

Registered no: 1810707

Control Risks Group Limited
Annual report
for the year ended 31 March 2002



Control Risks Group Limited

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2002

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The directors present their report and the audited financial statements for the year ended 31 March 2002.

1 PRINCIPAL ACTIVITIES

The principal activities during the year cover four main areas - political risk analysis, international investigations, security consultancy and crisis management.

2 REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results for the year are set out on page 4. Both the level of business and the year end financial position were satisfactory. The directors expect the present level of activity to continue in the foreseeable future.

3 DIVIDENDS AND RESERVES

The directors do not recommend the payment of a dividend (2001 : £nil). The profit for the year has been taken to reserves.

4 DIRECTORS AND THEIR INTERESTS

The directors of the company during the year, all of whom have been directors for the whole of the year ended 31 March 2002 except as stated, were:

S I Adamsdale
P E Cheney
D N V Churton (Managing Director)
J S Conyngham
C J Grose
M R Martin
E M Westropp
M Condon (appointed 20 October 2001 and resigned 4 March 2002)

All directors at the year end are also directors of the parent company and their interests in the shares of the group companies are disclosed in the financial statements of that company.

Control Risks Group Limited

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REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2002 (continued) -

5 STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2002. The directors also confirm that applicable Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis and that they are satisfied that this basis is appropriate.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report are prepared in accordance with UK company law.

6 CLOSE COMPANY PROVISIONS

At 31 March 2002 the company was a close company within the provisions of the Income and Corporation Taxes Act 1988. This position has not changed since the end of the financial year.

7 CHARITABLE DONATIONS

During the year the company made charitable donations totalling £14,993 (2001 : £Nil).

8 AUDITORS

A resolution to re-appoint Baker Tilly (formerly HLB Kidsons) as the company's auditors will be proposed at the Annual General meeting.

BY ORDER OF THE BOARD



G Symonds
Company Secretary
26 June 2002

Control Risks Group Limited

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONTROL RISKS GROUP LIMITED

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Paragraph headed "Statement of Directors' Responsibilities" in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

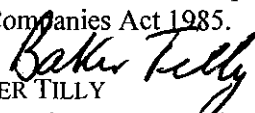
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Chartered Accountants & Registered Auditors
LONDON,

26 June 2002

Control Risks Group Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

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	Notes	2002 £	2001 £
Turnover – continuing operations	2	22,123,209	17,385,943
Operating expenses		<u>(20,497,963)</u>	<u>(16,980,469)</u>
Operating profit - continuing operations	3	1,625,246	405,474
Interest receivable	4	231,920	286,733
Interest payable	4	<u>(346,874)</u>	<u>(259,758)</u>
Profit on ordinary activities before taxation		1,510,292	432,449
Tax on profit on ordinary activities	7	<u>(285,298)</u>	<u>(128,256)</u>
Retained profit for the year	12	<u>1,224,994</u>	<u>304,193</u>
Statement of retained profit			
Retained profit at 1 April		928,462	624,269
Retained profit for the year		<u>1,224,994</u>	<u>304,193</u>
Retained profit at 31 March		<u>2,153,456</u>	<u>928,462</u>

The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities after taxation and the retained profit for the year and their historical cost equivalents.

The notes on pages 6 to 16 form part of these financial statements.

Report of the auditors, page 3.

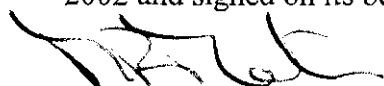
Control Risks Group Limited

BALANCE SHEET AS AT 31 MARCH 2002

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	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	8	700,418	777,170
Current assets			
Debtors	9	15,031,934	10,135,502
Cash at bank and in hand		<u>156,556</u>	<u>2,946,762</u>
		15,188,490	13,082,264
Creditors: amounts falling due within one year	10	<u>(13,360,450)</u>	<u>(12,055,970)</u>
Net current assets		<u>1,828,040</u>	<u>1,026,294</u>
Total assets less current liabilities		2,528,458	1,803,464
Creditors: amounts falling due after more than one year	10	<u>(375,000)</u>	<u>(875,000)</u>
Net assets		<u>2,153,458</u>	<u>928,464</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		<u>2,153,456</u>	<u>928,462</u>
Equity shareholder's funds	12	<u>2,153,458</u>	<u>928,464</u>

