

MCG Company No 1 Limited

Directors' report and financial statements

Year ended 31 December 2006

Registered number 4897584



Contents

| | |
|--|---|
| Directors' report | 1 |
| Statement of directors' responsibilities | 3 |
| Independent auditors' report | 4 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the accounts | 8 |

Directors' report

The directors present their annual report in accordance with the special provisions relating to small companies under S246(4) of the Companies Act 1985 and the audited financial statements for the year ended 31 December 2006. As the Company is a small company, no enhanced business review is presented.

Principal activity

The principal activity of the company during the current and preceding year 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\$ 13,972,406 (2005: US\$ 13,549,992).

One interim dividend totalling US\$ 12,182,205, which amounts to approximately US\$ 0.11 per share, was declared and paid on 13 December 2006. In 2005, an interim dividend of US\$ 13,447,858 was declared and paid. 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 in the preceding year.

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 | |
| CW Ansley | – appointed 6 November 2006 |
| ALR Smyth | – appointed 6 November 2006 |
| CH Smith | – appointed 1 May 2006 |
| MA Currie | – resigned 6 November 2006 |

At the end of the year and at the date of this report, KAH Parry was a director of the ultimate parent company, Management Consulting Group PLC. CH Smith was appointed a director of the ultimate parent company on 26 April 2007.

Directors' report *(continued)*

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

29th June 2007

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). The financial statements are required by law to 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 period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
9 July 2007

Profit and loss account
for the year ended 31 December 2006

| | <i>Note</i> | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|--|-------------|---|---|
| Administrative expenses | | <u>(1)</u> | <u>(11)</u> |
| Operating loss | | (1) | (11) |
| Interest payable and similar charges | 4 | (247,979) | - |
| Investment income | 5 | 2,266,507 | 1,265,653 |
| Other income | 5 | <u>12,182,204</u> | <u>12,155,786</u> |
| Profit before taxation | | 14,200,731 | 13,421,428 |
| Tax (charge)/credit on profit on ordinary activities | 6 | <u>(228,325)</u> | <u>128,564</u> |
| Profit for the year | | <u>13,972,406</u> | <u>13,549,992</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 both the current and the prior year relates to continuing operations

Balance sheet

at 31 December 2006

| | Note | US\$ | 2006 US\$ | US\$ | 2005 US\$ |
|---|------|---------------------|--------------------|-----------------|--------------------|
| Fixed assets | | | | | |
| Investments | 8 | | 112,100,000 | | 100,000,000 |
| Current assets | | | | | |
| Debtors' amounts falling due after more than one year | 9 | 171,548,062 | | 171,548,062 | |
| Debtors' amounts falling within one year | 9 | <u>2,330,012</u> | | <u>525,597</u> | |
| | | 173,878,074 | | 172,073,659 | |
| Creditors' amounts falling due within one year | 10 | <u>(12,177,508)</u> | | <u>(63,294)</u> | |
| Net current assets | | | 161,700,566 | | 172,010,365 |
| Net assets | | | <u>273,800,566</u> | | <u>272,010,365</u> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 197,442,960 | | 197,442,960 |
| Share premium account | 12 | | 74,105,104 | | 74,105,104 |
| Profit and loss account | 12 | | <u>2,252,502</u> | | <u>462,301</u> |
| Equity shareholder's funds | 13 | | <u>273,800,566</u> | | <u>272,010,365</u> |

These financial statements were approved by the board of directors on 29th June 2007 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)

1. Accounting policies (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 either the current or the preceding year. The directors did not receive any emoluments from the company.

3 Auditors' remuneration

The auditors' remuneration of £2,000 (2005: £2,000) was borne by the company's parent company in both the current and prior year. There were no amounts paid to the auditors by the company for non-audit services in either the current or the prior year.

