alexander Proudfoot has reported losses in most jurisdictions outside the United States, which are not available to relieve taxable profits elsewhere. In addition, the business has suffered project-specific withholding taxes in certain geographies.

Financial review continued

Chris Povey

Taxation on continuing operations continued

Of the £4.0m total tax charge in relation to continuing operations, £1.2m relates to the utilisation of tax losses which were previously recognised as a deferred tax asset in the Group balance sheet, and as a result does not give rise to a cash tax outflow. 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, inter alia, on trading profitability.

Discontinued operations

The Disposal was completed on 7 January 2016 but the transaction was sufficiently advanced as at 31 December 2015 to warrant treatment as a discontinued operation under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Discontinued operations comprise the underlying operating results for the year of the Kurt Salmon businesses which were part of the Disposal, the loss on sale related to the impairment of goodwill, and non-recurring items related to the operations of the businesses concerned and the Disposal itself.

Revenues from discontinued operations in 2015 were £91.5m (2014: £96.9m). Underlying operating profit from discontinued operations in 2015 was £4.8m (2014: £4.2m). Non-recurring expenses related to discontinued operations were £6.6m (2014: £0.4m), comprising severance costs relating to Chiheb Mahjoub of £2.0m, other non-recurring employee related costs of £3.6m and expenses related to share awards of £1.0m. Net finance costs relating to discontinued operations were £1.5m (2014: £1.6m) and the tax charge relating to discontinued operations was £1.2m (2014: £1.0m). Consequently, the loss after taxation from discontinued operations for the period was £4.4m (2014: £1.1m profit).

The loss on Disposal of £53.4m reported within the loss from discontinued operations line in the 2015 Group income statement arises as a result of the impairment of goodwill relating to the Kurt Salmon businesses which have been sold. The cash proceeds which were paid by the acquirer at completion were €89.0m (equivalent to £65.9m), which included €4.0m (equivalent to £3.0m) relating to estimated cash balances which remained in the businesses disposed of at the completion date. The consideration is subject to post-closing adjustments relating to amounts of debt, debt-like items, provisions and working capital at the completion date, and the reported loss on Disposal reflects estimates of the impact of such post-closing adjustments. Goodwill allocated to the businesses sold was £106.2m (before impairment) and £52.8m after impairment, representing the estimated consideration net of transaction fees.

The completion of the Disposal in January 2016 is expected to give rise to a taxable gain on certain elements of the businesses which have been sold, the tax charge on which, estimated at £1.8m, will be reflected in the Group income statement for 2016. The reported loss on Disposal does not reflect the recycling through the profit and loss account of a credit of approximately £3.2m relating to currency translation reserves which is required to be reflected in the 2016 financial statements.

Earnings per share

The Group reported a loss for the year attributable to the shareholders of £65.5m (2014: £1.0m). The basic and diluted loss per share was 13.3p (2014: 0.2p). The underlying basic and diluted loss per share, after adjusting for non-recurring items and the amortisation of acquired intangibles, was 1.1p (2014: earnings per share 0.2p).

Net assets

The assets and liabilities of the Kurt Salmon business which were the subject of Disposal are shown in the Group balance sheet as assets and liabilities held for sale at 31 December 2015, with the net assets written down to their recoverable value, resulting in an impairment to the goodwill related to the Kurt Salmon business.

The assets and liabilities held for sale are £91.8m and £33.1m respectively. The assets held for sale include the impaired goodwill and other intangible assets related to the businesses which have been sold of £52.8m and cash balances of £5.3m. The net assets of the Group have decreased from £197.7m at 31 December 2014 to £129.3m at 31 December 2015, chiefly as a result of the loss on Disposal and the retained loss for the year from continuing operations.

The largest item on the balance sheet at 31 December 2015 is goodwill recognised on acquisitions, comprising £104.2m relating to the retained Kurt Salmon business and £40.1m relating to Alexander Proudfoot. Goodwill is tested annually for impairment, based on determining recoverable amounts from value-in-use calculations for each of Kurt Salmon and Alexander Proudfoot. The Board has concluded that the recoverable amounts exceed the carrying value of goodwill at 31 December 2015, even after considering sensitivity analysis on key assumptions. In relation to Alexander Proudfoot, the headroom in terms of the excess value in use over the carrying value has reduced significantly at 31 December 2015 compared with 31 December 2014. The value-in-use assessment in relation to the Alexander Proudfoot goodwill reflects the Board's expectation that the recent weak trading performance of the business will not persist.

The Group holds the 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 2014, Sterling strengthened against the Euro by 10% and weakened against the US Dollar by 8%. The year end exchange rates used to translate the 2015 balance sheet were £1=\$1.4740 (2014: £1=\$1.5560) for the US Dollar and £1=€1.3559 (2014: £1=€1.2757) for the Euro.

Pension obligations

The retirement benefits obligation reflected in the Group balance sheet relates to the net liability under a part-funded US defined benefit pension scheme of £9.6m, an unfunded US post-retirement medical benefits plan of £2.4m, an unfunded German retirement obligation of £9.5m and an unfunded French retirement obligation of £0.3m. There are no defined benefit 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 net post-retirement obligation for defined benefit schemes decreased from £22.9m at 31 December 2014 to £21.8m at 31 December 2015, principally as a result of the transfer of Kurt Salmon France's scheme to liabilities held for sale as at 31 December 2015, offset by an increase in the US obligation attributable to different actuarial assumptions being used to calculate the reduction in assets and liabilities following the 2015 lump sum settlement.

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.

During 2015 the Group implemented a lump sum option for eligible members of the closed US defined benefit pension plan, as a result of which approximately £9.8m of actuarially determined obligations under the plan were settled in full, funded from the plan assets.

The impact has been to significantly reduce the number of potential beneficiaries of the plan and to reduce the gross obligations under the plan to which the Group is ultimately exposed to £50.2m (2014: £60.6m). The assets of the plan reflected in the reported net obligation in the Group balance sheet at 31 December 2015 were £40.6m (2014: £52.3m), representing a funded level of 81% (2014: 86%). No employer cash contributions were made to the US defined benefit pension scheme during 2015 (2014: £1.2m).

Provisions

Long-term provisions have decreased by £3.7m from £4.9m at 31 December 2014 to £1.2m at 31 December 2015 due to movements in the Group's property provisions. The movement principally comprises £2.4m of releases following lease reassignments in the UK and the US, plus a £1.0m utilisation and a £0.3m transfer to liabilities held for sale in respect of the Kurt Salmon France property provision.

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.

At 31 December 2015 some 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 4.3 million shares were held by the trustees of the Management Consulting Group PLC employee benefit trusts.

During 2015 the Company issued 2,026,976 new ordinary shares in connection with the acquisition of Mobispoke, a small digital retail consulting business, by Kurt Salmon.

At the General Meeting on 17 December 2015 shareholders approved the issue of up to 9 million new ordinary shares to satisfy vesting share awards to employees. In January and February 2016 the Company issued 6,032,661 new ordinary shares to satisfy share awards which vested to employees of the Kurt Salmon businesses which formed part of the Disposal, which was completed on 7 January 2016.

Net debt

The Group ended the year with reported net debt of £52.8m (excluding £5.3m of cash balances which remained in the businesses sold as part of the Disposal) compared with £41.7m at 30 June 2015 and £33.6m at the end of 2014. The year on year increase in net debt reflects weaker cash generation from operations in 2015, largely resulting from lower revenues and operating losses in Alexander Proudfoot.

During 2015 the Group was financed by a multi-currency borrowing facility negotiated in December 2011 for up to £85m. As a consequence of the Disposal completed on 7 January 2016, the Group's bank debt was repaid in full from the sale proceeds and this borrowing facility was terminated. The Group has a new working capital facility in place with HSBC which is a £15m multi-currency revolving credit facility with a maturity date of 31 March 2019.

There are two financial covenants under the new working capital facility. The first of these is that interest cover must be greater than four times at the calculation dates. The second covenant is a leverage covenant, which is that net debt divided by adjusted EBITDA must remain below 2.5 times at the calculation dates. For covenant testing purposes, net debt 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. Covenants will be calculated quarterly, starting on 30 June 2016.

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. Draw downs 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 cash and net debt position is closely monitored and there are effective forecasting procedures in place.

Financial review continued

Chris Povey

Cash flow

Cash generated in 2015 was lower than the previous year at £3.2m (2014: £10.7m), reflecting a £10.0m reduction in operating results net of a £2.0m increase in the inflow arising from working capital movements. Cash outflows related to capital expenditure were £1.0m (2014: £1.1m).

Dividend

The interim and final dividends for 2014 were paid during 2015 generating a cash outflow during the year of £4.0m.

The Board announced on 23 November 2015 that no interim dividend for 2015 would be paid in January 2016, given the likely accounting impact of the write off of goodwill on the Company's distributable reserves as a result of the Disposal. The retained loss for the 2015 financial year, including the loss on Disposal, has, as expected, had a significant adverse impact on the Company's retained earnings, offset by the release of a merger reserve which was created in 2006 when the relevant businesses were acquired. Taking into account these and other items, the reported retained earnings of the Company at 31 December 2015 were negative £10.2m (2014: positive £23.2m).

The Board has reviewed the position following the completion of the Disposal and during preparation of the financial statements for 2015 and considers that it remains likely that it will seek to implement a reconstruction of reserves before dividend payments are resumed. The Board will consider the Company's future dividend policy once this process is complete, and in light of the trading performance and financial position of the Group at that time.

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 Group seeks to promote employee retention and employee alignment with shareholder value creation using share awards. During 2015 47 senior employees received awards over approximately 11.2 million shares in total, normally vesting over three years and conditional upon continued employment. At the 2015 year end there were outstanding unvested awards in place over 26.4 million shares (2014: 35.5 million shares). A significant proportion of these awards related to employees in the discontinued operations. As a result, on completion of the Disposal in January 2016, awards over 5.8 million shares vested (and were satisfied in part by issuing new shares, as approved by shareholders at the general meeting on 17 December 2015), and awards over 4.1 million shares lapsed. As a consequence of the Disposal, in order to stabilise and motivate senior employees in the continuing operations of the Group, the Board has implemented a significant share-based retention plan focused on the retained Kurt Salmon business which has resulted, in January 2016, in the issue of further awards to employees over 42.4 million shares, normally vesting after three years. The total number of outstanding unvested awards to employees which are subject only to retention criteria is currently approximately 58.6 million, of which 3.5 million are due to vest in 2016 (subject to continued employment).

The remuneration policies of the Group are designed to motivate and retain key individuals by rewarding performance and deferring the payment of a portion of incentive pay contingent on continued employment. The performance of each employee is regularly reviewed and plans are established to deal with any performance issues. Evaluation systems are in place throughout the Group.

The training requirements of employees are also reviewed and tailored training programmes have been established for each of the core functions. The headcount needs of the business are reviewed in view of the projected requirements of the business as indicated by the order book and prospects.

The Group has developed knowledge management systems that capture the intellectual property that has been developed through many years of assisting clients. Client needs are regularly reviewed and new services developed in accordance with these. Appropriate steps are taken to safeguard the security of the Group's intellectual property and legal or other action is taken as necessary to protect this. The Group continues to invest in its client relationships, its people and its intellectual property to ensure that the Group is prepared to face its challenges and to focus client awareness on the brands and the services offered.

Principal risks and uncertainties

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group is described in this Financial Review. In addition, note 23 of the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital and its exposures to risk. The Group's committed bank 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 bank 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 working capital facility and remain compliant with the terms of the 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; underlying operating profit; underlying operating margin; net debt; and underlying earnings per share. These key performance indicators are used to monitor performance as they indicate achievement against the Group's objectives of delivering shareholder value and profit and margin growth. In addition other measures are used at the level of divisional management, including order input, business unit performance, staff retention and client satisfaction, which the directors considered to fall within an acceptable range during the year.

Critical accounting policies

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

Revenue

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

Goodwill and other intangible fixed assets

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

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgement about uncertain events including discount rates, life expectancy, future pay inflation and expected healthcare trend rates. Determination of the projected benefit obligations for defined benefit pension schemes and post-retirement plans is 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.

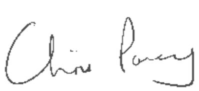
Discontinued operations and assets held for sale

The Disposal and the recognition of assets held for sale at the lower of cost and fair value less costs to sell required judgement to be applied to both post-completion consideration and goodwill allocated to the disposal group. Due to the timing of the Disposal, post-closing consideration had not been finalised at the signing date and therefore the loss on Disposal reflects a best estimate of final proceeds based on the information available at 21 March 2016.

With regard to the allocation of goodwill, the disposal group identified on 31 December 2015 represented only part of the Kurt Salmon consultancy division and therefore required Kurt Salmon goodwill to be partially allocated to the disposal group. As there is no prescribed allocation measures under IFRS, 2015 revenues have been used as an appropriate measure of relative value.

Summary of critical accounting policies

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



Chris Povey
Finance Director
21 March 2016

Principal risks and uncertainties
Identifying key areas

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

Risk management process

Read more about the Group's governance and approach to risk management on **pages 41 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 2014
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 2015 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.	**Level** **Currency volatility has not had a significant negative impact on reported revenues and operating results in 2015.**

Viability statement

Stronger financial position

The Directors have assessed the Group's prospects and viability, taking into account its current position and the principal risks to the business. The Directors consider three years to be a reasonable time horizon for the business and this is consistent with the period which has been used for strategic planning. The Group has recently completed the Disposal of the French and related operations of Kurt Salmon, which represented approximately 40% of total Group revenues in 2015. During 2016 the Board will review and revise the Group's strategy for its continuing operations.

Following the Disposal the Group is now free of structural indebtedness and as a result is in a stronger financial position. There is a bank facility in place up to March 2019 which will enable the Group to manage its working capital position.

The global management consulting market in which the Group operates is well developed. The Group has two strong brands and an established and successful business model. The Board has in place a strategy and plan to restore revenue growth and profitability in the Alexander Proudfoot business. Kurt Salmon is profitable and is well placed to continue to develop successfully.

The Board of MCG will continue to promote profitable growth in the Group's operations and will remain alert to all opportunities to generate value from the Group's portfolio of businesses. The Group will continue to consider opportunities to further invest in and grow the Group's remaining businesses, or to seek value for shareholders through further Disposals should appropriate opportunities arise.

The Directors have a reasonable expectation that the Group can continue to operate and meet its liabilities as they fall due over the three-year period of their assessment.

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 have operations."

Alan Barber Chairman

The Board remains committed to high standards of corporate governance. A revised version of the UK Corporate Governance Code ("the Code") was released in September 2014 and this, together with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations) is the relevant legislation to which we adhere. The new requirements of the Code are reflected in the Annual Report and Accounts in the viability statement on page 32 and in the assessment of risks and uncertainties on pages 30 to 31.

Our Board is composed of directors from differing international backgrounds with a range of business experience. During 2015 the Board members continued to bring a wide range of experience and knowledge to bear in developing strategy and challenging management and were closely involved in the oversight of the disposal of part of Kurt Salmon which was approved by shareholders at the General Meeting on 17 December 2015 and completed in early 2016. Following the General Meeting, Chiheb Mahjoub an executive director, left the Board and the Group and Andrew Simon, a long serving independent non-executive Director, stepped down and was replaced by a new independent non-executive Director, Nigel Halkes, who has since taken over Andrew's role as Chairman of the Remuneration Committee and who reports for the first time on page 46. Nigel was appointed following a rigorous process using external search agents and we welcome him to the Board.

As to the operation of the Board, we recognise the importance of the Board meeting the divisional management: senior managers are invited to a number of the Board meetings held in the year and the Board holds certain of its meetings at its main business locations abroad, giving the Board the opportunity to meet local management.

It was originally envisaged that I would stand down from your Board at the end of 2015. However, the Board has asked me to remain as Chairman and we have agreed that, subject to re-election at the 2016 Annual General Meeting, I will continue until my retirement in 2017.

One of our independent non-executive Directors, Steve Ferriss, completed ten years of service to the Board in March 2016 and, whilst the Board still considers him independent, Steve will not be seeking re-election at the forthcoming Annual General Meeting.

