

First Security (Guards) Limited

(Registered in England and Wales – number 2053619)

Directors' report and financial statements

For the period ended 31 December 2004



Contents

Contents	1
Directors' report	2-3
Independent auditors' report to the shareholders	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-13

Directors' Report

The Directors present their report and the financial statements of the Company for the nine-month period ended 31 December 2004.

Principal activity

The principal activity of the Company during the period continued to be that of the provision of security personnel into the retail, transport and leisure markets.

Results and dividends

The Directors do not recommended a dividend. A dividend of £1,800,000 was paid in respect of the year ended 31 March 2004. The profit for the period after taxation of £852,000 is transferred to reserves (*year to 31 March 2004: £80,000, after dividends, transferred to reserves*)

Directors and their interests

The Directors who served during the year were as follows:

J S Levine

G Swaby

D J Mundell

J R Foley

S R Shipley

Appointed 14 October 2004

Appointed 14 October 2004

None of the Directors had an interest in the share capital of the Company. The interests in the share capital of group undertakings of J R Foley and S R Shipley who are also directors of the Company's ultimate parent undertaking, MacLellan Group plc, are shown in the Annual Report of that Company. The interests of the other Directors in office at the period end in the share capital of MacLellan Group plc are as follows:

	At 31 December 2004	At 31 March 2004 or later date of appointment
J S Levine	-	-
G Swaby	-	-
D J Mundell	-	-

Employees

The Company gives full consideration to applications for employment made by persons with reduced mobility, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event that an employee becomes disabled, every effort is made to ensure their continued employment and to arrange appropriate training. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as practicable, be identical to that of a person who does not suffer from a disability. The Company has continued its policy of regularly consulting and communicating with its employees through newsletters, briefing meetings and announcements on notice boards.

Directors' Report (continued)

Directors and their interests (continued)

Directors' responsibilities

Company law requires that the Directors prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the Directors are required to state whether applicable accounting standards have been followed, to select suitable accounting policies and then apply them on a consistent basis, making judgments and estimates that are prudent and reasonable. The Directors must also 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. The Directors 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.

Auditors

On 1 December 2004 Ernst & Young resigned as auditors to the Company. PricewaterhouseCoopers LLP were appointed as auditors to fill the casual vacancy. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and the resolution concerning their re-appointment as auditors will be proposed at the Annual General Meeting.

By order of the Board


G Swaby
Director

Enterprise House
Castle Street
Worcester
WR1 3AD

22 March 2005

Independent auditors' report to the members of

First Security (Guards)Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom accounting standards are set out in the statement of Directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements

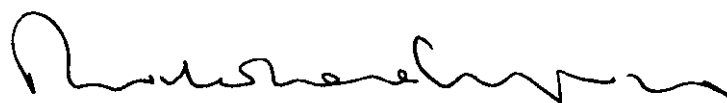
Basis of opinion

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 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 affairs of the Company at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands

22 March 2005

Profit and loss account for the period ended 31 December 2004

	Note	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
TURNOVER	2	35,568	44,367
Cost of sales		<u>(30,536)</u>	<u>(37,216)</u>
GROSS PROFIT		5,032	7,151
Administrative expenses		<u>(3,794)</u>	<u>(4,514)</u>
OPERATING PROFIT	3	1,238	2,637
Interest receivable	6	15	111
Interest payable	7	(7)	(10)
		<u>8</u>	<u>101</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,246	2,738
Tax on profit on ordinary activities	8	<u>(394)</u>	<u>(858)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		852	1,880
Dividends:			
Ordinary dividends on equity shares	9	-	1,800
PROFIT RETAINED FOR THE FINANCIAL PERIOD		<u>852</u>	<u>80</u>

All of the activities of the company are classed as continuing.

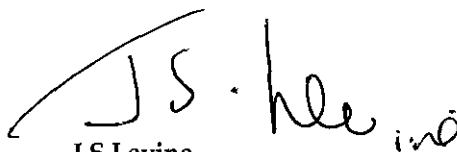
The above results are stated on an historical cost basis.

There were no recognised gains or losses other than the profit for the period above and therefore no separate statement of recognised gains and losses has been presented.

