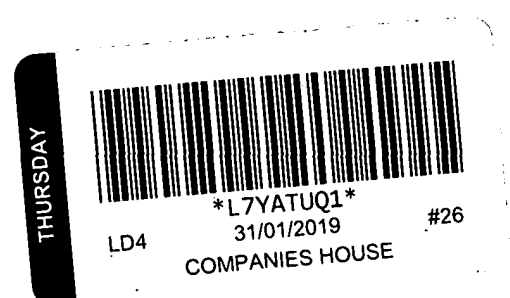

CONFLICT ARMAMENT RESEARCH LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



CONFLICT ARMAMENT RESEARCH LIMITED

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CONFLICT ARMAMENT RESEARCH LIMITED

COMPANY INFORMATION

Directors	J Bevan S Rajapaksa (appointed 23 November 2017) J Rosenfield Leff (appointed 12 October 2017) M Wilson (appointed 12 October 2017)
Registered number	07762809
Registered office	150 Aldersgate Street London EC1A 4AB
Independent auditors	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

CONFLICT ARMAMENT RESEARCH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors

The directors who served during the year were:

J Bevan
S Rajapaksa (appointed 23 November 2017)
J Rosenfield Leff (appointed 12 October 2017)
M Wilson (appointed 12 October 2017)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

CONFLICT ARMAMENT RESEARCH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Principal activity

The principal activity of the Company is that of investigative research, analysis and the providing of policy advice on weapon trafficking and armed conflict.

Business review

Total turnover for the year amounted to £2,532,210 (2017 - £2,127,564) and can be analysed as follows:

Grant funded projects £1,676,979 (2017 - £1,413,872);
Consultancy projects £847,005 (2017 - £710,893);
Other £8,226 (2017 - £2,799).

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Moore Stephens LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Director

Date:

19/12/18

CONFLICT ARMAMENT RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CONFLICT ARMAMENT RESEARCH LIMITED

Opinion

We have audited the financial statements of Conflict Armament Research Limited (the 'Company') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

CONFLICT ARMAMENT RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CONFLICT ARMAMENT RESEARCH LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Moore Stephens LLP

Moore Stephens LLP

150 Aldersgate Street

London

EC1A 4AB

Date: 31 January 2019

CONFLICT ARMAMENT RESEARCH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CONFLICT ARMAMENT RESEARCH LIMITED

misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

CONFLICT ARMAMENT RESEARCH LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	Commercial	Projects	2018 £	Unaudited 2017 £
Turnover		855,231	1,676,979	2,532,210	2,127,564
Direct costs		(583,526)	(1,592,650)	(2,176,176)	(1,884,059)
Gross profit		271,705	84,329	356,034	243,505
Administrative expenses		(290,129)	-	(290,129)	(201,542)
Operating profit/(loss)	4	(18,424)	84,329	65,905	(41,963)
Funds released to projects		(76,868)	76,868	-	-
Tax on profit	7	2,616	-	2,616	(14,980)
Profit for the financial year		(92,676)	161,197	68,521	26,983

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 9 to 17 form part of these financial statements.

CONFLICT ARMAMENT RESEARCH LIMITED
REGISTERED NUMBER: 07762809

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	147,556	22,266
Investments		14,113	-
		<u>161,669</u>	<u>22,266</u>
Current assets			
Debtors	11	915,786	353,190
Bank and cash balances		119,829	99,564
		<u>1,035,615</u>	<u>452,754</u>
Creditors: falling due within one year	12	(1,124,093)	(269,311)
Net current (liabilities)/assets		<u>(88,478)</u>	<u>183,443</u>
Total assets less current liabilities		<u>73,191</u>	<u>205,709</u>
Provisions for liabilities			
Deferred tax	13	(3,861)	(4,008)
		<u>(3,861)</u>	<u>(4,008)</u>
Net assets		<u><u>69,330</u></u>	<u><u>201,701</u></u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		69,329	201,700
		<u><u>69,330</u></u>	<u><u>201,701</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:


J Bevan
Director

Date: 19/12/18

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Conflict Armament Research Limited is a private company, limited by shares, domiciled in England and Wales.

The registered office and number are as stated on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's functional and presentation currency is GBP.

Conflict Armament Research (CAR) is a private limited company, operating in a space dominated by non-profit organisations. Many of its activities are grant-funded (i.e. non-profit), whilst others are commercial. CAR has elected to disclose project (non-profit) and commercial (profit-making) in its financial statements. This reflects the total separation between CAR's profit and non-profit activities. It also provides a truer and more transparent reflection of the organisation's size, turnover, and financial health, than the disclosure of commercial information alone would imply.

