MCG Company No 1 Limited

Annual report and audited financial statements

Year ended 31 December 2017

Registered number 04897584

Contents

Company Information

Directors:

- N Stagg
- P Hackett (appointed 10 April 2018)

Company Registration Number - 04897584

Registered Address:
St Paul's House
4th Floor
10 Warwick Lane
London
EC4M 7BP

Country of Incorporation – United Kingdom

External Auditor:
Deloitte LLP
London, United Kingdom

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 2017. 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.

General information
MCG Company No 1 Limited is a private company limited by shares registered in England under 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$173,455,000 (2016: US$7,452,000).

Reduction of share capital
On 15 December 2017, the Directors approved the reduction of share capital of the Company. The share capital of the Company was reduced by £146,236,000 and was credited to a distributable reserve of the Company. The reduction was achieved by cancelling and repaying paid up capital to the extent of £0.95 on each issued ordinary share of £1 and by reducing the nominal value of each ordinary share from £1 to £0.05 and by cancelling the share premium account of the Company.

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

N Stagg
P Hackett (appointed 10 April 2018)
M Comras (appointed 12 July 2017 – resigned 9 May 2018)
C W Ansley (resigned 31 July 2017)
C Povey (resigned 31 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.

Directors' report *(continued)*

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.

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

St Paul's House
10 Warwick Lane
London
EC4M 7BP

27 September 2018

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
Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MCG Company No 1 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

- the strategic report and the directors' report have 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 strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Peter Sanders

Peter Saunders (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2018

Profit and loss account

For the year ending 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Operating loss	3	-	(11,280)
Gain upon disposal of investment		-	3,878
Debt forgiveness	4	**(174,405)**	-
Investment income	7	**531**	-
Net finance income/(expense)	5	**429**	(50)
Loss on ordinary activities before taxation		**(173,445)**	(7,452)
Tax on ordinary activities	6	-	-
Loss for the financial year		**(173,445)**	(7,452)

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.

The notes on page 11-16 form an integral part of the financial statements.

Balance sheet

At 31 December 2017

	Notes	**2017**	2016
		US$'000	US$'000
Fixed assets			
Investments	*8*	**1,230**	1,230
Current assets			
Debtors	*9*	**2,823**	176,268
Net current assets		**4,053**	176,268
Net assets		**4,053**	177,498
Capital and reserves			
Called up share capital	*10*	**9,872**	197,443
Share premium account		**-**	74,105
Profit and loss account		**(5,819)**	(94,050)
Shareholders' funds		**4,053**	177,498

The financial statements of MCG Company No 1 Limited (registered number 04897584) were approved by the board of directors and authorised for issue on 27 September 2018.

Notes on pages 11-16 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 2017

	Called-up Capital	Share Premium	Profit and loss account	Total Equity
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2016	**197,443**	**74,105**	**(86,598)**	**184,950**
Comprehensive income for the year	-	-	(7,452)	(7,452)
Balance at 31 December 2016	**197,443**	**74,105**	**(94,050)**	**177,498**
Comprehensive loss for the year	-	-	(173,445)	(173,445)
Capital Reduction	(187,571)	(74,105)	261,676	-
Balance at 31 December 2017	**9,872**	**-**	**(5,819)**	**4,053**

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 St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP. 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, St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP.

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$173,455,000 (2016: US$7,452,000) during the year and had net assets of US$2,823 at 31 December 2017 (2016: US$177,498,000). 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.

Critical accounting judgements and key sources of estimation uncertainty
Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. Management have not applied any significant judgements in accounting policies and estimation uncertainty.

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 loss

The operating loss was $435 relating to bank fees.

The auditor's remuneration of US$6,450 (2016: $6,770) 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.

4. Intercompany debt forgiveness

	2017 US$'000	2016 US$'000
Intercompany debt forgiveness	**(174,405)**	16

This comprises $135,570,000 relating to a waiver of the intercompany loan due from Management Consulting Group Plc, and provisions against intercompany receivables of $38,834,000.

