

Company Registration No. 3777089

KROLL BUCHLER PHILLIPS LIMITED

Report and Financial Statements

31 December 2001



**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**

KROLL BUCHLER PHILLIPS LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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KROLL BUCHLER PHILLIPS LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Buchler
P Phillips
S Freakley
L Manning
M Cherkasky

SECRETARY

S Perel
C R Wallis

REGISTERED OFFICE

84 Grosvenor Street
London W1X 9DF

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House □ 1 Little New
Street □ London EC4A 3TR

KROLL BUCHLER PHILLIPS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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 2001 and is expected to continue as such during 2002.

RESULTS AND DIVIDENDS

Turnover from continuing operations was £21,301,925 (2000: £13,038,751) during the year, and the profit for the year after taxation was £1,376,168 (2000: £781,627).

The directors do not recommend payment of a dividend for the year (2000: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

W O'Gara	(resigned 2 February 2001)
A Gordon	(resigned 2 February 2001)
E Avey	(resigned 2 February 2001)
D Buchler	
P Phillips	
S Freakley	
L Manning	
M Cherkasky	(appointed 2 February 2001)

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.

AUDITORS

Arthur Anderson resigned during the year. The directors appointed Deloitte & Touche to fill the casual vacancy.

The directors will place a resolution before the Annual General Meeting to appoint Deloitte & Touche as auditors.

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



S Freakley

Director

13 August 2002

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 BUCHLER PHILLIPS LIMITED

We have audited the financial statements of Kroll Buchler Phillips Limited for the year ended 31 December 2001 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.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

13 August 2002

KROLL BUCHLER PHILLIPS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	2	21,301,925	13,038,751
Cost of sales		(11,237,720)	(8,051,150)
GROSS PROFIT		10,064,205	4,987,601
Administrative expenses		(7,939,573)	(3,805,386)
OPERATING PROFIT		2,124,632	1,182,215
Net interest payable and similar charges	3	(102,793)	(126,596)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,021,839	1,055,619
Tax on profit on ordinary activities	6	(645,671)	(273,992)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR	13	<u>1,376,168</u>	<u>781,627</u>

All amounts shown above relate to continuing operations.

There are no recognised gains or losses other than stated above. Accordingly no statement of total recognised gains and losses is required.

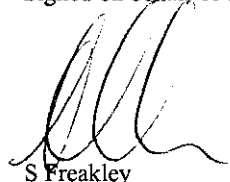
KROLL BUCHLER PHILLIPS LIMITED

BALANCE SHEET 31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	989,068	833,786
Investments	8	422,287	422,287
		<u>1,411,355</u>	<u>1,256,073</u>
CURRENT ASSETS			
Debtors	9	11,393,578	7,037,968
Cash at bank and in hand		3,573	4,208
		<u>11,397,151</u>	<u>7,042,176</u>
CREDITORS: amounts falling due within one year	10	(10,426,629)	(7,281,175)
NET CURRENT ASSETS/(LIABILITIES)		<u>970,522</u>	<u>(238,999)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,381,877	1,017,074
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(11,365)
NET ASSETS		<u>2,381,877</u>	<u>1,005,709</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	2,257,397	881,229
EQUITY SHAREHOLDERS' FUNDS	14	<u>2,381,877</u>	<u>1,005,709</u>

These financial statements were approved by the Board of Directors on **13 August** 2002.

Signed on behalf of the Board of Directors



S Freakley

Director

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES

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

Accounting convention

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

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. Accordingly, the preparation of group accounts is not required under Section 288 of the Companies Act 1985.

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	5 years
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 on timing differences, arising from the different treatment of items for accounts and taxation purposes which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

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 pounds 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 rate 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 installments over the lease term.

Cash flow statement

The company meets the exemption requirements of FRS1, 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.

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2. SEGMENTAL INFORMATION

Substantially all income arises in the UK from the provision of insolvency and corporate recovery services.

3. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Investment income		
Interest income and similar income	-	(2,105)
Interest payable and similar charges		
Bank loans and overdrafts	102,793	128,701
	<u>102,793</u>	<u>126,596</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation and amounts written off tangible fixed assets	424,561	226,500
Operating lease rentals		
- plant and machinery	168,853	110,234
- other	458,208	397,017

Auditors' remuneration for audit services is borne by the ultimate parent undertaking in both the current and preceding year.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2001 £	2000 £
Their aggregate remuneration comprised:		
Wages and salaries	8,874,485	6,090,699
Social security costs	941,110	988,725
	<u>9,815,595</u>	<u>7,079,424</u>

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

	No.	No.
Production	129	94
Sales	27	21
Administration	58	49
	<u>214</u>	<u>164</u>

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

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

	2001 £	2000 £
Emoluments	<u>1,211,000</u>	<u>850,000</u>

None of the company's directors were members of pension schemes.