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
21 March 2016

Board of Directors

A strong leadership team

1 A J Barber — N
Chairman

Term of office: Alan Barber, aged 68, 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.

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.

2 N S Stagg
Chief Executive

Term of office: Nicholas Stagg, aged 56, 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 55, 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.

4 M Capello — R / N
Non-executive Director

Term of office: Marco Capello, aged 55, 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, Liberty Ltd, Enotria Ltd and Mamas & Papas Ltd.

5 S A Ferriss — R / **N** / AR/ S
Non-executive Director

Term of office: Stephen Ferriss, aged 70, 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 Consumer USA Holdings Inc and chairman of Banco Santander Puerto Rico and Santander Bancorp in Puerto Rico.

6 N L Halkes — **R** / N / AR
Non-executive Director

Term of office: Nigel Halkes, aged 60, joined the Board on 18 December 2015.

Background and experience: Nigel qualified as a Chartered Accountant at Ernst & Young LLP and was a partner in its London office until 2013. He was Managing Partner for EY's UK and Irish markets from 2010 to 2013. He studied economics at Bristol University.

External appointments: He is a non-executive director of Hargreaves Services plc and a Board member of Visit England. He is also a director of two charities: the EY Foundation and The Polka Children's Theatre.

7 E Di Spiezio Sardo
Non-executive Director

Term of office: Emilio Di Spiezio Sardo, aged 39, 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 at the time. Before that he worked in investment banking at Merrill Lynch in London and Rome. Mr Di Spiezio Sardo graduated summa cum laude in economics and finance from Bocconi University in Milan.

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

8 J D Waldron — R / N / **AR**
Non-executive Director

Term of office: Julian Waldron, aged 51, 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 and board member of various Technip companies.

9 C W Ansley
Company Secretary

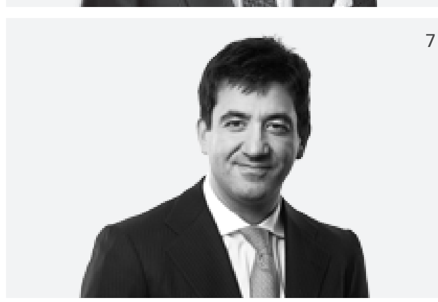
Term of office: Charles Ansley, aged 65, was appointed Company Secretary in April 2007, having joined the Group in 2001.

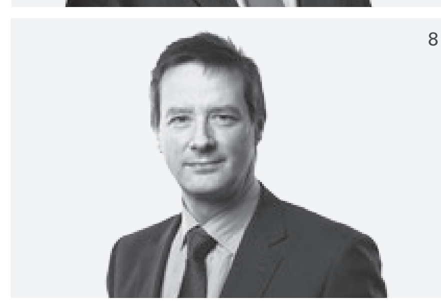
Background and experience: Charles graduated in law at the University of Sheffield and subsequently worked in the London office of KPMG. He is a qualified Chartered Accountant.

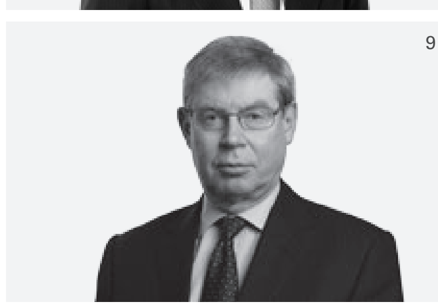
External appointments: None.

Committee key

R / Remuneration Committee
N / Nominations Committee
AR / Audit and Risk Committee
S / Senior Independent Director
Committee Chairman indicated in **bold**







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 **p41**

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	2
Non-executive	5

Board and Committee attendance 2015

	Board meetings	Audit and Risk Committee meetings*	Remuneration Committee meetings*	Nominations Committee meetings*
A J Barber	9	—	—	2
M Capello	9	—	4	2
S A Ferriss	9	6	4	2
N L Halkes (appointed 18 December 2015)	—	—	—	—
C Mahjoub (stood down 18 December 2015)	9	—	—	—
C J Povey	9	—	—	—
E Di Spiezio Sardo	9	—	—	—
A H Simon OBE (stood down 18 December 2015)	8	6	3	1
N S Stagg	9	—	—	—
J D Waldron	9	6	4	2
Total meetings held	**9**	**6**	**4**	**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 2015 until 18 December 2015 the Board comprised the non-executive Chairman, three executive directors and five non-executive directors. On 18 December 2015 Chiheb Mahjoub stood down as an executive director, Andrew Simon stood down as a non-executive director and Nigel Halkes was appointed as a non-executive director. Thus from 18 December 2015 until the year end the Board comprised the non-executive Chairman, two 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, Mr Waldron and Mr Halkes were considered to be independent non-executive directors throughout their period on the Board in 2015. Mr Ferriss has passed the tenth anniversary of his appointment on the Board. The Board has specifically considered whether he remains independent in accordance with guidance in the Code. Mr Ferriss has maintained a range of other unrelated business interests and the Board has determined that he remains independent in character and judgement and there are no other relationships or circumstances which are likely to affect or could appear to affect his 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 2015 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.

Corporate governance report continued

A strong governance framework

Election and re-election of directors continued

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. Nine meetings were held during 2015. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. During the year the Chairman met the non-executive directors in the absence of the executive directors.

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

The number of Board and Committee meetings eligible for attendance and attended by each of the directors during the year are in the table 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 20 June 2016 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 robust 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 2015. These will be laid before the shareholders at the Annual General Meeting on 20 June 2016.

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 loss before taxation from continuing operations for the year ended 31 December 2015 amounted to £3,722,000 (2014: profit £2,794,000).

Dividends

The directors do not recommend the payment of a dividend for 2015 (2014: interim dividend of 0.23p; final dividend of 0.595p).

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 £15m multi-currency working capital 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 2015 or 2014.

Charitable donations

Charitable donations of £290,000 were made during the year (2014: £354,000).

Annual General Meeting

The Annual General Meeting will be held at 11.30 am on 20 June 2016 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 18 March 2016 (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	24.61
Henderson Global Investors	114,129,549	22.53
Aberforth Partners LLP	24,844,660	4.91
Richard Griffiths	21,465,542	4.24
Norges Bank	18,696,236	3.69

By order of the Board

Charles Ansley
Company Secretary
21 March 2016

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

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 from 1 January 2015 to date except for the period between Mr Simon leaving the Committee on 18 December 2015 and Mr Halkes' appointment on 10 February 2016 during which it comprised two independent non-executive directors.

The Code provides that at least one member of the Committee should have recent and relevant financial experience. Mr Ferriss is a banker, Mr Waldron is the chief financial officer of a French listed company and Mr Halkes is a former managing partner at a large accounting firm and all are considered to have such experience. The profiles and qualifications of the Committee members are shown on page 34. The Chairman, Chief Executive, Finance Director, Group Head of Finance, Internal Auditor, other financial managers and external auditors are invited to attend Audit Committee meetings. The Committee met six 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.

Membership

The membership of the Committee from 1 January 2015 was:

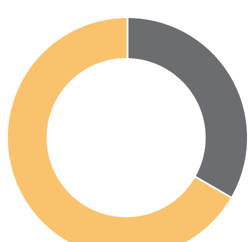
Mr Julian Waldron
(Chairman, member since 2008)

Mr Stephen Ferriss
(Member since 2006)

Mr Andrew Simon
(Member until 18 December 2015, member since 2008)

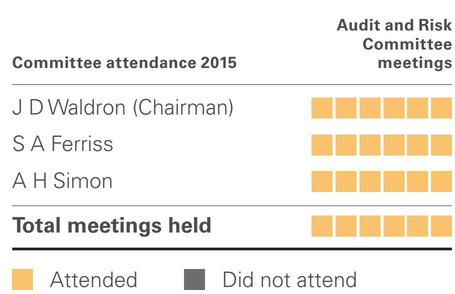
Mr Nigel Halkes
(Member since 10 February 2016)

Composition of the Audit and Risk Committee



Chairman (non-executive)	1
Non-executive	2

Attendance of the Committee



Report of the Audit and Risk Committee continued

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 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.

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. The have been reviewed since and no change is deemed necessary. They are available on the Group's website (www.mcgplc.com) as well as in hard copy format from the Company Secretary.

Operation of the Committee

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

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

Financial statements

The Committee reviewed the interim financial statements and the annual report and accounts. Following discussion with both management and the external auditor, the Committee's determination of the key risks of misstatement for 2015 and the steps it took to address these are shown in the table below.

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 setting out details of the deferred tax assets at the year end, including the underlying geographical analysis of tax losses, and considered the recoverability of the assets concerned alongside the other tax attributes and risks within the Group.
The accounting for the disposal of the French and related operations of Kurt Salmon.	The Committee reviewed and considered the accounting treatment for the disposal and the disclosure of the disposal in the annual report and accounts.

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.

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. 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 Internal Auditor reports to the Committee, which reviews and approves the internal audit work programme. 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 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.

Report of the Audit and Risk Committee continued

Operation of the Committee continued

External auditor continued

Audit tendering

The Audit Committee has noted 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
21 March 2016

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

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 2015.

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 identified the skill sets needed for new non-executive directors, and instructed a search agency, Egon Zehnder, to identify suitable candidates. Egon Zehnder have no other connection with the Company. Following interviews with suitably qualified candidates Mr Nigel Halkes was appointed to the Board on 18 December 2015.

Stephen Ferriss
Chairman of the Nominations Committee
21 March 2016

Membership

From 1 January 2015 the membership of the Committee was:

Mr Stephen Ferriss
(Chairman, member since 2008)

Mr Alan Barber
(Member since 2005)

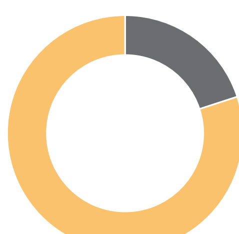
Mr Marco Capello
(Member since 2010)

Mr Andrew Simon
(Member until 18 December 2015, member since 2006)

Mr Julian Waldron
(Member since 2009)

Mr Nigel Halkes
(Member since 10 February 2016)

Composition of the Nominations Committee



Chairman (non-executive)	1
Non-executive	4

Attendance of the Committee

Committee attendance 2015	Nominations Committee meetings
S A Ferriss (Chairman)	■ ■
A J Barber	■ ■
M Capello	■ ■
A H Simon	■ ■
J D Waldron	■ ■
Total meetings held	■ ■

■ Attended ■ Did not attend

Report of the Remuneration Committee

Chairman's summary statement

Nigel Halkes
Chairman of the Remuneration Committee

Membership

From 1 January 2015 the membership of the Committee was:

Mr Nigel Halkes
(Chairman and member since 10 February 2016)

Mr Andrew Simon
(Chairman and member until 18 December 2015, 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 be writing to you as the new Chairman of the Remuneration Committee. First of all I would like to thank Andrew Simon for his hard work in Chairing the Remuneration Committee over a number of years and over the period leading to the successful disposal of parts of the Kurt Salmon business.

Although my tenure as Committee Chair started after the 2015 Financial Year I have set out below the activities of the Committee during the year and provided an overview of our business performance and the linkage to our executives' remuneration outcomes for the year under review.

There will not be a shareholder vote on policy at the 2016 AGM but our Remuneration Policy has been included in this report to assist shareholders in reviewing the Company's implementation of its policy during 2015. 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 2015 the Remuneration Committee dealt with some specific remuneration matters in addition to its normal annual timetable. As you will have read in the Chairman's Statement the disposal of the French and related operations of Kurt Salmon delivered important benefits to the Group. The Committee agreed that it was important to acknowledge the performance of the management team in implementing this disposal. Bonus payments for such matters are outside our shareholder approved policy and this bonus arrangement was subject to specific shareholder approval via a separate resolution at the General Meeting approving the main transaction. I am pleased to report it received strong shareholder support.

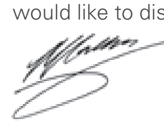
Linked to the sale of parts of Kurt Salmon it was necessary for the Committee to deal with the terms of cessation of employment for Mr Mahjoub. Mr Mahjoub's cessation arrangements are in accordance with our shareholder approved remuneration policy and are set out in the report. In agreeing these arrangements careful attention was paid to the Company's obligations under French law and the Committee took legal advice to ensure that the settlement agreed with Mr Mahjoub was not only fair and reasonable to all parties but no more than necessary in the circumstances.

Due to disappointing financial performance during the year the financial measures for the 2015 annual bonus have not been met. The Committee has decided that, given the quantum of the bonuses payable on the disposal of parts of Kurt Salmon, no bonus will be payable for 2015 in relation to non-financial strategic objectives.

Two tranches of performance share awards were granted in 2012 (one in respect of the 2011 Financial Year and one in respect of the 2012 Financial Year). The performance periods for both of these awards ended in the 2015 financial year end and the Total Shareholder Return targets were not met. These awards therefore lapsed. The performance share awards granted in 2013 have lapsed since the 2015 financial year end and there are consequently no outstanding awards.

At our 2017 AGM the Company will be required by the regulations to seek shareholders' approval for the Directors' Remuneration Policy. I will be working with the rest of the Committee to review our current policy and to consider changes that are required to that policy to ensure that it is aligned to and supports our business strategy going forward.

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



Nigel Halkes
Chairman of the Remuneration Committee
21 March 2016

Structure and operation of the Remuneration Committee

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 from 1 January 2015 to date except for the period between Mr Simon leaving the Committee on 18 December 2015 and Mr Halkes' appointment on 10 February 2016 during which it comprised two independent and one non-independent non-executive directors 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.

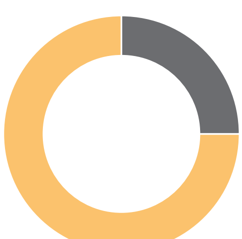
Operation of the Committee

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 New Bridge Street operates as a distinct business within the Aon Group and that there is a robust separation between the business activities and management of New Bridge Street and the wider Aon Group.

The Committee considers that this provision of other services by Aon plc does not prejudice New Bridge Street's independence. New Bridge Street provides advice to the Remuneration Committee on the 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 during the year, 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 2015	Remuneration Committee meetings
A H Simon (Chairman)	
M Capello	
S A Ferriss	
J D Waldron	
Total meetings held	

Attended   Did not attend

Report of the Remuneration Committee continued

Introduction

This 2015 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 at the 2016 AGM unless any changes to the policy are proposed at that meeting. The policy is included in this 2015 Remuneration Report for information only; the chart showing remuneration scenarios on page 54 has been updated to reflect proposed 2016 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. The Policy as approved by shareholders is available on the Company's website.
- Annual Report on Remuneration, setting out how the Company's present remuneration policy was applied during 2015 and how the policy will be implemented in 2016. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 20 June 2016. 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 is consistent with the principles of the revised code) 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 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.

Report of the Remuneration Committee continued

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.

Report of the Remuneration Committee continued

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 57 to 58 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 had an appointment letter in respect of his role as a director of the Company which may be terminated with no notice. Mr Mahjoub also had 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 continued until the mandatory retirement age as specified under French employment legislation.

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.

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).

In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	Twelve months for all executive directors except Mr Mahjoub, who was 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.

