

Management Consulting Group Overseas Limited

Annual report and financial statements

31 December 2017

Registered number 02170154



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Company Information

Directors:

- N Stagg
- P Hackett (appointed 10 April 2018)

Company Registration Number - 02170154

Registered Address:

St Paul's House,
4th Floor,
10 Warwick Lane,
London,
EC4M 7BP.

Country of Incorporation – United Kingdom

Statutory Auditor:

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report for the year ended 31 December 2017. This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption under section 415a of the Companies Act 2006.

General information

Management Consulting Group Overseas Limited is a private company limited by shares registered in England under the Companies Act 2006.

Principal activities

The principal activity of the Company during the year was that of an investment holding company. No change in activities is anticipated in the foreseeable future.

Directors

The directors who held office throughout the year and up to the date of this report, except as noted, were as follows:

N Stagg
P Hackett (appointed 10 April 2018)
M Comras (appointed 12 July 2017 – resigned 9 May 2018)
C W Ansley (resigned 31 July 2017)
C Povey (resigned 31 July 2017)

Going concern

The directors have received confirmation from Management Consulting Group PLC, that they will provide the necessary level of support to the Company to enable it to pay its debts as they fall due and will not recall intercompany loans for the foreseeable future, that is at least for a period of 12 months from the date of signing these financial statements.

The directors believe Management Consulting Group PLC has the financial resources to fulfil this commitment.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Going concern is discussed in note 1 to the financial statements.

Financial risk management

The Company does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risk the directors consider relevant to this Company is credit risk. This risk is mitigated by the Company's credit control policies.

Directors' report *(continued)*

Future Developments

No change is expected in the foreseeable future and the directors intend for the company activity to remain unchanged.

Auditor


Each of the persons who is a director at the date of approval of this report 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/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of the Annual General Meeting.

Approved by the Board and signed on its behalf by:



N Stagg
Director

St Paul's House
4th Floor, 10 Warwick Lane
London EC4M 7BP

27 September 2018

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102. "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Management Consulting Group Overseas Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Management Consulting Group Overseas Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

Independent auditor's report to the members of Management Consulting Group Overseas Limited
(continued)

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Peter Saunders (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2018

Profit and loss account

For the year ended 31 December 2017

	Notes	2017 US\$	2016 US\$ Restated
Operating loss	3	<u>(3,415)</u>	<u>(2,466,079)</u>
Impairment of receivables	4	(2,829,783)	-
Impairment of investment	5	(19,863,135)	(29,242,037)
Investment income		-	1,150,000
Loss upon disposal of Investment		-	(242,289)
Net finance (expense)/income	6	<u>(43,894)</u>	<u>39,659</u>
Loss on ordinary activities before taxation		(22,740,227)	(30,760,746)
Tax on ordinary activities	7	-	-
Loss for the financial year		<u>(22,740,227)</u>	<u>(30,760,746)</u>

Notes to the financial statements on pages 11-17 form an integral part of the financial statements.

The comparatives for the previous year have been restated to reflect the current year presentation. There was no net impact on the result.

Balance sheet

At 31 December 2017

	Notes	2017 US\$	2016 US\$
Fixed assets			
Investments	8	-	19,863,137
Current assets			
Debtors – due within one year	9	-	6,038
Cash at bank and in hand		16,447	3,872
		<u>16,447</u>	<u>9,910</u>
Creditors: Amounts falling due within one year	10	<u>(17,896,396)</u>	<u>(15,012,769)</u>
Net current liabilities		<u>(17,879,949)</u>	<u>(15,002,859)</u>
Total assets less current liabilities and net liabilities		<u>(17,879,949)</u>	<u>4,860,278</u>
Capital and reserves			
Called up share capital	11	6	6
Share premium account		67,862,051	67,862,051
Capital reserve		544,000	544,000
Profit and loss account		<u>(86,286,006)</u>	<u>(63,545,779)</u>
Shareholders' funds		<u>(17,879,949)</u>	<u>4,860,278</u>

The financial statements of Management Consulting Group Overseas Limited (registered number 02170154) were approved by the board of directors and authorised for issue on ~~27~~ September 2018.

Notes to the financial statements on pages 11-17 form an integral part of the financial statements.

