

Carlisle Facilities Services Limited

Report and financial statements for the year ended 31 March 2003

Registered No. 2654100



Carlisle Facilities Services Limited

Report and financial statements for the year ended 31 March 2003

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Company information

Registered office

St Florian House
Milton Road
Wokingham
Berkshire
RG40 1EN

Directors

R J Bradford
S Lawrie
I G Robinson

Company secretary

I G Robinson

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Report of the directors for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

Review of the business

The principal activity of the company is the provision of security services.

On 1 April 2002, as part of a group reorganisation, the company acquired the trade and assets of Guard Group Limited and Solo Security Services Limited, both subsidiary undertakings, at net book value.

Effective 31 March 2003, as part of a group reorganisation, the company acquired the trade and assets of Bourne Security Limited, a subsidiary undertaking, at net book value.

Both the level of business and year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

On 13 April 2003, the name of the company was changed from Capitol Security Services Limited to Carlisle Facilities Services Limited.

Results and dividends

The retained loss for the financial year amounted to £280,000 (2002: £4,028,000) which has been transferred from reserves. The directors do not recommend the payment of a dividend.

Directors

The following have served as directors during the year:

| | |
|-------------------|------------------------------|
| R J Bradford | (appointed 2 May 2002) |
| S Lawrie | (appointed 14 October 2002) |
| I G Robinson | (appointed 6 September 2002) |
| Southtown Limited | (resigned 28 February 2003) |
| P Elliot | (resigned 16 September 2002) |
| S Jones | (resigned 2 May 2002) |
| P J Ryan | (resigned 16 September 2002) |

During the year under review no director had any beneficial interest in the share capital of the company.

Under Statutory Instrument No. 802 made under the authority of Section 324(3) of the Companies Act 1985, the directors' interests in the share capital of the ultimate parent undertaking need not be disclosed.

Report of the directors for the year ended 31 March 2003 (continued)

Employee involvement

The nature of the company's activities makes the employment of disabled persons particularly difficult. However, it is the company's policy, wherever practicable, to employ, train, develop and promote disabled persons and to find suitable employment within the company for persons who become disabled during their employment.

It is the company's policy to encourage the free exchange of information throughout all levels of management and staff. Regular meetings are held, designed to further this process.

Policy on payments to suppliers

The company's policy with regard to the payment of its suppliers is to:

- agree the terms of payment at the start of business with that supplier;
- ensure that the suppliers are made aware of the terms of payment; and
- pay in accordance with its contractual and legal obligations.

The company's average creditor payment period at 31 March 2003 was 15 days.

Directors' responsibilities

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 at the end of the financial year and of the profit or loss for that year. 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;
- follow applicable accounting standards, 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the directors
for the year ended 31 March 2003 (continued)**

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. PricewaterhouseCoopers LLP continue in office as, in accordance with Section 386 of the Companies Act 1985, the company has made an elective resolution to dispense holding an annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'I G Robinson', written over a horizontal line.

I G Robinson
Director

30 September 2003

Independent auditors' report to the members of Carlisle Facilities Services Limited

We have audited the financial statements on pages 6 to 17, which comprise the profit and loss account, balance sheet and 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 law and 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 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 audit 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 the company's affairs at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

30 September 2003

**Profit and loss account
for the year ended 31 March 2003**

| | Notes | 2003 £'000 | 2002 £'000 |
|---|-------|---------------------|-----------------------|
| Turnover | | 24,174 | 28,572 |
| Cost of sales | | <u>(20,476)</u> | <u>(23,925)</u> |
| Gross profit | | 3,698 | 4,647 |
| Administrative expenses | | <u>(4,237)</u> | <u>(5,465)</u> |
| Reorganisation and restructuring costs | 2 | <u>-</u> | <u>(651)</u> |
| Operating loss | 3 | (539) | (1,469) |
| Gain on disposal of business | 6 | 90 | - |
| Dividends received from subsidiary undertakings | | 75 | 457 |
| Provision against investment in subsidiary undertakings | | - | (217) |
| Interest receivable and similar income | 7 | 5 | 7 |
| Interest payable and similar charges | | <u>(1)</u> | <u>(1)</u> |
| Loss on ordinary activities before taxation | | (370) | (1,223) |
| Tax on loss on ordinary activities | 8 | <u>90</u> | <u>243</u> |
| Loss on ordinary activities after taxation | | (280) | (980) |
| Equity dividends | 9 | - | (3,048) |
| Retained loss for the financial year | 17 | <u>(280)</u> | <u>(4,028)</u> |

All amounts relate to continuing activities.

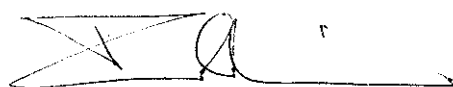
No statement of recognised gains and losses is required as there are no recognised gains or losses other than the results detailed above.

There is no difference between the results reported above and the equivalent results calculated on an unmodified historical cost basis.

**Balance sheet
as at 31 March 2003**

| | Notes | 2003 £'000 | 2002 £'000 |
|---|-------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 10 | 5,679 | 4,331 |
| Tangible assets | 11 | 213 | 300 |
| Investments | 12 | 2,365 | 3,184 |
| | | <u>8,257</u> | <u>7,815</u> |
| Current assets | | | |
| Debtors | 13 | 4,340 | 6,241 |
| Cash at bank and in hand | | 134 | 696 |
| | | <u>4,474</u> | <u>6,937</u> |
| Creditors: amounts falling due within one year | 14 | <u>(13,421)</u> | <u>(15,162)</u> |
| Net current liabilities | | <u>(8,947)</u> | <u>(8,225)</u> |
| Net liabilities | | <u>(690)</u> | <u>(410)</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 21 | 21 |
| Profit and loss account - (deficit) | 17 | <u>(711)</u> | <u>(431)</u> |
| Equity shareholders' deficit | 18 | <u>(690)</u> | <u>(410)</u> |

The financial statements on pages 6 to 17 were approved by the board of directors on 30 September 2003 and were signed on its behalf by:



I G Robinson
Director

**Notes to the financial statements
for the year ended 31 March 2003****1 Principal accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom, except for the requirements of legislation as explained in intangible fixed assets below, and on the basis of continuing financial support from group undertakings.

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included in the consolidated financial statements of Carlisle Facilities Group (UK) plc.

Intangible fixed assets

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is stated at cost less amortisation.

Goodwill is capitalised and treated as an asset on the balance sheet. Goodwill that is regarded as having a limited estimated useful economic life is amortised through the profit and loss account by equal instalments over such useful economic life. Goodwill that is regarded as having an indefinite life is not amortised. The estimated useful economic life is regarded as indefinite where goodwill is capable of continued measurement and the durability of the acquired business can be demonstrated. In estimating the useful economic life of goodwill arising, account has been taken of the nature of the business acquired, the stability of the industry, the extent of continuing barriers to market entry and the expected future impact of competition. Where goodwill is not amortised an annual impairment review will be performed and any impairment will be charged to the profit and loss account in the period in which it arises. The impairment review involves a comparison of the book value of goodwill with its implied fair market value, by reference to present value techniques, comprising discounted cash flows, based on future revenue and margin projections and plans, with the discount rate based on a risk weighted average cost of capital.

The businesses' recent record has generally been one of consistent growth in both turnover and operating profit. The underlying markets have generally seen consistent growth over many years and the nature of the services offered by each business is likely to continue for a significant number of years. The directors believe that each business has a proven ability to at least maintain its market position over a long period and will adapt successfully to any foreseeable technological or customer-led changes, such that the goodwill will prove to be durable.

Amortising the goodwill over a finite period, as required by the Companies Act, would not give a true and fair view because the durability of the business is such that the directors consider that the value of the goodwill will not reduce over time. Accordingly, the goodwill is not amortised as permitted by FRS 10. Instead an annual impairment test is undertaken and any impairment that is identified will be charged to the profit and loss account. It is not possible to quantify the effect of the departure from the Companies Act, because no finite life for the goodwill can be identified.

**Notes to the financial statements
for the year ended 31 March 2003 (continued)****Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided so as to write off the cost less the estimated residual value of each asset on a straight line basis over its estimated useful life, as follows:

| | |
|---------------------------------------|--------------------------------------|
| Leasehold properties and improvements | Over length of lease |
| Fixtures, fittings and equipment | 20 per cent to 33 per cent per annum |
| Motor vehicles | 25 per cent per annum |

Fixed asset investments

Fixed assets investments are stated at cost less any provision required for any impairment in value.