Report of the Remuneration Committee continued

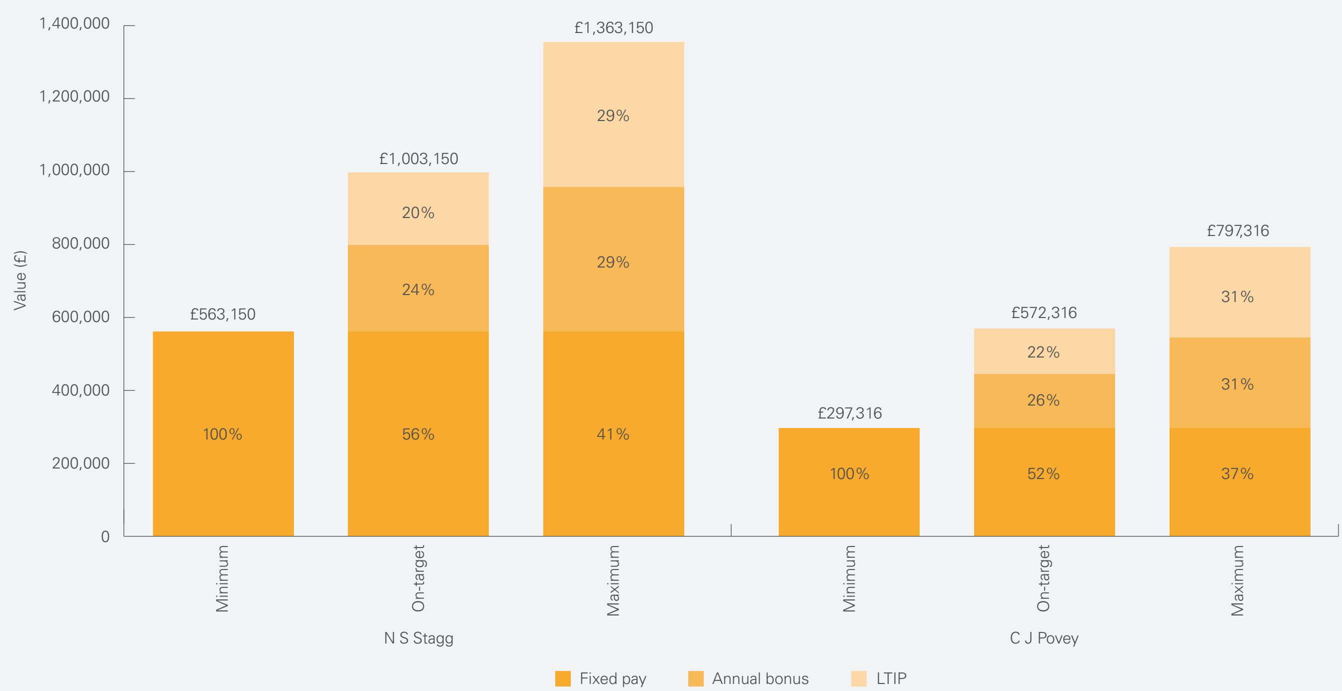
Remuneration policy report continued

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. In 2015 the Committee again reviewed the terms and from 1 January 2016 the Chairman has an agreement with no notice period.

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. 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 2016.

3 Value of benefits is based on the expected value for 2016. Pension is based on 2016 policy applied to 1 January 2016 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 2016.

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 2016 AGM. The information on pages 55 to 59 has been audited.

How the policy will be applied in 2016

2016 salary and benefits

The executive directors' salaries have been reviewed with effect from 1 January 2016 and there are no increases.

The current salaries as at 1 January 2016 are as follows:

	Salary as at 1 January 2015	Salary as at 1 January 2016	% increase
N S Stagg	£400,000	£400,000	—
C J Povey	£250,000	£250,000	—

As a result of the Group's business operations now being largely in the US and his continuing role as Chief Executive Officer of Alexander Proudfoot, Mr Stagg has been required to spend a considerable amount of time in the US with significant disruption to his personal life. This time commitment is likely to continue for the foreseeable future and in the circumstances the Committee has agreed that Mr Stagg's benefits should include a disruption allowance of £50,000 p.a. effective from 1 January 2016.

Fees for the Chairman and non-executive directors

A summary of fees as at 1 January 2016 is as follows:

	Fees at 1 January 2015	Fees at 1 January 2016	% increase
Chairman	£300,000	£300,000	—
Base fee for non-executive directors	£35,000	£35,000	—
Senior Independent Director and Committee Chair additional fees	£5,000	£5,000	—

For 2015 the Chairman was on a fixed term agreement for one year until 31 December 2015. It has been agreed that until his retirement in 2017 the Chairman's services will be provided with no notice period (with fees payable to the end of the month when services cease to be provided) and that his annual fee will reduce to £100,000 p.a. from the 2016 AGM as a result of the reduced time that he will be required to commit to the role from that date.

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.

Performance targets for the annual bonus and LTIP awards 2016

For 2016, the major part of the annual bonus will be assessed on financial targets set around the Group's 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 set out in next year's Annual Remuneration Report provided they are not commercially sensitive at that time.

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 2016 will be agreed by the Remuneration Committee prior to grant. The performance conditions attached to awards will be disclosed in the appropriate RNS announcement.

Report of the Remuneration Committee continued

Annual report on remuneration continued

Remuneration for the year ended 31 December 2015

The table below sets out the remuneration received by the directors in relation to performance in FY 2015 (or for performance periods ending in FY 2015 in respect of long-term incentives).

£'000		Salary and fees	Benefits[1]	Pension[2]	Annual bonus[3]	Long-term incentives	Other[4]	Total
Executive directors								
N S Stagg	2015	400,000	43,150	70,000	200,000	—	—	713,150
	2014	400,000	42,007	70,000	85,000	—	—	597,007
C J Povey	2015	250,000	3,566	43,750	130,000	—	—	427,316
	2014	250,000	3,905	43,750	53,100	—	—	350,755
C Mahjoub[5]	2015	381,098	15,552	36,988	—	—	1,612,552	2,046,190
	2014	412,940	14,560	34,630	238,176	—	—	700,306
Chairman								
A J Barber	2015	300,000	—	—	—	—	—	300,000
	2014	250,000	—	—	—	—	—	250,000
Non-executive directors								
M Capello	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
S A Ferriss	2015	45,000	—	—	—	—	—	45,000
	2014	45,000	—	—	—	—	—	45,000
N L Halkes	2015	1,077	—	—	—	—	—	1,077
	2014	—	—	—	—	—	—	—
E Di Spiezio Sardo	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
A H Simon[6]	2015	43,630	—	—	—	—	—	43,630
	2014	44,029	—	—	—	—	—	44,029
J D Waldron	2015	40,000	—	—	—	—	—	40,000
	2014	40,000	—	—	—	—	—	40,000
Total	**2015**	**1,460,805**	**62,268**	**150,738**	**330,000**	—	**1,612,552**	**3,616,363**
	2014	1,441,969	60,472	148,380	376,276	—	—	2,027,097

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 and for the French resident director €44,000 for 2014 and 10% of base salary for 2015.

3 This relates to the payment of the annual bonus for performance in the relevant year and the transaction bonus payable following completion of the disposal of certain operations of Kurt Salmon to Solucom. Shareholder consent was provided on 17 December 2015 for the transaction that completed on 7 January 2016. The Committee determined that it was therefore appropriate for the bonus to be reported for the financial year 2015. The bonuses are paid entirely in cash. Further details are provided on the following page.

4 Payments made to Mr Mahjoub in respect of his cessation on 18 December 2015 and as disclosed in further detail on page 59.

5 Remuneration disclosed above for Mr Mahjoub's includes payments made in respect of his cessation on 18 December 2015.

6 Remuneration disclosed above for Mr Simon is up to 18 December 2015 when he ceased to be a Director.

Annual bonus for the year ended 31 December 2015

The annual bonus for the year under review was determined by the performance targets and performance against them as set out below:

	Proportion of total bonus available			
Performance hurdle	Weighting	% of salary	Actual performance achieved	% of salary payable
Financial objective				
Group underlying operating profit of £12.375m for threshold 0% vesting to £16.5m for maximum vesting	75%	75%	Below threshold	0.00%

In considering performance against the financial objective, the Committee has taken into account the underlying operating profit of the continuing and discontinued operations of the Group. The remaining 25% of the bonus is determined by strategic objectives.

The Committee has decided that, given the quantum of the Transaction Incentive Bonus payable to them on the disposal of parts of the Kurt Salmon business (see below), no bonus will be payable for the strategic element of the annual bonus.

Transaction Incentive Bonus

Mr Stagg and Mr Povey received Transaction Incentive Bonuses of £200,000 and £130,000 on the disposal of certain operations of the Kurt Salmon business. These Transaction Incentive Bonuses do not fall within the parameters of the shareholder approved remuneration policy and were therefore specifically approved by shareholders at the General Meeting of the Company convened on 17 December 2015 where the disposal of certain operations of the Kurt Salmon business was also approved.

Share awards

The interests in the year of the directors in PSP awards in the Company are set out in the table below:

Director	Nature of award[1]	Date of grant	At 1 January 2015	Granted in year	Vested in year	Lapsed in year	**At 31 December 2015**	Date performance period ends	Date from which shares vest
N S Stagg	LTI FY 2011	6 January 2012	971,000	—	—	971,000	**—**	5 January 2015	5 January 2015
N S Stagg	LTI FY 2012	31 August 2012	1,200,000	—	—	1,200,000	**—**	30 August 2015	30 August 2015
N S Stagg	LTI FY 2013	7 March 2013	1,403,000	—	—	—	**1,403,000**	6 March 2016	6 March 2016
C J Povey	LTI FY 2011	6 January 2012	647,000	—	—	647,000	**—**	5 January 2015	5 January 2015
C J Povey	LTI FY 2012	31 August 2012	800,000	—	—	800,000	**—**	30 August 2015	30 August 2015
C J Povey	LTI FY 2013	7 March 2013	877,000	—	—	—	**877,000**	6 March 2016	6 March 2016
C Mahjoub	LTI FY 2011	6 January 2012	1,341,000	—	—	1,341,000	**—**	5 January 2015	5 January 2015
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	**—**	Lapsed on cessation as a director on 18 December 2015	

1 Award type: LTI FY – Long-term incentive award under the 2008 Performance Share Plan for the financial year stated.

Report of the Remuneration Committee continued

Annual report on remuneration continued

PSP awards made during the year

No PSP awards were granted to executive directors in 2015.

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 made on 31 August 2012 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 vesting of both PSP awards were based on performance to the third anniversary of the date of grant. The performance conditions for these awards were not met and these awards have now lapsed. Performance achieved was as follows:

6 January 2012 award

Metric	Condition for performance period ending on third anniversary of grant	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	**–**

31 August 2012 award

Metric	Condition for performance period ending on third anniversary of grant	Actual	% vesting
Total shareholder return ("TSR")	20% vesting at TSR creation of 5p to 100% vesting for TSR creation of 25p with straight-line vesting in between	No TSR created	0%
		Total vesting	**–**

The share prices on the dates of grant were 31.00p on 6 January 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 2015. 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 2015 was 14.875p and the range during 2015 was 13.50p to 19.00p.

Outstanding PSP awards

Awards made to executive directors in respect of the financial year 2013 would 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	7 March 2013
Share price at grant	28.5p
20% vesting at TSR creation of	5.0p
100% vesting at TSR creation of	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. Since the year end, the performance conditions for these awards have not been met and these awards have now lapsed.

At 31 December 2015, there were awards outstanding over new shares under the 2008 Performance Share Plan of 2.3m, comprising 0.5% 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.

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 2015	**Beneficially owned at 21 March 2016**	Outstanding PSP awards[3]	% shareholding guideline achieved at 31 December 2015
Executive directors				
N S Stagg	1,364,972	**1,364,972**	1,403,000	50.8%
C J Povey	32,000	**32,000**	877,000	1.9%
C Mahjoub[1]	3,439,532	**n/a**	—	n/a
Chairman and non-executive directors				
A J Barber	2,200,000	**2,200,000**	—	n/a
M Capello[2]	—	**—**	—	n/a
S A Ferriss	367,451	**367,451**	—	n/a
N L Halkes	60,000	**60,000**	—	n/a
E Di Spiezio Sardo[2]	—	**—**	—	n/a
A H Simon[1]	62,937	**n/a**	—	n/a
J D Waldron	256,725	**256,725**	—	n/a

1 Shareholdings and share awards shown as at 18 December 2015 being the date of cessation as a director of Management Consulting Group PLC.

2 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.

3 These awards have lapsed in March 2016.

Departure of Mr Chiheb Mahjoub

Mr Mahjoub ceased to be an executive director of the Company and an employee of the Group on 18 December 2015. Mr Mahjoub received benefits and pension to the 18 December 2015 and base salary to 31 December 2015. Mr Mahjoub was entitled on cessation to certain statutory payments in accordance with French labour law and following legal advice a sum in settlement of claims under French labour law was made in connection with his cessation:

- €518,480 mandatory Collective Bargaining severance allowance for 20.84 years of service;
- €107,472 for 36 accrued vacation days compensation; and
- €1,595,500 settlement.

All the remuneration paid in respect of Mr Mahjoub's cessation is set out in the remuneration table on page 56. No annual bonus is payable for 2015. All unvested PSP awards lapsed on his ceasing to be a Group employee.

Report of the Remuneration Committee continued

Annual report on remuneration continued

Unaudited information

Percentage increase in the remuneration of the Chief Executive Officer

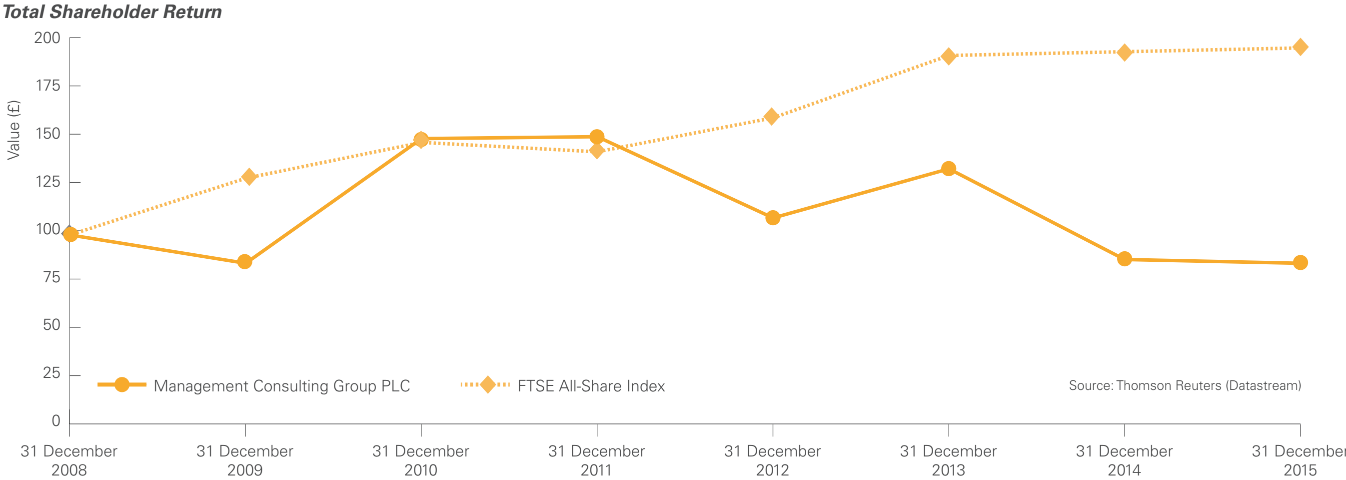
	% change 2014 to 2015
Chief Executive	
Salary	0%
Benefits	2.7%
Bonus	135.3%
Average per employee	
Salary	1.6%
Benefits	0.2%
Bonus	(5.6)%

The table above shows the percentage movement in the salary, benefits and 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 seven years. Management Consulting Group PLC was a constituent of the FTSE All-Share Index and, accordingly, that index is considered the most appropriate form of "broad equity market index" against which the Group's performance should be plotted. Performance, as required by the legislation, is measured by TSR (share price growth plus dividends paid).

Total Shareholder Return



This graph shows the value, by 31 December 2015, of £100 invested in Management Consulting Group PLC on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

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

The table above shows the total remuneration figure for the Chief Executive during each of the financial years shown. The total remuneration figure includes the annual bonus and long-term incentive awards which vested based on performance in those years (and ending in that year for the long-term incentive).

