

**MCG Company No 1 Limited**

**Directors' report and financial statements**

**Year ended 31 December 2005**

**Registered number 4897584**



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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### **Principal activity**

The principal activity of the company during the year and preceding period was that of an investment holding company. No change in activity 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 cash flows are in US Dollars.

### **Business review**

The company made a profit for the year of US\$13,549,992 (period from 12 September 2003 to 31 December 2004 US\$12,102,457). An interim dividend of US\$13,447,858 was declared on 19 December 2005. The directors do not recommend the payment of a final dividend for the current year and did not recommend a payment of a final dividend for the preceding period.

### **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 and directors' interests**

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

KAH Parry	
SJ Purse	– resigned 7 March 2005
MA Currie	– appointed 1 March 2005

Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company were granted to, or exercised by, either of the directors who held office at the end of the year or their immediate families, during the financial year.

KAH Parry and MA Currie were directors of the ultimate parent company, Management Consulting Group PLC, at the end of the financial year and their interests in the share capital of that company and other group companies are detailed in the annual report of that company. MA Currie was appointed a director of this company and of the ultimate parent company on 1 March 2005. SJ Purse resigned as a director of both companies on 7 March 2005. Except as noted, no directors had any other interests in the company or any other group company.

**Directors' report (continued)**

**Auditors**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company. In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint Deloitte & Touche LLP as the company's auditors for the ensuing year and to authorise the directors to determine their remuneration is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board,



**KAH Parry**  
*Director*

30 October 2006

Fleet Place House,  
2 Fleet Place, Holborn Viaduct  
London EC4M 7RF

## **Statement of directors' responsibilities**

The directors are responsible for preparing the financial statements. United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which 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 1985. 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 auditors' report to the members of MCG Company No 1 Limited**

We have audited the financial statements of MCG Company No 1 Limited for year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
**London**

31 October 2006

**Profit and loss account**  
*for the year ended 31 December 2005*

	<i>Note</i>	<b>Year ended 31 December 2005</b>	Period from incorporation on 12 September 2003 to 31 December 2004
		<b>US\$</b>	<b>US\$</b>
Administrative expenses		<u>(11)</u>	<u>-</u>
<b>Operating loss</b>		<b>(11)</b>	<b>-</b>
Interest receivable and similar income	4	-	4,551,095
Investment income	5	<b>1,265,653</b>	-
Other income	5	<u><b>12,155,786</b></u>	<u>7,743,209</u>
<b>Profit on ordinary activities before taxation</b>		<b>13,421,428</b>	<b>12,294,304</b>
Tax credit / (charge) on profit on ordinary activities	6	<u><b>128,564</b></u>	<u>(191,847)</u>
<b>Retained profit on ordinary activities after taxation</b>		<b>13,549,992</b>	<b>12,102,457</b>
Equity dividends paid	7	<u><b>(13,447,858)</b></u>	<u>(11,742,290)</u>
<b>Retained profit for the year</b>		<b>102,134</b>	<b>360,167</b>
<b>Retained profit brought forward</b>		<u><b>360,167</b></u>	<u>-</u>
<b>Retained profit carried forward</b>		<u><b>462,301</b></u>	<u><b>360,167</b></u>

There are no recognised gains or losses other than those shown in the profit and loss account, therefore no statement of total recognised gains and losses is presented.

The profit for the current year and the prior period relate to continuing operations.

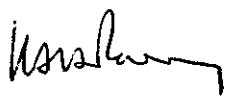


# **Balance sheet**

at 31 December 2005

	Note	US\$	2005 US\$	US\$	2004 US\$
<b>Fixed assets</b>					
Investments	8		100,000,000		-
<b>Long-term assets</b>					
Debtors: amounts falling due after more than one year	9		171,548,062		171,548,062
<b>Current assets</b>					
Debtors: amounts falling within one year	9	525,597		552,016	
<b>Creditors: Amounts falling due within one year</b>	10	(63,294)		(191,847)	
<b>Net current assets</b>			462,303		360,169
<b>Net assets</b>			272,010,365		171,908,231
<b>Capital and reserves</b>					
Called up share capital	11		197,442,960		171,548,064
Share premium account	12		74,105,104		-
Profit and loss account	12		462,301		360,167
<b>Equity shareholder's funds</b>	13		272,010,365		171,908,231

These financial statements were approved by the board of directors on 30 October 2006 and were signed on its behalf by:



**KAH Parry**  
 Director

## **Notes to the accounts**

*(forming part of 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.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable United Kingdom laws and accounting standards and under the historical cost accounting rules.

#### ***Functional currency***

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.

#### ***Cash flow statement***

Under Financial Reporting Standard Number 1 (Revised), 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 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.

#### ***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 228 of the Companies Act 1985 and these financial statements represent information about the company as an individual undertaking.

## Notes to the accounts (continued)

### *Taxation*

Current 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.

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. Deferred tax assets and liabilities are not discounted.

### 2 **Staff numbers and costs**

The company did not have any employees during the year or the preceding period except for the directors who did not receive any emoluments from the company.

### 3 **Auditors' remuneration**

The auditors' remuneration was borne by the company's parent company in both the current year and prior period. There were no amounts paid to the auditors by the company for non-audit services in either the current year or the prior period.

