

Company Registration No. 3777089

KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

Report and Financial Statements

31 December 2002

Deloitte & Touche LLP
London



KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

REPORT AND FINANCIAL STATEMENTS 2002

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KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Buchler
P Phillips
S Freakley
L Manning
M Cherkasky

SECRETARY

S Perel
P Thompson

REGISTERED OFFICE

190 Strand
London WC2R 1JN

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

FUTURE PROSPECTS

The directors are optimistic about the future of the company.

BUSINESS REVIEW

The directors report that the general level of activity increased during the year ended 31 December 2002 and is expected to continue as such during 2003.

RESULTS AND DIVIDENDS

Turnover from continuing operations was £28,702,701 (2001: £21,301,925) during the year, and the profit for the year after taxation was £2,068,644 (2001: £1,376,168).

The directors do not recommend payment of a dividend for the year (2001: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year were as follows:

D Buchler
P Phillips
S Freakley
L Manning
M Cherkasky

The directors do not have any interests in the shares of the company or any other group company required to be disclosed under Schedule 7 of the Companies Act 1985.

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 group continues and that appropriate training is arranged. It is the policy of the group 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 group 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 group. 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
(formerly Kroll Buchler Phillips Limited)

DIRECTORS' REPORT

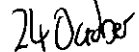
AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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



S Freakley

Director
 2003

KROLL LIMITED
(formerly Kroll Buchler Phillips 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
(formerly Kroll Buchler Phillips Limited)**

We have audited the financial statements of Kroll Limited (Formerly Kroll Buchler Phillips Limited) for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

27 October 2003

KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER	1, 2	28,702,701	21,301,925
Cost of sales		(14,431,144)	(11,237,720)
GROSS PROFIT		14,271,557	10,064,205
Administrative expenses		(11,223,687)	(7,939,573)
OPERATING PROFIT		3,047,870	2,124,632
Interest payable and similar charges	3	(53,890)	(102,793)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,993,980	2,021,839
Tax on profit on ordinary activities	6	(925,336)	(645,671)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR, TRANSFERRED TO RESERVES	13	2,068,644	1,376,168

All amounts shown above relate to continuing operations.


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 required.

KROLL LIMITED
(formerly Kroll Buchler Phillips Limited)

BALANCE SHEET
31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	2,841,373	989,068
Investments	8	683,978	422,287
		<u>3,525,351</u>	<u>1,411,355</u>
CURRENT ASSETS			
Debtors	9	15,141,968	11,393,578
Cash at bank and in hand		3,573	3,573
		<u>15,145,541</u>	<u>11,397,151</u>
CREDITORS: amounts falling due within one year	10	(14,155,492)	(10,426,629)
NET CURRENT ASSETS		<u>990,049</u>	<u>970,522</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,515,400	2,381,877
PROVISIONS FOR LIABILITIES AND CHARGES	11	(64,879)	-
NET ASSETS		<u>4,450,521</u>	<u>2,381,877</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,252	1,252
Share premium account	13	123,228	123,228
Profit and loss account	13	4,326,041	2,257,397
EQUITY SHAREHOLDERS' FUNDS	14	<u>4,450,521</u>	<u>2,381,877</u>

These financial statements were approved by the Board of Directors on 24 October 2003.
Signed on behalf of the Board of Directors


S Freakley
Director

KROLL LIMITED
(formerly Kroll Buchler Phillips Limited))

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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, except where noted below.

Group accounts

At the end of the year the company was a wholly owned subsidiary of a company incorporated in a member state of the European Economic Community which prepares group accounts. Accordingly, the preparation of group accounts is not required under Section 228 of the Companies Act 1985 and these financial statements represent information about the company as an individual undertaking.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation.

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	5 years

Investments

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

Deferred taxation

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. The adoption of FRS19 has not resulted in any prior year restatement.

Turnover

Turnover represents the value, both billed and unbilled, of services provided during the period, excluding amounts received in advance in respect of work to be performed after the year end exclusive of VAT.

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.

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.

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The company meets the exemption requirements of FRS1 (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.

