

Company Registration No. 3777089

Kroll Limited

Report and Financial Statements

31 December 2005



Kroll Limited

Report and financial statements 2005

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Kroll Limited

Report and financial statements 2005

Officers and professional advisers

Directors

S Appell (appointed 28 April 2005)
A Brierley
S Freakley

Secretaries

S Perel
P Thompson

Registered office

190 Strand
London
WC2R 1JN

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Kroll Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and review of the business

The principal activity of the company comprises the provision of insolvency and corporate recovery services.

The directors consider the results for the year to be satisfactory. The general level of activity increased during the year ended 31 December 2005 and is expected to continue during 2006.

Results and dividends

Turnover from continuing operations was £46,872,039 (2004: £37,460,292) during the year, and the profit for the year after taxation was £4,797,224 (2004: £5,084,139).

The directors do not recommend payment of a dividend for the year (2004: £nil).

Directors and their interests

The directors who served during the year were as follows:

| | |
|------------|----------------------------------------------------|
| S Appell | (appointed 28 April 2005) |
| A Brierley | |
| S Freakley | |
| P Thompson | (appointed 28 April 2005, resigned 24 August 2006) |

The interests of the directors required to be disclosed under Schedule 7 of the Companies Act 1985 are listed in note 4 to the accounts.

Disabled employees

Application for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Kroll Limited

Directors' report

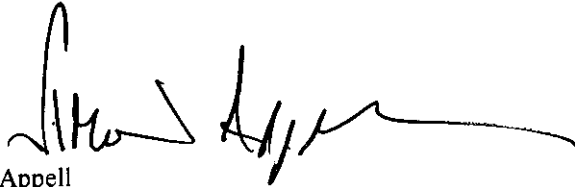
Financial risk management

The company does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risk the directors consider relevant to this company is credit risk. This risk is mitigated by the company's credit controls policies.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'S Appell', written over a horizontal line.

S Appell

Director

2nd October 2006

Kroll Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KROLL LIMITED

We have audited the financial statements of Kroll Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

2nd October 2006

Kroll Limited

Profit and loss account Year ended 31 December 2005

| | Note | 2005 £ | 2004 £ |
|-------------------------------------------------------------------------------------------------------------------------|-------|--------------|--------------|
| Turnover | 1 | | |
| - continuing operations | | 46,872,039 | 37,460,292 |
| - acquisitions | | 6,221,053 | - |
| Cost of sales | | | |
| - continuing operations | | (26,485,303) | (19,552,689) |
| - acquisitions | | (3,066,460) | - |
| Gross profit | | | |
| - continuing operations | | 20,386,736 | 17,907,603 |
| - acquisitions | | 3,154,593 | - |
| Administrative expenses | | | |
| - continuing operations | | (14,734,735) | (12,816,610) |
| - acquisitions | | (808,737) | - |
| Operating profit | | | |
| - continuing operations | | 5,652,001 | 5,090,993 |
| - acquisitions | | 2,345,856 | - |
| Net interest payable and similar charges | 2 | (669,355) | (23,854) |
| Profit on ordinary activities before taxation | 3 | 7,328,502 | 5,067,139 |
| Tax (charge)/credit on profit on ordinary activities | 5 | (2,531,278) | 17,000 |
| Profit on ordinary activities after taxation and retained profit for the financial year, transferred to reserves | 14,16 | 4,797,224 | 5,084,139 |

There are no recognised gains or losses other than the profits stated above in the current year and the preceding year. Accordingly no statement of total recognised gains and losses is presented.

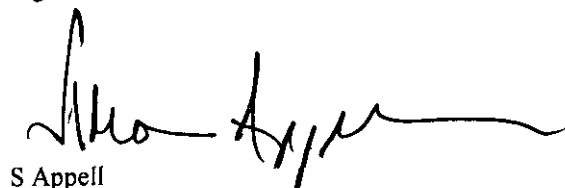
Kroll Limited

Balance sheet 31 December 2005

| | Note | 2005 £ | 2004 £ |
|-------------------------------------------------------|------|-------------------|-------------------|
| Fixed assets | | | |
| Goodwill | 8 | 25,621,252 | - |
| Tangible assets | 6 | 2,156,696 | 2,304,185 |
| Investments | 7 | 3,305,771 | 3,248,017 |
| | | <u>31,083,719</u> | <u>5,552,202</u> |
| Current assets | | | |
| Debtors | 9 | 50,859,064 | 33,817,569 |
| Cash at bank and in hand | | 6,034,084 | 589,111 |
| | | <u>56,893,148</u> | <u>34,406,680</u> |
| Creditors: amounts falling due within one year | 10 | (24,966,746) | (26,785,840) |
| Net current assets | | <u>31,926,402</u> | <u>7,620,840</u> |
| Total assets less current liabilities | | 63,010,121 | 13,173,042 |
| Creditors: amounts falling after one year | 11 | (30,039,855) | - |
| Net assets | | <u>32,970,266</u> | <u>13,173,042</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 1,252 | 1,252 |
| Share premium account | 14 | 123,228 | 123,228 |
| Other reserves | 14 | 15,000,000 | - |
| Profit and loss account | 14 | 17,845,786 | 13,048,562 |
| Equity shareholders' funds | 16 | <u>32,970,266</u> | <u>13,173,042</u> |

These financial statements were approved by the Board of Directors on 2nd October 2006.

Signed on behalf of the Board of Directors



S Appell
Director

Kroll Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The accounts have been prepared under the historical cost convention. The accounting policies adopted are consistent across the current and the preceding year.

Group accounts

The directors have taken exemption from the obligation to prepare and deliver group accounts under section 228A Exemption for parent companies included in non-EEA group accounts.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|-----------------------------|-------------------|
| Long leasehold improvements | Life of the lease |
| Plant and machinery | 3 to 5 years |

Investments

The company's investment in subsidiaries and associates is stated in the company's balance sheet at cost, less any provision for impairment.

Taxation

Current tax, including corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents the value, both billed and unbilled, of services provided during the year, excluding amounts received in advance in respect of work to be performed after the year end exclusive of VAT. All turnover is derived from operations in the UK.

Unbilled revenue

Unbilled revenue is recognised as revenue on engagements, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as the engagement activity progresses. The value of unbilled revenue at year end is included in the balance sheet of the company at its estimated recoverable amount.

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

1. Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded in sterling at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at year end. All exchange differences are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

Cash flow statement

The company meets the exemption requirements of FRS 1 (revised), cash flow statements, in that it is 100% owned by a company whose consolidated accounts are publicly available. For this reason a cash flow statement has not been prepared.

Pensions

The company operates a defined contribution pension scheme and the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of twenty years. Provision is made on any impairment.

2. Interest payable and similar charges

| | 2005 £ | 2004 £ |
|---------------------------|----------------|---------------|
| Bank loans and overdrafts | 33,331 | 23,854 |
| On parent company loans | 734,548 | - |
| | <u>767,879</u> | <u>23,854</u> |

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2005 £ | 2004 £ |
|-----------------------------------------|-------------------|-------------------|
| Depreciation | 796,765 | 805,237 |
| Amortisation | 1,255,474 | - |
| Loss/(gain) on disposal of fixed assets | 185,480 | (6,676) |
| Operating lease rentals | | |
| - plant and machinery | 139,432 | 215,008 |
| - other | 1,133,079 | 1,220,340 |
| Auditors' remuneration – audit fees | 32,650 | 15,000 |
| Auditors' remuneration – other fees | 33,920 | 30,479 |
| | <u> </u> | <u> </u> |