5 Net finance income/(expense)

	Notes	2017 US$'000	2016 US$'000
Foreign exchange gains on foreign currency borrowings		**568**	288
Foreign exchange losses on foreign currency borrowings		**(158)**	(376)
Interest income from group loans	7	**4**	38
Interest from investment account		**15**	-
		429	(50)

6. Tax on ordinary activities

	2017 US$'000	2016 US$'000
Tax income on profit on ordinary activities.	-	-

Factors affecting the tax charge for the year

UK corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year.

Notes to the accounts *(continued)*

6. 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:

	2017 US$'000	2016 US$'000
Loss on ordinary activities before tax	**(173,445)**	(7,452)
Expected tax charge at 19.25% (2016: 20.00%)	**(33,388)**	(1,490)
Factors affecting the tax charge:		
Non – allowable expense	**33,470**	1,503
Brought forward tax losses utilised.	**-**	(11)
Group Relief	**(82)**	(2)
Current year tax charge	**-**	-

The Company has no unrelieved tax losses carried forward (2016: US$ NIL).

From 1 April 2017 the main rate of UK corporation tax was reduced from 20% to 19%.

7 Dividend received from subsidiary

An interim dividend was received from Proudfoot (Singapore) Pte, the subsidiary of MCG Company No 1 in November 2017 for $531,429 (SGD 723,222).

8. Investments held as fixed assets

	2017 US$'000	2016 US$'000
Shares in group undertakings:		
At 1 January	**1,230**	138,734
Disposals	**-**	(126,087)
Impairment	**-**	(11,417)
At 31 December	**1,230**	1,230

Notes to the accounts *(continued)*

8. 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	Principal business address and country of incorporation	Holding (%)	Shareholding ($'000)
MCG Overseas Limited	London, United Kingdom	14.05	683
MCG Overseas Holdings B.V.	Woerden, Netherlands	81	-
Alexander Proudfoot France SAS	Paris, France	100	547
Alexander Proudfoot Europe S.A.	Brussels, Belgium	100	-
Alexander Proudfoot S.A.	Madrid, Spain	100	-
Alexander Proudfoot South Africa	Johannesburg, South Africa	100	-
Alexander Proudfoot GmBH	Frankfurt, Germany	100	-
Alexander Proudfoot Inc	Toronto, Canada	100	-
Proudfoot Malaysia SDN BHD	Kuala Lumpur, Malaysia	100	-
Alexander Proudfoot Services GmBH	Frankfurt, Germany	100	-
Proudfoot (de Mexico) SC	Cuauhtemoc, Mexico	100	-
Proudfoot Singapore	Singapore, Singapore	100	-

9. Debtors

	2017 US$'000	2016 US$'000
Amounts owed by group undertakings	**41,657**	176,993
Provisions against intercompany undertakings	**(38,834)**	(12,833)
Total	**2,823**	164,160

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.

During 2017, 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% was repaid on 26 May 2017.

A new loan was entered into on 6 June 2017 with Alexander Proudfoot South Africa (Pty) Ltd. Interest 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 $4,174, the loan matured on 6 December 2017. This loan was repaid on 8 December 2017.

Notes to the accounts *(continued)*

10. Called up share capital

On 15 December 2017 the Directors resolved to reduce the share capital of the Company. The share capital was reduced by £146,236,000. Following this reduction, the issued share capital of the Company consists of 110,226,396 ordinary shares of £0.05 all of which all are fully paid or credited as fully paid.

	2017	2016
	'000	'000
Allotted, issued and fully paid		
110,226,396 ordinary shares of £0.05 each (2016: £1.00)	**£5,516**	£110,626
Translated into functional currency at date of issue	**$9,872**	$197,443

11 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.

12 Immediate and ultimate parent company

The immediate and ultimate parent company and ultimate 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, itself a subsidiary of Management Consulting Group PLC, a company incorporated in Great Britain and registered in England and Wales, holds the remaining 12.86% of the ordinary share capital.

The only 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, St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP.