

(Registered in England and Wales – number 2053619)

Year ended 31 December 2005



**Directors' report and financial statements
for the year ended 31 December 2005**

Page 1

Contents

Contents	1
Directors' report	2 - 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movement in shareholders' funds	7
Notes to the financial statements	8 - 15

Directors' report for the year ended 31 December 2005 (continued)

Page 2

The Directors present their report and the financial statements of the Company for the year ended 31 December 2005.

Principal activity

The principal activity of the Company during the year continued to be that of the provision of a range of security manpower and associated support services.

Results and dividends

On turnover of £47,639,000 (*nine months to 31 December 2004: £35,568,000*) the Company's profit on ordinary activities before taxation was £3,193,000 (*2004: £1,246,000*). The profit after taxation was £2,159,000 (*2004: £852,000*).

An interim dividend of £900,000 (*2004: £nil*) was declared and paid during the year; the Directors recommend a final dividend of £350,000 (*2004: £nil*) which, in accordance with FRS 21, will be debited to the profit and loss account when approved at the Annual General Meeting of the Company. The profit retained for the financial year of £1,259,000 (*2004: £852,000*) has been 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

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. None of the other directors held any interests in the share capital of MacLellan Group plc.

Creditor payment policy

The Company does not follow any code or standard on payment practice. It agrees appropriate terms and conditions for its transactions with each supplier; these range from standard written terms to individually negotiated contracts. Payments to suppliers should be made in accordance with those terms and conditions, provided that the supplier has met its obligations under those terms and conditions. Trade creditors at 31 December 2005 represented 26 days of purchases (*2004: 29 days*).

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
for the year ended 31 December 2005 (continued)**

Page 3

Statement of 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:

- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk and liquidity risk. The directors actively manage these by monitoring levels of risk and the related costs.

The company has implemented credit control policies including carrying out appropriate credit checks on potential customers before sales are made and reviewing collection periods.

The company utilises group finance that is designed to ensure the company has sufficient available funds for its operations and its required level of working capital.

Auditors

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

15 March 2006

Independent auditors' report to the shareholders of First Security (Guards) Limited

Page 4

We have audited the financial statements of First Security (Guards) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' Report 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
East Midlands

15 March 2006

Profit and loss account for the year ended 31 December 2005

Page 5

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
<i>Turnover (note 2)</i>	47,639	35,568
Cost of sales	<u>(39,414)</u>	<u>(30,536)</u>
<i>Gross profit</i>	8,225	5,032
Administrative expenses	<u>(4,985)</u>	<u>(3,794)</u>
<i>Operating profit (note 3)</i>	3,240	1,238
Interest receivable (note 6)	15	15
Interest payable (note 7)	<u>(62)</u>	<u>(7)</u>
	<u>(47)</u>	<u>8</u>
<i>Profit on ordinary activities before taxation</i>	3,193	1,246
Tax on profit on ordinary activities (note 8)	<u>(1,034)</u>	<u>(394)</u>
<i>Profit on ordinary activities after taxation</i>	2,159	852
Dividends:		
Ordinary dividends on equity shares (note 9)	<u>(900)</u>	<u>-</u>
<i>Profit retained for the financial year</i>	<u>1,259</u>	<u>852</u>

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

The above results are stated on an historical cost basis.

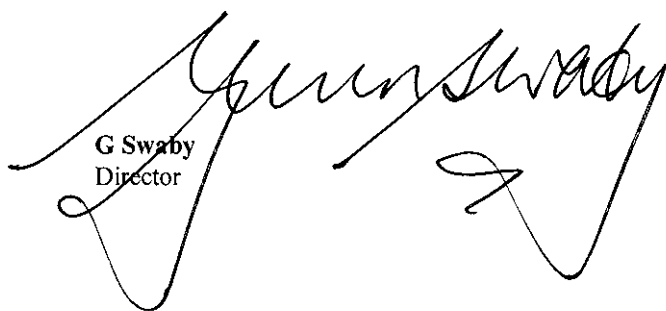
There were no recognised gains or losses other than the profit for the period above and therefore no separate statement of recognised gains and losses has been presented.

Balance sheet as at 31 December 2005

Page 6

	31 December 2005 £'000	31 December 2004 £'000
Fixed assets		
Tangible assets (note 10)	373	350
Current assets		
Debtors (note 11)	10,701	6,854
Cash at bank and in hand	1,575	1,741
	12,276	8,595
Creditors – amounts falling due within one year (note 12)	(8,889)	(6,431)
Net current assets	3,387	2,164
Total assets less current liabilities	3,760	2,514
Creditors – amounts falling due after more than one year (note 13)	(8)	(21)
	3,752	2,493
Capital and reserves		
Called up share capital (note 18)	50	50
Profit and loss account (note 19)	3,702	2,443
Equity shareholders' funds	3,752	2,493

The financial statements on pages 5 to 15 were approved by the Board on 15 March 2006 and signed on its behalf by:


G Swaby
Director

**Reconciliation of movement in shareholders' funds
for the year ended 31 December 2005**

Page 7

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Profit for the year	1,259	852
Net increase in shareholders' funds	1,259	852
Opening shareholders' funds	2,493	1,641
Closing shareholders' funds	<u>3,752</u>	<u>2,493</u>

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.

