

Registered no: 148022

Control Risks Limited
Annual report
for the year ended 31 March 2004



Control Risks Limited

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2004

1

The directors present their report and the audited financial statements for the year ended 31 March 2004.

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 disappointing. The directors expect the present level of activity to improve in the foreseeable future.

3 DIVIDENDS AND RESERVES

The directors do not recommend the payment of a dividend (2003 : £Nil). The loss for the year has been taken to reserves.

4 DIRECTORS AND THEIR INTERESTS

DNV Churton, M R Martin and R J Fenning held office throughout the year.

DNV Churton, M R Martin and R J Fenning are also directors of the ultimate holding company, Control Risks Group Holdings Limited, and details of their interests in the shares of group companies are disclosed in the Directors' Report of that company.

5 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply these consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them 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 in the annual report are prepared in accordance with U.K. company law.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2004 (CONTINUED)**

6 CLOSE COMPANY PROVISIONS

At 31 March 2004 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 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

A handwritten signature in black ink, appearing to be 'G Symonds', written over a horizontal line.

**G Symonds
Company Secretary
23rd June 2004**

Control Risks Limited

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONTROL RISKS LIMITED

3

We have audited the financial statements pages 4 to 13. 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Baker Tilly
Chartered Accountants & Registered Auditors
London
23rd June 2004

Control Risks Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2004

4

	Notes	2004 £	2003 £
Turnover	2	1,065,718	959,725
Operating expenses		<u>(1,461,602)</u>	<u>(1,293,068)</u>
Operating loss	3	(395,884)	(333,343)
Investment income	4	228,093	373,741
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(167,791)	40,398
Tax on (loss)/profit on ordinary activities	7	<u>23,177</u>	<u>(9,830)</u>
(Loss)/retained profit for the year	13	<u>(144,614)</u>	<u>30,568</u>
Statement of retained profit			
Retained profit at 1 April		200,451	169,883
(Loss)/profit retained for the year		<u>(144,614)</u>	<u>30,568</u>
Retained profit at 31 March		<u>55,837</u>	<u>200,451</u>

All activities are classed as continuing.

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

The notes on pages 6 to 13 form part of these financial statements.

Report of the auditors, page 3.

Control Risks Limited

Balance Sheet as at 31 March 2004

5

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	8		-		3,538
Investments	9		<u>97,582</u>		<u>97,582</u>
			97,582		101,120
Current assets					
Debtors	10	613,795		1,400,897	
Cash at bank and in hand		<u>10,440</u>		<u>5,156</u>	
		624,235		1,406,053	
Creditors: amounts falling due within one year	11	<u>(415,880)</u>		<u>(1,056,622)</u>	
Net current assets			<u>208,355</u>		<u>349,431</u>
Net assets			<u>305,937</u>		<u>450,551</u>
Capital and reserves					
Called up share capital	12	250,100		250,100	
Profit and loss account		<u>55,837</u>		<u>200,451</u>	
Equity shareholder's funds	13		<u>305,937</u>		<u>450,551</u>

The financial statements on pages 4 to 13 were approved by the board of directors on 23rd June 2004 and signed on its behalf by:



M R Martin
Director

The notes on pages 6 to 13 form part of these financial statements.

Report of the auditors, page 3.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004

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) GROUP ACCOUNTS

Group accounts have not been prepared as the company is a wholly owned subsidiary undertaking of a company incorporated in England and Wales. In the opinion of the directors the aggregate value of the assets consisting of the shares in, and amounts owing from, group companies is not less than the aggregate amount at which they are included in the balance sheet.

(c) 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.

(d) 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

(e) FOREIGN CURRENCIES

Fixed assets purchased in foreign currencies are translated into sterling at the rate of exchange ruling at the date of purchase. Other transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. The results of overseas branches are translated at the average rate for the year.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) PENSION SCHEME ARRANGEMENTS

The company contributes to a defined contribution scheme in the United States of America.

The cost of providing pension benefits is charged to the profit and loss account as incurred.

(g) 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.

(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 tax 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 recovery is more likely than not. Deferred taxation is measured on a non-discounted basis. There was no unprovided deferred taxation at 31 March 2004 (2003: £Nil).

