

Control Risks Limited
Annual report
for the year ended 31 March 2009

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Control Risks Limited

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and the audited financial statements for the year ended 31 March 2009.

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 5. The directors note the operating loss for the year of £5,479,017 (2008: profit £611,576), which is driven by an impairment of an investment in a subsidiary company, without which the company would have been profitable. The directors expect the level of activity and underlying performance to remain constant over the next year. The company's financial position as at 31 March 2009 has changed markedly due to the write down of the investment. The company continues to be backed by its parent company, Control Risks Group Holdings Limited, and the largest creditor balance is owed to Control Risks Group Limited and is not expected to be repaid in the near future. It is believed that the company will face challenging market conditions but feels it has the skills and capabilities to continue to grow the business in profitable ways.

As a multinational company operating across the globe, frequently in hostile or semi-hostile environments, Control Risks faces a range of risks that is wider than many other organisations. Our ability to manage such risks is a key strength of our business.

The Directors consider the main risks faced by the business at the present time to be as follows:

- Our exposure to a downturn in the global economy and, in particular, the financial services industry.
- The recruitment and retention of top talent, enabling the business to deliver creative and successful solutions to clients' complex problems with professionalism and integrity.
- Managing the group's reputational exposure.
- Our ability to utilise internal systems to manage the growth of the business, in particular the management of large, complex and controversial projects.

The Board has established an ongoing process for identifying, evaluating and managing risks faced by the Company. As an integral part of the planning and review process, management from each business area as well as internal business functions identify their risks, the probability of the risks occurring, and the impact such risks may have if they occur. Actions are identified to manage or mitigate each risk. Risks are regularly assessed and reviewed through internal workshops and regular monthly update meetings between the Risk Manager and the Chief Executive.

Control Risks Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

3 DIVIDENDS AND RESERVES

The directors do not recommend the payment of a dividend (2008: £Nil).

4 DIRECTORS AND THEIR INTERESTS

RJ Fenning
GB Carpenter

As in prior years, the group has maintained directors' and officers' liability insurance during the year for directors and officers throughout the group.

5 STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to 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 period. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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 requirements of the Companies Act 1985. 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.

6 STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

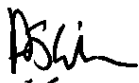
Each of the directors at the date of this report confirms that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware and that they have taken all of the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Control Risks Limited
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2009 (CONTINUED)

7 AUDITORS

Resolutions to reappoint Baker Tilly UK Audit LLP as the company's auditor and for the directors to determine their remuneration will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Angus Gribbon
Company Secretary

Registered office

Cottons Centre
Cottons Lane
London SE1 2QG

16 June 2009

Control Risks Limited

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONTROL RISKS LIMITED

We have audited the financial statements on pages 5 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 (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST



16 June 2009

Control Risks Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
Turnover		2,226,853	2,866,060
Operating expenses		<u>(7,705,870)</u>	<u>(2,254,484)</u>
Operating (loss)/profit		(5,479,017)	611,576
Interest receivable	3	2,286	3,020
Interest payable	3	<u>-</u>	<u>(1,973)</u>
(Loss)/profit on ordinary activities before taxation	4	(5,476,731)	612,623
Tax on (loss)/profit on ordinary activities	7	<u>(67,009)</u>	<u>(187,121)</u>
Retained (loss)/profit for the year	14	<u>(5,543,740)</u>	<u>425,502</u>
Statement of retained (losses) profits			
Retained profit/(loss) at 1 April		264,213	(161,289)
Retained (loss)/profit for the year		<u>(5,543,740)</u>	<u>425,502</u>
Retained (loss)/profit at 31 March		<u>(5,279,527)</u>	<u>264,213</u>

All activities are classed as continuing.

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 7 to 13 form part of these financial statements.

Report of the auditors, page 4.

Control Risks Limited

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	£	2009 £	£	2008 £
Fixed assets					
Tangible assets	8		11,204		7,709
Investments	9		<u>2,020</u>		<u>97,582</u>
			13,224		105,291
Current assets					
Deferred tax asset	10	48,896		12,473	
Debtors	11	395,877		793,914	
Cash at bank and in hand		-		<u>7,420</u>	
		<u>444,773</u>		813,807	
Creditors: amounts falling due within one year	12	<u>(5,487,424)</u>		<u>(404,785)</u>	
Net current (liabilities)/assets			<u>(5,042,651)</u>		<u>409,022</u>
Net (liabilities)/assets			<u>(5,029,427)</u>		<u>514,313</u>
Capital and reserves					
Called up share capital	13		250,100		250,100
Profit and loss account			<u>(5,279,527)</u>		<u>264,213</u>
Shareholder's (deficit)/funds	14		<u>(5,029,427)</u>		<u>514,313</u>

The financial statements on pages 5 to 13 were approved and authorised for issue by the board of directors on 16 June 2009 and signed on its behalf by:



GB Carpenter

The notes on pages 7 to 13 form part of these financial statements.

Report of the auditors, page 4.

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

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. The financial statements present information about the company as an individual company and not about its group. 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. Depreciation and amortisation are charged with effect from the beginning of the month following acquisition. 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.

(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.

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) 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 liability at 31 March 2009 (2008: £Nil).

(h) 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.

(i) GOING CONCERN

In view of the loss for the year and the net liabilities at 31 March 2009, the directors have considered the continued application of the going concern basis to these financial statements. The directors have received an assurance from Control Risks Group Limited, a fellow subsidiary company and the company's largest creditor, that it will not request repayment of the amount due to it unless it can be repaid without prejudicing the company's ability to continue to trade. Consequently the directors believe that it is appropriate to continue to prepare the financial statements on a going concern basis.