Relative importance of the spend on pay

	2014 restated	2015	% increase/ (decrease)
Staff costs £'000	84,710	**88,743**	4.8%
Dividends £'000	4,005	**—**	(100.0)%

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

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 £17,952. 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 2015	FY 2014
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 Report

	2015 AGM	%
Votes cast in favour	**254,369,905**	97.3%
Votes cast against	**7,008,305**	2.7%
Total votes cast	**261,378,210**	100.0%
Votes withheld	**97,868,170**	

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

N L Halkes
Chairman of the Remuneration Committee
21 March 2016

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 21 March 2016. The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this report should be construed as a profit forecast.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Nick Stagg
Chief Executive
21 March 2016

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 2015 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 and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 28. 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 and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 30 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 31 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 32 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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.

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

Risk	How the scope of our audit responded to the risk
Disposal of certain operations of Kurt Salmon The classification and valuation of net assets in the disposal group as held for sale at the balance sheet date is a key area of management judgement. In addition, the classification of this business as discontinued operations must be carefully considered in line with IFRS 5: 'Non current assets held for sale and discontinued operations'. A total loss from discontinued operations of £57.8 million has been recognised in the Income Statement. There is also significant judgement surrounding the allocation of Goodwill to the disposal group. Further information is included in notes 10 and 27 to the accounts	We recomputed the loss on disposal recognised with reference to the relevant legal agreements and other third party information. We have assessed the judgements made by management in calculating the loss on disposal, including in relation to provisions, warranties, and any relevant disposal adjustments, with reference to historical performance and other available information. We also assessed the classification of the disposed business and other assets held for sale as discontinued operations against the relevant criteria in IFRS 5, and the classification and valuation of assets held for sale. We have assessed the allocation of goodwill to the disposal group in line with IAS 36: Impairment of Assets.
Carrying value of goodwill The assessment of the carrying value of goodwill due to the significance of the goodwill asset on the balance sheet (£144.3 million). There are also significant judgements required in respect of the allocation of goodwill to cash generating units, 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.	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 the allocation of goodwill to cash generating units, future cash flows, growth rates and the discount rates applied, through consideration of the assessment of CGUs in accordance with IAS 36, our understanding of the future prospects of the business (with particular focus on assessment of forecasts against historical forecast accuracy), benchmarking against comparator businesses, and comparison against the market rate and the prevailing Group cost of capital. We focused our sensitivity analysis on the shortfall of actual performance to budget in recent years, and hypothesised numerous reduced growth scenarios. 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 tested the mechanics of the impairment model prepared by management by validating the relevant calculations.
Revenue recognition We consider that the risk specifically relates to the valuation and cut-off of revenue and due to the nature of the consultancies, and the short payment terms in Proudfoot, we have focussed the risk on Kurt Salmon. Each of the consultancies record revenue based on time incurred, and account for the deferral or accrual of revenue so as to estimate the fair value of work delivered where the consultancy has the right to consideration at the balance sheet date. We also consider the recognition of non-traditional fees ("NTF") to be a risk. The timing of recognition of the fees is determined based on contractual conditions and management's judgement as to whether the conditions have been met at year end.	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 in the businesses subject to full audit scope. 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, 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 considered whether the revenue recognition policies adopted complied with IFRS. We tested in detail the provision for bad debts through consideration of overdue debts and aged accrued income and assessing the level of provision against any risk, to determine whether projects had been adequately reviewed for debtor recoverability.

Risk	How the scope of our audit responded to the risk
Recoverability of deferred tax assets Recognition and recoverability of £14.4 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.	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 in accordance with accepted tax accounting practice.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 42.

The risks are in line with those reported in the 2014 Annual report, with the exception of the addition of the risk associated with the accounting for the disposal.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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.

When determining materiality, we considered the decline in earnings this year and at present do not consider that this decline is likely to reflect a long-term reduction in the net profitability of the business.

We therefore determined materiality by considering a range of possible benchmarks and the figures derived from those, then selecting a materiality within that range that we considered appropriate. We determined materiality for the group on a blended basis to be £400,000 (2014: £450,000).

This materiality equates to less than 0.3% of revenue from continuing operations and less than 0.3% of net assets. Last year (prior to restatement as no discontinued operations had been identified at the time of the 2014 financial statements) we used a benchmark of 10% of profit before tax, which equated to less than 0.2% of revenue and less than 0.3% of net assets.

In determining materiality at £400,000, we concluded that we would apply an appropriately conservative approach and ensure that materiality did not exceed the materiality set in the prior year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2014: £20,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope at five key locations being the UK, US, South Africa, France and Germany, the key components of which were all subject to a full audit where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at those locations. The Group audit team undertook the audit work in respect of the UK, US and South African components.

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 80% of the group's revenue from continuing operations (2014: 93% of group revenue) and 78% of total assets (2014: 81%). 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 (2014: £325,000).

The Group audit team met with the management teams in the UK and US. The Senior Statutory Auditor also attended audit close meetings at these locations. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

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 arising from the remaining components not subject to audit or audit of specified account balances.

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

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 part of the Corporate Governance Statement relating to the company's compliance with certain 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). 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
21 March 2016

Group income statement
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000 restated
Continuing operations			
Revenue	3	**138,928**	145,859
Cost of sales		**(87,866)**	(86,387)
Gross profit		**51,062**	59,472
Administrative expenses – underlying		**(50,293)**	(51,811)
Profit from operations – underlying		**769**	7,661
Administrative expenses – non-recurring (net)	4	**(253)**	(2,536)
Profit from operations before amortisation of acquired intangibles		**516**	5,125
Administrative expenses – amortisation of acquired intangibles	10	**(569)**	(786)
Total administrative expenses		**(51,115)**	(55,133)
(Loss)/profit from operations	3	**(53)**	4,339
Investment revenues	6a	**13**	32
Finance costs	6b	**(3,682)**	(1,577)
(Loss)/profit before tax	4	**(3,722)**	2,794
Tax	7	**(4,024)**	(4,854)
Loss for the period from continuing operations		**(7,746)**	(2,060)
(Loss)/profit for the period from discontinued operations	27	**(57,802)**	1,098
Loss for the period		**(65,548)**	(962)
(Loss)/earnings per share – pence			
From loss from continuing operations for the year attributable to owners of the Company:			
Basic	9	**(1.6)**	(0.4)
Diluted	9	**(1.6)**	(0.4)
Basic – underlying	9	**(1.5)**	(0.1)
Diluted – underlying	9	**(1.5)**	(0.1)
From the (loss)/profit for the period:			
Basic	9	**(13.3)**	(0.2)
Diluted	9	**(13.3)**	(0.2)
Basic – underlying	9	**(1.1)**	0.2
Diluted – underlying	9	**(1.1)**	0.2

Group statement of comprehensive income
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Loss for the year		**(65,548)**	(962)
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains/(losses) on defined benefit post-retirement obligations	17	**639**	(3,828)
Tax items taken directly to comprehensive income	7, 15	**306**	594
		945	(3,234)
Items that may be reclassified subsequently to profit and loss			
Loss on available-for-sale investments		**—**	(218)
Exchange differences on translation of foreign operations		**(1,738)**	(6,097)
		(1,738)	(6,315)
Total comprehensive expense for the year attributable to owners of the Company		**(66,341)**	(10,511)

Group statement of changes in equity
for the year ended 31 December 2015

	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**
Loss for the year	—	—	—	—	—	—	—	(65,548)	(65,548)
Other comprehensive expense	—	—	—	—	—	(1,738)	—	945	(793)
Total other comprehensive expense	—	—	—	—	—	(1,738)	—	(64,603)	(66,341)
Shares issued	20	302	—	—	—	—	—	—	322
Share-based payments	—	—	—	1,797	—	—	—	—	1,797
Lapsed/vested shares	—	—	—	(3,355)	—	—	—	2,028	(1,327)
Shares transferred from employee benefit trusts	—	—	—	—	1,208	—	—	—	1,208
Dividends paid to shareholders	—	—	—	—	—	—	—	(4,018)	(4,018)
Recycling of merger reserve	—	—	(26,830)	—	—	—	—	26,830	—
Balance at 31 December 2015	**84,538**	**82,664**	**5,683**	**4,179**	**(1,855)**	**17,291**	**6,082**	**(69,276)**	**129,306**

Group balance sheet
as at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets and goodwill	10	**148,387**	258,542
Property, plant and equipment	11	**1,996**	2,747
Investments	12	**711**	727
Deferred tax assets	15	**14,448**	14,722
Total non-current assets		**165,542**	276,738
Current assets			
Trade and other receivables	13	**29,115**	62,901
Current tax receivables	15	**1,096**	2,136
Cash and cash equivalents	22	**15,478**	24,920
Assets held for sale	27	**91,785**	—
Total current assets		**137,474**	89,957
Total assets		**303,016**	366,695
Current liabilities			
Financial liabilities	16	**(68,294)**	—
Trade and other payables	14	**(39,875)**	(71,073)
Current tax liabilities	15	**(4,020)**	(7,643)
Liabilities held for sale	27	**(33,105)**	—
Total current liabilities		**(145,294)**	(78,716)
Net current (liabilities)/assets		**(7,820)**	11,241
Non-current liabilities			
Financial liabilities	16	**—**	(58,521)
Retirement benefit obligations	17	**(21,781)**	(22,920)
Deferred tax liabilities	15	**(5,413)**	(3,956)
Long-term provisions	18	**(1,222)**	(4,917)
Total non-current liabilities		**(28,416)**	(90,314)
Total liabilities		**(173,710)**	(169,030)
Net assets		**129,306**	197,665
Equity			
Share capital	19	**84,538**	84,518
Share premium account		**82,664**	82,362
Merger reserve	20	**5,683**	32,513
Share compensation reserve		**4,179**	5,737
Shares held by employee benefit trusts		**(1,855)**	(3,063)
Translation reserve		**17,291**	19,029
Other reserves	20	**6,082**	6,082
Retained earnings		**(69,276)**	(29,513)
Equity attributable to owners of the Company		**129,306**	197,665

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2016. They were signed on its behalf by:

Chris Povey

Chris Povey
Director

Group cash flow statement
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	22	**909**	13,088
Investing activities			
Interest received		**36**	69
Purchases of property, plant and equipment		**(577)**	(849)
Purchases of intangible assets		**(467)**	(252)
Purchase of financial assets		**—**	(87)
Disposal of financial assets		**36**	1,674
Acquisitions	28	**(316)**	(600)
Net cash used in investing activities		**(1,288)**	(45)
Financing activities			
Interest paid		**(2,589)**	(1,957)
Dividends paid		**(4,000)**	(4,088)
Proceeds from borrowings		**48,574**	28,049
Repayment of borrowings		**(38,357)**	(23,406)
Purchase of own shares		**—**	(1,014)
Net cash generated from/(used in) financing activities		**3,628**	(2,416)
Net increase in cash and cash equivalents		**3,249**	10,627
Cash and cash equivalents at beginning of year		**24,920**	14,669
Effect of foreign exchange rate changes		**(7,432)**	(376)
Cash and cash equivalents at end of year	22	**20,737**	24,920

Company balance sheet
as at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	10	**12**	144
Property, plant and equipment	11	**136**	348
Investments	12	**164,775**	235,745
Total non-current assets		**164,923**	236,237
Current assets			
Trade and other receivables	13	**43,044**	25,717
Cash and cash equivalents	22	**169**	362
Total current assets		**43,213**	26,079
Total assets		**208,136**	262,316
Current liabilities			
Financial liabilities	16	**(26,551)**	—
Trade and other payables	14	**(20,901)**	(39,394)
Total current liabilities		**(47,452)**	(39,394)
Net current liabilities		**(4,239)**	(13,315)
Non-current liabilities			
Long-term provisions	18	**(192)**	(2,139)
Total non-current liabilities		**(192)**	(2,139)
Total liabilities		**(47,644)**	(41,533)
Net assets		**160,492**	220,783
Equity			
Share capital	19	**84,538**	84,518
Share premium account		**82,664**	82,362
Merger reserve	20	**—**	26,830
Share compensation reserve		**4,179**	5,737
Shares held by employee benefit trusts		**(1,855)**	(3,063)
Capital redemption reserve		**1,186**	1,186
Retained earnings	21	**(10,220)**	23,213
Equity attributable to owners of the Company		**160,492**	220,783

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2016. 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 2015

	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**
Loss for the year	—	—	—	—	—	—	(58,252)	(58,252)
Shares issued	20	302	—	—	—	—	—	322
Share-based payments	—	—	—	1,797	—	—	—	1,797
Lapsed/vested shares	—	—	—	(3,355)	—	—	2,007	(1,348)
Shares transferred from employee benefit trusts	—	—	—	—	1,208	—	—	1,208
Dividends paid to shareholders	—	—	—	—	—	—	(4,018)	(4,018)
Recycling of merger reserve	—	—	(26,830)	—	—	—	26,830	—
Balance at 31 December 2015	**84,538**	**82,664**	**—**	**4,179**	**(1,855)**	**1,186**	**(10,220)**	**160,492**

Company cash flow statement

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	22	**21,552**	1,182
Investing activities			
Purchases of property, plant and equipment		**(54)**	(19)
Purchases of intangible assets		**—**	(5)
Cash advances (to)/from subsidiaries		**(45,252)**	906
Net cash (used in)/raised from investing activities		**(45,306)**	882
Financing activities			
Interest paid		**(210)**	(219)
Dividends paid		**(4,000)**	(4,088)
Purchase of own shares		**—**	(1,014)
Proceeds from borrowings		**26,132**	—
Net cash raised from/(used in) financing activities		**21,922**	(5,321)
Net decrease in cash and cash equivalents		**(1,832)**	(3,257)
Cash and cash equivalents at beginning of year		**362**	181
Effect of foreign exchange rate changes		**1,639**	3,438
Cash and cash equivalents at end of year	22	**169**	362

Notes to the financial statements
for the year ended 31 December 2015

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 119. 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 and the Viability Statement. 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.

During 2015, the Group was financed by a multi-currency borrowing facility negotiated in December 2011 for up to £85m. The £85m facility was repaid in full in January 2016 from proceeds arising from the Disposal and terminated ahead of its July 2017 term date. The Group has a new working capital facility for up to £15m running to March 2019. The new working capital facility is subject to financial covenants starting on 30 June 2016 and being measured quarterly thereafter. 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 new 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.

Annual Improvements 2011–2013 Cycle

IFRIC 21 Levies

Notes to the financial statements continued
for the year ended 31 December 2015

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 14 Regulatory Deferral Accounts

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations

IAS 1 (amendments) Disclosure Initiative

IAS 19 (amendments) Defined Benefit Plans: Employee Contributions

IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 16 and IAS 41 (amendments) Agriculture: Bearer Plants

IAS 27 (amendments) Equity Method in Separate Financial Statements

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

IFRS 10, IFRS 12 and IAS 28 (amendments) Investment Entities: Applying the Consolidation Exemption

Annual improvements 2010–2012 Cycle

Annual improvements 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 may impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures, and IFRS 16 will impact both the measurement and disclosure of the Group's leases.

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.

2. Significant accounting policies continued

(a) Basis of preparation continued

Goodwill and other intangible fixed assets

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

Employee benefits

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

Income taxes

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

Provisions

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

Discontinued operations and assets held for sale

The Disposal and the recognition of assets held for sale at the lower of cost and fair value less costs to sell required judgement to be applied to both post-completion consideration and goodwill allocated to the disposal group. Due to the timing of the Disposal, post-closing consideration had not been finalised at the signing date and therefore the loss on Disposal reflects a best estimate of final proceeds based on the information available at 18 March 2016. Further information regarding the assumptions included in post-closing consideration are set out in note 27.

With regard to the allocation of goodwill, the disposal group identified on 31 December 2015 represented only part of the Kurt Salmon consultancy division and therefore required Kurt Salmon goodwill to be partially allocated to the disposal group. As there is no prescribed allocation measures under IFRS, 2015 revenues have been used as an appropriate measure of relative value. Further details of the goodwill allocated to the disposal group are set out in note 10.

(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.

Notes to the financial statements continued

for the year ended 31 December 2015

2. Significant accounting policies continued

(c) Business combinations

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

(d) Goodwill

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

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

(e) Intangible assets

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

(f) Property, plant and equipment

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

(g) Leasehold improvements

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

(h) Impairment of tangible and intangible assets

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

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

(i) Dividend distribution

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

2. Significant accounting policies continued

(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.

