

Kroll Buchler Phillips Limited

(formerly Buchler Phillips Limited and Retrodata)

Accounts for the period ended 31 December 1999
together with directors' and auditors' reports

Registered number: 3777089



Directors' report

For the period ended 31 December 1999

The directors present their first report on the affairs of the company, together with the accounts and auditors' report, for the period ended 31 December 1999.

Principal activity

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

Incorporation and change of name

The company was incorporated on 20 May 1999 as Retrodata, an unlimited company. The company commenced trading on 3 June 1999, following the acquisition of the assets and liabilities of Buchler Phillips, a partnership trading as an insolvency and corporate recovery practice. The name of the company was changed on 8 June 1999 to Buchler Phillips Limited, when it attained limited liability status. There was a further change of name on 1 February 2000 to Kroll Buchler Phillips Limited.

Business review

The directors report that the general level of activity increased during the year ended 31 December 2000 and is expected to continue as such during 2001.

Results and dividends

Turnover from continuing operations was £5,890,283 during the period, and the profit for the period after taxation was £99,602.

The directors do not recommend payment of a dividend for the period.

Directors

The directors who served during the period were as follows:

| | |
|------------|-------------------------------|
| W O'Gara | (appointed 20 May 1999) |
| A Gordon | (appointed 20 May 1999) |
| E Avey | (appointed 22 September 1999) |
| D Buchler | (appointed 22 September 1999) |
| P Phillips | (appointed 22 September 1999) |
| S Freakley | (appointed 22 September 1999) |
| L Manning | (appointed 22 September 1999) |

Directors' report (continued)

Directors interests

The directors who held office at 31 December 1999 had the following interests in the shares of group undertakings. The directors who held office at 31 December 1999 had no interests in debentures.

| Name of director | Name of group undertaking | Description of shares | 31 December 1999 Shares held beneficially |
|------------------|---------------------------|-----------------------|--|
| D Buchler | The Kroll O'Gara Company | Common stock | 127,913 |
| P Phillips | The Kroll O'Gara Company | Common stock | 76,460 |
| S Freakley | The Kroll O'Gara Company | Common stock | 72,766 |
| L Manning | The Kroll O'Gara Company | Common stock | 49,224 |
| E Avey | The Kroll O'Gara Company | Common stock | 363,000 |
| W O'Gara | The Kroll O'Gara Company | Common stock | 243,042 |
| A Gordon | The Kroll O'Gara Company | Common stock | 100 |

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 enable them to ensure that the accounts 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.

Directors' report (continued)

Auditors

Arthur Andersen were appointed as the company's first auditors.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

84 Grosvenor Street
London
W1X 9DF

By order of the Board,

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

S Freakley
Director

31 January 2001

To the Shareholders of Kroll Buchler Phillips Limited

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 and of the company's profit for the period from 20 May 1999 to 31 December 1999 and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

31 January 2001

Profit and loss account

For the period ended 31 December 1999

| | Notes | Continuing operations |
|--|-------|---|
| | | For the period from 20 May 1999 to 31 December 1999 £ |
| Turnover – professional fees | | |
| Acquisitions | 2 | 5,890,283 |
| Staff costs | 6 | (3,351,230) |
| Depreciation | | (153,252) |
| Other operating expenses (net) | 3 | (2,034,292) |
| Operating profit | | |
| Acquisitions | | 351,509 |
| Interest payable and similar charges | 4 | (53,878) |
| Profit on ordinary activities before taxation | 5 | 297,631 |
| Tax on profit on ordinary activities | 7 | (198,029) |
| Profit on ordinary activities after taxation | | 99,602 |

The accompanying notes are an integral part of this profit and loss account.


There are no recognised gains or losses in the period other than the profit for the period.

Balance sheet

31 December 1999

| | Notes | 1999 £ |
|--|-------|--------------------|
| Fixed assets | | |
| Tangible assets | 8 | 727,141 |
| Investments | 9 | 386,616 |
| | | <u>1,113,757</u> |
| Current assets | | |
| Debtors | 10 | 5,265,289 |
| Cash at bank and in hand | | 196,249 |
| | | <u>5,461,538</u> |
| Creditors: Amounts falling due within one year | 11 | <u>(5,792,257)</u> |
| Net current liabilities | | <u>(330,719)</u> |
| Total assets less current liabilities | | 783,038 |
| Creditors: Amounts falling due after more than one year | 12 | (432,798) |
| Provision for liabilities and charges | 13 | <u>(111,829)</u> |
| Net assets | | <u>238,411</u> |
| Capital and reserves | | |
| Called-up share capital | 14 | 1,252 |
| Share premium reserve | 15 | 123,228 |
| Revaluation reserve | 15 | 14,329 |
| Profit and loss account | 15 | 99,602 |
| Total equity shareholders' funds | | <u>238,411</u> |

Signed on behalf of the Board



S. Freakley
Director

31 January 2001

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 1999

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

a) *Basis of accounting*

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.

b) *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 or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|------------------------|---------|
| Leasehold improvements | 5 years |
| Plant and machinery | 5 years |

c) *Investments*

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

d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) using the liability method on deferred taxation is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which, in the opinion of directors, will probably not reverse.

e) *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.

f) *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.