Balance Sheet as at 31 December 2004

	Note	31 December 2004 £'000	31 March 2004 £'000
FIXED ASSETS			
Tangible assets	10	<u>350</u>	<u>414</u>
		350	414
CURRENT ASSETS			
Debtors	11	6,854	5,636
Cash at bank and in hand		<u>1,741</u>	<u>6,654</u>
		8,595	12,290
CREDITORS – amounts falling due within one year	12	<u>(6,431)</u>	<u>(11,026)</u>
NET CURRENT ASSETS		<u>2,164</u>	<u>1,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,514	1,678
CREDITORS – amounts falling due after more than one year	13	(21)	(37)
		<u>2,493</u>	<u>1,641</u>
CAPITAL AND RESERVES			
Called up share capital	18	50	50
Profit and loss account	19	<u>2,443</u>	<u>1,591</u>
SHAREHOLDERS' FUNDS	19	<u>2,493</u>	<u>1,641</u>

These financial statements on pages 5 to 13 were approved by the Directors on 22 March 2005 and are signed on their behalf:


J S Levine
Director

Notes to the financial statements for the period ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The Company is exempt from the requirements of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of MacLellan Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold property and improvements	life of the lease
Fixtures, fittings and computer equipment	5 – 10 years
Motor vehicles	4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred.

Deferred tax assets are recognised only to the extent that the Directors consider that is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The Company makes contributions to the personal pension schemes of certain directors and employees. Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the schemes.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one activity, the provision of manned guarding services, and all arose in the United Kingdom.

3. OPERATING PROFIT

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
This is stated after charging:		
Auditors' remuneration - audit services	16	16
- non-audit services	-	50
Depreciation of owned fixed assets	134	122
Depreciation of assets held under finance leases and hire purchase contracts	23	31
Loss on disposal of fixed assets	-	40
Operating lease rentals – land and buildings	159	203
Exceptional costs of meeting contract and other security industry obligations		
- in cost of sales	570	-
- in administrative expenses	230	-
	<hr/>	<hr/>

4. PARTICULARS OF EMPLOYEES

The monthly average number of employees during the period was:

	Nine months ended 31 December 2004 No.	Year ended 31 March 2004 No.
Security	1,741	1,713
Sales and administration	57	59
	<hr/> 1,798	<hr/> 1,772

The aggregate payroll costs of the above were:

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Wages and salaries	30,995	35,986
Social security costs	2,463	2,836
Other pension costs	57	28
	<hr/> 33,515	<hr/> 38,850

Notes to the financial statements (continued)

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Emoluments	<u>250</u>	<u>309</u>
Value of company pension contributions to money purchase schemes	<u>15</u>	<u>19</u>

Contributions are made to a money purchase scheme in respect of 3 Directors (31 March 2004: 3)

The amounts in respect of the highest paid director were as follows:

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Emoluments	<u>104</u>	<u>125</u>
Value of company pension contributions to money purchase schemes	<u>9</u>	<u>11</u>

6. INTEREST RECEIVABLE

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Bank interest receivable	15	23
Other interest receivable	-	88
	<u>15</u>	<u>111</u>

7. INTEREST PAYABLE

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Finance charges payable under finance leases and hire purchase contracts	7	10
Other	-	-
	<u>7</u>	<u>10</u>

Notes to the financial statements (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

The tax charge for the period is made up as follows:

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Current tax :		
UK corporation tax at 30% (March 2004: 30%)		
- charge on the results for the period	461	869
- adjustment in respect of prior period	10	(7)
- group relief payable	86	-
Tax on profit on ordinary activities	<u>557</u>	<u>862</u>
Deferred taxation:		
Origination and reversal of timing differences	(163)	(4)
Tax on profit on ordinary activities	<u>394</u>	<u>858</u>

Factors affecting the tax charge

The differences are reconciled below:

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Profit on ordinary activities before tax	<u>1,246</u>	<u>2,738</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (31 March 2004: 30%)	374	821
Expenditure not deducted for tax purposes	10	45
Accelerated capital allowances	9	(5)
Tax under / (over) provided in previous years	10	(7)
Other short term timing differences	154	8
Total current tax	<u>557</u>	<u>862</u>

Deferred tax

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Accelerated capital allowances	29	20
Other timing differences	154	-
Deferred taxation asset	<u>183</u>	<u>20</u>
At 1 April 2004	20	16
Profit and loss account movement arising during the period	163	4
At 31 December 2004	<u>183</u>	<u>20</u>

Notes to the financial statements (continued)

9. DIVIDENDS

	Nine months ended 31 December 2004 £'000	Year ended 31 March 2004 £'000
Equity dividends on ordinary shares:		
Final dividend proposed	-	1,800

10. TANGIBLE FIXED ASSETS

	Leasehold property and improvements £'000	Fixtures, fittings & computer equipment £'000	Motor vehicles £'000	Total £'000
COST				
At 1 April 2004	59	594	128	781
Additions	-	110	-	110
Disposals and adjustments	-	(13)	(33)	(46)
At 31 December 2004	59	691	95	845
DEPRECIATION				
At 1 April 2004	29	249	89	367
Charge for the period	4	132	21	157
Disposals and adjustments	-	13	(42)	(29)
At 31 December 2004	33	394	68	495
NET BOOK VALUE				
At 31 December 2004	26	297	27	350
At 1 April 2004	30	345	39	414

The net book value of assets above includes an amount of £50,000 (31 March 2004 £122,000) in respect of assets held under finance leases and hire purchase contracts.

