

**MCG Company No 1 Limited**

**Annual report and audited financial  
statements**

**Year ended 31 December 2016**

**Registered number 04897584**



## Contents

	Page
Company information	1
Directors' report	2 -3
Directors' responsibilities statement	4
Independent auditor's report	5-6
Profit and loss account	7
Balance Sheet	8
Statement of changes in equity	9
Notes to the accounts	10-16

## **Company Information**

### **Directors:**

- C W Ansley (resigned 31 July 2017)
- N Stagg
- C Povey (resigned 31 July 2017)
- M Comras (appointed 12 July 2017)

**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 2016. 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 loss for the year of US\$7,452,000 (2015: US\$4,296,000). The directors do not propose a dividend in respect of the current year (2015: \$nil).

### **Directors**

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

C W Ansley (resigned 31 July 2017)  
N Stagg  
C Povey (resigned 31 July 2017)  
M Comras (appointed 12 July 2017)

### **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:



**N Stagg**  
*Director*

10 Fleet Place  
London EC4M 7RB

11 August 2017

## **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 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, 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 (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 2016 and of its loss 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

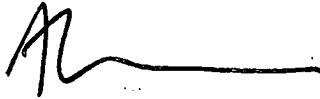
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

**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  
Statutory Auditor  
London, United Kingdom

**31** August 2017



## Profit and loss account

For the year ending 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>US\$'000</b>	<b>2015</b> <b>US\$'000</b>
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(11,280)</b>	<b>6,236</b>
Gain upon disposal of investment		3,878	-
Net finance expense	<b>4</b>	<u><b>(50)</b></u>	<u><b>(1,940)</b></u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(7,452)</b>	<b>4,296</b>
Tax on ordinary activities	<b>5</b>	-	-
<b>(Loss)/profit for the financial year</b>		<u><u><b>(7,452)</b></u></u>	<u><u><b>4,296</b></u></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

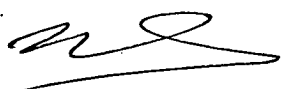
At 31 December 2016

	Notes	2016 US\$'000	2015 US\$'000
<b>Fixed assets</b>			
Investments	6	1,230	138,734
<b>Current assets</b>			
Debtors	7	176,268	46,975
<b>Creditors:</b> Amounts falling due within one year	8	-	(759)
<b>Net current assets</b>		<u>176,268</u>	<u>46,216</u>
<b>Net assets</b>		<u>177,498</u>	<u>184,950</u>
<b>Capital and reserves</b>			
Called up share capital	9	197,443	197,443
Share premium account		74,105	74,105
Profit and loss account		<u>(94,050)</u>	<u>(86,598)</u>
<b>Shareholders' funds</b>		<u>177,498</u>	<u>184,950</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 11 August 2017.

Notes on pages 10-16 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 ended 31 December 2016

	<b>Called-up Capital</b>	<b>Share Premium</b>	<b>Profit and loss account</b>	<b>Total Equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Balance at 1 January 2015	<b>197,443</b>	<b>74,105</b>	<b>(90,894)</b>	<b>180,654</b>
Total comprehensive income for the year	-	-	4,296	4,296
Balance at 31 December 2015	<b>197,443</b>	<b>74,105</b>	<b>(86,598)</b>	<b>184,950</b>
Total comprehensive expense for the year	-	-	(7,452)	(7,452)
Balance at 31 December 2016	<b>197,443</b>	<b>74,105</b>	<b>(94,050)</b>	<b>177,498</b>

## 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.

#### *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 loss of US\$7,452,000 (2015: US\$4,296,000) during the year and had net assets of US\$177,498,000 at 31 December 2016 (2015: US\$184,950,000). 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 difference 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 \$6,770 (2015: \$7,647) 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:

	2016 US\$'000	2015 US\$'000
Intercompany debt forgiveness	<u>16</u>	<u>6,251</u>

Intercompany debt forgiveness of US\$ 16,000 arose as a result of the closure of Proudfoot Australia in 2016, and as such the debtor balance held with this entity was written off.

### 4 Net finance expense

	Notes	2016 US\$'000	2015 US\$'000
Foreign exchange gains on foreign currency borrowings		288	94
Foreign exchange losses on foreign currency borrowings		(376)	(2,039)
Interest income from group loans	7	<u>38</u>	<u>5</u>
		<u>(50)</u>	<u>(1,940)</u>

### 5. Tax on ordinary activities

	2016 US\$'000	2015 US\$'000
Tax income on profit on ordinary activities.	<u></u>	<u></u>

#### *Factors affecting the tax charge for the year*

UK corporation tax is calculated at 20.00% (2015: 20.25%) 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:

	2016 US\$'000	2015 US\$'000
Loss/(profit) on ordinary activities before tax	(7,452)	4,296
Expected tax (credit)/charge at 20.00% (2015: 21.50%)	(1,490)	870
Factors affecting the tax charge:		
Non-deductible expenditure	-	387
Non – taxable expense/(income)	1,503	(1,266)
Brought forward tax losses utilised.	(11)	-
Tax losses not utilised and carried forward to future periods for tax purposes	-	9
Group Relief	(2)	-
Current year tax charge	-	-

The Company has unrelieved tax losses carried forward of US\$ NIL (2015: US\$71,000). 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

	2016 US\$'000	2015 US\$'000
<b><i>Shares in group undertakings:</i></b>		
At 1 January	138,734	138,187
Acquisitions	-	547
Disposals	(126,087)	-
Impairment	(11,417)	-
At 31 December	1,230	138,734

## 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	683
MCG Overseas Holdings B.V.	Netherlands	81	-
Alexander Proudfoot France SAS	France	100	547
Proudfoot Netherlands B.V.	Netherlands	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 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.

During 2016, MCG Company Number 1 disposed of the investment in MCG Overseas Holdings BV to Management Consulting Group PLC, for \$126,087,000, creating an intercompany receivable balance with this latter entity. MCG Company Number 1 also recognised an impairment of the investment held within MCG Overseas Limited, following a review of the net assets held by the subsidiary.

### 7 Debtors

	2016 US\$'000	2015 US\$'000
Amounts owed by group undertakings	164,160	46,975

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.



## Notes to the accounts (*continued*)

Included in the amounts owed by group undertakings 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\$35,000, the loan matures on 10 June 2017.

### 8 Creditors: amounts falling due within one year

	2016 US\$'000	2015 US\$'000
Trade creditors	-	83
Amounts owed to group undertakings	-	614
Accruals	-	62
	<u>-</u>	<u>759</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

	2016 '000	2015 '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.

**Notes to the accounts (*continued*)**

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.