Highest-paid director

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

	2001 £	2000 £
Emoluments	<u>446,000</u>	<u>300,000</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
UK corporation tax at 30% (2000 - 30%)	657,036	374,456
Deferred taxation	<u>(11,365)</u>	<u>(100,464)</u>
	<u>645,671</u>	<u>273,992</u>

7. TANGIBLE FIXED ASSETS

	Long leasehold improvements £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 2001	107,918	1,111,956	1,219,874
Additions	<u>82,087</u>	<u>497,756</u>	<u>579,843</u>
At 31 December 2001	<u>190,005</u>	<u>1,609,712</u>	<u>1,799,717</u>
Depreciation			
At 1 January 2001	31,299	354,789	386,088
Charge for the year	<u>52,261</u>	<u>372,300</u>	<u>424,561</u>
At 31 December 2001	<u>83,560</u>	<u>727,089</u>	<u>810,649</u>
Net book value			
At 31 December 2001	<u>106,445</u>	<u>882,623</u>	<u>989,068</u>
At 31 December 2000	<u>76,619</u>	<u>757,167</u>	<u>833,786</u>

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

8. INVESTMENTS

		2001 £	2000 £
Associates		422,287	422,287
Principal company investments			
Associates	Country of registration and operation	Activity	Proportion of ordinary shares held %
Kroll Lindquist Avey Limited	Great Britain	Forensic accounting practice	50
Invex Capital Limited	Great Britain	Corporate finance practice	50
Investments			
Kroll Associates Italy Srl	Italy	Investigative and Intelligence Services	Nominal

9. DEBTORS

	2001 £	2000 £
Trade debtors	656,750	561,577
Amounts owed by group undertakings	2,144,636	-
Amounts owed by associates	248,823	767,876
Other debtors	155,904	-
Prepayments and accrued income	427,689	354,010
Unbilled revenue	7,759,776	5,354,505
	<u>11,393,578</u>	<u>7,037,968</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	1,403,224	1,552,167
Trade creditors	1,417,166	270,864
Amounts owed to group undertakings	5,500,954	3,732,716
Amounts owed to directors	382,073	435,166
UK corporation tax	560,653	41,136
Other taxation and social security	525,440	151,431
Other creditors	355,919	743,562
Accruals and deferred income	281,200	354,133
	<u>10,426,629</u>	<u>7,281,175</u>

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

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £	2000 £
Deferred taxation		
Accelerated capital allowances	-	11,365

There is no unprovided deferred tax liability at the year end.

The movement in deferred taxation comprises:

	2001 £	2000 £
Balance at the beginning of the year	11,365	111,829
Charged to profit and loss account	(11,365)	(100,464)
Balance at the end of the year	-	11,365

12. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
2 ordinary shares of £1 each	2	2
12,500,000 A class shares of 0.01p each	1,250	1,250
	1,252	1,252
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
	1,252	1,252

13. RESERVES

	Share premium account £	Profit and loss account £	Total £
Balance at the beginning of the year	123,228	881,229	1,004,457
Retained profit for the year	-	1,376,168	1,376,168
Balance at the end of the year	123,228	2,257,397	2,380,625

KROLL BUCHLER PHILLIPS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Revaluation of associates	-	(14,329)
Retained profit for the year	1,376,168	781,627
Net addition to shareholders' funds	1,376,168	767,298
Opening shareholders' funds	1,005,709	238,411
Closing shareholders' funds	2,381,877	1,005,709

15. OTHER FINANCIAL COMMITMENTS

Lease commitments

Annual commitments under non cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	203,813	1,598	271,750	38,984
- between two and five years	108,640	91,635	73,540	98,585
- beyond five years	75,322	-	58,822	-
	387,775	93,233	404,112	137,569

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 Limited (formerly Kroll O'Gara UK Limited), the ultimate and immediate holding companies respectively. Kroll Inc is incorporated in the USA and registered in Delaware. Kroll 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 Limited are available to the public at 180 Strand, London, WC2R 2NN.

The immediate parent company is Kroll 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.