

**Company Registration No. 3777089**

**Kroll Limited**

**Report and Financial Statements**

**31 December 2006**

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# **Kroll Limited**

## **Report and financial statements 2006**

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# **Kroll Limited**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

S Appell  
A Brierley  
S Freakley  
H Chia  
J Gleave  
A Foster

#### **Secretaries**

S Perel  
D Mumford

#### **Registered office**

10 Fleet Place  
London  
EC4M 7RB

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

#### **Bankers**

Barclays Bank plc  
London

# **Kroll Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### **Principal activity and review of the business**

The company is a wholly owned subsidiary of Kroll Holdings Inc which is ultimately owned by Marsh & McLennan Companies, Inc. The principal activity of the company comprises the provision of insolvency and corporate recovery services. There were no significant changes in the operations of the company during the year. The directors are not aware of any likely major changes in the company's activities next year.

The year saw continued improvement in demand for the company's services. Thus development of the company's business during the financial year was very satisfactory, and the business continued to perform well. As shown in the company's profit and loss account on page 7 turnover increased by 17% to £62,238,625 for the year, while profit for the year after taxation increased by 56% to £7,475,334, reflecting an improvement in operating margin, and very good control of administrative expenses.

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end has improved in comparison with the prior year, with net assets increasing by 23% to £40,455,600, while cash reserves increased by 46% to £8,839,314.

The growth in business has meant an increase in recruitment, and the average number of persons employed increased during the year from 272 to 314. Average remuneration increased by nearly 20% as staff were rewarded for their performance.

The nature of the business is such that the directors believe that further key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The directors do not recommend payment of a dividend for the year (2005 £nil), and there are no significant events since the balance sheet date.

### **Principal risks and uncertainties**

Competitive pressure is a continuing risk for the company. The company manages this risk by continuing to develop its expertise and the services it can offer to clients.

The company is reliant on the expertise of its staff to obtain new business and to carry out its services to the standards required. The company ensures that it retains existing staff and recruits new staff with the requisite skills and experience by maintaining a stimulating and rewarding working environment, and paying particular attention to the welfare and happiness of its staff.

### **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.

### **Environment**

The company recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage which might be caused by the company's activities.

# Kroll Limited

## Directors' report

### Employees

Application for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event 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.

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.

### Directors

The directors who served throughout the year, except as noted were as follows

|            |                            |
|------------|----------------------------|
| S Appell   |                            |
| A Brierley |                            |
| S Freakley |                            |
| P Thompson | (resigned 29 June 2007)    |
| J Gleave   | (appointed 9 October 2006) |
| H Chia     | (appointed 29 June 2007)   |
| A Foster   | (appointed 31 July 2007)   |

### Auditors

Each of the persons who is a director at the date of approval of this report confirms 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 he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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



H Chia

Director

30 October 2007

## **Kroll Limited**

### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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.

## **Independent auditors' report to the members of Kroll Limited**

We have audited the financial statements of Kroll Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is 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 for the above year 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 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.

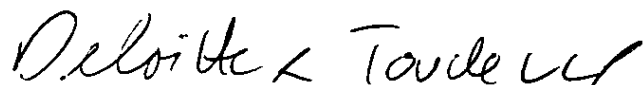
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Kroll Limited (continued)**

### **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 2006 and of its profit for the year then ended,
- the financial statements 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



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

30 Oct<sup>2007</sup>



# Kroll Limited

## Profit and loss account Year ended 31 December 2006

|  | Note  | 2006<br>£        | 2005<br>£        |
|--|-------|------------------|------------------|
| Turnover   | 1     | 62,238,625       | 53,093,092       |
| Cost of sales  |       | (33,387,829)     | (29,551,763)     |
| Gross profit   |       | 28,850,796       | 23,541,329       |
| Administrative expenses  |       | (17,386,126)     | (15,543,472)     |
| Operating profit   |       | 11,464,670       | 7,997,857        |
| Interest receivable and similar income   |       | 915,609          | 98,524           |
| Net interest payable and similar charges   | 2     | (735,011)        | (767,879)        |
| Profit on ordinary activities before taxation  | 3     | 11,645,268       | 7,328,502        |
| Tax charge on profit on ordinary activities  | 5     | (4,489,884)      | (2,531,278)      |
| Profit on ordinary activities after taxation<br>and retained profit for the financial year | 14,15 | <u>7,155,384</u> | <u>4,797,224</u> |