2. SEGMENTAL INFORMATION

The directors have taken exemption from disclosing segmental information, on the basis that disclosure of such information is considered seriously prejudicial to the interests of the company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	53,890	102,793
	<u>53,890</u>	<u>102,793</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
Depreciation	482,985	424,561
Operating lease rentals		
- plant and machinery	189,650	168,853
- other	1,012,374	458,208
Auditors' remuneration – audit fees	15,000	15,000
	<u>1,690,009</u>	<u>1,066,622</u>

Non-audit fees for both 2002 and 2001 were incurred by the parent company.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2002 £	2001 £
Their aggregate remuneration comprised:		
Wages and salaries	12,008,088	8,874,485
Social security costs	1,348,265	941,110
	<u>13,356,353</u>	<u>9,815,595</u>

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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The average monthly number of persons employed by the company during the year was as follows:

	No.	No.
Production	145	129
Sales	25	27
Administration	67	58
	<u>237</u>	<u>214</u>

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

	2002 £	2001 £
Emoluments	<u>1,373,252</u>	<u>1,211,000</u>

Highest-paid director

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

	2002 £	2001 £
Emoluments	<u>559,166</u>	<u>446,000</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Corporation tax charge for the year	864,934	657,036
Prior year adjustment	(4,477)	-
Total current tax charge	<u>860,457</u>	<u>657,036</u>
Deferred tax- Timing differences, origination and reversal	<u>64,879</u>	<u>23,151</u>
Tax on profit on ordinary activities	<u>925,336</u>	<u>680,187</u>

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year differs the standard rate for the reasons set out in the following reconciliation:

	2002 £	2001 £
Profit on ordinary activities before tax	2,993,980	2,021,839
Tax on profit on ordinary activities at standard rate 30% (2001:30%)	898,194	606,552
Factors affecting charge for the year:		
Disallowable expenses	220,984	118,881
Depreciation for the year in excess of capital allowances	(64,876)	21,983
Group relief not paid for	(203,235)	(98,757)
Short-term timing differences arising in the year	13,867	8,377
Adjustments to the tax charge in respect of previous years	(4,478)	-
	<u>860,457</u>	<u>657,036</u>

7. TANGIBLE FIXED ASSETS

	Long leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 January 2002	190,005	1,609,712	1,799,717
Additions	1,524,165	857,685	2,381,850
Disposals	(214,822)	(167)	(214,989)
At 31 December 2002	<u>1,499,348</u>	<u>2,467,230</u>	<u>3,966,578</u>
Depreciation			
At 1 January 2002	83,560	727,089	810,649
Charge for the year	25,178	457,807	482,985
Disposals	(168,429)	-	(168,429)
At 31 December 2002	<u>(59,691)</u>	<u>1,184,896</u>	<u>1,125,205</u>
Net book value			
At 31 December 2002	<u>1,559,039</u>	<u>1,282,334</u>	<u>2,841,373</u>
At 31 December 2001	<u>106,445</u>	<u>882,623</u>	<u>989,068</u>

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

8. INVESTMENTS

	2002 £	2001 £
Cost		
Shares in subsidiary undertakings	450,079	-
Investments	233,899	422,287
	<u>683,978</u>	<u>422,287</u>
 Subsidiary undertakings		
		£
Cost and net book value		
At 1 January 2002		422,287
Disposals		188,388
		<u>233,899</u>
At 31 December 2002		<u>233,899</u>
During the year the company disposed of its 50% share in Invex Capital Limited for cost.		
Investments		
		£
Cost and net book value		
At 1 January 2002		-
Additions		450,079
		<u>450,079</u>
At 31 December 2002		<u>450,079</u>

During the year the company acquired 50% of the ordinary share capital of Invex Partners Limited, a dormant company, for £450,079. At the balance sheet date the directors consider that the company has a passive interest in Invex Partners Limited and have therefore treated its interest as an investment. Subsequent to the balance sheet date, the company acquired the remaining 50% of the ordinary share capital of Invex Partners Limited. During the year the company acquired 100% of the ordinary share capital of Knoll Corporate Finance Limited for a consideration of £nil.