### 4 **Interest receivable and similar income**

	<b>Year ended 31 December 2005</b>	<b>Period from incorporation on 12 September 2003 to 31 December 2004</b>
	<b>US\$</b>	<b>US\$</b>
Interest on loans to group undertakings	-	4,551,095

### 5 **Other income & investment income**

	<b>Year ended 31 December 2005</b>	<b>Period from incorporation on 12 September 2003 to 31 December 2004</b>
	<b>US\$</b>	<b>US\$</b>
Dividends received from group undertakings	1,265,653	-
Consideration due from group undertakings on sale of receivables	12,155,786	7,743,209
	<b>13,421,439</b>	<b>7,743,209</b>

## Notes to the accounts (continued)

### 6 Tax charge on profit on ordinary activities

	Year ended 31 December 2005	Period from incorporation on 12 September 2003 to 31 December 2004
	US\$	US\$
<b>Current tax</b>		
UK corporation tax at 30% on the profit for the period on ordinary activities	-	191,847
Withholding tax suffered on receipt of foreign dividend	63,283	-
	63,283	191,847
<b>Prior period tax credit</b>	(191,847)	-
<b>Total tax (credit) / charge on profit on ordinary activities</b>	<b>(128,564)</b>	<b>191,847</b>

#### Factors affecting tax charge for the period

The applicable rate of tax on the company's profit on ordinary activities for the period is 30%. The tax charge for the period is less than the charge expected by applying the applicable rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2005	Period from incorporation on 12 September 2003 to 31 December 2004
	US\$	US\$
Profit on ordinary activities before tax	13,421,428	12,294,304
Expected tax at 30% on profit on ordinary activities before taxation	4,026,429	3,688,291
Add:		
Withholding tax suffered on receipt of foreign dividend	63,283	-
Less:		
Non-taxable consideration	(3,646,736)	(2,322,963)
Group relief surrendered for nil consideration	(379,693)	(1,173,481)
<b>Current tax charge</b>	<b>63,283</b>	<b>191,847</b>

## Notes to the accounts (continued)

### 7 Equity dividends paid

	Year ended 31 December 2005	Period from incorporation on 12 September 2003 to 31 December 2004
	US\$	US\$
Equity dividends paid during year	<u>13,447,858</u>	<u>11,742,290</u>

On 19 December 2005, the company paid an interim dividend of US\$13,447,858 amounting to approximately 12.2 cents per share.

### 8 Investments held as fixed assets

	Shares in subsidiary US\$
At 1 January 2005	-
Additions	<u>100,000,000</u>
At 31 December 2005	<u>100,000,000</u>

On 31 May 2005, the company purchased 100% of the ordinary share capital of Proudfoot Company AG, a company incorporated in Switzerland, from a fellow group undertaking for US\$100 million.

### 9 Debtors

	2005 US\$	2004 US\$
Amounts owed by group undertakings due after more than one year	<u>171,548,062</u>	<u>171,548,062</u>
Amounts owed by group undertakings due within one year	<u>525,597</u>	<u>552,016</u>

The amounts owed by group undertakings represents consideration receivable from fellow subsidiary undertakings.

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

	2005 US\$	2004 US\$
Bank loans and overdrafts	11	-
Amounts owing to group undertakings	63,283	-
Corporation tax	<u>-</u>	<u>191,847</u>
	<u>63,283</u>	<u>191,847</u>

## Notes to the accounts (continued)

### 11 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
150,000,000 ordinary shares of £1 each (2004: 100,000,000)	<u>150,000,000</u>	<u>100,000,000</u>
<i>Allotted, issued and fully paid</i>		
110,226,396 ordinary shares of £1 each (2004: 96,051,548)	<u>110,226,396</u>	<u>96,051,548</u>
	US\$	US\$
	<u>197,442,960</u>	<u>171,548,064</u>

The authorised share capital of the company was increased from 100 million to 150 million ordinary shares of £1 each on 3 June 2005.

### 12 Movement in reserves

	Profit and loss account US\$	Share premium US\$	Total US\$
As at 1 January 2005	360,167	-	360,167
Retained profit for the year	102,134	-	102,134
Premium on shares issued during year	-	<u>74,105,104</u>	<u>74,105,104</u>
As at 31 December 2005	<u>462,301</u>	<u>74,105,104</u>	<u>74,569,405</u>

### 13 Reconciliation of the movement in equity shareholder's funds

	2005 US\$	2004 US\$
Opening equity shareholder's funds	171,908,231	-
Shares issued during the year	25,894,896	171,548,064
Premium on shares issued during the year	74,105,104	-
Retained profit for the period	<u>102,134</u>	<u>360,167</u>
Closing equity shareholder's funds	<u>272,010,365</u>	<u>171,908,231</u>

## Notes to the accounts *(continued)*

### **14 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 FRS 8 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). 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 15.

### **15 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 smallest and largest group in which the accounts are consolidated is that headed by Management Consulting Group PLC. Copies of the accounts of Management Consulting Group PLC may be obtained at the following address: Management Consulting Group PLC, Fleet Place House, 2 Fleet Place, Holborn Viaduct, London EC4M 7RF.