All activities relate to continuing activities

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 2006

|   | Note | 2006<br>£         | 2005<br>£         |
|---|------|-------------------|-------------------|
| <b>Fixed assets</b>                                   |      |                   |                   |
| Goodwill  | 6    | 24,243,091        | 25,621,252        |
| Tangible assets                                       | 7    | 2,453,037         | 2,156,696         |
| Investments   | 8    | 1,914,799         | 3,305,771         |
|   |      | <u>28,610,927</u> | <u>31,083,719</u> |
| <b>Current assets</b>                                 |      |                   |                   |
| Debtors   | 9    | 53,806,542        | 50,859,064        |
| Cash at bank and in hand                              |      | 8,839,314         | 6,034,084         |
|   |      | <u>62,645,856</u> | <u>56,893,148</u> |
| <b>Creditors: amounts falling due within one year</b> | 10   | (43,696,350)      | (24,966,746)      |
| <b>Net current assets</b>                             |      | <u>18,949,506</u> | <u>31,926,402</u> |
| <b>Total assets less current liabilities</b>          |      | <u>47,560,433</u> | <u>63,010,121</u> |
| <b>Creditors: amounts falling after one year</b>      | 11   | (7,434,783)       | (30,039,855)      |
| <b>Net assets</b>                                     |      | <u>40,125,650</u> | <u>32,970,266</u> |
| <b>Capital and reserves</b>                           |      |                   |                   |
| Called up share capital                               | 13   | 1,252             | 1,252             |
| Share premium account                                 | 14   | 123,228           | 123,228           |
| Other reserves  | 14   | 15,000,000        | 15,000,000        |
| Profit and loss account                               | 14   | 25,001,170        | 17,845,786        |
| <b>Shareholders' funds</b>                            | 15   | <u>40,125,650</u> | <u>32,970,266</u> |

These financial statements were approved by the Board of Directors on 30 October 2007

Signed on behalf of the Board of Directors



H Chia  
Director

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 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 6 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.

#### 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.

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 1. Accounting policies (continued)

#### 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 1996), 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 amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are 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 for any impairment

### 2 Interest payable and similar charges

|                           | 2006<br>£      | 2005<br>£      |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | 2,647          | 33,331         |
| Parent company loans      | 732,364        | 734,548        |
|                           | <u>735,011</u> | <u>767,879</u> |

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

|  | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Depreciation                                     | 930,382   | 796,765   |
| Amortisation of goodwill                         | 1,340,161 | 1,255,474 |
| Loss on disposal of fixed assets                 | -         | 185,480   |
| Investment written off                           | 470,225   | -         |
| Impairment loss on investments                   | 958,747   | -         |
| Operating lease rentals                          |           |           |
| - plant and machinery                            | 102,010   | 139,432   |
| - other  | 1,345,848 | 1,133,079 |
| Auditors' remuneration – audit fees              | 34,298    | 32,650    |
| Auditors' remuneration – corporate advisory fees | -         | 33,920    |
| Gains on waiver of debts                         | (30,000)  | -         |
|  | <u></u>   | <u></u>   |

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 4. Employee costs and numbers

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

|  | 2006<br>£         | 2005<br>£         |
|--|-------------------|-------------------|
| Their aggregate remuneration comprised |                   |                   |
| Wages and salaries                     | 29,238,631        | 20,090,077        |
| Social security costs                  | 2,240,806         | 2,571,530         |
| Other pension costs                    | 590,004           | 399,480           |
|  | <u>32,069,441</u> | <u>23,061,087</u> |

