

Corporate Watch

MODULE 2:

MAPPING COMPANY OWNERSHIP

AIMS OF THIS SECTION

- ▶ Get a basic understanding of the role of parent, holding and subsidiary companies.
- ▶ Learn how to find the ultimate owner(s) of a company and company group.

RECAP ON COMPANY STRUCTURES

- ▶ Companies are their own legal entity distinct from the people who run them. The purpose of this is to create limited liability to protect the owners or people running the companies from bad debts (and other accountability issues).
- ▶ Companies can be owned by shareholders, members, or partners depending on the structure.
- ▶ Shareholders can also be companies and not just individuals.
- ▶ In a group there can be parent companies, holding companies and subsidiary companies.



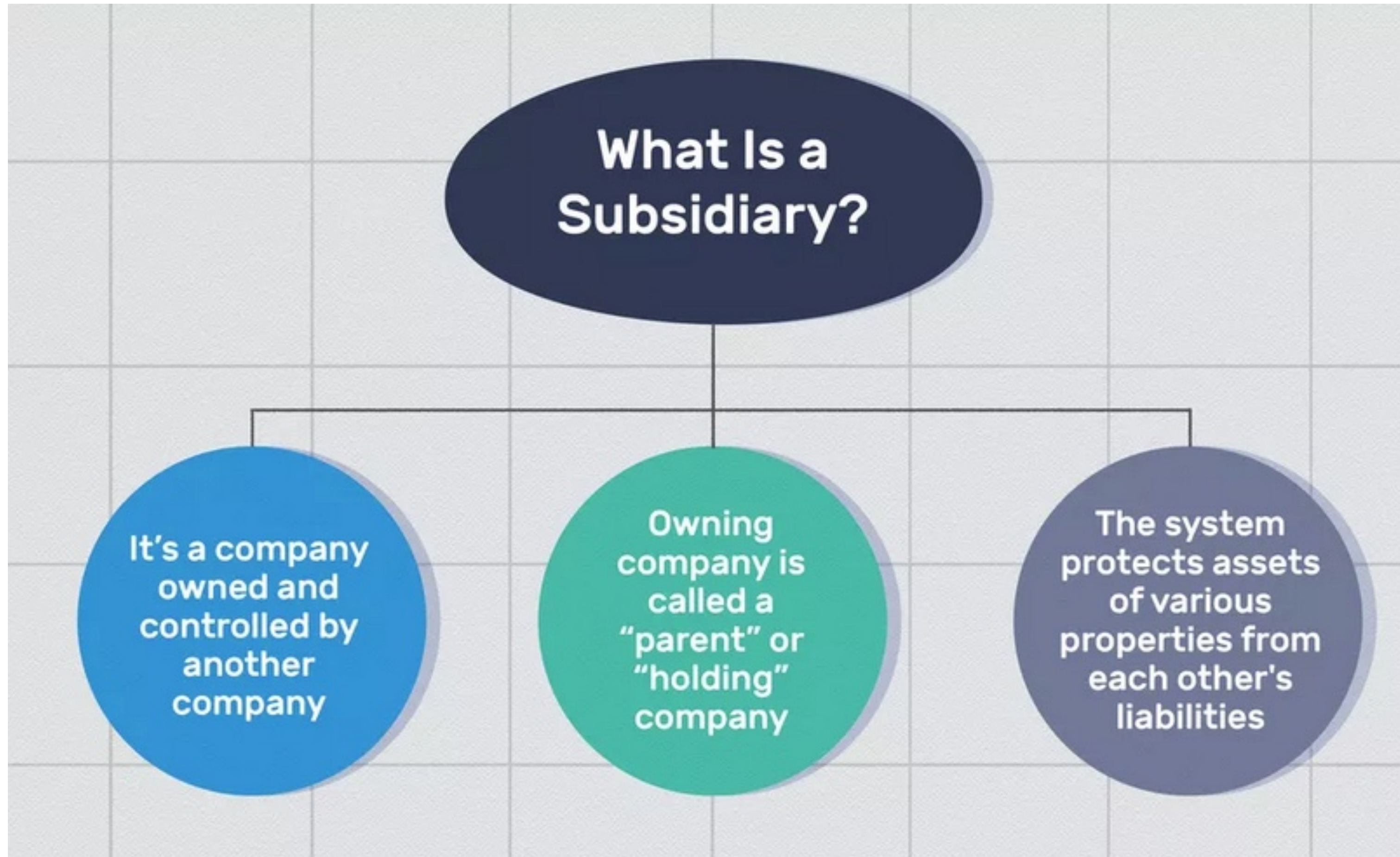
The image is a detailed brand map illustrating the ownership structure of various consumer goods companies. The map is organized into several main clusters, each representing a parent company. Lines connect these parent companies to their respective brands, with some lines labeled with ownership percentages. The clusters include:

- Coca-Cola:** Brands like Sprite, Fanta, Minute Maid, Dasani, and Glacéau.
- PepsiCo:** Brands like Fritos, Doritos, Quaker, and Cheez-It.
- Kellogg's:** Brands like Corn Flakes, Raisin Bran, and Kashi.
- Mars:** Brands like M&M's, Snickers, and Twix.
- Nestlé:** Brands like Nescafé, KitKat, and Nesquik.
- P&G:** Brands like Tide, Pampers, and Gillette.
- Johnson & Johnson:** Brands like Band-Aid, Tylenol, and Neutrogena.
- Unilever:** Brands like Lipton, Dove, and Vaseline.
- Kraft:** Brands like Triscuit, Ritz, and Maxwell House.
- Other brands:** Wm. Wrigley, Yoplait, and Huggies.

PARENT COMPANIES

- ▶ Companies are often part of a bigger group meaning company ownership can sometimes be challenging to track.
- ▶ A parent company is a single company that has a controlling interest in another company (over 50% of voting stock), giving it control of its operations. They can be hands-off or hands-on but will always have control.
- ▶ Parent companies have to account for the subsidiaries appropriately in their financial statements.

WHAT IS A SUBSIDIARY?



Source: <https://www.thebalancesmb.com/what-is-a-subsiary-company-4098839>

HOLDING COMPANY

- ▶ Holding companies hold the controlling stock in other companies.
- ▶ They don't tend to conduct other business operations e.g. producing or selling goods. But may have 'oversight' control over decisions.
- ▶ A holding company can also be a parent company.
- ▶ Holding companies are protected from losses accrued by subsidiaries—so if a subsidiary goes bankrupt, its creditors can't go after the holding company.



WHY DO COMPANIES BUILD GROUPS?

- ▶ Vertical integration - is when a company owns or controls its suppliers, distributors or retail locations to control its value or supply chain. Example: an industrial food giant buying potato farms or Bayer buying Monsanto.
- ▶ Horizontal integration - acquisition of a business operating at the same level in the same industry. Example: a media company buying out other media companies e.g Facebook buying Instagram.
- ▶ Conglomerate - is a corporation made up of a number of different, sometimes unrelated businesses.