4 Interest payable and similar charges

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|---|---|---|
| Interest on loans from group undertakings | <u>247,979</u> | <u>-</u> |

5 Other income and investment income

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|--|---|---|
| Dividends received from group undertakings | 2,266,507 | 1,265,653 |
| Consideration due from group undertakings on sale of receivables | <u>12,182,204</u> | <u>12,155,786</u> |
| | <u>14,448,711</u> | <u>13,421,439</u> |

Notes to the accounts *(continued)*

6 Tax charge on profit on ordinary activities

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|---|---|---|
| Current tax | | |
| UK corporation tax at 30% on the profit for the period on ordinary activities | 115,000 | - |
| Withholding tax suffered on receipt of foreign dividend | 113,325 | 63,283 |
| | 228,325 | 63,283 |
| Prior period tax credit | - | (191,847) |
| Total tax charge/(credit) on profit on ordinary activities | <u>228,325</u> | <u>(128,564)</u> |

Factors affecting tax charge for the period

The applicable rate of tax on the company's profit on ordinary activities for the year is 30%. 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

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|--|---|---|
| Profit on ordinary activities before tax | <u>14,200,731</u> | <u>13,421,428</u> |
| Expected tax at 30% on profit on ordinary activities before taxation | 4,260,219 | 4,026,429 |
| Add | | |
| Timing differences re interest expense | 74,394 | - |
| Less | | |
| Non-taxable consideration | (3,654,661) | (3,646,736) |
| Group relief claimed for nil consideration | <u>(451,627)</u> | <u>(316,410)</u> |
| Current tax charge | <u>228,325</u> | <u>63,283</u> |

Notes to the accounts (continued)

7 Equity dividends paid

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 US\$ |
|-----------------------------------|---|---|
| Equity dividends paid during year | <u>12,182,205</u> | <u>13,447,858</u> |

One interim dividend totalling US\$ 12,182,205, which amounts to approximately US\$ 0.11 per share, was declared and paid on 13 December 2006

8 Investments held as fixed assets

| | Shares in subsidiaries US\$ |
|---------------------|-----------------------------------|
| At 1 January 2006 | 100,000,000 |
| Additions in year | <u>12,100,000</u> |
| At 31 December 2006 | <u>112,100,000</u> |

9 Debtors

| | Year ended 31 December 2006 US\$ | Year ended 31 December 2005 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>2,330,012</u> | <u>525,597</u> |

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

10 Creditors: amounts falling due within one year

| | 2006 US\$ | 2005 US\$ |
|-------------------------------------|-------------------|---------------|
| Bank loans and overdrafts | - | 11 |
| Amounts owing to group undertakings | 12,062,508 | 63,283 |
| Corporation tax payable | <u>115,000</u> | <u>-</u> |
| | <u>12,177,508</u> | <u>63,294</u> |

Notes to the accounts (continued)

11 Called up share capital

| | 2006 £ | 2005 £ |
|--|----------------------------|----------------------------|
| <i>Authorised</i> | | |
| 150,000,000 ordinary shares of £1 each (2005 150,000,000) | <u>150,000,000</u> | <u>150,000,000</u> |
| <i>Allotted, issued and fully paid</i> | | |
| 110,226,396 ordinary shares of £1 each (2005 110,226,396) | <u>110,226,396</u> | <u>110,226,396</u> |
| | US\$ <u>197,442,960</u> | US\$ <u>197,442,960</u> |

12 Movement in reserves

| | Profit and loss account US\$ | Share premium US\$ | Total US\$ |
|--------------------------------------|---------------------------------------|--------------------------|-------------------|
| As at 1 January 2005 | 360,167 | - | 360,167 |
| Profit for the year | 13,549,992 | - | 13,549,992 |
| Equity dividends paid | (13,447,858) | - | (13,447,858) |
| Premium on shares issued during year | - | 74,105,104 | 74,105,104 |
| As at 1 January 2006 | 462,301 | 74,105,104 | 74,567,405 |
| Profit for the year | 13,972,406 | - | 13,972,406 |
| Equity dividends paid | (12,182,205) | - | (12,182,205) |
| As at 31 December 2006 | <u>2,252,502</u> | <u>74,105,104</u> | <u>76,357,606</u> |

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

| | 2006 US\$ | 2005 US\$ |
|--|--------------------|--------------------|
| Opening equity shareholder's funds | 272,010,365 | 171,908,231 |
| Shares issued during the year | - | 25,894,896 |
| Premium on shares issued during the year | - | 74,105,104 |
| Profit for the year | 13,972,406 | 13,549,992 |
| Equity dividends paid | (12,182,205) | (13,447,858) |
| Closing equity shareholder's funds | <u>273,800,566</u> | <u>272,010,365</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, which holds 87.14% of the ordinary share capital. Alexander Proudfoot Overseas Holdings 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 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.