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

4. Information regarding directors and employees

Particulars of employees (including executive directors) are as shown below:

| | 2005 £ | 2004 £ |
|-----------------------------------------|-------------------|-------------------|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 20,090,077 | 16,191,635 |
| Social security costs | 2,571,530 | 2,017,682 |
| Other pension costs | 399,480 | 153,694 |
| | <u>23,061,087</u> | <u>18,363,011</u> |

The average monthly number of persons employed (including executive directors) by the company during the year was as follows:

| | 2005 No. | 2004 No. |
|----------------|-------------|-------------|
| Production | 205 | 213 |
| Administration | 67 | 57 |
| | <u>272</u> | <u>270</u> |

Directors' remuneration was paid in respect of directors of the company as follows:

| | 2005 £ | 2004 £ |
|------------------------------|----------------|------------------|
| Emoluments | 614,289 | 1,924,150 |
| Money purchase contributions | 10,233 | - |
| | <u>624,522</u> | <u>1,924,150</u> |

S Freakley and A Brierley received no remuneration from the company.

The number of directors for whom money purchase contributions are accruing in respect of their qualifying services was two (2004: nil).

The number of directors who exercised share options in respect of their qualifying services was nil (2004: three).

The number of directors who received options to acquire shares in Marsh & McLennan Companies, Inc. in respect of their qualifying services was two (2004: nil).

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

| | 2005 £ | 2004 £ |
|------------------------------|----------------|------------------|
| Emoluments | 524,859 | 1,222,862 |
| Money purchase contributions | 4,560 | - |
| | <u>529,419</u> | <u>1,222,862</u> |

The highest paid director did not exercise any options in 2005 (in 2004 the highest paid director exercised share options in Kroll Inc.)

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

4. Information regarding directors and employees (continued)

The highest paid director received options to acquire shares in Marsh & McLennan Companies, Inc. in respect of his qualifying services (2004: none were granted).

5. Tax on profit on ordinary activities

| | 2005 £ | 2004 £ |
|------------------------------------------------------|-----------|-----------|
| Corporation tax charge for the year | 3,403,060 | 99,000 |
| Adjustment in respect of previous years | - | (57,000) |
| Total current tax charge | 3,403,060 | 42,000 |
| Deferred tax: | | |
| Timing differences, origination and reversal | (811,672) | (59,000) |
| Adjustments for prior years | (60,110) | - |
| Tax (credit)/charge on profit on ordinary activities | 2,531,278 | (17,000) |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2004: 30%).

The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

| | 2005 £ | 2004 £ |
|-----------------------------------------------------------------------|-----------|-------------|
| Profit on ordinary activities before tax | 7,328,502 | 5,067,139 |
| Tax on profit on ordinary activities at standard rate 30% (2004: 30%) | 2,198,550 | 1,520,142 |
| Factors affecting charge for the year: | | |
| Disallowable expenses | 392,838 | 266,217 |
| Stock option deduction | - | (1,625,108) |
| Group relief paid in excess of statutory rate | - | (121,251) |
| Short-term timing differences arising in the year | 811,672 | 59,000 |
| Adjustments in respect of previous years | - | (57,000) |
| | 3,403,060 | 42,000 |

Kroll Limited

Notes to the accounts Year ended 31 December 2005

6. Tangible fixed assets

| | Long leasehold improvements £ | Plant and machinery £ | Total £ |
|-----------------------|----------------------------------------|-----------------------------|------------|
| Cost | | | |
| At 1 January 2005 | 1,929,605 | 3,195,283 | 5,124,888 |
| Additions | 544,628 | 448,333 | 992,961 |
| Disposals | (426,052) | (124,642) | (550,694) |
| At 31 December 2005 | 2,048,181 | 3,518,974 | 5,567,155 |
| Depreciation | | | |
| At 1 January 2005 | 632,629 | 2,188,074 | 2,820,703 |
| Charge for the year | 361,982 | 434,783 | 796,765 |
| Additions | - | 68,174 | 68,174 |
| Disposals | (82,806) | (192,377) | (275,183) |
| At 31 December 2005 | 911,805 | 2,498,654 | 3,410,459 |
| Net book value | | | |
| At 31 December 2005 | 1,136,376 | 1,020,320 | 2,156,696 |
| At 31 December 2004 | 1,296,976 | 1,007,209 | 2,304,185 |