They were signed on its behalf by:



N Stagg
Director

Statement of changes in equity

For the year ending 31 December 2017

	Share capital US\$	Share Premium US\$	Capital Reserve US\$	Profit and loss reserve US\$	Total US\$
Balance at 1 January 2016	6	67,862,051	544,000	(32,785,033)	35,621,024
Total comprehensive income	-	-	-	(30,760,746)	(30,760,746)
Balance at 31 December 2016	6	67,862,051	544,000	(63,545,779)	4,860,278
Total comprehensive expense	-	-	-	(22,740,227)	(22,740,227)
Balance at 31 December 2017	6	67,862,051	544,000	(86,286,006)	(17,879,949)

Notes to the financial statements on pages 11-17 form an integral part of the financial statements.

Notes to the financial statements

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Basis of preparation

Management Consulting Group Overseas Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors' report pages 2 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Functional currency

The functional currency of Management Consulting Group Overseas Limited is considered to be US Dollars as the directors consider this to be the functional currency of the Company as its major cash flows are in US Dollars.

Group accounts

At the end of the year the Company was a wholly-owned subsidiary of a company incorporated in a member state of the European Economic Community which prepares group accounts. Accordingly, the preparation of group accounts is not required under Section 400 of the Companies Act 2006 and these financial statements represent information about the Company as an individual undertaking.

Going concern

The current economic conditions create uncertainty particularly over the level of demand for the Group's services. The Company has been loss making in 2017 and at year end it was in a net liabilities position; therefore it relies on support from the ultimate parent company, Management Consulting Group PLC. ("MCG PLC"). The 2017 annual report and accounts of the parent had a material uncertainty which might cast significant doubt on the group's ability to continue as a going concern. The Board of MCG PLC have during 2018 successfully completed a Placing and Open offer which raised £10m gross of new equity capital. Through this fundraising the board addressed the risks and uncertainties to the short term funding position highlighted in the 2017 MCG PLC annual report and accounts. The directors of Management Consulting group Overseas Limited have received written confirmation that the ultimate parent company will continue to provide support for 12 months from the date of approving these financial statements. The directors believe that Management Consulting Group PLC has the financial resources to fulfil this commitment.

Critical accounting judgements and key sources of estimation uncertainty

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.

Management have not applied any significant judgements in accounting policies and estimation uncertainty.

There are no key sources of estimation uncertainty which could change materially change in the next 12 months.

Notes to the accounts (*continued*)

1. Accounting policies (*Continued*)

Cash flow Statement

The Company is exempt from the requirement to prepare a cash flow statement because it is a wholly-owned subsidiary undertaking of Management Consulting Group PLC and its cash flows are included within the consolidated cash flow statement of that company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Financial Instruments

i. Fixed asset investments

Fixed asset investments, comprising shares in, and loans to, group undertakings, are stated at cost less provision for impairment.

ii. Financial assets and liabilities

All financial assets and liabilities are initially measured at their transaction price (including transaction costs). Financial assets and liabilities are only offset in the balance sheet where there exists a legally enforceable right to offset the recognised amounts and the company intends to settle on a net basis.

Debt instruments, both long and short-term, are subsequently measured at cost less impairment. Financial assets are only derecognised when the contractual right to the cash flows are settled or the risks and rewards of ownership are transferred to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or is cancelled.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Notes to the accounts *(continued)*

1 Accounting policies *(Continued)*

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2 Staff numbers and costs

The Company did not have any employees during the current or prior financial years. The directors did not receive any remuneration in respect of their services to the Company in the current or prior financial year.

3 Operating loss

The operating loss largely comprises the auditor's remuneration of \$5,000 (2016: \$6,770) was borne by the Company's parent company in the both the current and preceding year. During the year, the Company paid \$nil to the auditor for non-audit services (2016: \$nil).

4 Impairment of receivables

This is the write off of intercompany receivable balances due from other Group companies (\$2,841,740) due to an inability for those entities to repay.

5 Impairment in investment

The impairment loss for the year is attributable to the full write off of the company's investment in MCG Company No 1 Ltd (\$19,863,314).

6 Net finance (expense)/income

	2017 US\$	2016 US\$
Foreign exchange gains on foreign currency borrowings	19,393	120,918
Foreign exchange losses on foreign currency borrowings	(63,287)	(81,259)
	<u>(43,894)</u>	<u>39,659</u>

Notes to the accounts (continued)

7 Tax on ordinary activities

The tax charge comprises:

	2017 US\$	2016 US\$
Total tax charge on ordinary activities	-	-

Factors affecting the tax charge for the year

UK corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable (loss)/ profit for the year.