(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.

Notes to the financial statements continued
for the year ended 31 December 2015

2. Significant accounting policies continued

(q) Dividend income

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

(r) Operating leases

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

(s) Retirement benefit costs

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

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

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

(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.

2. Significant accounting policies continued

(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.

(w) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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 2015	**Americas £'000**	**Europe £'000**	**Rest of the World £'000**	**Group £'000**
Revenue – continuing operations	**96,512**	**26,455**	**15,961**	**138,928**
Profit/(loss) from operations before non-recurring expenses and amortisation of acquired intangibles	**3,635**	**(259)**	**(2,607)**	**769**
Non-recurring expenses and amortisation of acquired intangibles	**(729)**	**(15)**	**(78)**	**(822)**
Profit/(loss) from operations	**2,906**	**(274)**	**(2,685)**	**(53)**
Investment revenue				**13**
Finance costs				**(3,682)**
Loss before tax				**(3,722)**

Year ended 31 December 2014 – restated	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Revenue – continuing operations	93,531	32,811	19,517	145,859
Profit/(loss) from operations before non-recurring expenses and amortisation of acquired intangibles	4,160	3,679	(178)	7,661
Non-recurring (expenses)/income and amortisation of acquired intangibles	(2,678)	(1,322)	678	(3,322)
Profit from operations	1,482	2,357	500	4,339
Investment revenue				32
Finance costs				(1,577)
Profit before tax				2,794

Notes to the financial statements continued
for the year ended 31 December 2015

3. Operating segments continued
(a) Geographical analysis continued
(ii) Net assets by geography

At 31 December 2015	Americas £'000	Europe £'000	Rest of the World £'000	Group £'000
Assets				
Intangibles, including goodwill	**120,529**	**24,173**	**3,685**	**148,387**
Other segment assets	**34,990**	**16,099**	**2,944**	**54,033**
Total assets allocated to segments	**155,519**	**40,272**	**6,629**	**202,420**
Unallocated corporate assets				**8,811**
Assets held for sale				**91,785**
Consolidated total assets				**303,016**
Liabilities				
Segment liabilities	**(41,296)**	**(52,259)**	**(4,515)**	**(98,070)**
Unallocated corporate liabilities				**(42,535)**
Liabilities held for sale				**(33,105)**
Consolidated total liabilities				**(173,710)**
Net assets				**129,306**

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
Total assets allocated to segments	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

(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 2015	**Alexander Proudfoot £'000**	**Kurt Salmon £'000**	**Total £'000**
Revenue – continuing operations	**50,151**	**88,777**	**138,928**
Underlying operating (loss)/profit	**(5,286)**	**6,055**	**769**
Non-recurring expenses and amortisation of acquired intangibles			**(822)**
Operating loss			**(53)**
Investment revenue			**13**
Finance costs			**(3,682)**
Loss before tax			**(3,722)**

Year ended 31 December 2014 – restated	Alexander Proudfoot £'000	Kurt Salmon £'000	Total £'000
Revenue – continuing operations	60,884	84,975	145,859
Underlying operating (loss)/profit	(1,620)	9,281	7,661
Non-recurring expenses and amortisation of acquired intangibles			(3,322)
Operating profit			4,339
Investment revenue			32
Finance costs			(1,577)
Profit before tax			2,794

4. (Loss)/profit before tax

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

	Note	**2015 £'000**	2014 £'000 restated
Net foreign exchange (gains)/losses		**(238)**	18
Amortisation of intangible assets	3	**1,753**	1,926
Depreciation of property, plant and equipment	3	**728**	668
Gain on Disposal of fixed assets		**(7)**	(341)
Non-recurring items (net)		**253**	2,536
Staff costs	5	**88,743**	84,710

The £0.2m of non-recurring expenses in 2015 comprise £1.1m of restructuring related redundancy costs, principally in Alexander Proudfoot, offset by the release of £0.9m property provisions as a result of the Group rationalising its office accommodation in London and Atlanta.

The £2.5m of non-recurring expenses in 2014 comprised restructuring costs in Alexander Proudfoot.

Notes to the financial statements continued
for the year ended 31 December 2015

4. (Loss)/profit before tax continued

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

Auditor's remuneration	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**47**	43
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**403**	358
Total audit fees	**450**	401
Taxation compliance services	**209**	267
Taxation advisory services	**128**	150
Other non-audit services*	**211**	35
Total non-audit fees	**548**	452
Total auditor's remuneration	**998**	853

* Other non-audit services include a fee of £185,000 for reporting accountants work performed in respect of the Disposal.

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:

	2015 Number	2014 Number re-presented
Sales and marketing	**81**	100
Consultants	**540**	469
Support staff	**144**	174
Continuing activities	**765**	743
Discontinued operations	**762**	761
Total	**1,527**	1,504

The number of Group employees at the year end was 1,526 with 748 being employed by continuing operations (2014: 1,509).

The aggregate payroll costs for the employees of the continuing operations were as follows:

	2015 £'000	2014 £'000 restated
Wages and salaries	**77,324**	75,790
Social security costs	**6,566**	5,138
Other pension costs	**4,853**	3,782
	88,743	84,710

A charge of £314,000 (2014: £283,000) is included in the operating results in respect of the current service cost of the German retirement benefit obligations (see note 17).

The average number of Company employees for the year was 19 (2014: 21). The payroll costs of the Company were £2,121,519 (2014: £2,972,000) for wages and salaries, £238,382 (2014: £297,000) for social security costs and £180,400 (2014: £217,000) for pension costs.

6a. Investment revenues

	2015 £'000	2014 £'000 restated
Interest receivable on bank deposits and similar income	**13**	32

6b. Finance costs

	Note	2015 £'000	2014 £'000 restated
Interest payable on bank overdrafts and loans and similar charges		**1,982**	801
Finance costs on retirement benefit plans	17	**1,700**	776
		3,682	1,577

7. Tax

Recognised in the income statement: Income tax expense on continuing operations	**2015**			2014		
	Before non-underlying items £'000	**Non-underlying items £'000**	**Total £'000**	Before non-underlying items £'000 restated	Non-underlying items £'000 restated	Total £'000 restated
Current tax						
Current year	**3,332**	**(157)**	**3,175**	5,121	(777)	4,344
Adjustment in respect of prior years	**(361)**	**—**	**(361)**	(1,708)	(606)	(2,314)
Current tax expense/(credit)	**2,971**	**(157)**	**2,814**	3,413	(1,383)	2,030
Deferred tax						
Current year	**3,665**	**(216)**	**3,449**	4,337	(299)	4,038
Adjustment in respect of prior years	**(2,239)**	**—**	**(2,239)**	(1,214)	—	(1,214)
Deferred tax expense/(credit)	**1,426**	**(216)**	**1,210**	3,123	(299)	2,824
Total income tax						
Income tax expense/(credit) on continuing activities	**4,397**	**(373)**	**4,024**	6,536	(1,682)	4,854

UK corporation tax is calculated at 20.25% (2014: 21.50%) 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:

	2015			2014		
	Before non-underlying items £'000	**Non-underlying items £'000**	**Total £'000**	Before non-underlying items £'000 restated	Non-underlying items £'000 restated	Total £'000 restated
(Loss)/profit before tax from continuing operations	**(2,900)**	**(822)**	**(3,722)**	6,116	(3,322)	2,794
Notional income tax expense at the effective UK tax rate of 20.25% (2014: 21.50%)	**(588)**	**(166)**	**(754)**	1,315	(715)	600
Unrelieved current year tax losses	**3,768**	**(66)**	**3,702**	2,348	—	2,348
Irrecoverable withholding tax	**1,247**	**—**	**1,247**	1,559	—	1,559
Effects of different tax rates of subsidiaries operating in other jurisdictions	**2,664**	**27**	**2,691**	1,156	(87)	1,069
Losses and other temporary differences not previously recognised	**(2,815)**	**—**	**(2,815)**	(63)	—	(63)
Permanent differences	**2,721**	**(168)**	**2,553**	3,143	(274)	2,869
Relating to prior years	**(2,600)**	**—**	**(2,600)**	(2,922)	(606)	(3,528)
Income tax expense/(credit) on continuing operations	**4,397**	**(373)**	**4,024**	6,536	(1,682)	4,854
Effective tax rate for the year	**(152%)**		**(105%)**	107%		174%

Notes to the financial statements continued
for the year ended 31 December 2015

7. Tax continued

	2015 £'000	2014 £'000
Tax credited to other comprehensive income		
Current and deferred tax credits on actuarial and other movements on post-employment benefits	**306**	594
Tax credit on items recognised in other comprehensive income	**306**	594

No amounts have been directly charged/(credited) to equity in either the current or prior year.

8. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2014 of 0.595p per share (2013: 0.595p)	**2,902**	2,873
Interim dividend for the year ended 31 December 2014 of 0.23p per share (2013: 0.23p)	**1,116**	1,111
	4,018	3,984

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 2015 in respect of the interim dividend for the year ended 31 December 2015 and the final dividend for year ended 31 December 2014 was £24,199 and £49,178 respectively (2014: £29,783 and £77,660).

The Board announced on 23 November 2015 that no interim dividend for 2015 would be paid in January 2016, given the likely accounting impact of the impairment of investments as a result of the Disposal on the Company's distributable reserves. The Board has reviewed the position following the completion of the transaction and during preparation of the financial statements for 2015 and considers that it remains likely that it will seek to implement a reconstruction of reserves before dividend payments are resumed.

9. Earnings per share

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

	2015			2014 re-presented		
Earnings	All £'000	Continuing £'000	Discontinued £'000	All £'000	Continuing £'000	Discontinued £'000
(Loss)/profit for the period	**(65,548)**	**(7,746)**	**(57,802)**	(962)	(2,060)	1,098
Add back: non-recurring items	**6,825**	**253**	**6,572**	2,912	2,536	376
Add back amortisation of acquired intangibles	**569**	**569**	**—**	786	786	—
Add back loss on Disposal	**53,372**	**—**	**53,372**	—	—	—
Reduction in tax charge due to add backs	**(642)**	**(373)**	**(269)**	(1,812)	(1,671)	(141)
Underlying profit/(loss) for the period	**(5,424)**	**(7,297)**	**1,873**	924	(409)	1,333

Number of shares	2015 Number million	2014 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	**492**	485
Effect of dilutive potential ordinary shares:		
Restricted share plan	**13**	8
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**505**	493

9. Earnings per share continued

(Loss)/earnings per share	2015 All Pence	2015 Continuing Pence	2015 Discontinued Pence	2014 re-presented All Pence	2014 re-presented Continuing Pence	2014 re-presented Discontinued Pence
Basic (loss)/profit per share for the year attributable to the owners of the Company	**(13.3)**	**(1.6)**	**(11.7)**	(0.2)	(0.4)	0.2
Diluted (loss)/profit per share for the year attributable to the owners of the Company	**(13.3)**	**(1.6)**	**(11.7)**	(0.2)	(0.4)	0.2
Basic (loss)/profit per share – excluding non-recurring items and amortisation of acquired intangibles	**(1.1)**	**(1.5)**	**0.4**	0.2	(0.1)	0.3
Diluted (loss)/profit per share – excluding non-recurring items and amortisation of acquired intangibles	**(1.1)**	**(1.5)**	**0.4**	0.2	(0.1)	0.3

The average share price for the year ended 31 December 2015 was 15.6p (2014: 23.0p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted loss per share in 2015 includes rights over 12,853,033 ordinary shares (2014: 7,535,929).

10. Intangible assets and goodwill

Group	Note	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost					
At 1 January 2015		253,195	18,961	10,758	282,914
Acquisitions	28	638	—	—	638
Transferred to assets held for sale	27	(52,840)	—	(4,356)	(57,196)
Additions		—	—	425	425
Disposals		—	—	(174)	(174)
Exchange differences		(3,292)	(170)	61	(3,401)
At 31 December 2015		**197,701**	**18,791**	**6,714**	**223,206**
Amortisation					
At 1 January 2015		—	17,337	7,035	24,372
Charge for the year		—	569	1,224	1,793
Impairment charge recognised on classification to assets held for sale		53,372	—	—	53,372
Transferred to assets held for sale	27	—	—	(4,326)	(4,326)
Category transfer		—	—	82	82
Disposals		—	—	(178)	(178)
Exchange differences		—	(195)	(101)	(296)
At 31 December 2015		**53,372**	**17,711**	**3,736**	**74,819**
Carrying amount					
At 31 December 2015		**144,329**	**1,080**	**2,978**	**148,387**
At 31 December 2014		253,195	1,624	3,723	258,542

Notes to the financial statements continued
for the year ended 31 December 2015

10. Intangible assets and goodwill continued

Company	Software costs £'000
Cost	
At 1 January 2015	873
At 31 December 2015	**873**
Amortisation	
At 1 January 2015	729
Charge for the year	132
At 31 December 2015	**861**
Carrying amount	
At 31 December 2015	**12**
At 31 December 2014	144

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	—	786	1,254	2,040
Disposals	—	—	(1,092)	(1,092)
Exchange differences	—	(80)	(267)	(347)
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

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
As at 1 January 2015	210,568	42,627	253,195
Impairment charge recognised on classification to assets held for sale	(53,372)	—	(53,372)
Transferred to assets held for sale	(52,840)	—	(52,840)
Additions	638	—	638
Translation	(771)	(2,521)	(3,292)
As at 31 December 2015	**104,223**	**40,106**	**144,329**

As at 31 December 2015, Kurt Salmon goodwill was allocated between Kurt Salmon France and related operations (the "disposal group") and the retained Kurt Salmon business on a revenue basis. The £106.2m of goodwill allocated to disposal group was immediately tested for impairment ahead of the transfer to assets held for sale and a charge of £53.4m recognised, representing the difference between allocated net assets (including goodwill) and estimated post-closing consideration net of transaction fees. The remaining £52.8m of goodwill attributed to the disposal group has been transferred from goodwill to assets held for sale in the Group balance sheet at 31 December 2015.

The Group tested the £144.3m of retained goodwill for impairment by determining the recoverable amount of each CGU 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. The budgets 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. EBITA is deemed to be a reasonable proxy for cash.

The cash flow forecast for Kurt Salmon assumes some revenue growth in 2016. EBITA margins are assumed to improve in 2016 with growth arising from North America following a weaker margin in 2015 due to the impact of recruitment.

The cash flow forecast for Alexander Proudfoot assumes revenue growth in 2016 together with a corresponding EBITA margin improvement reflecting some recovery in performance.

Assumed EBITA margins for both CGUs are consistent with past experience and industry norms.

For longer term financial projections, cash flows for are extrapolated based on long-term average growth rates, which for Kurt Salmon is a rate of 1.8% (2014: 1.8%) for the European region and 1.9% (2014: 1.9%) for the Americas region and for Alexander Proudfoot is 2.5% (2014: 1.6%) for Europe and 2.0% (2014: 1.9%) for the Americas regions.

The rates used to discount the forecast post-tax cash flows for each CGU are 8.81% (2014: 8.54%) for Kurt Salmon and 9.97% (2014: 9.29%) for Alexander Proudfoot. CGU discount rates are based on the relevant regional weighted average cost of capital.

Following the 2015 impairment review management has concluded that the recoverable amounts for both the Alexander Proudfoot and the Kurt Salmon CGUs exceeded carrying value. However, the headroom in relation to the Alexander Proudfoot CGU has reduced significantly in recent years and sensitivity analysis on key assumptions included in the impairment review indicates that a reasonably possible change in key assumptions over the course of the next year could result in the recoverable amount falling to a level close to but above the carrying value at 31 December 2015. Additionally, the Board considers there are further steps that could be taken to improve performance in such a scenario. The carrying value of the Kurt Salmon CGU also remained satisfactory having taken into account reasonably possible changes in key assumptions.