2.2 Financial reporting standard 102 - Section 1A disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 6, Statement of Changes in Equity; and
- the requirements of Section 7, Statement of Cash Flows.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amounts can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Grant income is recognised as it is receivable, to the extent that the grant has been spent by the end of the financial year. Unspent grants are shown on the balance sheet as liabilities.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on the following basis:

Office equipment - 20% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss

CONFLICT ARMAMENT RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.5 Financial instruments

The Company only enters into basic financial instrument transactions.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

3. Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Management do not consider there to be any material accounting estimates or judgements that need disclosure in these financial statements.

4. Operating profit

The operating profit is stated after charging:

	2018 £	<i>Unaudited</i> 2017 £
Depreciation of tangible fixed assets	12,492	3,251
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	9,500	-
Exchange differences	<u>13,509</u>	<u>6,924</u>

5. Employees

The average monthly number of employees, including directors, during the year was 8 (2017 - 7).

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. Directors' remuneration

	Commercial £	Projects £	2018 £	Unaudited 2017 £
Directors' emoluments	27,372	230,504	257,876	110,000
	<u>27,372</u>	<u>230,504</u>	<u>257,876</u>	<u>110,000</u>

7. Taxation

	2018 £	Unaudited 2017 £
Corporation tax		
Current tax on profits for the year	(2,616)	14,833
	<u>(2,616)</u>	<u>14,833</u>
Total current tax	<u>(2,616)</u>	<u>14,833</u>
Deferred tax		
Origination and reversal of timing differences	-	147
Total deferred tax	<u>-</u>	<u>147</u>
Taxation on (loss)/profit on ordinary activities	<u>(2,616)</u>	<u>14,980</u>

CONFLICT ARMAMENT RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 – the same as) the standard rate of corporation tax in the UK of 20% (2017 - 20%). The differences are explained below:

	2018 £	Unaudited 2017 £
Profit on ordinary activities before tax	<u>65,905</u>	<u>75,993</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	12,522	15,199
Effects of: Expenses not deductible for tax purposes	13,672	
Deferred tax	-	147
Capital allowances for year in excess of depreciation	(26,194)	(366)
Total tax charge for the year	<u>-</u>	<u>14,980</u>

8. Dividends

	2018 £	Unaudited 2017 £
Interim dividend paid	200,892	65,893
	<u>200,892</u>	<u>65,893</u>

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

9. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 April 2017	36,719
Additions	137,861
Disposals	(825)
At 31 March 2018	<u>173,755</u>
Depreciation	
At 1 April 2017	14,453
Charge for the year on owned assets	12,492
Disposals	(746)
At 31 March 2018	<u>26,199</u>
Net book value	
At 31 March 2018	<u><u>147,556</u></u>
At 31 March 2017	<u><u>22,266</u></u>

Included within the net book value balance were balances relating to the following funds:

	£
DFID III	2,446
EU – iTrace III	76,689
U.S. Government	61,402
	<u>140,537</u>

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
Additions	14,113
At 31 March 2018	<u>14,113</u>
Net book value	
At 31 March 2018	<u><u>14,113</u></u>
At 31 March 2017	<u><u>-</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Conflict Armament Research	Belgium	Ordinary	100%	promoting weapons and ammunition management

11. Debtors

	2018 £	2017 £
Trade debtors	835,318	286,223
Other debtors	13,466	13,960
Prepayments and accrued income	67,002	53,007
	<u><u>915,786</u></u>	<u><u>353,190</u></u>

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

12. Creditors: falling due within one year

	2018 £	2017 £
Trade creditors	87,298	80,614
Corporation tax	-	14,833
Other taxation and social security	26,753	17,531
Deferred income	981,335	153,333
Accruals	28,707	3,000
	<u>1,124,093</u>	<u>269,311</u>

Within deferred income is a balance relating to projects of £314,530 (2017: £153,333).

13. Deferred taxation

	2018 £
At beginning of year	(4,008)
Charged to profit or loss	147
At end of year	<u>(3,861)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(3,861)	(4,008)
	<u>(3,861)</u>	<u>(4,008)</u>

14. Share capital

	2018 £	2017 £
Authorised, allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	<u>1</u>	<u>1</u>

CONFLICT ARMAMENT RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	43,350	-
	<u>43,350</u>	<u>-</u>

16. Related party transactions

J Bevan
Director

During the year dividends of £200,892 (2017 - £177,593) were paid to J Bevan.

At the balance sheet date the amount due from J Bevan was £1,125 (2017 - £4,869).

Conflict Armament Research - Support

The directors are also Directors of Conflict Armament Research – Support (company number 10435055) a company limited by guarantee registered in the United Kingdom. At the year end the company was owed £182,538 by Conflict Armament Research – Support.

17. Controlling party

The Company is controlled by J Bevan.