Notes to accounts (continued)

1 Accounting policies (continued)

g) 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 period end. All exchange differences are included in the profit and loss account.

h) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2 Segment information

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

3 Other operating expenses (net)

| | For the period ended 31 December 1999 £ |
|-------------------------------|---|
| Administrative expenses (net) | <u>2,034,292</u> |

4 Interest payable and similar charges

| | For the period ended 31 December 1999 £ |
|-------------------|---|
| On bank overdraft | <u>53,878</u> |

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | For the period ended 31 December 1999 £ |
|--|---|
| Depreciation and amounts written off tangible fixed assets | |
| - owned | 153,252 |
| Operating lease rentals | |
| - plant and machinery | 84,854 |
| - land and buildings | <u>249,033</u> |

Auditors' remuneration for audit services is borne by the ultimate parent undertaking

Notes to accounts (continued)

6 Staff costs

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

For the
period ended
31 December
1999
£

Their aggregate remuneration comprised:

| | |
|-----------------------|-----------|
| Wages and salaries | 2,986,027 |
| Social security costs | 365,203 |
| | <hr/> |
| | 3,351,230 |

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

| | |
|----------------|----------------|
| | 1999 Number |
| Production | 90 |
| Sales | 2 |
| Administration | 38 |
| | <hr/> |
| | 130 |

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

For the
period ended
31 December
1999
£

| | |
|------------|---------|
| Emoluments | 495,833 |
|------------|---------|

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

Notes to accounts (continued)

6 Staff costs (continued)

Highest-paid director

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

| | For the period ended 31 December 1999 £ |
|------------|---|
| Emoluments | <u>175,000</u> |

7 Tax on profit on ordinary activities

The tax charge comprises:

| | For the period ended 31 December 1999 £ |
|--------------------|---|
| UK Corporation tax | 111,051 |
| Deferred taxation | <u>86,978</u> |
| | <u>198,029</u> |

8 Tangible fixed assets

| | Leasehold improvements £ | Plant and machinery £ | Total £ |
|--------------------------|--------------------------------|-----------------------------|------------------|
| Cost or valuation | | | |
| Additions | <u>114,038</u> | <u>1,642,235</u> | <u>1,756,273</u> |
| At 31 December 1999 | <u>114,038</u> | <u>1,642,235</u> | <u>1,756,273</u> |
| Depreciation | | | |
| Additions | 66,468 | 809,412 | 875,880 |
| Charge for the period | <u>11,769</u> | <u>141,483</u> | <u>153,252</u> |
| At 31 December 1999 | <u>78,237</u> | <u>950,895</u> | <u>1,029,132</u> |
| Net book value | | | |
| At 31 December 1999 | <u>35,801</u> | <u>691,340</u> | <u>727,141</u> |

Notes to accounts (continued)

9 Investments

| | 1999 £ |
|------------|----------------|
| Associates | <u>386,616</u> |

Principal company investments

The company has investments in the following associates:

| Associates | Principal activity | Holding |
|------------------------------|------------------------------|---------|
| Kroll Lindquist Avey Limited | Forensic accounting practice | 50% |
| Invex Capital Limited | Corporate finance practice | 50% |

Cost and revaluation

| | £ |
|------------------------------------|----------------|
| Balance at beginning of the period | - |
| Additions | 222,287 |
| Shares issued by associates | 150,000 |
| Revaluation of investment | <u>14,329</u> |
| Balance at the end of the period | <u>386,616</u> |

10 Debtors

| | 1999 £ |
|--|------------------|
| Amounts falling due within one year: | |
| Trade debtors | 626,413 |
| Amounts owed by other group undertakings | 317,708 |
| Other debtors | 40,444 |
| Prepayments and accrued income | 227,718 |
| Unbilled revenue | <u>4,053,006</u> |
| | <u>5,265,289</u> |

Notes to accounts (continued)

11 Creditors: Amounts falling due within one year

| | 1999 £ |
|------------------------------------|-----------|
| Bank overdrafts | 1,810,257 |
| Trade creditors | 91,234 |
| Amounts owed to associates | 150,000 |
| Amounts owed to group undertakings | 1,218,210 |
| Amounts owed to directors | 1,066,689 |
| UK corporation tax | 145,285 |
| Other taxation and social security | 533,599 |
| Other creditors | 262,839 |
| Accruals and deferred income | 514,144 |
| | <hr/> |
| | 5,792,257 |

The overdraft is guaranteed by the company's parent, The Kroll O'Gara Company.

