Registered no: 1810707

Control Risks Group Limited

Annual report

for the year ended 31 March 2003



Control Risks Group Limited

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2003

The directors present their report and the audited financial statements for the year ended 31 March 2003.

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 (2002 : £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 2003 except as stated, were:

S I Adamsdale	(resigned 01/01/2003)
P E Cheney	(resigned 01/01/2003)
D N V Churton	(Managing Director)
J S Conyngham	
R J Fenning	(appointed 11/07/2002)
C J Grose	(resigned 01/01/2003)
M R Martin	
E M Westropp	

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

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 2003. 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.

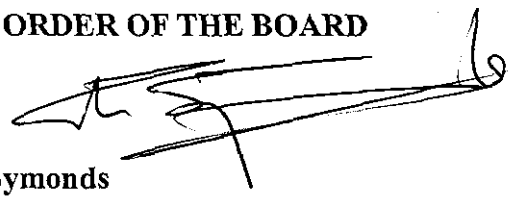
6 CHARITABLE DONATIONS

During the year the company made charitable donations totalling £20,841(2002 : £14,993).

7 AUDITORS

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

BY ORDER OF THE BOARD



G Symonds
Company Secretary
26 June 2003

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

We have audited the financial statements on pages 4 to 18. This report is made solely to the company's members, 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 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY
Chartered Accountants & Registered Auditors
LONDON,

26 June 2003

Control Risks Group Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Turnover – continuing operations	2	**27,232,340**	22,123,209
Operating expenses		**(26,532,626)**	(20,497,963)
Operating profit - continuing operations	3	**699,714**	1,625,246
Interest receivable	4	**78,025**	231,920
Interest payable	4	**(111,460)**	(346,874)
Profit on ordinary activities before taxation		**666,279**	1,510,292
Tax on profit on ordinary activities	7	**39,373**	(285,298)
Retained profit for tbe year	13	**705,652**	1,224,994
Statement of retained profit			
Retained profit at 1 April		**2,153,456**	928,462
Retained profit for the year		**705,652**	1,224,994
Retained profit at 31 March		**2,859,108**	2,153,456

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.

The notes on pages 6 to 18 form part of these financial statements.

Report of the auditors, page 3.

Control Risks Group Limited

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	8		**552,117**		700,418
Current assets					
Deferred tax asset	9	**588,507**		-	
Debtors	10	**12,482,663**		15,031,934	
Cash at bank and in hand		**1,842,773**		156,556	
		14,913,943		15,188,490	
Creditors: amounts falling due within one year	11	**(12,606,950)**		(13,360,450)	
Net current assets			**2,306,993**		1,828,040
Total assets less current liabilities			**2,859,110**		2,528,458
Creditors: amounts falling due after more than one year	11		**-**		(375,000)
Net assets			**2,859,110**		2,153,458
Capital and reserves					
Called up share capital	12		**2**		2
Profit and loss account			**2,859,108**		2,153,456
Equity shareholder's funds	13		**2,859,110**		2,153,458

The financial statements on pages 4 to 18 were approved by the board of directors on 26 June 2003 and signed on its behalf by:

M R Martin
Director

The notes on pages 6 to 18 form part of these financial statements.

Report of the auditors, page 3.

Control Risks Group Limited
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2003

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.

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.

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:

	2003 £	2002 £
Auditors' remuneration for other services	-	31,393
Operating leases – premises	745,091	725,734
Operating leases – equipment	54,118	11,392
Depreciation of tangible fixed assets	472,791	455,601
Loss on disposal of tangible fixed assets	11,257	-
Loss on exchange	510,625	105,621

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

4 INTEREST RECEIVABLE AND PAYABLE

	2003 £	2002 £
Interest receivable:		
Bank interest receivable	6,189	136,768
Other interest receivable	71,836	95,152
	78,025	231,920
Interest payable:		
Bank interest payable	111,460	324,674
Other interest payable	-	22,200
	111,460	346,874

5 DIRECTORS' EMOLUMENTS

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

	2003 £	2002 £
Salary, bonus and other benefits	585,943	630,893
Compensation for loss of office	-	35,765
Pension contributions	76,437	94,372
Total directors' emoluments	662,380	761,030

(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:

	2003 £	2002 £
Salary, bonus, and benefits of the highest paid director	171,603	150,243

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

	2003 £	2002 £
Accrued pension benefits 1 April 2002	13,122	10,971
Increase during the year	243	2,151
Accrued pension benefits 31 March 2003	13,365	13,122

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 (2002: 5) qualified for benefits under the defined benefits pension scheme. Contributions for directors amounting to £76,437 (2002 : £94,372) were paid to the scheme during the year.

6 EMPLOYEE INFORMATION

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

	2003	2002
	No.	No.
UK based staff – operating departments	176	178
UK based staff – administrative departments	31	31
	207	209

(b) Employment costs of all employees included above:

	2003	2002
	£	£
Gross wages and salaries	8,473,630	7,502,681
Employer's national insurance contributions	895,805	744,550
Employer's pension contributions	822,483	494,114
	10,191,918	8,741,345

(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. 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.

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 at 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%

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 second year of the transitional provisions. They provide information that will be necessary for full implementation of FRS 17 in the year ending 31 March 2006.

The Group operates a defined benefits 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 2003 by a qualified independent actuary.

Contributions paid to the scheme for the year ended 31 March 2003 by the company were £714,791 (2002:£306,080), including an special contribution of £250,000 (2002: £Nil).

6 EMPLOYEE INFORMATION (continued)

(c) Pension scheme arrangements (continued):

The major assumptions used by the actuary for the update at 31 March 2003 were as follows:-

	31 March 2003	31 March 2002
Rate of increase in salaries	**3.5% per annum**	4.3% per annum
Rate of increase in pensions paid to pensioners:		
- Pre 1 September 1997 joiners:		
Pre 1 July 1998 service	**5.0% per annum**	5.0% per annum
Post 1 July 1998 service	**2.5% per annum**	2.5% per annum
- Post 1 September 1997 joiners	**2.5% per annum**	2.5% per annum
Rate of price inflation	**2.5% per annum**	2.5% per annum
Discount rate	**5.5% per annum**	6.0% per annum

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

	Value at 31 March 2003 £'000	**Expected long term rate of return**	Value at 31 March 2002 £' 000	Expected long term rate of return
Equities	**4,682**	7.5% p.a.	6,256	7.0%
Bonds	**1,230**	5.0% p.a.	837	6.0%
Cash & other	**574**	4.0% p.a.	524	5.0%
Total value of assets	**6,486**		7,617	
Present value of scheme liabilities	**(14,525)**		(12,731)	
Deficit before taxation	**(8,039)**		(5,114)	
Deferred taxation	**2,412**		1,534	
Deficit after taxation	**(5,627)**		(3,580)	

6 EMPLOYEE INFORMATION (continued)

(c) Pension scheme arrangements (continued):

The net assets of the company and the analysis of the company' s distributable reserves including the defined benefit pension scheme deficit would be as follows:

	2003 £'000	2002 £' 000
Net assets excluding pension liability	2,859	2,153
Pension liability	(5,627)	(3,580)
Net liabilities including pension liability	(2,768)	(1,427)
Profit & loss reserve excluding pension liability	2,859	2,153
Pension reserve	(5,627)	(3,580)
Profit and loss reserve including pension liability	(2,768)	(1,427)

Analysis of the amount that would be charged to operating profit:

	2003 £'000
Current service cost	352
Past service cost	-
Curtailments and settlements cost	-
Total operating charge	352

As the scheme is closed, the current service cost is likely to rise in future years as members approach retirement.

Analysis of the amount that would be charged to other finance income:

	2003 £'000
Expected return on pension scheme assets	532
Interest on pension scheme liabilities	(818)
Net return	(286)

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL):

	2003 £'000
Actual return less expected return on pension scheme assets	(2,382)
Experience gains and losses arising on the scheme' s liabilities	(64)
Changes in assumptions underlying the present value of the scheme' s liabilities	(525)
Actuarial loss recognised in STRGL	(2,971)

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2003 (continued)

6 EMPLOYEE INFORMATION (continued)

(c) Pension scheme arrangements (continued):

Movement in deficit during the year was as follows:

	2003 £'000
Deficit in scheme at beginning of the year before taxation	(5,114)
Movement in year:	
Current service cost:	(352)
Contributions including £250,000 additional payment	684
Past service cost	-
Curtailments and settlements cost	-
Other finance income	(286)
Actuarial loss	(2,971)
Deficit in scheme at end of the year before taxation	(8,039)

The disclosures required by paragraph 86 of FRS 17 are as follows:

	2003
Difference between the expected and actual return on scheme assets:	
Amount (£' 000)	(2,382)
Percentage of scheme assets	37%
Experience gains and losses on scheme liabilities:	
Amount (£' 000)	(64)
Percentage of the present value of the scheme liabilities	0.44%
Total amount recognised in statement of total recognised gains and losses	
Amount (£' 000)	(2,971)
Percentage of the present value of the scheme liabilities	20%

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2003 (continued)

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:

	2003 £	2002 £
UK corporation tax payable at 30% (2002: 30%)	**527,401**	281,902
Under provision in respect of prior year	**21,733**	3,396
	549,134	285,298
Deferred tax	**(588,507)**	-
	(39,373)	285,298

(b) Factors affecting tax charge for the year

The tax charge for the year is more (2002: less) than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	**666,279**	1,510,292
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30%	**199,884**	453,088
Effects of:		
Expenses not deductible for tax purposes	**12,184**	12,645
Difference between capital allowances and depreciation	**333**	(22,619)
Expenses deductible for tax purposes in a different period	**315,000**	-
Losses claimed as group relief	**-**	(161,212)
Adjustment to taxation of previous years	**21,733**	3,396
Current tax charge for the year	**549,134**	285,298

(c) Factors affecting tax charge for future years

The company has a deferred tax asset at 31 March 2003 as shown in note 9.

8 TANGIBLE FIXED ASSETS

	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 April 2002	1,885,538	36,250	660,685	2,582,473
Additions	335,747	-	-	335,747
Disposals	(1,548,358)	(6,250)	(139,243)	(1,693,851)
At 31 March 2003	**672,927**	**30,000**	**521,442**	**1,224,369**
Depreciation				
At 1 April 2002	1,479,696	18,250	384,109	1,882,055
Charge for the year	405,364	6,000	61,427	472,791
Disposals	(1,548,358)	(6,250)	(127,986)	(1,682,594)
At 31 March 2003	**336,702**	**18,000**	**317,550**	**672,252**
Net book value				
At 31 March 2003	**336,225**	**12,000**	**203,892**	**552,117**
At 31 March 2002	405,842	18,000	276,576	700,418

9 DEFERRED TAX ASSET

	Total	Fixed asset timing differences	Short term timing differences
	£	£	£
1 April 2002	-	-	-
Profit and loss account	588,507	273,507	315,000
31 March 2003	588,507	273,507	315,000

The deferred tax asset is included at a corporation tax rate of 30%.

At 31 March 2002 the company had a deferred tax asset of £273,173 relating to fixed asset timing differences, which was not included in the financial statements.

10 DEBTORS

	2003 £	2002 £
Trade debtors	**5,696,026**	4,384,407
Amounts due from group companies	**6,072,477**	9,898,862
Other debtors	**234,058**	283,306
Prepayments and accrued income	**480,102**	465,359
	12,482,663	15,031,934

11 CREDITORS

Amounts falling due within one year:	2003 £	2002 £
Bank overdraft	-	935,089
Bank loans	383,753	541,363
Trade creditors	1,644,071	1,142,774
Amounts owed to group companies	3,618,461	6,641,737
Corporation tax	347,036	215,951
Other taxation and social security	835,918	656,621
Other creditors	124,654	107,150
Accruals and deferred income	5,653,057	3,119,765
	12,606,950	13,360,450

The bank overdraft and bank loans, together with the bank loan due after more than one year, are secured on the company's trade debtors.

Amounts falling due after more than one year:	2003 £	2002 £
Bank loan	-	375,000

12 SHARE CAPITAL

	2003 £	2002 £
Authorised:		
10,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	2	2

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2003 £	2002 £
Retained profit for the year	705,652	1,224,994
Opening shareholder's funds	2,153,458	928,464
Closing shareholder's funds	2,859,110	2,153,458

14 COMMITMENTS AND GUARANTEES

(a) OPERATING LEASE COMMITMENTS

The minimum lease payments which the company is committed, as at 31 March 2003, to pay during the year ending 31 March 2004 are as follows:

	Property leases		Other leases	
	2003	2002	**2003**	2002
Leases expiring:	**£**	£	**£**	£
In the next year	**560,625**	-	**9,897**	-
In the second to fifth years inclusive	**-**	628,250	**36,378**	17,333
	560,625	628,250	**46,275**	17,333

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.

(b) OTHER GUARANTEES

	2003	2002
	£	£
Amount of bank guarantees	**141,601**	221,958

(C) GROUP VAT REGISTRATION

The company is party to a group VAT registration with its holding company and certain subsidiary companies. At 31 March 2003 there was no potential liability under the terms of this registration as the whole of the VAT liability is included in the financial statements of the company (2002: £Nil).

15 RELATED PARTY TRANSACTIONS

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.