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

|                | 2006<br>No. | 2005<br>No |
|----------------|-------------|------------|
| Production     | 241         | 205        |
| Administration | 73          | 67         |
|                | <u>314</u>  | <u>272</u> |

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

|                              | 2006<br>£      | 2005<br>£      |
|------------------------------|----------------|----------------|
| Emoluments                   | 961,069        | 614,289        |
| Money purchase contributions | 12,440         | 10,233         |
|                              | <u>973,509</u> | <u>624,522</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 (2005 two)

The number of directors who exercised share options in respect of their qualifying services was nil (2005 nil)

The number of directors who received options to acquire shares in Marsh & McLennan Companies, Inc in respect of their qualifying services was nil (2005 two)

#### Highest-paid director

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

|                              | 2006<br>£      | 2005<br>£      |
|------------------------------|----------------|----------------|
| Emoluments                   | 848,229        | 524,859        |
| Money purchase contributions | 7,774          | 4,560          |
|                              | <u>856,003</u> | <u>529,419</u> |

The highest paid director did not receive or exercise any options in 2006

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 5 Tax on profit on ordinary activities

|  | 2006<br>£   | 2005<br>£ |
|--|-------------|-----------|
| Corporation tax charge for the year          | 5,597,718   | 3,403,060 |
| Adjustment in respect of previous years      | 240,772     | -         |
| Total current tax charge                     | 5,838,490   | 3,403,060 |
| Deferred tax                                 |             |           |
| Timing differences, origination and reversal | (1,272,082) | (811,672) |
| Adjustments for prior years                  | (76,524)    | (60,110)  |
| Tax charge on profit on ordinary activities  | 4,489,884   | 2,531,278 |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 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

|  | 2006<br>£  | 2005<br>£ |
|--|------------|-----------|
| Profit on ordinary activities before tax                             | 11,645,268 | 7,328,502 |
| Tax on profit on ordinary activities at standard rate 30% (2005 30%) | 3,493,580  | 2,198,550 |
| Factors affecting charge for the year                                |            |           |
| Disallowable expenses  | 832,056    | 392,838   |
| Short-term timing differences arising in the year                    | 1,272,082  | 811,672   |
| Adjustments in respect of previous years                             | 240,772    | -         |
|  | 5,838,490  | 3,403,060 |

### 6 Goodwill

|                         | £          |
|-------------------------|------------|
| <b>Cost</b>             |            |
| At 1 January 2006       | 26,876,726 |
| Transfer to investments | (38,000)   |
| At 31 December 2006     | 26,838,726 |
| <b>Amortisation</b>     |            |
| At 1 January 2006       | 1,255,474  |
| Charge for the year     | 1,340,161  |
| At 31 December 2005     | 2,595,635  |
| <b>Net book value</b>   |            |
| At 31 December 2006     | 24,243,091 |
| At 31 December 2005     | 25,621,252 |

The transfer to investments arose due to the write down of the investment value of Kroll Talbot Hughes Limited (see note 8)

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 7 Tangible fixed assets

|                       | Long leasehold<br>improvements<br>£ | Plant and<br>machinery<br>£ | Total<br>£ |
|-----------------------|-------------------------------------|-----------------------------|------------|
| <b>Cost</b>           |                                     |                             |            |
| At 1 January 2006     | 2,048,181                           | 3,518,974                   | 5,567,155  |
| Additions             | 688,097                             | 538,626                     | 1,226,723  |
| At 31 December 2006   | 2,736,278                           | 4,057,600                   | 6,793,878  |
| <b>Depreciation</b>   |                                     |                             |            |
| At 1 January 2006     | 911,805                             | 2,498,654                   | 3,410,459  |
| Charge for the year   | 480,864                             | 449,518                     | 930,382    |
| At 31 December 2006   | 1,392,669                           | 2,948,172                   | 4,340,841  |
| <b>Net book value</b> |                                     |                             |            |
| At 31 December 2006   | 1,343,609                           | 1,109,428                   | 2,453,037  |
| At 31 December 2005   | 1,136,376                           | 1,020,320                   | 2,156,696  |