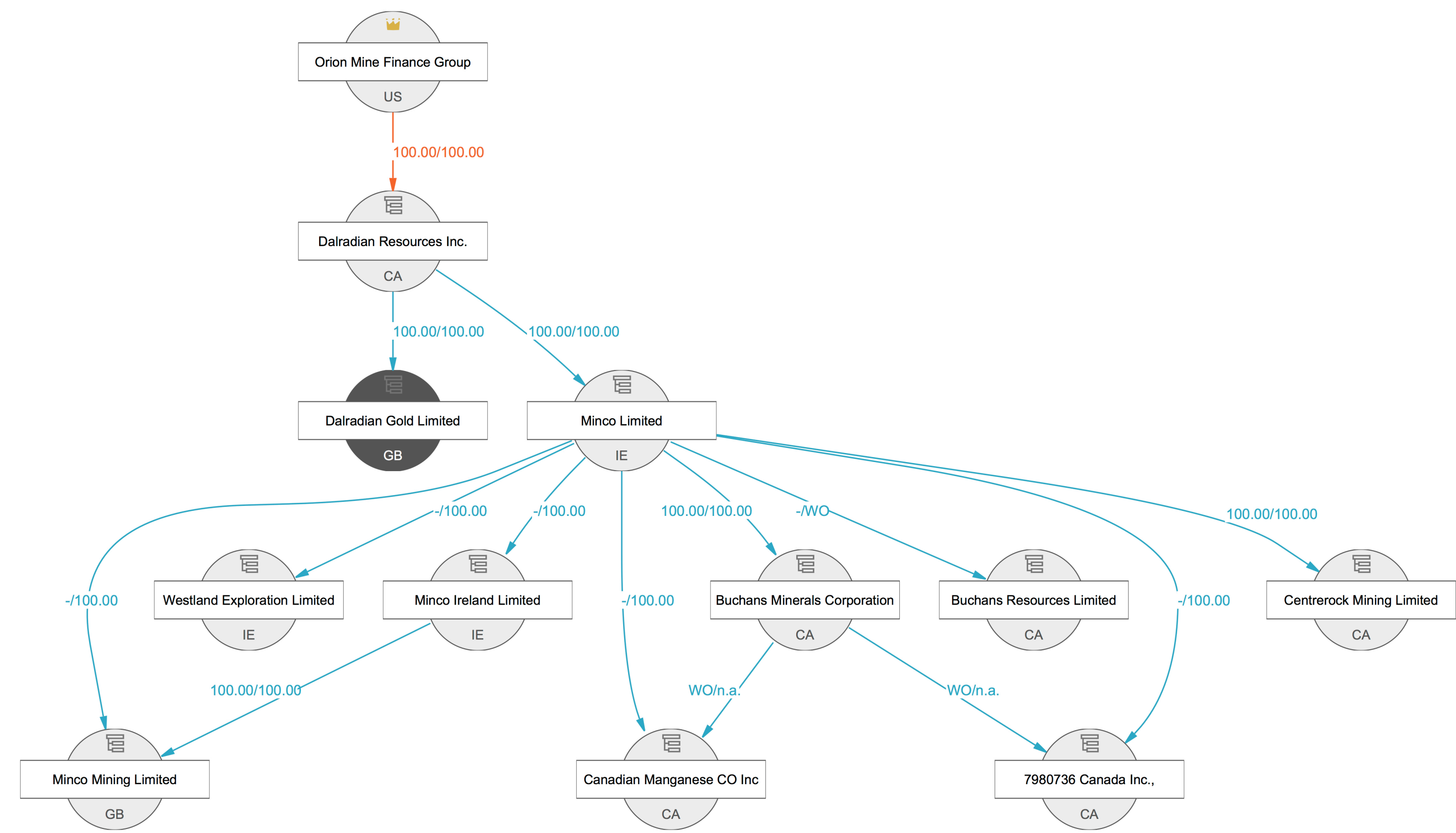
HOW TO FIND OUT THE PARENT COMPANY

- ▶ Software exists that can help map company ownership. For example, FAME - a company research database. It is expensive but can be accessed via many universities and public libraries.
- ▶ More info: <https://fame.bvdinfo.com>

EXAMPLE: DALRADIAN GOLD

Ownership structure

Graph : Corporate Group



All 12 companies in the Corporate Group are represented.

HOW TO FIND OUT THE PARENT COMPANY

- ▶ It is useful to know the manual process for mapping company ownership. Mapping it out can reveal interesting information and get your eyes on different accounts with potentially more information.
- ▶ All you need is to access the Companies House website and a blank piece of paper to draw on.

HOW TO FIND OUT THE PARENT COMPANY

- ▶ Step one: Find the company on Companies House
- ▶ Step two: Download the most recent annual accounts
- ▶ Step three: Go to the "Notes to the Financial Statements" section towards the back of the accounts. There should be a note saying "Ultimate parent company"
- ▶ Step four: Repeat!

EXAMPLE: BANKS GROUP

