

MCG Company No 1 Limited

**Annual report and audited financial
statements**

Year ended 31 December 2015

Registered number 04897584



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Company Information

Directors:

- C W Ansley
- N Stagg
- C Povey

Company Registration Number - 04897584

Registered Address:

10 Fleet Place,
London,
EC4M 7RB.

Country of Incorporation – United Kingdom

External Auditors:

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 2015. 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.

Principal activities

The principal activity of the Company during the year was that of a head office holding company. No change in activities is anticipated. The accounts have been prepared in US Dollars as the directors believe this to be the functional currency of the Company as its major cash flows are in US Dollars.

Business review

The Company made a profit for the year of US\$4,296,000 (2014: US\$53,000). The directors do not propose a dividend in respect of the current year (2014: \$nil).

Directors

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

C W Ansley
N Stagg
C Povey

Going concern

After making enquiries, the directors have formed a judgement, that at the time of approving the financial statements, and having considered the Company's forecasts and projections, there is reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Going concern is discussed further 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.

Future Developments:

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

Directors' report *(continued)*

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 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.

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:



C Povey
Director

10 Fleet Place
London EC4M 7RB

18 July 2016

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. 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; and
- 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 MCG Company No.1 Limited

We have audited the financial statements of MCG Company No.1 Limited for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102.

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.

Respective responsibilities of directors and auditor

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

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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of MCG Company No.1 Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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; or



Anthony Morris (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

18 July 2016

Profit and loss account

For the year ending 31 December 2015

	<i>Notes</i>	2015 US\$'000	2014 US\$'000
Operating profit	3	6,236	59
Interest receivable/ (payable) and similar income/ (charges)	4	<u>(1,940)</u>	<u>(10)</u>
Profit on ordinary activities before taxation		4,296	49
Tax on ordinary activities	5	-	4
Profit for the financial year		<u>4,296</u>	<u>53</u>

The profit on ordinary activities before taxation derives entirely from continuing activities.

There were no recognised gains or losses in other comprehensive income in either year other than those shown in the profit and loss account therefore no statement of other comprehensive income is presented.

Notes on page 10-16 form an integral part of the financial statements.

Balance sheet

At 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Fixed assets			
Investments	6	138,734	138,187
Current assets			
Debtors	7	46,975	43,249
Creditors: Amounts falling due within one year	8	(759)	(782)
Net current assets		<u>46,216</u>	<u>42,467</u>
Net assets		<u>184,950</u>	<u>180,654</u>
Capital and reserves			
Called up share capital	9	197,443	197,443
Share premium account		74,105	74,105
Profit and loss account		<u>(86,598)</u>	<u>(90,894)</u>
Shareholders' funds		<u>184,950</u>	<u>180,654</u>

The financial statements of MCG Company No 1 Limited (registered number 04897584) were approved by the board of directors and authorised for issue on 18 July 2016.

Notes on pages 10-16 form an integral part of the financial statements.

They were signed on its behalf by:



C Povey
 Director

Statement of changes in equity

For the year ended 31 December 2015

	Called-up Capital	Share Premium	Profit and loss account	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014	197,443	74,105	(90,947)	180,601
Profit for the year and total comprehensive income	-	-	53	53
Balance at 31 December 2014	197,443	74,105	(90,894)	180,654
Profit for the year and total comprehensive income	-	-	4,296	4,296
Balance at 31 December 2015	197,443	74,105	(86,598)	184,950

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Statement of compliance

MCG Company No 1 Ltd is a limited liability company incorporated in England. The registered office is 10 Fleet Place, London, EC4M 7RB. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 but may be applied early to periods ending on or after 31 December 2012.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition has affected the reported financial position and financial performance is given in note 12.

Basis of preparation

The Company is a qualifying entity with regard to FRS 102 as the ultimate parent company Management Consulting Group Plc produces publicly available consolidated financial statements in accordance with IFRS. Copies of the accounts of Management Consulting Group PLC may be obtained at the following address: Management Consulting Group PLC, 10 Fleet Place, London, EC4M 7RB.

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 MCG Company No 1 Limited is considered to be US Dollars as the directors believe 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 financial statements. Accordingly, the preparation of group financial statements 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 Company made a profit of US\$4,296,000 (2014: US\$53,000) during the year and had net assets of US\$184,950,000 at 31 December 2015 (2014: US\$180,654,000). 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. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements (*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.

Financial Instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at their transaction price (including transaction costs). This includes the financial assets and liabilities classified as financing transactions under FRS 102 as the company has opted to apply the recognition and measurement provisions of IAS 39 from IFRS. This is a permissible accounting policy choice under FRS 102.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Fixed asset investments

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

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.

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.

Notes to the accounts (*continued*)

2. Staff numbers and costs

The company did not have any employees during either the current or the preceding year. The directors did not receive any emoluments from the Company in either year.

3 Operating profit

The auditor's remuneration of \$7,647 (2014: \$4,000) was borne by the Company's parent company in the current year. In both the current and prior year the Company did not pay the auditor for non-audit services.

The following material amounts are included in the operating profit:

	2015 US\$'000	2014 US\$'000
Intercompany debt forgiveness	<u>6,251</u>	<u>22</u>

Intercompany debt forgiveness of US\$ 6,251,000 arose through the partial release a provision for the intercompany receivable balance with Kurt Salmon Switzerland branch. The provision was released as a repayment was made against the receivable for the same amount. The remaining receivable with Kurt Salmon Switzerland of US\$ 8,200,000 at 31 December 2015 was fully provided for.