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

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
This is stated after charging:		
Auditors' remuneration - audit services	30	16
- non-audit services	-	-
Depreciation of owned fixed assets	72	134
Depreciation of assets held under finance leases and hire purchase contracts	15	23
Profit on disposal of fixed assets	2	-
Operating lease rentals – land and buildings	212	159
Exceptional costs of meeting contract and other security industry obligations		
- in cost of sales	-	570
- in administrative expenses	-	230

4. Particulars of employees

The monthly average number of employees during the period was:

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Security	1,691	1,741
Sales and administration	59	57
	<u>1,750</u>	<u>1,798</u>

The aggregate payroll costs of the above were:

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Wages and salaries	38,211	30,995
Social security costs	3,042	2,463
Other pension costs	38	57
	<u>41,291</u>	<u>33,515</u>

**Notes to the financial statements
for year ended 31 December 2005 (continued)**

Page 10

5. Directors' emoluments

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

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Emoluments	403	250
Value of company pension contributions to money purchase schemes	19	15

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

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

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Emoluments	168	104
Value of company pension contributions to money purchase schemes	12	9

6 Interest receivable

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Bank interest receivable	3	15
Other interest receivable	12	-
	15	15

7 Interest payable

	<i>Year ended 31 December 2005 £'000</i>	<i>Nine months ended 31 December 2004 £'000</i>
Finance charges payable under finance leases and hire purchase contracts	3	7
Bank interest payable	59	-
	62	7

8 Tax on profit on ordinary activities

Analysis of the tax charge

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

	Year ended 31 December 2005 £'000	Nine months ended 31 December 2004 £'000
Current tax:		
UK corporation tax at 30% (2004: 30%)		
- charge on the results for the period	996	461
- adjustment in respect of prior period	(98)	10
- group relief payable	-	86
Tax on profit on ordinary activities	898	557
Deferred taxation:		
- origination and reversal of timing differences	21	(163)
- adjustment in respect of prior period	115	-
	136	(163)
Tax on profit on ordinary activities	1,034	394

Factors affecting the tax charge

The differences are reconciled below:

	Year ended 31 December 2005 £'000	Nine months ended 31 December 2004 £'000
Profit on ordinary activities before tax	3,193	1,246
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	958	374
Expenditure not deducted for tax purposes	29	10
Accelerated capital allowances	(17)	9
Tax (over) / under provided in previous years	(98)	10
Other short term timing differences	26	154
Total current tax	898	557

8 Tax on profit on ordinary activities (continued)

Deferred tax

	Year ended 31 December 2005 £'000	Nine months ended 31 December 2004 £'000
Accelerated capital allowances	12	29
Other timing differences	35	154
Deferred taxation asset	47	183
At 1 January 2005	183	20
Profit and loss account	(136)	163
At 31 December 2005	47	183

9 Dividends

	Year ended 31 December 2005 £'000	Nine months ended 31 December 2004 £'000
Equity dividends on ordinary shares:		
Interim dividend paid	900	-

10 Tangible fixed assets

	Leasehold property and improvements £'000	Fixtures, fittings & computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	59	691	95	845
Additions	-	94	16	110
Disposals and adjustments	-	-	(46)	(46)
At 31 December 2005	59	785	65	909
Depreciation				
At 1 January 2005	33	394	68	495
Charge for the period	5	69	13	87
Disposals and adjustments	-	-	(46)	(46)
At 31 December 2005	38	463	35	536
Net book value				
At 31 December 2005	21	322	30	373
At 31 December 2004	26	297	27	350

The net book value of assets above includes an amount of £40,000 (31 December 2004 £122,000) in respect of assets held under finance leases and hire purchase contracts.

**Notes to the financial statements
for year ended 31 December 2005 (continued)**

Page 13

11 Debtors

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	6,350	5,016
Other debtors	16	23
Prepayments and accrued income	497	512
Amounts due from other group companies	3,791	1,120
Deferred Tax (note 8)	47	183
	<u>10,701</u>	<u>6,854</u>

12 Creditors – amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Bank overdraft	2,026	-
Obligations under finance leases and hire purchase contracts (note 14)	16	20
Trade creditors	313	270
Amounts owed to group undertakings	51	-
Corporation Tax	625	1,225
Other taxation and social security	2,781	2,245
Other creditors	3	4
Accruals and deferred income	3,073	2,667
	<u>8,889</u>	<u>6,431</u>

13 Creditors – amounts falling due after more than one year

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Obligations under finance leases and hire purchase contracts (note 14)	<u>8</u>	<u>21</u>

14 Obligations under finance leases and hire purchase

The maturity of these amounts is as follows:

	<i>31 December</i>	<i>31 December</i>
	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Amounts payable within 1 year	17	26
Amounts payable between 2 to 5 years	8	24
	<u>25</u>	<u>50</u>
Less: finance charges allocated to future periods	(1)	(9)
	<u>24</u>	<u>41</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	16	20
Non-current obligations (note 13)	8	21
	<u>24</u>	<u>41</u>

15 Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	31 December 2005		31 December 2004	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
- Within one year	113	5	-	-
- In two to five years	-	36	113	19
- In over five years	99	-	99	56
	<u>212</u>	<u>41</u>	<u>212</u>	<u>75</u>

16. Contingent liabilities

The Company has provided cross-guarantees in respect of bank overdrafts and other liabilities for group companies amounting in aggregate to £10,906,000.

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 2005	31 December 2004
	£'000	£'000
200 'A' Deferred Shares of £0.50 each	-	-
99,800 'B' Deferred Shares of £0.50 each	50	50
200 Ordinary Shares of £0.01 each	-	-
	<u>50</u>	<u>50</u>

	Allotted, called up and fully paid			
	31 December 2005		31 December 2004	
	No.	£'000	No.	£'000
'A' Deferred Shares of £0.50 each	200	-	200	-
'B' Deferred Shares of £0.50 each	99,800	50	99,800	50
Ordinary 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. Profit and loss account

	£'000
At 1 January 2005	2,443
Profit for the year	1,259
At 31 December 2005	<u>3,702</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.