Notes to the financial statements continued
for the year ended 31 December 2015

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2015	8,246	1,851
Additions	580	53
Disposals	(145)	—
Transfer to assets held for sale	(2,243)	—
Exchange differences	(130)	—
At 31 December 2015	**6,308**	**1,904**
Accumulated depreciation		
At 1 January 2015	5,499	1,503
Charge for the year	861	108
Exceptional impairment	161	157
Transfer to assets held for sale	(1,848)	—
Category transfer	(82)	—
Exchange differences	(142)	—
Disposals	(137)	—
At 31 December 2015	**4,312**	**1,768**
Carrying amount		
At 31 December 2015	**1,996**	**136**
At 31 December 2014	2,747	348

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

12. Investments

Group	2015 £'000	2014 £'000
Cost		
At 1 January 2015	**727**	2,444
Additions	**1**	89
Disposals	**(35)**	(1,715)
Exchange differences	**18**	(91)
At 31 December 2015	**711**	727

The fair values above are based on the reports received at the balance sheet date from independent investment advisers.

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

Company	Shares £'000	Loans £'000	Total £'000
Investment in Group companies			
At 1 January 2014	235,423	564	235,987
Addition	322	—	322
Repayment of loans	—	(564)	(564)
At 31 December 2014	235,745	—	235,745
Impairment	(70,970)	—	(70,970)
At 31 December 2015	**164,775**	**—**	**164,775**

Shares are stated net of provisions of £5,970,000 (2014: £5,970,000) against impairment in value. The impairment charge recognised in the year relates to the write-down of investments to their recoverable amount. Additions in the prior year reflect increased investments in intermediate holding companies.

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

13. Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade receivables – gross	**17,735**	42,419	**—**	—
Allowance for doubtful debts	**(1,022)**	(1,764)	**—**	—
Trade receivables – net	**16,713**	40,655	**—**	—
Amounts owed by Group undertakings	**—**	—	**42,646**	23,741
Other receivables	**3,877**	4,965	**129**	717
Accrued income	**5,727**	15,210	**—**	—
Prepayments	**2,798**	2,071	**269**	1,259
	29,115	62,901	**43,044**	25,717

Debtor days at the year end were 44 days (2014: 49 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).

Notes to the financial statements continued
for the year ended 31 December 2015

14. Trade and other payables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade payables	**1,608**	4,263	**917**	873
Amounts owed to Group undertakings	**—**	—	**14,219**	33,592
Other taxes and social security	**5,848**	18,033	**937**	1,660
Other payables	**3,712**	2,032	**262**	169
Deferred income	**2,965**	8,223	—	—
Accruals	**25,742**	38,522	**4,566**	3,100
	39,875	71,073	**20,901**	39,394

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 (2014: 53 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 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Current tax				
Current tax receivable	**1,096**	2,136	**—**	—
Current tax liabilities	**(4,020)**	(7,643)	**—**	—

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

Group	Pension funds and retirement provision £'000	Tax losses £'000	FTCs £'000	Arising on acquisitions – intangibles £'000	Goodwill £'000	Net short-term temporary differences £'000	Total £'000
Net deferred tax							
At 1 January 2014	6,075	6,883	—	(1,414)	(2,350)	3,528	12,722
Foreign exchange	84	238	—	(61)	(158)	171	274
Recognised in Group statement of comprehensive income	594	—	—	—	—	—	594
Credited/(charged) to Group income statement	180	(2,736)	—	367	(340)	(295)	(2,824)
At 31 December 2014	6,933	4,385	—	(1,108)	(2,848)	3,404	10,766
Transferred to assets held for sale	(380)	(1,061)	—	—	—	—	(1,442)
Foreign exchange	443	116	92	(47)	(175)	185	615
Reclassification	—	—	—	—	(110)	110	—
Recognised in Group statement of comprehensive income	306	—	—	—	—	—	306
Recognised direct to equity	—	—	—	—	—	—	—
(Charged)/credited to Group income statement	(461)	(2,355)	2,446	400	(276)	(964)	(1,210)
At 31 December 2015	**6,841**	**1,085**	**2,538**	**(755)**	**(3,409)**	**2,735**	**9,035**

Group	31 December 2015 £'000	31 December 2014 £'000
Deferred tax assets	**14,448**	14,722
Deferred tax liabilities	**(5,413)**	(3,956)
Total	**9,035**	10,766

15. Tax assets and liabilities continued

At 31 December 2015 the Group recognised deferred tax assets totalling £14.4m (2014: £14.7m), of which £1.1m (2014: £3.8m) are in respect of US tax losses, £11.3m (2014: £8.7m) are in respect of other temporary differences relating to the US and £2.0m (2014: £2.2m) 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 2015 the Group did not recognise deferred tax assets totalling £26.1m (2014: £25.0m), of which £4.9m (2014: £6.0m) are in respect of US tax losses, £20.5m (2014: £17.9m) are in respect of non-US losses and £0.7m (2014: £1.1m) are in respect of temporary differences other than losses. Based on the current tax rules in the respective jurisdictions, the gross non-US losses of £90.6m are expected to expire as follows: £9.2m by the end of 2018, £2.1m by the end of 2023, £1.2m by the end of 2033, with the remaining £78.1m 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 2015 of £1.5m (2014: £1.5m) is in respect of the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of tax due in overseas intermediate holding companies and dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Company

The Company did not recognise deferred tax assets or liabilities in either 2015 or 2014.

16. Bank borrowings

Group

	2015 £'000	2014 £'000
Current: bank borrowings	**68,294**	—
Non-current: bank borrowings	**—**	58,521
Total borrowings	**68,294**	58,521

In December 2011 the Group put in place a fully revolving borrowing facility for up to £85m which runs until July 2017. Under the £85m facility borrowings bear interest at a margin of 2.25% to 3.25% over US Dollar Libor, Euribor and Sterling Libor annually. This facility was terminated upon completion of the Disposal but was immediately replaced by a £15m three year working capital facility.

	2015 £'000	2014 £'000
Six months or less	**68,294**	—
In the first to second year	**—**	58,521
Total	**68,294**	58,521

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

	2015 £'000	2014 £'000
Six months or less	**68,294**	58,521

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

	Carrying amount 2015 £'000	**Fair value 2015 £'000**	Carrying amount 2014 £'000	Fair value 2014 £'000
Bank borrowings	**68,294**	**68,294**	58,521	55,740

The carrying value of the loans held at 31 December 2015 is equal to the fair value on the basis the loans were repaid in full in January 2016. For 2014 the fair values for non-current borrowings are based on cash flows discounted using a rate based on the following borrowing rate of 2.89% for Euro and 3.11% for US Dollar.

Notes to the financial statements continued
for the year ended 31 December 2015

16. Bank borrowings continued
Group continued
The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	2015 £'000	2014 £'000
Euro	**64,902**	35,648
US Dollar	**3,392**	22,873
	68,294	58,521

The Group has the following undrawn borrowing facilities:

	2015 £'000	2014 £'000
Floating rate	**16,138**	25,259

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

	2015 £'000	2014 £'000
Current: bank borrowings	**26,551**	—

	2015 £'000	2014 £'000
Six months or less	**26,551**	—

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

	2015 £'000	2014 £'000
Six months or less	**26,551**	—

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

	Carrying amount 2015 £'000	Fair value 2015 £'000	Carrying amount 2014 £'000	Fair value 2014 £'000
Bank borrowings	**26,551**	**26,551**	—	—

The carrying value of the loans held at 31 December 2015 is equal to the fair value on the basis the loans were repaid in full in January 2016.

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

Currency	2015 £'000	2014 £'000
Euro	**26,551**	—

The Company has the following undrawn borrowing facilities:

	2015 £'000	2014 £'000
Floating rate	**16,138**	—

17. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to income in respect of defined contribution schemes was £4,854,000 (2014: £3,782,000), representing contributions payable to these schemes by the continuing 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 two 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:

	Note	2015 £'000	2014 £'000 re-presented
US defined benefit pension scheme		**(9,560)**	(8,340)
US post-retirement medical plan		**(2,415)**	(2,499)
Proudfoot's French statutory obligation		**(319)**	(312)
German obligation		**(9,487)**	(9,580)
UK defined benefit pension scheme		**—**	—
Continuing schemes		**(21,781)**	(20,731)
Kurt Salmon's French statutory obligation	27	**(2,188)**	(2,189)
All schemes		**(23,969)**	(22,920)

Kurt Salmon's French statutory obligation has been treated as a liability held for sale as at 31 December 2015. The comparative balance has been disclosed as a retirement benefit obligation as at 31 December 2014.

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 defined benefit scheme was amended in 2015 to allow certain terminated vested participant a one-time offer to elect a lump sum payment of their full pension benefit. There were no changes in plan provisions since the prior measurement date on 31 December 2014. 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:

	2015	2014
Discount rate	**4.25%**	3.99%
General inflation assumption	**n/a**	n/a
Mortality table	**RP 2014 (scale: MP2015)**	RP 2014 (scale: MP2014)

There are neither guaranteed nor discretionary increases to benefits after retirement. Expected pension contributions for 2016 are £nil (2015: £nil).

(A) COMPONENTS OF AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2015			2014		
	DB Scheme £'000	**Medical Scheme £'000**	**Total £'000**	DB Scheme £'000	Medical Scheme £'000	Total £'000
Service costs	**130**	**—**	**130**	169	—	169
Effects of settlement	**879**	**—**	**879**	—	—	—
Interest expense on plan obligations	**2,361**	**96**	**2,457**	2,471	97	2,568
Interest income on plan assets	**(1,967)**	**—**	**(1,967)**	(2,241)	—	(2,241)
Total charge to income statement	**1,403**	**96**	**1,499**	399	97	496

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

Notes to the financial statements continued

for the year ended 31 December 2015

17. Retirement benefit obligations continued

Defined benefit schemes continued

***US schemes** continued*

(B) COMPONENTS OF AMOUNTS RECOGNISED IN THE OTHER COMPREHENSIVE INCOME STATEMENT

	2015			2014		
	DB Scheme £'000	**Medical Scheme £'000**	**Total £'000**	DB Scheme £'000	Medical Scheme £'000	Total £'000
Liability (gains)/losses due to changes in assumptions	**(2,305)**	**(163)**	**(2,468)**	5,477	(571)	4,906
Liability experience gains arising in the year	**(182)**	**(81)**	**(263)**	(42)	(352)	(394)
Asset (gains)/losses arising during the year	**1,813**	**—**	**1,813**	(2,212)	—	(2,212)
Total (gain)/loss recognised in the other comprehensive income statement	**(674)**	**(244)**	**(918)**	3,223	(923)	2,300

(C) 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	**2015 £'000**	2014 £'000
Present value of defined benefit obligations	17(d)	**(52,552)**	(63,130)
Fair value of scheme assets	17(d)	**40,577**	52,291
Liability recognised in the balance sheet		**(11,975)**	(10,839)
Defined benefit pension scheme		**(9,560)**	(8,340)
Medical benefit plan		**(2,415)**	(2,499)
Liability recognised in the balance sheet		**(11,975)**	(10,839)

(D) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	**(63,130)**	(55,418)
Interest cost	**(2,457)**	(2,568)
Service cost	**(130)**	(169)
Actuarial gain/(loss)	**2,731**	(4,511)
Contributions by participants	**(81)**	(75)
Exchange differences	**(3,002)**	(3,497)
Benefits paid	**3,739**	3,108
Settlements	**9,778**	—
Closing defined benefit obligation	**(52,552)**	(63,130)

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

	2015 £'000	2014 £'000
Opening fair value of plan assets	**52,291**	46,633
Expected return	**1,967**	2,241
Actuarial (loss)/gain	**(1,813)**	2,212
Contributions by employer/participants	**—**	1,275
Exchange differences	**2,380**	2,896
Benefits paid	**(3,590)**	(2,966)
Settlements	**(10,658)**	—
Closing fair value of plan assets	**40,577**	52,291
Net retirement benefit obligation	**(11,975)**	(10,839)

17. Retirement benefit obligations continued

Defined benefit schemes continued

***US schemes** continued*

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

	2015 £'000	2014 £'000
Equities	**33,663**	42,564
Bonds	**6,518**	9,439
Cash	**396**	288
	40,577	52,291

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

(F) SENSITIVITIES ON KEY ASSUMPTIONS

US DB pension

A 1% decrease in the discount rate would increase the benefit obligation by £5,054,000.

Post retirement Medical Plan

A 1% decrease in the discount rate would increase the benefit obligation by £233,000.

A 1% increase in the assumed health care trend rate would increase the benefit obligation by £252,000.

(G) ESTIMATED FUTURE BENEFIT PAYMENTS

	2015 £'000	2014 £'000
In one year	**3,785**	3,702
In two years	**3,839**	3,695
In three years	**3,860**	3,812
In four years	**3,929**	3,871
In five years	**3,935**	3,963
In six to ten years	**18,554**	20,442

French schemes

(H) UNFUNDED FRENCH RETIREMENT OBLIGATION

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

	2015	2014
Rate of increase in salaries	**3–4%**	3–4%
Discount rate	**2.1%**	1.7%
Mortality tables	**TPGFOS/TPGHOS**	TGH/TGFOS

There are neither guaranteed not discretionary increases to benefits after retirement.

(I) COMPONENTS OF AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2015 £'000	2014 £'000
Service costs	**185**	145
Interest expense on plan obligations	**39**	52
Total charge to income statement	**224**	197

The interest expense arising in 2015 and 2014 has been recognised within discontinued operations as a finance cost.

Notes to the financial statements continued
for the year ended 31 December 2015

17. Retirement benefit obligations continued
Defined benefit schemes continued
French schemes (Proudfoot and Kurt Salmon's held for sale scheme) *continued*

(II) AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME STATEMENT

	2015 £'000	2014 £'000
Liability losses due to changes in assumptions	**88**	465
Total loss recognised in the other comprehensive income statement	**88**	465

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

	2015 £'000	2014 £'000
Present value of defined benefit obligations	**(2,507)**	(2,501)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(2,507)**	(2,501)

(IV) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	**(2,501)**	(1,991)
Service cost	**(185)**	(145)
Actuarial loss	**(88)**	(465)
Employer contribution	**—**	12
Interest cost	**(39)**	(52)
Foreign exchange difference	**306**	140
Closing defined benefit obligation	**(2,507)**	(2,501)

The French obligation is unfunded and holds no plan assets.

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

(V) SENSITIVITIES ON KEY ASSUMPTIONS

A 0.5% decrease in the discount rate would increase the benefit obligation by £263,000.

German schemes

(I) UNFUNDED GERMAN RETIREMENT OBLIGATION

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

	2015	2014
Rate of increase in salaries	**4%**	4%
Discount rate	**2.2%**	2.3%
Mortality table	**Heubeck 2005 G**	Heubeck 2005 G

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

17. Retirement benefit obligations continued

Defined benefit schemes continued

***German schemes** continued*

(II) COMPONENTS OF AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2015 £'000	2014 £'000
Service costs	**314**	283
Interest expense on plan obligations	**201**	280
Total charge to the income statement	**515**	563

Service costs are reflected within administrative expenses and are disclosed within the staff cost note (note 5).

Interest expense on plan obligations are disclosed as a finance cost (note 6b).

(III) AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME STATEMENT

	2015 £'000	2014 £'000
Liability losses due to changes in assumptions	**176**	968
Liability experience losses arising in the year	**15**	95
Total loss recognised in the other comprehensive income statement	**191**	1,063

(IV) 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:

	2015 £'000	2014 £'000
Present value of defined benefit obligations	**(9,487)**	(9,580)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(9,487)**	(9,580)

(V) MOVEMENTS IN BALANCE SHEET AMOUNTS

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	**(9,580)**	(8,806)
Service cost	**(314)**	(283)
Interest cost	**(201)**	(280)
Actuarial loss	**(190)**	(1,063)
Benefits paid	**239**	272
Foreign exchange difference	**559**	580
Closing defined benefit obligation	**(9,487)**	(9,580)

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

(VI) SENSITIVITIES ON KEY ASSUMPTIONS

A 0.25% increase in indexation would increase the benefit obligation by £308,000.

