

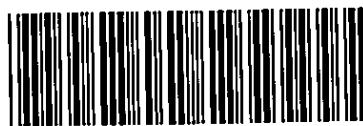
Company Registration No. 2053619

First Security (Guards) Limited

Report and Financial Statements

31 December 2008

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First Security (Guards) Limited

Report and financial statements 2008

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First Security (Guards) Limited

Report and financial statements 2008

Officers and professional advisers

Directors

M J Crump
B Spencer
G M Cornwell
R Phillips

Secretary

Andrew Tollinton

Registered office

Capital Tower
91 Waterloo Road
London
SE1 8RT

Bankers

Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB

Solicitors

Lawrence Graham
190 Strand
London
WC2R 1DN

Auditors

Deloitte LLP
Chartered Accountants
London

First Security (Guards) Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year end 31 December 2008.

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 £52.695m (2007: £52.703m) the Company's loss on ordinary activities before taxation was £0.544m (2007: profit £3.047m). The loss after taxation was £0.409m (2007: profit £2.070m).

An interim and final dividend of £800,000 (2007: £2,000,000) was declared and paid during the year.

Interserve plc, the ultimate parent company, manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for the understanding of the development, performance or position of the business. The performance of the Specialist Services Division of Interserve plc, which includes the company, is discussed in the group's Annual report which does not form part of this report.

None of the directors in office at the end of the year held any interests in the ordinary share capital of the company.

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 2008 represented 20 days of purchases (2007: 37 days).

First Security (Guards) Limited

Directors' report

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.

Donations

There were no charitable or political donations in the year (2007: £nil).

Principal risks and uncertainties

Finance and foreign exchange risk

The Company is financed by interest free loans and / or interest bearing loans from Group undertakings and a Bank Overdraft that is subject to a Group set-off facility. In addition, the ultimate Parent Company manages both interest rate and exchange rate risk through the Group Treasury Department, using various methods including swaps and hedges and these are disclosed in the Group Accounts.

Credit risk

The Company operates a credit control policy and Clients are generally allowed 30 day terms, subject to reviews. Aged debtors are reviewed regularly and the Company policy is to provide for any specific bad debts based on credit reviews and market information.

Liquidity risk

In order to ensure the Company has sufficient funds for its ongoing operations and future activities, the Company uses a combination of Overdrafts and Group Loans. The financing and liquidity of the Company is managed in conjunction with the Group Treasury function.

The Directors are satisfied that given the nature of this Company there are no other significant risks and uncertainties to consider.

Group risks are discussed in the Group's Annual Report which does not form part of these financial statements.

First Security (Guards) Limited

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

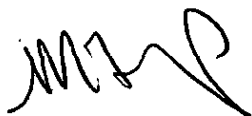
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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 changed its name to Deloitte LLP on 1 December 2008.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



M J Crump
Director

26 MAY 2009

First Security (Guards) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 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 First Security (Guards) Limited

We have audited the financial statements of First Security (Guards) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds and the related notes 1 to 18. 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.

**Independent auditors' report to the members of
First Security (Guards) 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 2008 and of its results for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements



Deloitte LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

26 May 2009

First Security (Guards) Limited

Profit and loss account

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	52,695	52,703
Cost of sales		(49,563)	(46,164)
Gross profit		3,132	6,539
Administrative expenses		(3,626)	(3,492)
Operating (loss)/profit	3	(494)	3,047
Interest receivable and similar income	6	104	-
Interest payable and similar charges	7	(154)	-
		(50)	-
(Loss)/profit on ordinary activities before taxation		(544)	3,047
Tax on (loss)/profit on ordinary activities	8	135	(977)
(Loss)/profit on ordinary activities after taxation		(409)	2,070

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.

First Security (Guards) Limited

Balance sheet

31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	10	<u>335</u>	<u>371</u>
Current assets			
Debtors	11	14,275	12,533
Cash at bank and in hand		<u>1,148</u>	<u>2,427</u>
		15,423	14,960
Creditors: amounts falling due within one year	12	<u>(10,917)</u>	<u>(9,281)</u>
Net current assets		<u>4,506</u>	<u>5,679</u>
Total assets less current liabilities		<u>4,841</u>	<u>6,050</u>
Net Assets		<u><u>4,841</u></u>	<u><u>6,050</u></u>
Capital and reserves			
Called up share capital	16	50	50
Profit and loss account	17	<u>4,791</u>	<u>6,000</u>
Shareholders' funds		<u><u>4,841</u></u>	<u><u>6,050</u></u>

These financial statements were approved by the Board of Directors on 26 MAY 2009.

Signed on behalf of the Board of Directors



M J Crump

Director

First Security (Guards) Limited

Reconciliation of movements in shareholders funds Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
(Loss)/profit retained for the year		(409)	2,070
Dividends: Ordinary dividends on equity shares	9	(800)	(2,000)
Net increase in shareholders' funds		(1,209)	70
Opening shareholders' funds		6,050	5,980
Closing shareholders' funds		4,841	6,050

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

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.

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 Interserve Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

Basis of Preparation

The financial statements are prepared under the historical cost convention.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 2-3.

The company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Fixed assets

All fixed assets are recorded at cost.

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.

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	4 - 10 years
Motor vehicles	4 years

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

1 Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

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.