The financial statements on pages 4 to 16 were approved by the board of directors on 26 June 2002 and signed on its behalf by:



M R Martin
Director

The notes on pages 6 to 16 form part of these financial statements.

Report of the auditors, page 3.

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

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1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies of the company, which have been applied consistently, is set out below:

(a) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

(b) CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Control Risks Group Holdings Limited and the cash flows of the company are included in the consolidated cash flow statement of that company. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 (revised) from publishing a cash flow statement.

(c) DEPRECIATION

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. The principal annual rates used for this purpose are:

	%
Computer equipment	33.3 or 25.0
Motor vehicles	20.0
Fixtures and fittings	12.5

(d) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Exchange gains or losses are included in the profit and loss account.

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

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1 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) PENSION SCHEME ARRANGEMENTS

The group operates a defined benefits pension scheme in the UK, for which certain employees of the company are eligible. The scheme's funds are administered by trustees and are independent of the company's and the group's finances. The scheme's investments are managed by a major insurance company. This scheme was closed to new entrants on 31 December 1999.

The scheme is actuarially valued every three years and the contributions paid by the company are in accordance with the recommendations made by the independent actuary. The last valuation was on 1 July 2000 (note 6).

The cost of providing pension benefits is charged to the profit and loss account over the employees' service lives and is based on the advice of independent actuaries.

The group established a group personal pension scheme on 1 January 2000. Pension contributions made by the company under this scheme are charged to the profit and loss account as incurred.

(f) WORK IN PROGRESS

Work in progress is valued at the lower of direct cost and net realisable value, and is included in prepayments and accrued income.

(g) SUBSCRIPTION INCOME

Income from subscription services, to the extent that it does not relate to cost of sales, is recognised evenly over the life of the subscription and is included in the balance sheet as deferred income. The remaining income is matched against costs and taken to profit as earned.

(h) OPERATING LEASES

Rentals paid under operating leases are charged to the profit and loss account as incurred.

(i) DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on timing differences between profit included in the financial statements and as computed for tax purposes. The provision is made at the rate expected to apply when the timing differences are expected to reverse. Deferred tax liabilities are included in all cases, but deferred tax assets are only included where there is reasonable certainty of recovery.

Control Risks Group Limited

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NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

2 TURNOVER

Turnover represents the invoiced value of services supplied to clients and excludes value added tax.

It is the view of the directors that disclosure of the different classes of business and the geographical markets in which the company operates would be prejudicial to the interests of the company.

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Auditors' remuneration for other services	31,393	36,575
Operating leases – premises	725,734	628,520
Operating leases – equipment	11,392	14,006
Depreciation of tangible fixed assets	455,601	503,191
Profit on disposal of fixed assets	-	(52,888)
Profit on exchange	<u>(105,621)</u>	<u>(419,369)</u>

Auditors' remuneration for audit services has been paid by Control Risks Group Holdings Limited.

4 INTEREST RECEIVABLE AND PAYABLE

	2002	2001
	£	£
Interest receivable:		
Bank interest receivable	136,768	205,293
Other interest receivable	<u>95,152</u>	<u>81,440</u>
	<u>231,920</u>	<u>286,733</u>
Interest payable:		
Bank interest payable	324,674	253,601
Other interest payable	<u>22,200</u>	<u>6,157</u>
	<u>346,874</u>	<u>259,758</u>

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

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5 DIRECTORS' EMOLUMENTS

- (a) Directors' emoluments for the year comprise emoluments (including pension contributions) for management services, and are made up as follows:

	2002 £	2001 £
Salary, bonus and other benefits	630,893	566,294
Compensation for loss of office	35,765	-
Pension contributions	<u>94,372</u>	<u>60,045</u>
Total directors' emoluments	<u>761,030</u>	<u>626,339</u>

- (b) Particulars of directors' emoluments (excluding pension contributions), disclosed in accordance with part I of schedule 6 of the Companies Act 1985, are as follows:

	2002 £	2001 £
Salary, bonus, and benefits of the highest paid director	<u>150,243</u>	<u>154,346</u>

- (c) The accrued annual pension benefit for the highest paid director was as follows:

	2002 £	2001 £
Accrued pension benefits 1 April 2001	10,971	8,721
Increase during the year	<u>2,151</u>	<u>2,250</u>
Accrued pension benefits 31 March 2002	<u>13,122</u>	<u>10,971</u>

Under the terms of the pension scheme, the highest paid director is also covered for life insurance at 4 times salary and there is a spouse's pension in the event of death before retirement of half of the above.

5 directors (2001: 5) qualified for benefits under the defined benefits pension scheme. Contributions for directors amounting to £94,372 (2001 : £60,045) were paid to the scheme during the year.

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

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6 EMPLOYEE INFORMATION

- (a) The average number of persons (including executive directors) employed during the year is analysed below:

	2002 No.	2001 No.
UK based staff – operating departments	178	140
UK based staff – administrative departments	<u>31</u>	<u>22</u>
	<u>209</u>	<u>162</u>

- (b) Employment costs of all employees included above:

	2002 £	2001 £
Gross wages and salaries	7,502,681	6,156,109
Employer's national insurance contributions	744,550	610,416
Employer's pension contributions	<u>494,114</u>	<u>361,737</u>
	<u>8,741,345</u>	<u>7,128,262</u>

- (c) Pension scheme arrangements:

The company contributes to two pension schemes - a defined benefits scheme and a group personal pension scheme. The pension cost for the defined benefits scheme is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit method with a five year control period. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments of 8.5% and the rate of general earnings increase of 6.0% to normal retirement date, with allowances for mortality and withdrawal.

At the date of the last completed independent actuarial valuation, which was 1 July 2000, the market value of the assets of the UK scheme was £7,770,411. The Actuary has confirmed that the actuarial valuation of assets is sufficient to cover 89% of the benefits that accrue to members, after allowing for expected increases in earnings. The recommended future contribution rate from 1 July 2000 is 23.0% of salary, and is designed to bring the funding position of the scheme back to 100% on the minimum funding requirement basis by 30 June 2006. This contribution rate also includes provision to cover any equalisation measures arising from the Barber judgement at the European Court in May 1990. The scheme is actuarially valued every three years. The next valuation of the Scheme is due 1 July 2003.

There have been a number of changes to pensions legislation over the last few years. As a consequence of these and anticipated future pension changes, the parent company reviewed the group's pension arrangements very carefully and took advice on this from two independent firms of consulting actuaries.

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

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6 EMPLOYEE INFORMATION (continued)

(c) Pension scheme arrangements (continued):

As a result of the review, the Board of the parent company decided to close the existing company pension scheme (The Control Risks Group Limited Retirement and Death Benefits Scheme) to new entrants and to set up a new Group Personal Pension Scheme with effect from 1 January 2000.

Existing members of the final salary scheme will not be affected in any way by this change. Although the scheme is now closed to new entrants, it will continue to operate on behalf of current members in all other ways in exactly the same way as present.

The Group Personal Pension Scheme with Scottish Widows started on 1 January 2000. The company pays contributions, based on pensionable pay, on the following basis:

Service	The Company's contributions
Up to 2 years	Matches employee's contributions up to a maximum of 5%
2 to 4 years	1.5 times employee's contributions up to a maximum of 7.5%
Over 4 years	2 times employee's contributions up to a maximum of 10%

62 new entrants were admitted to the Group Personal Pension Scheme before 31 March 2002. A dependant's pension, on death in service, has been introduced, paying a benefit of 33% of salary.

