

MCG Company No 1 Limited

**Directors' report and audited financial
statements**

Year ended 31 December 2013

Registered number 04897584



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Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 December 2013. This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly the company has not been required to prepare a Strategic report for the year.

Principal activities

The principal activity of the Company during the year was that of an investment 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\$55,000 (2012: loss of US\$264,000). The Company did not pay a dividend during the current or the prior financial year.

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 accounts.

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)*

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

7 July 2014

Statement of directors' responsibilities

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). 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 2013 which comprise the Profit and loss Account, Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 13. 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).

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 2013 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 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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



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

7 July 2014

Profit and loss account

For the year ending 31 December 2013

	<i>Notes</i>	2013 US\$'000	2012 US\$'000
Operating loss	3	(8)	(69)
Net finance expense	4	<u>(47)</u>	<u>(195)</u>
Loss on ordinary activities before taxation		(55)	(264)
Tax on ordinary activities	5	-	-
Loss for the financial year		<u>(55)</u>	<u>(264)</u>

Statement of total recognised gains and losses

For the year ending 31 December 2013

	<i>Notes</i>	2013 US\$'000	2012 US\$'000
Unrecognised gain arising from liquidation of subsidiary	10	-	52,800
Loss for the year	10	<u>(55)</u>	<u>(264)</u>
Total recognised (losses)/ gains for the year	10	<u>(55)</u>	<u>55,536</u>

Profit and loss account

For the year ending 31 December 2013

	<i>Notes</i>	2013 US\$'000	2012 US\$'000
Operating loss	<i>3</i>	(8)	(69)
Net finance expense	<i>4</i>	<u>(47)</u>	<u>(195)</u>
Loss on ordinary activities before taxation		(55)	(264)
Tax on ordinary activities	<i>5</i>	-	-
Loss for the financial year		<u><u>(55)</u></u>	<u><u>(264)</u></u>

Statement of total recognised gains and losses

For the year ending 31 December 2013

	<i>Notes</i>	2013 US\$'000	2012 US\$'000
Unrecognised gain arising from liquidation of subsidiary	<i>10</i>	-	52,800
Loss for the year	<i>10</i>	(55)	(264)
Total recognised (losses)/ gains for the year	<i>10</i>	<u><u>(55)</u></u>	<u><u>55,536</u></u>

Balance sheet

At 31 December 2013

	Notes	2013 US\$'000	2012 US\$'000
Fixed assets			
Investments	6	138,187	138,187
Current assets			
Debtors	7	42,618	42,816
Cash at bank and in hand		-	6
		<u>42,618</u>	<u>42,822</u>
Creditors: Amounts falling due within one year	8	<u>(204)</u>	<u>(353)</u>
Net current assets		<u>42,414</u>	<u>42,469</u>
Net assets		<u><u>180,601</u></u>	<u><u>180,656</u></u>
Capital and reserves			
Called up share capital	9	197,443	197,443
Share premium account	10	74,105	74,105
Profit and loss account	10	<u>(90,947)</u>	<u>(90,892)</u>
Shareholders' funds	11	<u><u>180,601</u></u>	<u><u>180,656</u></u>

The financial statements of company number 04897584 were approved by the board of directors and authorised for issue on 7 July 2014.

They were signed on its behalf by:



C Povey
 Director

Notes to the accounts

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.

Going concern

The Company made a loss of US\$55,000 (2012: loss of US\$264,000) during the year and had net assets of US\$180,601,000 at 31 December 2013 (2012: net assets of US\$180,656,000). 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.

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.

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.

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.

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.

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.

Notes to the accounts (*continued*)

3 Operating loss

The auditor's remuneration of \$4,000 (2012: \$4,000) was borne by the Company's parent company in the current year. During the year, the Company paid \$nil to the auditor for non-audit services (2012: \$nil).

4 Net finance expense

	2013 US\$'000	2012 US\$'000
Foreign exchange gains on foreign currency borrowings	251	2,205
Foreign exchange losses on foreign currency borrowings	(298)	(2,507)
Interest income from group loans	-	107
	<u>(47)</u>	<u>(195)</u>

5. Tax charge on loss on ordinary activities

	2013 US\$'000	2012 US\$'000
Tax charge on loss on ordinary activities.	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable 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:

	2013 US\$'000	2012 US\$'000
Loss on ordinary activities before tax	<u>(55)</u>	<u>(264)</u>
Expected tax charge at 23.25% (2012: 24.5%)	(13)	(65)
Factors affecting the tax charge:		
Other taxable income	-	564
Group relief claimed for nil consideration	-	(499)
Tax losses not utilised and carried forward to future periods for tax purposes	13	-
Current tax charge	<u>-</u>	<u>-</u>

Notes to the accounts (*continued*)

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

The Company has unrelieved tax losses carried forward of US\$13k (2012: US\$nil). 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 2013 the main rate of UK corporation tax was reduced from 24% to 23%. A further reduction in the corporation tax rate to 21%, effective from 1 April 2014, and to 20% from 1 April 2015 was also substantively enacted on 2 July 2013. A rate of 20% has been used to calculate deferred tax at 31 December 2013.

6. Investments held as fixed assets

	2013 US\$'000	2012 US\$'000
<i>Shares in group undertakings:</i>		
At 1 January	138,187	112,100
Additions	-	126,087
Disposals	-	(100,000)
At 31 December	<u>138,187</u>	<u>138,187</u>

The disposal in the prior year wholly relates to the liquidation of Proudfoot Company AG. The liquidation resulted in a loss on disposal of US\$ 100m being recognised in the statement of recognised gains and losses.

Prior to Proudfoot Company AG's liquidation the company's assets and liabilities were transferred to MCG Company No.1 Limited. The transfer included investments with a book value of \$126m (see the table below for details).

(*) – Investments transferred from Proudfoot Company AG.

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
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	-

Notes to the accounts (*continued*)

7 Debtors

	2013 US\$'000	2012 US\$'000
Amounts owed by group undertakings	<u>42,618</u>	<u>42,816</u>

Amounts owed by group undertakings were interest free during the current and at the end of the prior year. Amounts due are repayable in part or full at any time.

8 Creditors

	2013 US\$'000	2012 US\$'000
Trade creditors	83	83
Amounts owed to group undertakings	25	171
Other taxes payable	4	4
Accruals	<u>92</u>	<u>95</u>
	<u>204</u>	<u>353</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

	2013 '000	2012 '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>

Notes to the accounts (*continued*)

10 Movement in reserves

	Profit and loss account US\$'000	Share premium US\$'000	Total US\$'000
As at 1 January 2013	(90,892)	74,105	(16,787)
Loss for the year	(55)	-	(55)
As at 31 December 2013	<u>(90,947)</u>	<u>74,105</u>	<u>(16,842)</u>

	Profit and loss account US\$'000	Share premium US\$'000	Total US\$'000
As at 1 January 2012	(143,428)	74,105	(69,323)
Loss for the year	(264)	-	(264)
Unrecognised gains in the year	52,800	-	52,800
As at 31 December 2012	<u>(90,892)</u>	<u>74,105</u>	<u>(16,787)</u>

11 Reconciliation of the movement in shareholders' funds

	2013 US\$'000	2012 US\$'000
Opening shareholders' funds	180,656	128,120
Loss for the year	(55)	(264)
Unrecognised gains in the year	-	52,800
Closing shareholders' funds	<u>180,601</u>	<u>180,656</u>

12 Related party transactions

As described in note 13, the Company is part of a group headed by 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). 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 13.

Notes to the accounts (*continued*)

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, 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 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, 10 Fleet Place, London, EC4M 7RB.