2 TURNOVER

Turnover represents the sales 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 different geographical markets in which the company operates would be prejudicial to the interests of the company.

3 INTEREST RECEIVABLE AND PAYABLE

	2009 £	2008 £
Intra-group interest received	<u>2,286</u>	<u>3,020</u>
Interest payable - other	<u>-</u>	<u>1,973</u>

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2009 £	2008 £
Depreciation of tangible fixed assets	5,404	2,886
(Profit)/Loss on exchange	<u>(52,388)</u>	<u>126,471</u>

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

5 DIRECTORS' EMOLUMENTS

There were 2 directors (2008: 2) of the company during the year, neither (2008: neither) of whom received emoluments. The directors were both directors of the holding company, Control Risks Group Holdings Limited, and received their remuneration in that company.

6 EMPLOYEE INFORMATION

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

	2009 No.	2008 No.
UK based staff	2	2
Internationally based staff	<u>11</u>	<u>13</u>
	<u>13</u>	<u>15</u>

(b) Employment costs of all employees included above:

	2009 £	2008 £
Gross wages and salaries	574,582	837,763
Employer's national insurance contributions	-	16,192
Employer's pension contributions	<u>71,030</u>	<u>68,684</u>
	<u>645,612</u>	<u>922,639</u>

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

7 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the year

	2009 £	2008 £
UK corporation tax payable at 28% (2008: 30%) based on the (loss)/profit for the year	105,627	186,782
Over provision in respect of prior year	<u>(2,195)</u>	<u>(10,623)</u>
	103,432	176,159
Deferred tax	<u>(36,423)</u>	<u>10,962</u>
	<u>67,009</u>	<u>187,121</u>

(b) Factors affecting tax charge for the year

The tax charge for the year is more than (2008: less than) the standard rate of corporation tax in the United Kingdom of 28% (2008: 30%). The differences are explained below:

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	<u>(5,476,731)</u>	<u>612,623</u>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 28% (2008: 30%)	(1,533,485)	183,786
Effects of:		
Difference between capital allowances and depreciation	58	(467)
Expenses not deductible for tax purposes	5,090	2,444
Expenses deductible for tax purposes in a different period	-	1,019
Impairment of investment in subsidiary company	1,599,237	-
Other timing differences	34,727	-
Adjustment to taxation of previous years	<u>(2,195)</u>	<u>(10,623)</u>
Current tax charge for the year	<u>103,432</u>	<u>176,159</u>

(c) Factors affecting tax charges for future years

The company has a deferred tax asset at 31 March 2009 as shown in note 10.

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

8 TANGIBLE FIXED ASSETS

	Computer equipment £
Cost	
At 1 April 2008	13,815
Additions	<u>8,899</u>
At 31 March 2009	<u>22,714</u>
Depreciation	
At 1 April 2008	6,106
Charge for the year	<u>5,404</u>
At 31 March 2009	<u>11,510</u>
Net book value	
At 31 March 2009	<u>11,204</u>
At 31 March 2008	<u>7,709</u>

9 FIXED ASSET INVESTMENTS

	Interests in group undertakings £
Cost	
At 1 April 2008	97,582
Additions	<u>5,615,999</u>
At 31 March 2009	<u>5,713,581</u>
Impairment	
At 1 April 2008	-
Charge for the year	<u>5,711,561</u>
At 31 March 2009	<u>5,711,561</u>
Net book value	
At 31 March 2009	<u>2,020</u>
At 31 March 2008	<u>97,582</u>

The addition in the year represents equity shares purchased in Control Risks Group LLC.

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

9 FIXED ASSET INVESTMENTS (CONTINUED)

Interests in group undertakings at 31 March 2009 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\$ Ordinary & 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 DEFERRED TAX ASSET

	Total £	Fixed asset timing differences £	Short term timing differences £
1 April 2008	12,473	1,607	10,866
Profit & Loss account			
- Charge for the year	<u>36,423</u>	<u>959</u>	<u>35,464</u>
31 March 2009	<u>48,896</u>	<u>2,566</u>	<u>46,330</u>

The deferred tax asset is included at a corporation tax rate of 28% (2008: 28%).

11 DEBTORS

	2009 £	2008 £
Trade debtors	123,405	90,561
Amounts due from group companies	194,733	657,333
Other debtors	69,107	43,551
Prepayments and accrued income	<u>8,632</u>	<u>2,469</u>
	<u>395,877</u>	<u>793,914</u>

Control Risks Limited

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

(CONTINUED)

12 CREDITORS

	2009	2008
	£	£
Amounts falling due within one year:		
Amounts due to group companies	5,145,659	195,971
Corporation tax	38,992	20,256
Accruals and deferred income	302,773	188,558
	<u>5,487,424</u>	<u>404,785</u>

13 SHARE CAPITAL

	2009	2008
	£	£
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>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2009	2008
	£	£
Retained (loss)/profit for the year	(5,543,740)	425,502
Opening shareholder's funds	<u>514,313</u>	<u>88,811</u>
Closing shareholder's (deficit)/funds	<u>(5,029,427)</u>	<u>514,313</u>

15 COMMITMENTS AND GUARANTEES

Group VAT registration

The company is party to a group VAT registration with its holding company and certain fellow subsidiary companies. At 31 March 2009 the maximum potential liability of the company under the terms of the registration was £998,000 (2008: £1,147,000).

16 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.

17 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, 4th Floor, Cottons Centre, Cottons Lane, London, SE1 2QG.

Report of the auditors, page 4.