Principal company investments

Company name	Country of incorporation and operation	Activity	Proportion of ordinary shares held %
Kroll Forensic Accounting Limited (formerly Kroll Lindquist Avey Limited)	Great Britain	Forensic accounting practice	50
Invex Partners Limited	Great Britain	Corporate finance practice	50
Kroll Associates Italy Srl	Italy	Investigative and Intelligence Services	5
 Subsidiary undertaking			
Kroll Corporate Finance Limited	Great Britain	Corporate finance practice	100

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

9. DEBTORS

	2002	2001
	£	£
Trade debtors	1,619,091	656,750
Amounts owed by group undertakings	5,743,434	2,144,636
Amounts owed by associate undertakings	289,374	248,823
Corporation tax recoverable	3,950	-
Other debtors	170,190	155,904
Prepayments and accrued income	925,017	427,689
Unbilled revenue	6,390,912	7,759,776
	<u>15,141,968</u>	<u>11,393,578</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank overdraft	2,098,964	1,403,224
Trade creditors	1,495,054	1,417,166
Amounts owed to group undertakings	7,076,091	5,500,954
Amounts owed to directors	374,693	382,073
Corporation tax	510,934	560,653
Other taxation and social security	852,554	525,440
Other creditors	536,753	355,919
Accruals and deferred income	1,210,449	281,200
	<u>14,155,492</u>	<u>10,426,629</u>

The bank overdraft is guaranteed by the company's ultimate parent, Kroll Inc.

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	2002	2001
	£	£
Capital allowances in advance of depreciation	64,879	-
Other timing differences	-	-
	<u>64,879</u>	<u>-</u>
Balance at 31 December 2002	<u>64,879</u>	<u>-</u>
	2002	2001
Reconciliation of deferred taxation	£	£
Balance as 1 January 2002	-	-
Charge to the profit and loss account	64,879	-
	<u>64,879</u>	<u>-</u>
Balance at 31 December 2002	<u>64,879</u>	<u>-</u>

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
2 ordinary shares of £1 each	2	2
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 ordinary shares of £1 each	2	2
12,500,000 A class shares of 0.01p each	1,250	1,250
	<u>1,252</u>	<u>1,252</u>

13. RESERVES

	Share premium account £	Profit and loss account £	Total £
1 January 2002	123,228	2,257,397	2,380,625
Retained profit for the financial year	-	2,068,644	2,068,644
	<u>123,228</u>	<u>4,326,041</u>	<u>4,449,269</u>
31 December 2002	123,228	4,326,041	4,449,269

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Retained profit for the financial year	2,068,644	1,376,168
Net addition to shareholders' funds	2,068,644	1,376,168
Opening shareholders' funds	2,381,877	1,005,709
Closing shareholders' funds	<u>4,450,521</u>	<u>2,381,877</u>

KROLL LIMITED
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NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. OTHER FINANCIAL COMMITMENTS

Lease commitments

Annual commitments under non cancellable operating leases are as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	1,598,715	190,736	203,813	1,598
- between two and five years	6,106,342	355,685	108,640	91,635
- beyond five years	765,269	-	75,322	-
	<u>8,470,326</u>	<u>546,421</u>	<u>387,775</u>	<u>93,233</u>

16. ULTIMATE PARENT COMPANY

The largest and smallest groups in which the results of the company are consolidated are Kroll Inc (formerly The Kroll-O'Gara Company) and Kroll Holdings Limited (formerly Kroll Limited), the ultimate and immediate holding companies respectively. Kroll Inc is incorporated in the USA and registered in Delaware. Kroll Holdings Limited is incorporated in Great Britain. The accounts of Kroll Inc are available to the public at 9113 Le Saint Drive, Fairfield, Ohio 45014, USA. The accounts of Kroll Holdings Limited are available to the public at 190 Strand, London, WC1R 1JN.

The immediate parent company is Kroll Holdings Limited, a company incorporated in Great Britain.

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 Kroll Inc.