Notes to the financial statements continued
for the year ended 31 December 2015

17. Retirement benefit obligations continued
Defined benefit schemes continued
***German schemes** continued*

(VI) EXPECTED FUTURE PAYMENTS

Estimated future benefit payments:

	2015 £'000	2014 £'000
In one year	**256**	268
In two years	**260**	263
In three years	**262**	268
In four years	**269**	267
In five years	**274**	272
In six to ten years	**1,207**	1,267

UK schemes

(J) UK RETIREMENT OBLIGATION

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

	2015	2014
Discount rate	**3.7%**	3.4%
Inflation	**3.5%**	2.9%
Mortality table	**90% of S2PA**	90% of S1PA

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

(I) AMOUNTS RECOGNISED IN INCOME STATEMENT IN RESPECT OF THE UK POST-RETIREMENT SCHEME ARE AS FOLLOWS:

Components of amounts recognised in the income statement:

	2015 £'000	2014 £'000
Interest expense on plan liabilities	**100**	200
Interest income on plan assets	**(100)**	(200)
Total charge to the income statement	**—**	—

(II) AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME STATEMENT

Amounts recognised in other comprehensive income statement:

	2015 £'000	2014 £'000
Liability losses due to change in assumptions	**100**	300
Asset gains arising during the year	**(100)**	(200)
Total gain recognised in the other comprehensive income statement	**—**	100

17. Retirement benefit obligations continued

Defined benefit schemes continued

***UK schemes** continued*

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

	2015 £'000	2014 £'000
Present value of defined benefit obligations	**(4,700)**	(4,700)
Fair value of scheme assets	**4,700**	4,700
Asset recognised in the balance sheet	**—**	—

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	**(4,700)**	(4,200)
Interest cost	**(100)**	(200)
Settlements	**200**	—
Actuarial loss	**(100)**	(300)
Closing defined benefit obligation	**(4,700)**	(4,700)

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

	2015 £'000	2014 £'000
Opening fair value of plan assets	**4,700**	4,300
Interest income	**100**	200
Settlements	**(200)**	—
Actuarial gain	**100**	200
Closing fair value of plan assets	**4,700**	4,700

The actual return on scheme assets was £200,000 (2014: £400,000).

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

	2015		2014	
	Expected return %	**£'000**	Expected return %	£'000
Equities	**3.7**	**4,700**	3.4	4,700

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

(IV) SENSITIVITIES ON KEY ASSUMPTIONS

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

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

Notes to the financial statements continued

for the year ended 31 December 2015

18. Long-term provisions

	Group			Company
	Property provision £'000	Pensions provision £'000	Total £'000	Property provision £'000
At 1 January 2015	4,840	77	4,917	2,139
Utilised	(1,040)	(46)	(1,086)	(318)
Released	(2,443)	—	(2,443)	(1,629)
Transfer to liabilities held for sale	(368)	—	(368)	—
Foreign exchange movement	200	2	202	—
At 31 December 2015	**1,189**	**33**	**1,222**	**192**

	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

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

19. Share capital

(a) Called up share capital

	2015 £'000	2014 £'000
Issued and fully paid		
500,427,971 (2014: 498,400,995) shares of 1p each	**5,004**	4,984
331,390,961 (2014: 331,390,961) deferred shares of 24p each	**79,534**	79,534
	84,538	84,518

Shares issued in the year were:

	24p shares Number	1p shares Number	Nominal value £'000
At 1 January 2015	331,390,961	498,400,995	84,518
Issue of new shares	—	2,026,976	20
At 31 December 2015	**331,390,961**	**500,427,971**	**84,538**

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.

A net expense of £1,155,000 (2014: £2,410,000) has been recognised in the year in respect of share awards. The cumulative share compensation reserve at 31 December 2015 is £4,190,000 (2014: £5,737,000). The weighted average fair value of awards granted in the year was 13.1p (2014: 23.5p).

19. Share capital continued

(b) Share awards

Conditional awards

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

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

The vesting of awards is subject to performance conditions set by the Committee. Further details in respect of share awards made to directors can be found in the Directors' Remuneration Report on page 57.

	Number of shares
Outstanding at 1 January 2015	11,417,000
Forfeited during the year	(1,403,000)
Lapsed during the year	(7,450,000)
Outstanding at 31 December 2015	**2,564,000**

The performance conditions for conditional awards 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 not earlier than 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.

Restricted awards

Share awards to employees other than directors may be made on a restricted basis. These awards are normally only subject to an employment condition and can be satisfied with either market purchase shares or from up to nine million of new shares following a shareholder resolution passed on 17 December 2015. Executive directors are not eligible to participate in restricted share plans.

	Number of shares	Weighted average exercise price pence
Outstanding at 1 January 2015	24,130,249	0.0
Granted during the year	11,240,359	0.0
Forfeited during the year	(1,275,489)	0.0
Satisfied during the year	(5,166,870)	0.0
Outstanding at 31 December 2015	**28,928,249**	**0.0**
Exercisable at 31 December 2015	**2,521,214**	**0.0**

The weighted average share price at the date of exercise for share awards satisfied during the year was 15.6p. The awards outstanding at 31 December 2015 had a weighted average exercise price of 0.0p and a weighted average remaining contractual life of 16 months.

In 2015, awards were granted on 11 March and 4 November. The aggregate of the estimated fair values of the options granted on those dates is £1,467,820.

Notes to the financial statements continued

for the year ended 31 December 2015

20. Other reserves

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2014	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
At 31 December 2015	**5,878**	**1,186**	**(982)**	**6,082**

£26,830,000 of the Group's brought forward merger reserve of £32,513,000 relates to 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, was applied. As at 31 December 2015, this element of the Group's merger reserve has been transferred in full to retained earnings, due to the in year impairment charge relating to the former Ineum Consulting acquisition.

The remaining Group merger reserve of £5,683,000 relates to the premium arising on shares issued as consideration for the acquisition of Parson Consulting and other smaller historic acquisitions within the Alexander Proudfoot division.

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 6,673,294 shares (2014: 10,941,929). The value of these shares held in reserves is £1,855,225 (2014: £3,063,041).

During 2015 the Group's employee benefit trust did not purchase any called up share capital (2014: 1% purchased).

21. Retained earnings (Company only)

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The movement in the Group income statement for the financial year includes a loss of £58,252,000 (2014: profit of £1,019,000) dealt with in the financial statements of the Company.

22. Notes to the cash flow statement

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
(Loss)/profit from continuing operations	**(53)**	4,339	**(57,069)**	(1,416)
(Loss)/profit from discontinued operations	**(1,739)**	3,780	**—**	—
(Loss)/profit from operations	**(1,792)**	8,119	**(57,069)**	(1,416)
Adjustments for:				
Depreciation of property, plant and equipment	**861**	830	**108**	146
Amortisation of intangible assets	**1,793**	2,040	**132**	116
Profit on Disposal of fixed assets	**(7)**	(341)	**—**	—
Adjustment for the cost of share awards	**1,155**	2,410	**1,132**	2,060
(Decrease)/increase in provisions	**(3,143)**	(1,905)	**4,054**	(607)
Impairment of investments	**—**	—	**70,970**	—
Other non-cash items	**159**	—	**—**	—
Operating cash flows before movements in working capital	**(974)**	11,153	**19,327**	299
Increase/(decrease) in receivables	**7,476**	3,796	**1,078**	(93)
Increase in payables	**1,119**	2,676	**1,151**	976
Cash generated by/(used in) operations	**7,621**	17,625	**21,556**	1,182
Income taxes paid	**(6,712)**	(4,537)	**(4)**	—
Net cash inflow/(outflow) from operating activities	**909**	13,088	**21,552**	1,182

22. Notes to the cash flow statement continued

Cash and cash equivalents

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

		Group		Company	
	Note	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Cash at bank and in hand		**15,478**	24,920	**169**	362
Cash within assets held for sale	27	**5,259**	—	**—**	—
Cash and cash equivalents		**20,737**	24,920	**169**	362

Included within the prior year cash balance of £24.9m was £1.8m of cash which was not available for use by the Group. None of the cash held within the continuing Group's balance sheet as at 31 December 2015 was restricted.

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 £85m multi-currency revolving credit facility arrangement in place during 2015 allowed for interest maturities of up six months in US Dollars, Euro and other major currencies enabling the Group to hedge its borrowings against its major operating currencies. As detailed under "Liquidity and capital resources" in the Financial Review, the £85m revolving credit facility arrangement was repaid in full on 7 January 2016 and has been replaced with a £15m working capital facility which runs until March 2019. As with the former facility, draw downs under the new working capital facility are for interest maturities of up to six months and will be matched against the Group's major operating currencies.

Covenant compliance

The new £15m working capital facility is subject to the same two financial covenants as the former £85m revolving credit facility; Group net debt and Group interest cover, with testing commencing on 30 June 2016 and being performed quarterly thereafter. The Group's net cash/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. Further 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:

	2015		2014	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.53**	**1.47**	1.65	1.56
£1 = Euro	**1.38**	**1.36**	1.24	1.28

Notes to the financial statements continued
for the year ended 31 December 2015

23. Financial instruments continued
Capital structure and treasury policies continued
Interest rate and currency profile of financial assets and financial liabilities at the year end – Group

Currency	Note	**2015 Floating rate £'000**	2014 Floating rate £'000
Financial assets			
Sterling		**524**	1,230
US Dollar		**3,102**	5,683
Euro		**9,605**	11,250
Other		**2,247**	6,757
Cash and cash equivalents	22	**15,478**	24,920
Sterling		**276**	—
Euro		**42**	319
US Dollar		**393**	408
Investments	12	**711**	727
Sterling		**3,813**	3,829
US Dollar		**18,850**	19,062
Euro		**2,255**	33,671
Other		**4,197**	6,339
Trade and other receivables	13	**29,115**	62,901
Financial liabilities			
Sterling		**(11,231)**	(10,219)
US Dollar		**(18,221)**	(14,210)
Euro		**(5,259)**	(35,440)
Other		**(5,164)**	(11,204)
Trade and other payables	14	**(39,875)**	(71,073)

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 2015 £'000	Carrying amount 2014 £'000
Investments	12	**711**	727
Cash and cash equivalents	22	**15,478**	24,920
		16,189	25,647

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

	Note	Carrying amount 2015 £'000	Carrying amount 2014 £'000
Europe		**1,143**	21,423
United States		**12,718**	14,575
Rest of the World		**2,454**	3,946
United Kingdom		**398**	711
	13	**16,713**	40,655

The Group's most significant customer accounts for 6% of the trade receivables carrying amount at 31 December 2015 (2014: 12%).

	Note	2015 £'000	2014 £'000
Not past due		**9,886**	22,540
Past due 0–30 days		**3,422**	10,475
Past due 31–120 days		**3,405**	7,640
	13	**16,713**	40,655

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 2015	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12 months £'000**	**1–2 years £'000**
Non-derivative financial liabilities						
Bank loans	16	**(68,294)**	**(68,294)**	**(68,294)**	**—**	**—**
Trade and other payables	14	**(39,875)**	**(39,875)**	**(39,875)**	**—**	**—**
		(108,169)	**(108,169)**	**(108,169)**	**—**	**—**

31 December 2014	Note	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000
Non-derivative financial liabilities						
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)

Notes to the financial statements continued
for the year ended 31 December 2015

23. Financial instruments continued

Currency risk – Group

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

	31 December 2015		31 December 2014	
	€'000	$'000	€'000	$'000
Trade receivables	**1,143**	**12,718**	21,423	14,575
Bank loans	**(64,902)**	**(3,392)**	(35,648)	(22,873)
Trade payables	**(141)**	**(393)**	(1,469)	(650)
Gross balance sheet exposure	**(63,900)**	**8,933**	(15,694)	(8,948)
Notional current year sales	**17,115**	**83,229**	104,612	87,160
Notional current year purchases	**(8,238)**	**(58,025)**	(77,287)	(53,871)
Gross and net exposure	**8,877**	**25,204**	27,325	33,289

Sensitivity analysis – Group

A 10% strengthening of Sterling against the following currencies at 31 December 2015 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 2014.

	Equity £'000	Profit or loss £'000
2015		
US Dollar	**(812)**	**(2,291)**
Euro	**5,809**	**(807)**
2014		
US Dollar	813	(3,026)
Euro	1,427	(2,484)

A 10% weakening of Sterling against the following currencies at 31 December 2015 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 2014.

	Equity £'000	Profit or loss £'000
2015		
US Dollar	**993**	**2,800**
Euro	**(7,100)**	**986**
2014		
US Dollar	(994)	3,699
Euro	(1,744)	3,036

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

Fixed rate instruments	2015 %	2014 %
Financial liabilities of less than six months	**3.3**	—
Financial liabilities of one to two years	**—**	2.8

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.

23. Financial instruments continued

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 2015		31 December 2014	
	Note	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Available-for-sale financial assets	12	**711**	**711**	727	727
Cash and cash equivalents	22	**15,478**	**15,478**	24,920	24,920
Bank loans	16	**(68,294)**	**(68,294)**	(58,521)	(55,740)
Trade and other payables	14	**(39,875)**	**(39,875)**	(71,073)	(71,073)

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

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

Currency	Note	2015 Floating rate £'000	2014 Floating rate £'000
Financial assets			
Sterling		**66**	362
US Dollar		**—**	—
Euro		**103**	—
Cash and cash equivalents	22	**169**	362
Sterling		**10,329**	17,361
US Dollar		**32,637**	7,767
Euro		**70**	589
Other		**8**	—
Trade and other receivables	13	**43,044**	25,517
Financial liabilities			
Sterling		**(6,730)**	(6,961)
US Dollar		**(3,498)**	(2,617)
Euro		**(10,611)**	(28,494)
Other		**(62)**	(1,322)
Trade and other payables	14	**(20,901)**	(39,394)

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.

Notes to the financial statements continued
for the year ended 31 December 2015

23. Financial instruments continued

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	
	2015 £'000	2014 £'000
Cash and cash equivalents	**169**	362

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 2015	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Non-derivative financial liabilities			
Bank loans	**(26,551)**	**(26,551)**	**(26,551)**
Trade and other payables	**(20,901)**	**(20,901)**	**(20,901)**
	(47,452)	**(47,452)**	**(47,452)**

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)

Currency risk – Company

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

	31 December 2015		31 December 2014	
	€'000	**$'000**	€'000	$'000
Intercompany receivables	**70**	**32,637**	589	7,767
Intercompany payables	**(10,611)**	**(3,498)**	(28,494)	(2,617)
Gross balance sheet exposure	**(10,541)**	**29,139**	(27,905)	5,150

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

23. Financial instruments continued

Sensitivity analysis – Company

A 10% strengthening of Sterling against the following currencies at 31 December 2015 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 2014.

	Equity £'000	Profit or loss £'000
2015		
US Dollar	**(1,797)**	**1,797**
Euro	**707**	**(707)**
2014		
US Dollar	(300)	300
Euro	1,982	(1,982)

A 10% weakening of Sterling against the following currencies at 31 December 2015 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 2014.

	Equity £'000	Profit or loss £'000
2015		
US Dollar	**2,196**	**(2,196)**
Euro	**(864)**	**864**
2014		
US Dollar	368	(368)
Euro	(2,422)	2,422

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

Fixed rate instruments	**2015 %**	2014 %
Financial liabilities less than six months	**3.1%**	—

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 2015		31 December 2014	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**169**	**169**	362	362
Bank loans	**(26,551)**	**(26,551)**	—	—
Trade and other payables	**(20,901)**	**(20,901)**	(39,394)	(39,394)

Notes to the financial statements continued
for the year ended 31 December 2015

24. Operating lease arrangements

Group	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**4,157**	7,621

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:

	2015		2014	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	**3,152**	**89**	6,407	81
In the second to fifth years inclusive	**6,831**	**28**	20,656	99
After five years	**952**	**—**	4,127	—
	10,935	**117**	31,190	180

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.

The reduction in operating lease commitments comprise £15m of lease commitments relating to discontinued operations and a further £4m from lease rationalisation in respect of the London and Atlanta offices.