7. Investments

| | 2005 £ | 2004 £ |
|---------------------------------------|-----------|-----------|
| Cost and net book value | | |
| Shares in subsidiary undertakings | 3,300,771 | 3,243,017 |
| Investments in associate undertakings | 5,000 | 5,000 |
| | 3,305,771 | 3,248,017 |
| Subsidiary undertakings | | |
| | | £ |
| Cost and net book value | | |
| At 1 January 2005 | | 3,243,017 |
| Additions | | 57,754 |
| At 31 December 2005 | | 3,300,771 |

On 25 January 2005 the company purchased 100% of the beneficial interests of Kroll Talbot Hughes LLP (see note 15). On the same day the company also purchased 100 ordinary shares of the issued share capital of Kroll Talbot Hughes Limited for a consideration of £57,753.

On 9 December 2005 the company acquired 1 ordinary share if the issued share capital of T&N Asbestos Trustee Company Limited for a consideration of £1.

Kroll Limited

Notes to the accounts Year ended 31 December 2005

7. Investments (continued)

Principal company investments

| Company name | Country of incorporation and operation | Activity | Proportion of ordinary shares held % |
|--------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------|
| Kroll Forensic Accounting Limited | Great Britain | Forensic accounting practice | 50 |
| Kroll Associates Italy Srl | Italy | Investigative and intelligence services | 5 |
| Subsidiary undertakings | | | |
| Broadentry Limited | Great Britain | Corporate finance practice | 100 |
| Kroll Corporate Finance Limited | Great Britain | Corporate finance practice | 100 |
| Kroll Talbot Hughes Limited | Great Britain | Dormant | 100 |
| Kroll Talbot Hughes LLP | Great Britain | Corporate advisory and restructuring practice | 100 |
| T&N Asbestos Trustee Company Limited | Great Britain | Corporate trustee | 100 |

8. Goodwill

| | £ |
|-----------------------|------------|
| Cost | |
| At 1 January 2005 | - |
| Additions (note 15) | 26,876,726 |
| At 31 December 2005 | 26,876,726 |
| Amortisation | |
| At 1 January 2005 | - |
| Charge for the year | 1,255,474 |
| At 31 December 2005 | 1,255,474 |
| Net book value | |
| At 31 December 2005 | 25,621,252 |
| At 31 December 2004 | - |

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

9. Debtors

| | 2005 £ | 2004 £ |
|----------------------------------------|-------------------|-------------------|
| Trade debtors | 2,704,797 | 1,918,898 |
| Amounts owed by group undertakings | 30,216,092 | 22,804,298 |
| Amounts owed by associate undertakings | 710,159 | 639,318 |
| Deferred tax asset (see Note 12) | 928,903 | 57,121 |
| Other debtors | 579,019 | 1,202,644 |
| Prepayments and accrued income | 570,430 | 606,733 |
| Unbilled revenue | 15,149,664 | 6,588,557 |
| | <u>50,859,064</u> | <u>33,817,569</u> |

10. Creditors: amounts falling due within one year

| | 2005 £ | 2004 £ |
|-----------------------------------------------------------------------------|-------------------|-------------------|
| Trade creditors | 1,262,303 | 649,698 |
| Amounts owed to group undertakings | 8,633,041 | 21,680,859 |
| Corporation tax | 3,459,913 | 56,853 |
| Other taxation and social security | 1,134,792 | 957,626 |
| Other creditors | 472,933 | 604,844 |
| Accruals and deferred income | 7,398,692 | 2,835,960 |
| Deferred consideration re Kroll Talbot Hughes LLP acquisition (see Note 15) | 2,605,072 | - |
| | <u>24,966,746</u> | <u>26,785,840</u> |