Additional disclosures regarding defined benefit pension schemes are required under the transitional provisions of Financial Reporting Standard (FRS) 17 "Retirement Benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information that will be necessary for full implementation of FRS 17 in the year ending 31 March 2004.

The Group operates a defined benefit pension scheme for some staff. The scheme was closed to new entrants with effect from 1 January 2000. A full actuarial valuation was carried out as at 1 July 2000 and has been updated to 31 March 2002 by a qualified independent actuary.

Contributions paid to the scheme for the year ended 31 March 2002 by the company were £306,080 (2001:£278,796).

Control Risks Group Limited

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002 (continued)

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6 EMPLOYEE INFORMATION (continued)

(c) Pension scheme arrangements (continued):

The major assumptions used by the actuary for the update at 31 March 2002 were as follows:-

Rate of increase in salaries:	4.3% per annum
Rate of increase in pension payment to pensioners:	
- Pre 1 September 1997 joiners:	
Pre 1 July 1998 service	5.0% per annum
Post 1 July 1998 service	2.5% per annum
- Post 1 September 1997 joiners	2.5% per annum
Rate of price inflation	2.5% per annum
Discount rate	6.0% per annum

The assets of the scheme and the expected rates of return were:

	Value at 31 March 2002 £000	Expected long term rate of return
Equities	6,256	7.0% p.a.
Bonds	837	6.0% p.a.
Cash & other	524	5.0% p.a.
Total value of assets	7,617	
Present value of scheme liabilities	(12,731)	
Deficit before taxation	(5,114)	
Deferred taxation	1,534	
Deficit after taxation	(3,580)	

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

The tax charge is based on the profit on ordinary activities for the year and comprises:

	2002 £	2001 £
UK corporation tax payable at 30% (2001: 30%)	281,902	151,262
Under (over) provision in respect of prior year	3,396	(23,006)
	<u>285,298</u>	<u>128,256</u>

Control Risks Group Limited
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2002 (continued)

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7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for the year

The tax charge for the year is less than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>1,510,292</u>	<u>432,449</u>
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30%	453,088	129,735
Effects of:		
Expenses not deductible for tax purposes	12,645	17,322
Difference between capital allowances and depreciation	(22,619)	4,205
Losses claimed as group relief	(161,212)	-
Adjustment to taxation of previous years	<u>3,396</u>	<u>(23,006)</u>
Current tax charge for the year	<u>285,298</u>	<u>128,256</u>

8 TANGIBLE FIXED ASSETS

	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 April 2001	1,548,357	36,250	619,017	2,203,624
Additions	337,181	-	41,668	378,849
At 31 March 2002	<u>1,885,538</u>	<u>36,250</u>	<u>660,685</u>	<u>2,582,473</u>
Depreciation				
At 1 April 2001	1,099,696	12,250	314,508	1,426,454
Charge for the year	380,000	6,000	69,601	455,601
At 31 March 2002	<u>1,479,696</u>	<u>18,250</u>	<u>384,109</u>	<u>1,882,055</u>
Net book value				
At 31 March 2002	<u>405,842</u>	<u>18,000</u>	<u>276,576</u>	<u>700,418</u>
At 31 March 2001	<u>448,661</u>	<u>24,000</u>	<u>304,509</u>	<u>777,170</u>

Control Risks Group Limited
NOTES TO THE FINANCIAL STATEMENTS
31 March 2002 (CONTINUED)

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9 DEBTORS

	2002	2001
	£	£
Trade debtors	4,384,407	4,515,726
Amounts due from group companies	9,898,862	5,065,387
Other debtors	283,306	160,529
Prepayments and accrued income	<u>465,359</u>	<u>393,860</u>
	<u>15,031,934</u>	<u>10,135,502</u>