### 8. Investments

|                                       | 2006<br>£        | 2005<br>£        |
|---------------------------------------|------------------|------------------|
| <b>Cost and net book value</b>        |                  |                  |
| Shares in subsidiary undertakings     | 1,909,799        | 3,300,771        |
| Investments in associate undertakings | 5,000            | 5,000            |
|                                       | <u>1,914,799</u> | <u>3,305,771</u> |
| <b>Subsidiary undertakings</b>        |                  |                  |
|                                       |                  | £                |
| <b>Cost</b>                           |                  |                  |
| At 1 January 2006                     |                  | 3,300,771        |
| Transfer from goodwill                |                  | 38,000           |
| Written off                           |                  | (470,225)        |
| At 31 December 2006                   |                  | <u>2,868,546</u> |
| <b>Impairment</b>                     |                  |                  |
| At 1 January 2006                     |                  | -                |
| Impairment losses                     |                  | 958,747          |
| At 31 December 2006                   |                  | <u>958,747</u>   |
| <b>Net book value</b>                 |                  |                  |
| At 31 December 2006                   |                  | <u>1,909,799</u> |
| At 31 December 2005                   |                  | <u>3,300,771</u> |

# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 8 Investments (continued)

During the year, Broadentry Limited has been voluntarily dissolved. The investment cost of £470,225 has been written off to the profit and loss account and the amount due to the company of £30,000 has been waived.

The impairment loss was in relation to the write down of the investment value of Kroll Talbot Hughes Limited. The Directors were in the view that the impairment loss was appropriate due to the closure of the Birmingham branch.

#### 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                                    |
| <b>Subsidiary undertakings</b>  |  |   |                                      |
| Kroll Talbot Hughes Limited (formerly known as Kroll Corporate Finance Limited) | Great Britain                          | Corporate finance practice                    | 100                                  |
| Kroll Corporate Finance Limited (formerly known as 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                                  |



# Kroll Limited

## Notes to the accounts Year ended 31 December 2006

### 9 Debtors

|  | 2006<br>£         | 2005<br>£         |
|--|-------------------|-------------------|
| Trade debtors                          | 2,951,638         | 2,704,797         |
| Amounts owed by group undertakings     | 38,486,087        | 30,216,092        |
| Amounts owed by associate undertakings | 710,159           | 710,159           |
| Deferred tax asset (see Note 12)       | 2,277,508         | 928,903           |
| Other debtors                          | 1,594,982         | 579,019           |
| Prepayments and accrued income         | 1,150,762         | 570,430           |
| Unbilled revenue                       | 6,635,406         | 15,149,664        |
|  | <u>53,806,542</u> | <u>50,859,064</u> |

Included in the amounts owed by group undertakings is a loan from Kroll Ontrack Limited. The loan is charged interest at 0.25% above the LIBOR and is repayable upon demand.

### 10 Creditors amounts falling due within one year

|   | 2006<br>£         | 2005<br>£         |
|---|-------------------|-------------------|
| Trade creditors   | 529,657           | 1,262,303         |
| Amounts owed to group undertakings                            | 17,070,013        | 8,633,041         |
| Corporation tax   | 9,298,402         | 3,459,913         |
| Other taxation and social security                            | 2,906,356         | 1,134,792         |
| Other creditors   | 346,925           | 472,933           |
| Accruals and deferred income                                  | 10,939,925        | 7,398,692         |
| Deferred consideration re Kroll Talbot Hughes LLP acquisition | 2,605,072         | 2,605,072         |
|   | <u>43,696,350</u> | <u>24,966,746</u> |

The deferred consideration related to the acquisition of Kroll Talbot Hughes LLP on 25 January 2005. The deferred consideration of £12,644,927 is payable in instalments over five years. Deferred consideration is payable upon the achievement of certain minimum targets relating to the profit of the business. The first instalment of £2,605,072, which was due at the end of 2005, was paid in March 2006. The second instalment of £2,605,072 was due at the end of 2006. The remaining outstanding deferred consideration, which will be paid in three subsequent instalments, is currently expected to equal the maximum amount payable of £7,434,783. This estimate will be revised as further and more certain information becomes available. The remaining outstanding deferred consideration has been included in amounts falling due after more than one year.