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

11. Creditors: amounts falling due after more than one year

| | 2005 £ | 2004 £ |
|-----------------------------------------------------------------------------|-------------------|-----------|
| Amounts owed to group undertakings interest bearing unsecured loan | 20,000,000 | - |
| Deferred consideration re Kroll Talbot Hughes LLP acquisition (see Note 15) | 10,039,855 | - |
| | <u>30,039,855</u> | <u>-</u> |

On 20 December 2005 Marsh Eurofinance BV, a company incorporated in The Netherlands and part of Marsh & McLennan Group, granted the company a loan of £20,000,000. Interest on the above loan is calculated at 5.13% per annum.

12. Deferred taxation

| | 2005 £ | 2004 £ |
|--------------------------------------|----------------|---------------|
| Accelerated capital allowance | 314,175 | 57,121 |
| Other timing differences related to: | | |
| - pensions | 18,457 | - |
| - other | 596,271 | - |
| | <u>928,903</u> | <u>57,121</u> |

Reconciliation of deferred taxation asset

| | | |
|---------------------------------------------------|----------------|---------------|
| Opening balance | 57,121 | (1,879) |
| Credit to the profit and loss account in the year | 871,782 | 59,000 |
| | <u>928,903</u> | <u>57,121</u> |

13. Called up share capital

| | 2005 £ | 2004 £ |
|------------------------------------------------------------|--------------|--------------|
| Authorised: | | |
| 2 (2004: 2) ordinary shares of £1 each | 2 | 2 |
| 12,500,000 (2004: 12,500,000) A class shares of 0.01p each | 1,250 | 1,250 |
| | <u>1,252</u> | <u>1,252</u> |
| Called up, allotted and fully paid: | | |
| 2 (2004: 2) ordinary shares of £1 each | 2 | 2 |
| 12,500,000 (2004: 12,500,000) A class shares of 0.01p each | 1,250 | 1,250 |
| | <u>1,252</u> | <u>1,252</u> |

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

13. Called up share capital (continued)

Out of profits available for distribution and resolved to be distributed, the holders of A class shares are entitled, in priority to any payment of dividend to the holders of any other class of shares, to be paid a non-cumulative preferential dividend at the rate of 3 months LIBOR applied to £12.5 million and also a dividend equal in aggregate to 1% of any dividend declared on the ordinary shares.

The holders of A class shares have voting rights, save that they may not vote if a resolution is to be proposed concerning the payment of dividends, for the winding up of the company or redemption of A shares. In the event that they are entitled to vote, the number of votes which may be cast as a class shall be one less than the number of votes which may be cast by the holders of the Ordinary Shares as a class.

On a winding up the holders of the A class shares have priority before all other classes of shares to receive repayment of capital.

14. Reserves

| | Share premium account £ | Other reserves £ | Profit and loss account £ | Total £ |
|--------------------------------------------------|----------------------------------|------------------------|------------------------------------|-------------------|
| 1 January 2005 | 123,228 | - | 13,048,562 | 13,171,790 |
| Additional funds from shareholders (see Note 16) | - | 15,000,000 | - | 15,000,000 |
| Retained profit for the financial year | - | - | 4,797,224 | 4,797,224 |
| | <u>123,228</u> | <u>15,000,000</u> | <u>17,845,786</u> | <u>32,969,014</u> |

15. Acquisition of subsidiary undertaking

On 25 January 2005 the company acquired the trade and net assets of Kroll Talbot Hughes LLP (formerly known as Talbot Hughes McKillop LLP) for an initial consideration of £14,312,028 and associated costs on acquisition of £453,791. On 31 January 2005 the company was assigned all of the membership interests of Kroll Talbot Hughes LLP for £38,000. There is deferred consideration of £12,644,927 payable in instalments over 5 years. The assets and liabilities were transferred into the company at fair value and as such no fair value adjustment arose.