11. DEBTORS

	31 December 2004 £'000	31 March 2004 £'000
Trade debtors	5,016	4,614
Other debtors	23	11
Prepayments and accrued income	512	991
Amounts due from other group companies	1,120	-
Deferred Tax (Note 8)	183	20
	6,854	5,636

Notes to the financial statements (continued)

12. CREDITORS: Amounts falling due within one year

	31 December	31 March
	2004	2004
	£'000	£'000
Obligations under finance leases and hire purchase contracts (<i>note 14</i>)	20	46
Trade creditors	270	280
Amounts owed to group undertakings	-	3,501
Corporation Tax	1,225	644
Other taxation and social security	2,245	2,671
Other creditors	4	1,063
Accruals and deferred income	2,667	1,021
Proposed dividend	-	1,800
	<u>6,431</u>	<u>11,026</u>

13. CREDITORS: Amounts falling due after more than one year

	31 December	31 March
	2004	2004
	£'000	£'000
Obligations under finance leases and hire purchase contracts (<i>note 14</i>)	<u>21</u>	<u>37</u>

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE

The maturity of these amounts is as follows:

	31 December	31 March
	2004	2004
	£'000	£'000
Amounts payable within 1 year	26	53
Amounts payable between 2 to 5 years	24	42
	<u>50</u>	<u>95</u>
Less: finance charges allocated to future periods	(9)	(12)
	<u>41</u>	<u>83</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (<i>note 12</i>)	20	46
Non-current obligations (<i>note 13</i>)	21	37
	<u>41</u>	<u>83</u>

15. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	31 December 2004		31 March 2004
	Land and	Other	Land and
	Buildings		Buildings
	£'000	£'000	£'000
Operating leases which expire			
- In two to five years	113	19	108
- In over five years	99	56	99
	<u>212</u>	<u>75</u>	<u>207</u>
			<u>44</u>

Notes to the financial statements (continued)

16. CONTINGENT LIABILITIES

The Company has provided cross-guarantees in respect of bank overdrafts and other liabilities for group companies amounting in aggregate to £14,330,000.

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under Financial Reporting Standard 8 and not disclosed transactions with group undertakings.

18. SHARE CAPITAL

	Authorised	
	31 December	31 March
	2004	2004
	£'000	£'000
200 'A' Deferred Shares shares of £0.50 each	-	-
99,800 'B' Deferred Shares shares of £0.50 each	50	50
200 Ordinary Shares shares of £0.01 each	-	-
	<u>50</u>	<u>50</u>

	Allotted, called up and fully paid	
	31 December	31 March
	2004	2004
	No.	No.
	£'000	£'000
'A' Deferred Shares shares of £0.50 each	200	200
'B' Deferred Shares shares of £0.50 each	99,800	99,800
Ordinary Shares shares of £0.01 each	200	200
	<u>50</u>	<u>50</u>

The 'A' and 'B' deferred shares do not rank for dividends and carry no voting rights.

On liquidation of the Company, the holders of the deferred shares are not entitled to participate in a return of capital until the holders of the ordinary shares have received the sum of £1 million in respect of each share held and then only to the extent of £2 per share.

19. RECONCILIATION OF SHAREHOLDERS' FUNDS MOVEMENTS ON RESERVES

	Share capital	Profit and	Total share-
	£'000	loss account	holders' funds
	£'000	£'000	£'000
At 1 April 2004	50	1,591	1,641
Profit for the period	-	852	852
Dividends	-	-	-
At 31 December 2004	<u>50</u>	<u>2,443</u>	<u>2,493</u>

20. ULTIMATE PARENT COMPANY

The Company's ultimate parent undertaking and controlling party is MacLellan Group plc, a company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of MacLellan Group plc are available to the public and may be obtained from Enterprise House, Castle Street, Worcester WR1 3AD. No other group financial statements include the results of the Company.