4 Net finance expense

	Notes	2015 US\$'000	2014 US\$'000
Foreign exchange gains on foreign currency borrowings		94	4
Foreign exchange losses on foreign currency borrowings		(2,039)	(14)
Interest income from group loans	7	<u>5</u>	<u>-</u>
		<u>(1,940)</u>	<u>(10)</u>

5. Tax on ordinary activities

	2015 US\$'000	2014 US\$'000
Tax income on profit on ordinary activities.	<u>-</u>	<u>4</u>

Factors affecting the tax charge for the year

UK corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profit for the year.

Notes to the accounts (*continued*)

5. Tax charge on profit on ordinary activities (*continued*)

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:

	2015 US\$'000	2014 US\$'000
Profit on ordinary activities before tax	4,296	49
Expected tax charge at 20.25% (2014: 21.50%)	870	11
Factors affecting the tax charge:		
Non-deductible expenditure	387	(10)
Non-taxable income	(1,266)	(5)
Tax credit in respect of prior years	-	4
Tax losses not utilised and carried forward to future periods for tax purposes	9	4
Current year tax charge	-	4

The Company has unrelieved tax losses carried forward of US\$71,000 (2014: US\$17,000). 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.

6. Investments held as fixed assets

	2015 US\$'000	2014 US\$'000
<i>Shares in group undertakings:</i>		
At 1 January	138,187	138,187
Acquisitions	547	-
At 31 December	138,734	138,187

Notes to the accounts (*continued*)

6. Investments held as fixed assets (*continued*)

The shareholdings outlined below were of the subsidiary undertakings' ordinary shares and were held directly by the holding company.

Name of subsidiary	Country of Incorporation	Holding (%)	Shareholding (\$'000)
MCG Overseas Limited	United Kingdom	14.05	12,100
MCG Overseas Holdings B.V.	Netherlands	81	126,087
Alexander Proudfoot France SAS	France	100	547
Proudfoot Netherlands B.V.	Netherlands	100	-
Kurt Salmon Switzerland SARL	Switzerland	100	-
Alexander Proudfoot Europe S.A.	Belgium	100	-
Alexander Proudfoot S.A.	Spain	100	-
Alexander Proudfoot South Africa	South Africa	100	-
Alexander Proudfoot GmbH	Germany	100	-
Alexander Proudfoot Inc	Canada	100	-
Proudfoot Malaysia SDN BHD	Malaysia	100	-
Alexander Proudfoot Services GmbH	Germany	100	-
Proudfoot (de Mexico) SC	Mexico	100	-
Proudfoot Singapore	Singapore	100	-

On 21 December 2015, the Company acquired a 100% shareholding in Alexander Proudfoot France SAS for EUR 499,000 (US\$ 547,000). Alexander Proudfoot SAS is a management consulting company registered in France.

On 4 January 2016, the Company sold its 100% shareholding of Kurt Salmon Switzerland S.A.R.L. for EUR 440,000 (US\$ 479,000) to Kurt Salmon France SAS. Kurt Salmon Switzerland S.A.R.L. is a management consulting company registered in Switzerland.

7 Debtors

	2015 US\$'000	2014 US\$'000
Amounts owed by group undertakings	<u>46,975</u>	<u>43,249</u>

Apart from the amounts set out below, amounts owed by group undertakings were interest free during the current and prior year. Amounts due are repayable in part or full at any time.

Included in the amounts owed by group undertakings above is a short term loan advance of US\$1,000,000 entered into on 10 November 2015 with Alexander Proudfoot South Africa (Pty) Ltd, a 100% owned subsidiary of the company. Interest is charged on the balance per the loan agreement using the three monthly USD LIBOR rate plus a margin of 2.934%. Interest charged in the year was US\$5,000, the loan matures on 10 February 2016.

Notes to the accounts (*continued*)

8 Creditors: amounts falling due within one year

	2015 US\$'000	2014 US\$'000
Trade creditors	83	83
Amounts owed to group undertakings	614	652
Accruals	62	47
	<u>759</u>	<u>782</u>

Amounts owed to group undertakings were interest free in both the current and prior years. Amounts are repayable in part or full at any time.

9 Called up share capital

	2015 '000	2014 '000
<i>Allotted, issued and fully paid</i>		
110,226,396 ordinary shares of £1 each	<u>£110,626</u>	<u>£110,626</u>
Translated into functional currency at date of issue	<u>\$197,443</u>	<u>\$197,443</u>

10 Related party transactions

As described in note 11, the Company is part of a group headed by Management Consulting Group PLC. The Company has taken advantage of the exemptions contained in Section 1A of FRS 102, and has therefore not disclosed transactions or balances with entities which are fully owned subsidiaries of the ultimate parent company, Management Consulting Group PLC. There were no other related party transactions requiring disclosure in the current or prior year. 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.

11 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, which holds 87.14% of the ordinary share capital. MCG Overseas Limited, a company incorporated in Great Britain and registered in England and Wales, holds the remaining 12.86% of the ordinary share capital.

The smallest and largest 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, 10 Fleet Place, London, EC4M 7RB.

Notes to the accounts (*continued*)

12 Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The prior year financials are in accordance with FRS 102 and have not needed to be restated.

On transition to FRS 102 from previous UK GAAP, the company has taken advantage of the following transition relief;

Investments in Subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under the previous UK GAAP at the date of transition as the deemed cost on transition to FRS 102.