The tax charge for the year is less than the charge expected by applying the applicable rate for the reasons set out in the following reconciliation:

	2017 US\$	2016 US\$
Loss on ordinary activities before tax	(22,740,227)	(31,668,457)
Expected tax charge at 19.25% (2016: 20.00%)	(4,377,494)	(6,333,691)
<i>Factors affecting the tax charge:</i>		
Non-tax deductible expenses	4,368,791	6,341,618
Tax losses utilised	-	(7,927)
Tax losses not utilised and carried forward to future periods	8,703	-
Current tax charge	-	-

The Company has unrelieved tax losses carried forward of US\$4.9m (2016: US\$4.9m). No deferred tax asset has been recognised in respect of these losses as there is insufficient evidence that the asset will be recovered in the near term.

From 1 April 2017 the main rate of UK corporation tax was reduced from 20% to 19%

Notes to the accounts (continued)

8 Investments

	Shares in group undertakings US\$	Loans to group undertakings US\$	Total US\$
Cost			
At 1 January 2017	99,874,715	9,273,140	109,147,855
Addition	-	3,570,000	3,570,000
Disposal in the year	(1,375,552)	-	(1,375,552)
At 31 December 2017	<u>98,499,163</u>	<u>12,843,140</u>	<u>111,342,303</u>
Provisions			
At 1 January 2017	80,011,579	9,273,140	89,284,719
Addition	-	3,570,000	3,570,000
Provisions in the year	19,863,136	-	19,863,136
Disposal in the year	(1,375,552)	-	(1,375,552)
At 31 December 2017	<u>98,499,163</u>	<u>12,843,140</u>	<u>111,342,303</u>
Net book value			
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2016	<u>19,863,136</u>	<u>-</u>	<u>19,863,136</u>

Principal Company Investments

The Company has the following principal subsidiary undertakings engaged in the provision of management consultancy. The subsidiary undertakings are all held directly and are of the entities ordinary share capital:

	Country of incorporation or principal business address	Principal activity	%
Alexander Proudfoot GmbH	Vienna, Austria	Trading	49%
MCG Company No 1	London, United Kingdom	Holding Company	12.86%
Alexander Proudfoot – Serviços Empresariais LTDA	Sao Paulo, Brazil	Trading	100%

Notes to the accounts (continued)

9 Debtors

	2017 US\$	2017 US\$
Amounts falling due within one year:		
Amounts due by group undertakings	-	6,038

In 2017, the intercompany loan with Alexander Proudfoot - Servicos Empresariais Ltda of \$2,270,000 was provided for in full as this was deemed irrecoverable.

The intercompany balances held with Alexander Proudfoot SPA for \$430,000, Alexander Proudfoot Surcursal del Peru for \$130,000 and Ineum Consulting Pty Ltd (Australia) for \$11,710 have been provided for in full as they are no longer recoverable.

At the balance sheet dates amounts owed from group undertakings are interest free and repayable in part or full at any time.

10 Creditors

Amounts falling due within one year:

	2017 US\$	2016 US\$
Amounts owed to group undertakings	17,896,396	14,768,909
Creditors	-	243,860
	<u>17,896,396</u>	<u>15,012,769</u>

11 Called-up share capital and reserves

	2017 US\$	2016 US\$
Allotted, called up and fully paid		
4,001 ordinary shares of £0.001 each	<u>6</u>	<u>6</u>

Management Consulting Group Overseas Limited has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represent cumulative profits or losses.

Notes to the accounts *(continued)*

12 Related party transactions

As the Company is a wholly-owned subsidiary of Management Consulting Group PLC, the Company has taken advantage of the exemption contained in Section 33 1A under FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). There are no other related party transactions.

The consolidated financial statements of Management Consulting Group PLC, within which the results of this company are included, can be obtained from the address given in note 11.

13 Immediate and ultimate parent company

The immediate and ultimate parent company and controlling party is Management Consulting Group PLC, a company incorporated in Great Britain and registered in England and Wales. The only group in which the financial statements are consolidated is that headed by Management Consulting Group PLC. Copies of the financial statements of Management Consulting Group PLC may be obtained at the following address: Management Consulting Group PLC, St Paul's House, 4th Floor, 10 Warwick Lane, London EC4M 7BP.