12 Creditors: Amounts falling due after more than one year

| | 1999 £ |
|---------------------------|-----------|
| Amounts owed to directors | 432,798 |
| | <hr/> |

Notes to accounts (continued)

13 Provisions for liabilities and charges

Deferred taxation

1999
£

| | |
|--------------------------------|---------|
| Accelerated capital allowances | 111,829 |
|--------------------------------|---------|

There is no unprovided deferred tax liability at period end.

The movement in deferred taxation comprises:

1999
£

| | |
|------------------------------------|---------|
| Beginning of period | - |
| Charged to profit and loss account | 86,978 |
| Pre-acquisition amount transferred | 24,851 |
| End of period | 111,829 |

14 Called-up share capital

1999
£

Authorised

| | |
|---|-------|
| 2 ordinary shares of £1 each | 2 |
| 12,500,000 A class shares of 0.01p each | 1,250 |
| | 1,252 |

Allotted, called-up and fully-paid

| | |
|---|-------|
| 2 ordinary shares of £1 each | 2 |
| 12,500,000 A class shares of 0.01p each | 1,250 |
| | 1,252 |

During the year the company allocated 2 ordinary shares with a nominal value of £2 in connection with the company's incorporation. In addition, in connection with the acquisition of the assets and liabilities of the Buchler Phillips partnership, the company issued 12,500,000 A class shares with a nominal value of £1,250 and at a premium of £123,228.

Notes to accounts (continued)

15 Reserves

| | Share premium reserve £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|--|----------------------------------|-----------------------------|---------------------------------|----------------|
| Balance at the beginning of the period | - | - | - | - |
| Share issues | 123,228 | - | - | 123,228 |
| Revaluation of associates | - | 14,329 | - | 14,329 |
| Retained profit for the period | - | - | 99,602 | 99,602 |
| Balance at the end of the period | <u>123,228</u> | <u>14,329</u> | <u>99,602</u> | <u>237,159</u> |

16 Reconciliation of movements in shareholders' funds

| | 1999 £ |
|-------------------------------------|----------------|
| Share issues | 1,252 |
| Share premium from share issue | 123,228 |
| Revaluation of associates | 14,329 |
| Retained profit for the period | 99,602 |
| Net addition to shareholders' funds | <u>238,411</u> |
| Opening shareholders' funds | <u>-</u> |
| Closing shareholders' funds | <u>238,411</u> |

17 Other financial commitments

Lease commitments

Annual commitments under non cancellable operating leases are as follows:

| | 1999 | |
|------------------------------|----------------------------|---|
| | Land and buildings £ | Motor vehicles and equipment £ |
| Expiry date | | |
| - within one year | 42,500 | 38,984 |
| - between two and five years | 278,125 | 98,585 |
| - beyond five years | 125,987 | - |
| | <u>446,612</u> | <u>137,569</u> |

18 Formation of the company

a) Initial activities

The company was incorporated on 20 May 1999 as Retrodata, an unlimited company. The name of the company was changed on 8 June 1999 to Buchler Phillips Limited, when it attained limited liability status. There was a further change of name on 1 February 2000 to Kroll Buchler Phillips Limited.

b) Acquisition of business undertaking and related assets and liabilities

The company's trading activities commenced on 3 June 1999 following the acquisition of the assets and liabilities of Buchler Phillips, a partnership trading as an insolvency and corporate recovery practice. There was no significant difference between the fair values of the assets and liabilities acquired by the company and the carrying values transferred from the partnership.

19 Ultimate parent company

The largest and smallest groups in which the results of the company are consolidated are The Kroll-O'Gara Company and Kroll Holdings Inc, the ultimate and intermediate holding companies respectively, both of which are incorporated in the USA and registered in Delaware. The accounts of The Kroll-O'Gara Company are available to the public at 9113 Le Saint Drive, Fairfield, Ohio 45014, USA. The accounts of Kroll Holdings Inc are not available to the public.

The immediate parent company is Kroll O'Gara UK Limited, a company incorporated in the United Kingdom.

The company has taken advantage of the exemptions laid out in Financial Reporting Standard 8 and has hence not presented and disclosed details of transactions with other companies belonging to the group headed by the Kroll-O'Gara Company.