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 2015 Kurt Salmon Consulting SAS provided consultancy services at fair market rates to Technip SA valued at £nil (2014: £196,875) and at year end there was a receivable from Technip SA of £66,712 (2014: £66,712).

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.

	2015 £'000	2014 £'000
Short-term employee benefits	**1,410**	1,802
Post-employment benefits	**151**	154
Termination benefits	**1,613**	—
	3,174	1,956

26. Subsidiary undertakings

At 31 December 2015, the Company had the following subsidiary undertakings, with all trading subsidiaries being engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Countries of incorporation/operation
Continuing operations:	
Management Consulting Group Overseas Ltd*	United Kingdom
MCG Company No 4 Ltd*	United Kingdom
Proudfoot Trustees Ltd*	United Kingdom
MCG Company No 1 Ltd*	United Kingdom
MCG Overseas Holdings Ltd (UK)*	United Kingdom
Kurt Salmon UKI Ltd*	United Kingdom
Alexander Proudfoot (Europe) Ltd*	United Kingdom
Kurt Salmon Associates Limited	United Kingdom
Alexander Proudfoot Company of Europe Ltd*	United Kingdom
Alexander Proudfoot Ltd*	United Kingdom
MCG US Holdings Inc (USA)	United States
Alexander Proudfoot Company	United States
Total Process Solutions LLC	United States
Kurt Salmon US Inc.	United States
Alexander Proudfoot Inc (Canada – Ontario)	Canada
Kurt Salmon Associates Canada Ltd/ Kurt Salmon Canada Ltée	Canada
Alexander Proudfoot Services GmbH	Germany
Kurt Salmon Germany GmbH	Germany
Alexander Proudfoot GmbH	Germany
Alexander Proudfoot GmbH*	Austria
Alexander Proudfoot Organizacao de Empresas Lda	Portugal
BSA Conseil Sarl	Luxembourg
Alexander Proudfoot France SAS	France
Alexander Proudfoot Europe SA	Belgium
Alexander Proudfoot SA	Switzerland
Kurt Salmon Associates AG	Spain
Kurt Salmon Associates SA	Netherlands
Kurt Salmon Associates BV	Netherlands
MCG Holdings Netherlands BV	Netherlands
MCG Overseas Holdings BV*	Netherlands
Proudfoot (Netherlands) BV	Netherlands
MCG Nederland BV	Netherlands
Alexander Proudfoot Japan K.K	Japan
Proudfoot (Malaysia) SDN BHD	Malaysia
KSA (Mauritius) Ltd	Mauritius
Proudfoot (Singapore) Pte	Singapore
Vertical Retail Consulting Hong Kong Limited	Hong Kong
Vertical Retail Consulting Limited (Hong Kong)	Hong Kong
Vertical Retail Consulting Limited (Shanghai)	China
Alexander Proudfoot Consulting (Shanghai) Limited	China
Ineum Consulting Pty Ltd (Australia)	Australia
Alexander Proudfoot SPA (Chile)	Chile
AP Participações Ltda	Brazil
Alexander Proudfoot – Servicos Empresariais LTDA	Brazil
Proudfoot (de Mexico) SC	Mexico
Alexander Proudfoot South Africa (Pty) Ltd	South Africa
Alexander Proudfoot Africa (Pty) Ltd	South Africa
Alexander Proudfoot (Botswana) Pty LTD	Botswana

* Held directly.

Notes to the financial statements continued
for the year ended 31 December 2015

26. Subsidiary undertakings continued

	Countries of incorporation/operation
Discontinued operations:	
Management Consulting Group France S.A.S	France
Kurt Salmon Associes France SA	France
Kurt Salmon France SAS	France
Kurt Salmon Switzerland Sarl	Switzerland
Kurt Salmon Luxembourg SA	Luxembourg
Kurt Salmon Belgium SA – NV	Belgium
Kurt Salmon Maroc Sarl	Morocco

Company

Amounts owed by/(owed to) subsidiary undertakings

	2015 £'000 receivable/(payable)	2014 £'000 receivable/(payable)
Alexander Proudfoot (Europe) Limited	**186**	1,303
Alexander Proudfoot Company of Europe Ltd	**(1,000)**	(1,000)
MCG Company No. 1 Limited	**(1,646)**	—
MCG Holdings Netherlands BV	**(940)**	24
Alexander Proudfoot Japan KK	**21**	21
Alexander Proudfoot Australia	**—**	(1,253)
Alexander Proudfoot Inc.	**—**	2
MCG US Holdings Inc.	**21,781**	(1,602)
Alexander Proudfoot – Serviços Empresariais LTDA	**389**	383
Alexander Proudfoot Company	**252**	1,791
Alexander Proudfoot Europe SA	**—**	3
Management Consulting Group Overseas Limited	**(427)**	(267)
MCG Overseas Holdings BV	**9**	3
MCG Company No. 4 Limited	**(23,290)**	(19,196)
Kurt Salmon US Inc.	**9,852**	10,145
Kurt Salmon UKI Limited	**7,216**	6,250
Management Consulting Group SAS	**—**	(247)
Kurt Salmon Associés France SA	**16**	(115)
Kurt Salmon France SAS	**107**	3,024
Kurt Salmon Belgium SA/BV	**—**	6
Kurt Salmon Luxembourg SA	**133**	245
Kurt Salmon Switzerland Sarl	**11**	11
Kurt Salmon GmbH	**(6,988)**	(7,409)
Kurt Salmon Associates AG	**(191)**	(1,987)
Proudfoot (Malaysia) SDN BHD	**8**	8
MCG Nederland B.V.	**9**	6
Amounts owed by/(owed to)	**5,508**	(9,851)

26. Subsidiary undertakings continued

Company continued

Transactions with subsidiary undertakings

	2015 £'000 expense/ (income)	2014 £'000 expense/ (income)
Alexander Proudfoot (Europe) Limited	**44**	45
Alexander Proudfoot Company	**(1,361)**	(2,669)
Kurt Salmon UKI Limited	**(498)**	(310)
Kurt Salmon US Inc.	**(1,380)**	(1,632)
Kurt Salmon France SAS	**(1,492)**	(3,536)
Kurt Salmon Belgium SA/BV	**(44)**	(56)
Kurt Salmon Luxembourg SA	**(119)**	(349)
Kurt Salmon Switzerland Sarl	**(17)**	(5)
Kurt Salmon Germany GmbH	**52**	(62)
Alexander Proudfoot Inc.	**—**	—
Kurt Salmon Associates AG	**38**	68
Management Consulting Group France SAS	**(99)**	(99)
Kurt Salmon US Inc. (Japan branch)	**(44)**	(87)
Income from transactions with subsidiary undertakings	**(4,920)**	(8,692)

27. Discontinued operations and Disposal

On 25 November 2015, the Group entered into a binding agreement with Solucom for the sale ("the Disposal") of certain operations in Kurt Salmon, comprising the Kurt Salmon businesses in France, Belgium, Luxemburg, Switzerland and Morocco, together with certain related operations in the United States (the "disposal group").

The Disposal was of sufficient size relative to the Group to constitute a class 1 transaction for MCG under the Listing Rules. As such, completion of the Disposal was contingent, amongst other things, upon shareholder approval at the general meeting held on 17 December 2015. The Disposal resolution was approved at the general meeting leaving completion as at 31 December 2015 contingent only on the following:

(i) there having been no material adverse change in staff retention rates and current year forecast operating results of the target business from the date of signing of the Disposal agreement i.e., 25 November 2015, to 6 January 2016; and

(ii) the French Anti-trust authority approving the Disposal.

The directors assessed the remaining conditions as at 31 December 2015 and concluded that there was nothing to suggest that the conditions would not be met prior to the expected completion date of 7 January 2016. For this reason, the disposal group has been treated as both a discontinued operation and a disposal group held for sale in the 2015 financial statements.

The Disposal completed on 7 January 2016 as expected. On this date, control of the disposal group passed from MCG PLC to Solucom.

Notes to the financial statements continued

for the year ended 31 December 2015

27. Discontinued operations and Disposal continued

The results of the discontinued operations, which have been included in the consolidated income statement within the loss from discontinued operations line, were as follows:

	2015 £'000	2014 £'000
Revenue	**91,528**	96,915
Cost of sales	**(67,167)**	(70,645)
Gross profit	**24,361**	26,270
Administrative expenses – underlying	**(19,528)**	(22,114)
Profit from operations – underlying	**4,833**	4,156
Administrative expenses – non-recurring	**(6,572)**	(376)
(Loss)/profit from operations	**(1,739)**	3,780
Net finance cost	**(1,514)**	(1,640)
(Loss)/profit before tax	**(3,253)**	2,140
Attributable tax expense	**(1,177)**	(1,042)
Loss/(profit) after tax	**(4,430)**	1,098
Loss on disposal of discontinued operations	**(53,372)**	—
Net (loss)/profit attributable to discontinued operations	**(57,802)**	1,098

Non-recurring expenses related to discontinued operations were £6.6m (2014: £0.4m), comprising severance costs relating to Chiheb Mahjoub of £2.0m, non-recurring employee-related costs of £3.6m and expenses related to share awards of £1.0m.

The loss on Disposal of £53.4m arises as a result of the impairment of goodwill relating to the disposal group. The impairment charge represents the difference between the goodwill and net assets attributed to the disposal group and estimated consideration after post-closing adjustments net of transaction costs.

The completion of the Disposal on 7 January 2016 is expected to give rise to a taxable gain on certain elements of the businesses which have been sold, the tax charge on which, estimated at £1.8m, will be reflected as a loss attributable to discontinued operations in the reported income statement for 2016.

In addition, the 2015 reported loss on Disposal does not reflect the recycling through the income statement of approximately £3.2m of currency translation reserves credits, which are required to be realised in the financial year in which the transaction was completed and which will therefore be reported in 2016.

Whilst the Disposal officially completed on 7 January 2016 post-closing consideration has been derived from completion accounts drawn up to 31 December 2015 resulting in all economic benefit arising from discontinued operations between 1 to 7 January 2016 being transferred to the acquirer. MCG PLC's 2016 financial statements will therefore not reflect trading results arising from discontinued operations for the seven days to 7 January 2016.

27. Discontinued operations and Disposal continued

During the year, the disposal group contributed a cash outflow of £1.4m (2014: £5.9m inflow) to the Group's net operating cash flows and paid £0.1m (2014: £0.2m) in respect of investing activities. Discontinued operations had no impact on the cash generated or used in financing activities in either the current or prior year.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2015 £'000
Goodwill and other intangibles	**52,870**
Property, plant and equipment	**395**
Deferred tax asset	**842**
Trade and other receivables	**30,498**
Current tax receivables	**1,921**
Cash and cash equivalents	**5,259**
Total assets classified as held for sale	**91,785**
Trade and other payables	**(30,028)**
Current tax liabilities	**(521)**
Long-term provisions	**(368)**
Retirement benefit obligation	**(2,188)**
Total liabilities classified as held for sale	**(33,105)**
Net assets of the disposal group	**58,680**
Estimated post-closing consideration net of transaction fees	**58,680**
Estimated result from the Disposal before tax and the recycling of translation reserves	**–**

The 2016 result from the Disposal before tax and translation recycling is expected to be £nil following the write-down of the disposal group's net assets to estimated net proceeds on 31 December 2015.

At completion cash proceeds of €89.0m (equivalent to £65.9m) which included €4.0m (equivalent to £3.0m) relating to estimated cash balances which remained in the disposal group were received on 7 January 2016. The difference between the cash held for sale and the cash transferred at completion will be addressed via post-completion adjustments to consideration.

Notes to the financial statements continued
for the year ended 31 December 2015

28. Acquisitions

On 1 October 2015 the Group acquired the trade and assets of Mobispoke LLC ("Mobispoke"), a digital retail technology agency operating in the United States. The assets transferred comprised fully written down computer software and hardware and as such have not been recognised on the Group's balance sheet. There were no other identifiable assets at the acquisition date. The following table sets out the consideration paid and the goodwill arising on acquisition:

	Final fair value to Group $'000	FX rate USD:GBP	Final fair value to Group £'000
Consideration given	975	1.5282	638
Goodwill arising			638
The fair value of the consideration given was:			
Cash	483	1.5282	316
Equity	492	1.5282	322
	975		638

The goodwill arising on acquisition represents the value attributed to the existing assembled workforce of Mobispoke and has been allocated in full to the Kurt Salmon CGU (see note 10). The goodwill recognised is not deductible for tax purposes.

The consideration outlined above reflects the fair value of consideration transferred at completion. Deferred consideration is contingent on the retention of key former Mobispoke employees and under IFRS 3 Business Combinations is required to be recognised as remuneration over the contingent period.

There are two types of deferred contingent consideration payable to the Mobispoke vendors: a first year anniversary award of $975,000 and a three year revenue focused performance award of up to $1,750,000. The fair value of the first year anniversary award is deemed to be $975,000 and will be recognised as remuneration on a straight-line basis over the twelve months to 30 September 2016. The fair value of the performance award is based on revenue projections for the next three years and is deemed to be $1,283,000. The deemed remuneration arising from the performance award will be recognised on a straight-line basis over the three years to 30 September 2018.

As at 31 December 2015, the Group recognised £237,900 of remuneration costs in respect of deferred consideration within administrative expenses.

Since acquisition, Mobispoke has operated as Kurt Salmon Digital, focusing on new technologies and transformative strategies for Kurt Salmon's retail clients, including for example, smart fitting rooms, integrated mobile apps and other leading-edge, interactive shopping experience technologies. The Kurt Salmon Digital practice contributed revenues of £285,000 ($436,000) and a loss of £75,000 ($114,000) to the Group's 2015 results. If the Mobispoke acquisition had been completed on the first day of the financial year then the Group would have reported revenues of £140,189,000 and an operating loss for the year of £385,000.

Contacts for investors and clients

www.mcgplc.com

Registered office

10 Fleet Place
London EC4M 7RB
United Kingdom
Tel: +44 20 7710 5000
Fax: +44 20 7710 5001

Company number

1000608

Registrar

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Company Secretary

Charles Ansley

Charles.Ansley@mcgplc.com
London office: +44 20 7710 5000

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

Investor relations

The Group welcomes contact with its shareholders.

Enquiries should be directed to:

Nick Stagg, Chief Executive

Nick.Stagg@mcgplc.com or

Chris Povey, Finance Director

Chris.Povey@mcgplc.com

London office: +44 20 7710 5000

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

Financial calendar

Annual General Meeting: 20 June 2016

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.capitashareportal.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 +44 371 664 0300 (calls outside of the UK will be charged at the applicable international rate). Calls cost 12p per minute plus your phone company's access charge. Lines are open between 9.00am - 5.30pm Monday to Friday excluding public holidays in England and Wales.
Email 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 0371 664 0445 (telephone dealing).

Company advisers

Stockbrokers

Peel Hunt LLP

Moor House
120 London Wall
London EC2Y 5ET
United Kingdom

Financial advisers

Rothschild

New Court
St Swithins Lane
London EC4N 8AL
United Kingdom

Auditor

Deloitte LLP

2 New Street Square
London EC4A 3BZ
United Kingdom

Financial PR advisers

FTI Consulting

Holborn Gate
26 Southampton Buildings
London WC2A 1PB
United Kingdom

Commercial bankers

HSBC Bank Plc

8 Canada Square
London E14 5HQ
United Kingdom

Legal advisers

Baker & McKenzie LLP

100 New Bridge Street
London EC4V 6JA
United Kingdom

Management Consulting Group PLC

10 Fleet Place
London EC4M 7RB
United Kingdom

Tel: +44 20 7710 5000
Fax: +44 20 7710 5001

www.mcgplc.com

MIX
Paper from
responsible sources
FSC® C022913

MCG's commitment to environmental issues is reflected in this annual report which has been printed on Splendorgel Extra White, an FSC® Mix Certified paper, which ensures that all virgin pulp is derived from well-managed forests and other responsible sources.

This document was printed by Pureprint Group using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of all dry waste associated with this production is diverted from landfill.

Pureprint Group is a CarbonNeutral® company.

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.