# Kroll Limited

## Notes to the accounts

### Year ended 31 December 2006

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

|   | 2006<br>£        | 2005<br>£         |
|---|------------------|-------------------|
| Amounts owed to group undertakings interest bearing unsecured loan          | -                | 20,000,000        |
| Deferred consideration re Kroll Talbot Hughes LLP acquisition (see Note 10) | 7,434,783        | 10,039,855        |
|   | <u>7,734,783</u> | <u>30,039,855</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. During 2006 £13,000,000 was repaid. The outstanding balance has been included in amounts owed to group undertakings within one year.

#### 12. Deferred taxation

|   | 2006<br>£        | 2005<br>£      |
|---|------------------|----------------|
| Accelerated capital allowance                     | 428,936          | 314,175        |
| Other timing differences related to               |                  |                |
| - pensions  | 29,772           | 18,457         |
| - other   | 1,818,801        | 596,271        |
| Closing balance                                   | <u>2,277,508</u> | <u>928,903</u> |
| <b>Reconciliation of deferred taxation asset</b>  |                  |                |
| Opening balance                                   | 928,903          | 57,121         |
| Credit to the profit and loss account in the year | 1,348,606        | 871,782        |
| Closing balance                                   | <u>2,277,508</u> | <u>928,903</u> |

#### 13. Called up share capital

|  | 2006<br>£    | 2005<br>£    |
|--|--------------|--------------|
| <b>Authorised</b>                          |              |              |
| 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> |
| <b>Called up, allotted and fully paid:</b> |              |              |
| 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> |

# Kroll Limited

## Notes to the accounts

Year ended 31 December 2006

### 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 three 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<br>premium<br>account<br>£ | Other<br>reserves<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>£        |
|--|----------------------------------|------------------------|------------------------------------|-------------------|
| 1 January 2006                         | 123,228                          | 15,000,000             | 17,845,786                         | 32,969,014        |
| Retained profit for the financial year | -                                | -                      | 7,155,384                          | 7,155,384         |
| At 31 December 2006                    | <u>123,228</u>                   | <u>15,000,000</u>      | <u>25,001,170</u>                  | <u>40,124,398</u> |

### 15. Reconciliation of movements in shareholders' funds

|  | 2006<br>£         | 2005<br>£         |
|--|-------------------|-------------------|
| Retained profit for the financial year     | 7,475,334         | 4,797,224         |
| Addition to equity shareholders' funds     | -                 | 15,000,000        |
| Net addition to equity shareholders' funds | <u>7,155,384</u>  | <u>19,797,224</u> |
| Opening equity shareholders' funds         | 32,970,266        | 13,173,042        |
| Closing equity shareholders' funds         | <u>40,125,650</u> | <u>32,970,266</u> |

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

## Kroll Limited

### Notes to the accounts

#### Year ended 31 December 2006

#### 16. Other financial commitments

##### Lease commitments

Annual commitments under non cancellable operating leases are as follows

|                              | 2006                       |                | 2005                       |               |
|------------------------------|----------------------------|----------------|----------------------------|---------------|
|                              | Land and<br>buildings<br>£ | Other<br>£     | Land and<br>buildings<br>£ | Other<br>£    |
| Expiry date                  |                            |                |                            |               |
| - within one year            | -                          | 12,375         | 102,242                    | 22,764        |
| - between two and five years | 1,471,510                  | 130,395        | 1,709,484                  | 31,690        |
| - beyond five years          | 571,194                    |                | 571,194                    | -             |
|                              | <u>2,042,704</u>           | <u>142,770</u> | <u>2,382,920</u>           | <u>54,454</u> |

#### 17. 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.

#### 18. Pensions

In April 2006 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 £590,004 (2005 £399,480).