(j) SUBSCRIPTION INCOME

Income from subscription services, to the extent that it does not relate to the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)**3 OPERATING LOSS**

Operating loss is stated after charging:-

	2004	2003
	£	£
Depreciation of tangible fixed assets	3,538	1,479
Loss on sale of tangible fixed assets	-	39
Loss on exchange	<u>97,758</u>	<u>93,469</u>

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

4 INVESTMENT INCOME

	2004	2003
	£	£
Dividend received from related company	228,093	361,366
Interest from Group Companies	<u>-</u>	<u>12,375</u>
	<u>228,093</u>	<u>373,741</u>

5 DIRECTORS' EMOLUMENTS

There were 3 directors (2003: 4) of the company during the year, none (2003 : None) of whom received emoluments.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)

6 EMPLOYEE INFORMATION

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

	2004 No.	2003 No.
Internationally based staff	<u>12</u>	<u>9</u>

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

	2004 £	2003 £
Gross wages and salaries	850,148	959,487
Employer's national insurance contributions	24,853	75,226
Employer's pension contributions	<u>23,137</u>	<u>24,616</u>
	<u>898,138</u>	<u>1,059,329</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

- (a) Analysis of tax (credit) charge for the year

	2004 £	2003 £
UK corporation tax payable at 30% (2003: 30%) based on the (loss)/profit for the year	2,714	9,830
Over provision in respect of prior year	<u>(25,891)</u>	<u>-</u>
	<u>(23,177)</u>	<u>9,830</u>

UK corporation tax comprises total charge of £2,714 (2003: £14,163), less double taxation relief of £Nil (2003: £4,333).

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting tax (credit) charge for the year

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

	2004 £	2003 £
(Loss)/profit on ordinary activities before taxation	<u>(167,791)</u>	<u>40,398</u>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30%	(50,337)	12,119
Effects of:		
Expenses not deductible for tax purposes	220	134
Difference between capital allowances and depreciation	(323)	455
Losses surrendered as group relief	54,725	-
Double tax relief not claimable	-	(2,878)
Marginal relief	(1,571)	-
Adjustment to taxation of previous years	<u>(25,891)</u>	<u>-</u>
Current tax (credit) charge for the year	<u>(23,177)</u>	<u>9,830</u>

8 TANGIBLE FIXED ASSETS

	Computer equipment £
Cost	
At 1 April 2003	5,017
Disposals	<u>(2,219)</u>
At 31 March 2004	<u>2,798</u>
Depreciation	
At 1 April 2003	1,479
Charge for the year	3,538
Disposals	<u>(2,219)</u>
At 31 March 2004	<u>2,798</u>
Net book value	
At 31 March 2004	-
At 31 March 2003	<u>3,538</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)

9 FIXED ASSET INVESTMENTS

Interests in group
undertakings
£

At 1 April 2003 and 31 March 2004

97,582

Interests in group undertakings at 31 March 2004 represent the direct cost of investment in the issued shares of the following companies:

Name	Description of shares held	Proportion of nominal value of issued shares held %	Country of incorporation
Control de Riesgos SA	1 Peso Ordinary shares	37.6	Colombia
Control Risks Group LLC	1US\$ Preference shares	100	USA

The companies are involved in the provision of security management consultancy and related information services. The assets, liabilities and results of these companies have been included in the consolidated accounts of Control Risks Group Holdings Limited.

10 DEBTORS

	2004 £	2003 £
Trade debtors	104,798	68,351
Amounts due from group companies	499,761	1,317,060
Other debtors	7,326	7,848
UK corporation tax recoverable	1,910	-
Prepayments and accrued income	-	7,638
	<u>613,795</u>	<u>1,400,897</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)

11 CREDITORS

	2004	2003
	£	£
Amounts falling due within one year:		
Amounts due to group companies	398,294	1,052,893
Other taxation and social security	-	779
Other creditors	-	2,950
Accruals and deferred income	<u>17,586</u>	<u>-</u>
	<u>415,880</u>	<u>1,056,622</u>

12 SHARE CAPITAL

	2004	2003
	£	£
Authorised:		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid:		
250,100 ordinary shares of £1 each	<u>250,100</u>	<u>250,100</u>

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2004	2003
	£	£
(Loss)/retained profit for the year	(144,614)	30,568
Opening shareholder's funds	<u>450,551</u>	<u>419,983</u>
Closing shareholder's funds	<u>305,937</u>	<u>450,551</u>

14 COMMITMENTS AND GUARANTEES

Group VAT registration

The company is a member of a group VAT registration with its holding company and certain fellow subsidiary companies. At 31 March 2004 the maximum potential liability of the company under the terms of the registration was £2,206,741 (2003:£508,037).

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2004 (continued)**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, Cottons Centre, Cottons Lane, London, SE1 2QG

Report of the auditors, page 3.