10 CREDITORS:

	2002	2001
	£	£
Amounts falling due within one year:		
Bank overdraft	935,089	169,653
Bank loans	541,363	3,182,765
Trade creditors	1,142,774	1,232,741
Amounts owed to group companies	6,641,737	3,871,210
Corporation tax	215,951	421,456
Other taxation and social security	656,621	332,663
Other creditors	107,150	82,883
Obligations under hire purchase agreements	-	9,671
Accruals and deferred income	<u>3,119,765</u>	<u>2,752,928</u>
	<u>13,360,450</u>	<u>12,055,970</u>

The bank overdraft and £541,363 (2001: £500,000) of the bank loans, together with the bank loan due after more than one year, are secured on the company's trade debtors. In 2001 £2,682,765 of the bank loans, which were taken out to hedge the group's investment in foreign undertakings against exchange rate movements, were secured on a bank deposit of £2,700,000.

Unpaid contributions to pension schemes, included within other creditors, total £Nil (2001: £61,450).

	2002	2001
	£	£
Amounts falling due after more than one year:		
Bank loan	<u>375,000</u>	<u>875,000</u>

£375,000 (2001: £500,000) of the bank loan falling due after more than one year is due for repayment between one and two years and £Nil (2001: £375,000) is due for repayment between two and five years from the balance sheet date.

Control Risks Group Limited
NOTES TO THE FINANCIAL STATEMENTS
31 March 2002 (CONTINUED)

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11 SHARE CAPITAL

	2002 £	2001 £
Authorised:		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2002 £	2001 £
Retained profit for the year	1,224,994	304,193
Opening shareholder's funds	<u>928,464</u>	<u>624,271</u>
Closing shareholder's funds	<u>2,153,458</u>	<u>928,464</u>

13 DEFERRED TAXATION

At 31 March 2002, the Company had a deferred taxation asset, calculated at a corporation tax rate of 30%, of £273,173 (2001: £295,793), representing the cumulative excess of depreciation charged over capital allowances claims at that date. This has not been included in the financial statements.

14 COMMITMENTS AND GUARANTEES

(a) OPERATING LEASE COMMITMENTS

The minimum lease payments which the company is committed, as at 31 March 2002, to pay during the year ending 31 March 2003 are as follows:

	Property leases		Other leases	
	2002	2001	2002	2001
	£	£	£	£
Leases expiring:				
In the next year	-	-	-	27,593
In the second to fifth years inclusive	<u>-</u>	<u>725,734</u>	<u>17,333</u>	<u>55,186</u>
	<u>-</u>	<u>725,734</u>	<u>17,333</u>	<u>82,779</u>

The lease for the principal UK property currently occupied by the company expires on 22 March 2004. The current annual rental and service charge is £628,520. There are no further rent reviews before the expiry of the lease.

Control Risks Group Limited
NOTES TO THE FINANCIAL STATEMENTS
31 March 2002 (CONTINUED)

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14 COMMITMENTS AND GUARANTEES

(b) OTHER GUARANTEES

	2002	2001
	£	£
Amount of bank guarantees	221,958	123,489

15 RELATED PARTY TRANSACTIONS

During the year the company made sales to Control Risks Group LLC, a fellow subsidiary company, of £241,387 (2001 : £39,158) and purchases of £266,832 (2001: £52,787). At 31 March 2002 Control Risks Group LLC owed the company £3,909,540 (2001 : £861,479). The company has taken advantage of the exemption conferred by Financial Reporting Standard No. 8 and has not disclosed in the financial statements details of transactions with other group companies.

16 ULTIMATE HOLDING COMPANY

The ultimate holding company is Control Risks Group Holdings Limited, a company registered in England and Wales. Copies of the holding company's financial statements may be obtained from the Secretary, Control Risks Group Holdings Limited, 83 Victoria Street, London, SW1H 0HW.

Report of the auditors, page 3.