Share based payments

The ultimate parent, Interserve Plc, issues equity-settled share-based payments to certain employees of the Group. The fair value determined at the grant date is expensed by the Group on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model (Black Scholes or stochastic depending on the characteristics of the individual grants). Further details can be found in note 32 of the 2008 Interserve plc consolidated financial statements. Interserve plc recharges to the company the fair value of grants made to employees of the company. The company has applied the accounting requirements of FRS 20 'Share-based payment'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were not fully vested as of January 2006.

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

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

	2008 £'000	2007 £'000
This is stated after charging:		
Fees payable to the company's auditors;		
- audit of the company's annual accounts	23	23
- non-audit services		-
Depreciation of owned fixed assets	118	116
Depreciation of assets held under finance leases and hire purchase contracts	-	-
(Loss)/Profit on disposal of fixed assets	-	(3)
Operating lease rentals - land and buildings	277	181
Operating lease rentals - Other	116	-
	<u>116</u>	<u>-</u>

4. Particulars of employees

The monthly average number of employees during the period was:

	2008 No.	2007 No.
Security	1,792	1,786
Sales and administration	51	57
	<u>1,843</u>	<u>1,843</u>

The aggregate payroll costs of the above were:

	£'000	£'000
Wages and salaries	44,716	43,353
Social security costs	4,074	3,345
Other pension costs	46	43
	<u>48,836</u>	<u>46,741</u>

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

5. Directors' emoluments

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

	2008 £'000	2007 £'000
Emoluments	101	476
Value of Company pension contributions to money purchase schemes	5	26

Contributions are made to a money purchase scheme in respect of one Director (2007: 4)

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

	2008 £'000	2007 £'000
Emoluments	101	195
Value of Company pension contributions to money purchase schemes	5	15

6. Interest receivable and similar income

	2008 £'000	2007 £'000
Interest receivable from other group subsidiaries	104	-
	104	-

7. Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable to other group subsidiaries	154	-
	154	-

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

8. Tax on profit on ordinary activities

Analysis of the tax charge

The tax (credit)/charge for the year is made up as follows:

	2008 £'000	2007 £'000
Current tax:		
United Kingdom corporation tax at 28% (2007: 30%)		
- charge on the results for the period	(105)	946
- adjustment in respect of prior period	(50)	31
- group relief payable		
Tax on profit on ordinary activities	(155)	977
Deferred taxation:		
- origination and reversal of timing differences	20	-
- adjustment in respect of prior period		-
	20	-
Tax on profit on ordinary activities	(135)	977
Factors affecting the tax charge:		
The differences are reconciled below:		
(Loss)/profit on ordinary activities before tax	(544)	3,047
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(152)	959
Expenditure not deducted for tax purposes	54	-
Accelerated capital allowances	(1)	-
Tax (over)/under provided in previous years	(50)	31
Other short term timing differences	(6)	(13)
Total current tax	(155)	977
Deferred tax		
Accelerated capital allowances	33	53
Other timing differences	-	-
Deferred taxation asset	33	53
At 1 January 2008	53	53
Profit and loss account	(20)	-
At 31 December 2008	33	53

First Security (Guards) Limited

Notes to the accounts Year ended 31 December 2008

9. Dividends

	2008 £'000	2007 £'000
Equity dividends on ordinary shares:		
Dividend paid	800	2,000

10. Tangible fixed assets

	Leasehold property and improvements £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2008	59	974	75	1,108
Additions		107	0	107
Disposals and adjustments			(25)	(25)
At 31 December 2008	59	1,081	50	1,190
Accumulated depreciation				
At 1 January 2008	49	645	43	737
Charge for the year	5	109	4	118
Disposals and adjustments				
At 31 December 2008	54	754	47	855
Net book value				
At 31 December 2008	5	327	3	335
At 31 December 2007	10	329	32	371

11. Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade debtors	7,187	7,311
Other debtors	166	92
Prepayments and accrued income	1,712	949
Amounts due from other group companies	4,792	4,128
Corporation tax receivable	385	-
Deferred Tax (note 8)	33	53
	14,275	12,533

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

12. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	269	67
Amounts owed to group undertakings	4,011	418
Corporation Tax	-	656
Other taxation and social security	1,396	3,900
Other creditors	143	-
Accruals and deferred income	5,098	4,240
	<u>10,917</u>	<u>9,281</u>

13. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
- Within one year	111	22	-	-
- In two to five years	129	84	181	-
- In over five years	-	-	-	-
	<u>240</u>	<u>106</u>	<u>181</u>	<u>-</u>

14. Contingent liabilities

The Company has provided cross-guarantees in respect of bank overdrafts and other liabilities for group companies amounting in aggregate to £166,648,000 (2007: £163,000,000).

15. Related party transactions

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

First Security (Guards) Limited

Notes to the accounts

Year ended 31 December 2008

16. Called up share capital

	2008 £'000	2007 £'000
Authorised:		
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>
Called up, allotted and fully paid:		
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>

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.

17. Profit and loss account

	£'000
At 1 January 2008	6,000
Loss for the year	(1,209)
	<u>4,791</u>
At 31 December 2008	

18. Ultimate parent company

The Company's immediate parent is First Security Group Limited and its ultimate parent undertaking and controlling party, and the undertaking of the smallest and largest Group for which Group financial statements are prepared, is Interserve plc, a Company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of Interserve plc are available to the public and may be obtained from Capital Tower, 91 Waterloo Road, London SE1 8RT. No other group financial statements include the results of the Company.

The market price of Interserve Plc Shares at 31 December 2008 was 227.25p. The highest and lowest market prices of ordinary shares during the financial year were 518.50p and 173.25p respectively.