The following table sets out the book and fair value of identifiable assets and liabilities acquired:

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

15. Acquisition of subsidiary undertaking (continued)

| | £ |
|----------------------------------------|------------|
| Tangible assets | - |
| Debtors | 1,373,455 |
| Cash | 7,276 |
| | <hr/> |
| Total assets | 1,380,731 |
| | <hr/> |
| Creditors due within one year | (626,276) |
| Provisions for liabilities and charges | (182,435) |
| | <hr/> |
| Total liabilities | (808,711) |
| | <hr/> |
| Net assets acquired | 572,020 |
| | <hr/> |
| Goodwill | 26,876,726 |
| | <hr/> |
| Total consideration | 27,448,746 |
| | <hr/> |
| Satisfied by: | |
| Cash | 14,350,028 |
| Deferred consideration | 12,644,927 |
| Related costs of acquisition | 453,791 |
| | <hr/> |
| | 27,448,746 |
| | <hr/> |

Deferred consideration is payable upon the achievement of certain minimum targets relating to the profit of the business. The amount of £2,605,072, which was due at the end of the year, has been paid in March 2006. Initial estimates of the deferred consideration of £10,039,855, which is expected to be paid in four subsequent instalments, will be revised as further and more certain information becomes available.

A summarised profit and loss of the acquired entity from the beginning of its financial year up to the date of acquisition is presented below. The acquired entity's financial year began on 1 May 2004. This summarised profit and loss is based on Kroll Talbot Hughes LLP accounting policies.

| | Period ended 24 January 2005 £ |
|-----------------------------------------------|--------------------------------------------|
| Turnover | 3,558,573 |
| | <hr/> |
| Operating profit | 14,128,187 |
| | <hr/> |
| Profit on ordinary activities before taxation | 14,128,187 |
| | <hr/> |
| Profit on ordinary activities after taxation | 14,128,187 |
| | <hr/> |

Kroll Limited

Notes to the accounts

Year ended 31 December 2005

16. Reconciliation of movements in equity shareholders' funds

| | 2005 £ | 2004 £ |
|--------------------------------------------|------------|------------|
| Retained profit for the financial year | 4,797,224 | 5,084,139 |
| Addition to equity shareholders' funds | 15,000,000 | - |
| Net addition to equity shareholders' funds | 19,797,224 | 5,084,139 |
| Opening equity shareholders' funds | 13,173,042 | 8,088,903 |
| Closing equity shareholders' funds | 32,970,266 | 13,173,042 |

On 16 December 2005 the company's parent company had made a capital contribution of £15,000,000.

17. Other financial commitments

Lease commitments

Annual commitments under non cancellable operating leases are as follows:

| | 2005 | | 2004 | |
|------------------------------|----------------------------|---------------|----------------------------|----------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Expiry date: | | | | |
| - within one year | 102,242 | 22,764 | 62,938 | 3,460 |
| - between two and five years | 1,709,484 | 31,690 | 1,070,086 | 97,494 |
| - beyond five years | 571,194 | - | - | - |
| | <u>2,382,920</u> | <u>54,454</u> | <u>1,133,024</u> | <u>100,954</u> |

18. Ultimate parent company

The largest and smallest groups in which the results of the company are consolidated is Marsh & McLennan Companies, Inc., the ultimate parent. Marsh & McLennan Companies, Inc. is incorporated in the USA and registered in Delaware. The accounts of Marsh & McLennan Companies, Inc. are available to the public from The Company Secretary, Marsh & McLennan Companies UK Limited, 1 Tower Place West, Tower Place, London, EC3R 5BU.

The company has taken advantage of the exemptions laid out in Financial Reporting Standard 8 'Related Party Disclosures' and has hence not presented and disclosed details of transactions with other companies belonging to the group headed by Marsh & McLennan Companies, Inc.

19. Pensions

In April 2005 the company joined Marsh & McLennan Companies, Inc. defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits for the current year is £399,480 (2004: £153,694).