Operating leases

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

Deferred taxation

Deferred taxation is provided on all timing differences, subject to certain exceptions, where the transaction or events that give rise to an obligation to pay additional tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Deferred tax assets are recognised when it is considered more likely than not that they will be recovered in the future. Deferred tax is measured using rates of tax that have been enacted at the balance sheet date.

Turnover

Turnover comprises the invoiced value of services provided and goods supplied, net of value added tax.

Pension contributions

Contributions payable to defined contribution pension schemes and to employees' pension schemes are charged to the profit and loss account in the year to which they relate.

Cash flow statement

In accordance with FRS 1 (Revised) the company has not prepared a statement of cash flows for the current year as it was a wholly owned subsidiary of Carlisle Holdings Limited, who publishes consolidated financial statements which include a consolidated cash flow statement.

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

2 Reorganisation and restructuring costs

| | 2003 | 2002 |
|----------------------------|----------|------------|
| | £'000 | £'000 |
| Redundancy costs | - | 358 |
| Property costs | - | 221 |
| Abortive acquisition costs | - | 72 |
| | <u>-</u> | <u>651</u> |

3 Operating loss

| | 2003 | 2002 |
|---|-----------|-----------|
| | £'000 | £'000 |
| Operating loss profit is stated after charging: | | |
| Depreciation of tangible fixed assets | 169 | 245 |
| Operating lease rentals | | |
| - land and buildings | 273 | 387 |
| - plant and equipment | 318 | 491 |
| Auditors' remuneration | <u>50</u> | <u>48</u> |

4 Staff costs and numbers

Staff costs during the year were:

| | 2003 | 2002 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 19,394 | 23,276 |
| Social security costs | 1,618 | 1,918 |
| Other pension costs | 68 | 129 |
| | <u>21,080</u> | <u>25,323</u> |

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**
4 Staff costs and numbers (continued)

The average number of employees during the year was:

| | 2003 Number | 2002 Number |
|-------------------------------|----------------|----------------|
| Operational | 977 | 2,157 |
| Management and administration | 59 | 95 |
| | <u>1,036</u> | <u>2,252</u> |

5 Directors' emoluments

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Remuneration (including benefits in kind) | 176 | 274 |
| Compensation for loss of office | 63 | 45 |
| Pension contributions | 13 | 25 |
| | <u>252</u> | <u>344</u> |

The emoluments of the highest paid director (excluding compensation for loss of office) were £124,000 (2002: £78,000), plus pension contributions towards a defined contribution pension scheme of £9,000 (2002: £10,000).

The number of directors for whom contributions were made towards defined contribution pension schemes was 3 (2002: 4).

6 Gain on disposal of business

| | 2003 £'000 | 2002 £'000 |
|------------------------------|---------------|---------------|
| Gain on disposal of business | <u>90</u> | <u>-</u> |

In March 2003, the company disposed of certain business contracts for an aggregate cash consideration of £90,000, which resulted in a net gain on disposal of £90,000.

7 Interest receivable and similar income

| | 2003 £'000 | 2002 £'000 |
|---------------------------|---------------|---------------|
| Other interest receivable | <u>5</u> | <u>7</u> |

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

8 Tax on loss on ordinary activities

| | 2003 | 2002 |
|--|-------------|--------------|
| | £'000 | £'000 |
| Group relief receivable in respect of current year | (159) | (230) |
| Adjustment in respect of prior years | - | (663) |
| Group relief payable in respect of prior years | 69 | 650 |
| | <u>(90)</u> | <u>(243)</u> |

| | 2003 | 2002 |
|---|-------------|--------------|
| | £'000 | £'000 |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%) | (111) | (367) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 6 | 180 |
| Capital gains offset against losses | (27) | - |
| UK dividends received not subject to tax | (22) | (137) |
| Capital allowances for the year in excess of depreciation and other timing differences | (5) | 94 |
| Adjustment to tax charge in previous periods - net | 69 | (13) |
| | <u>(90)</u> | <u>(243)</u> |

9 Equity dividends

During the year ended 31 March 2002, the company paid interim dividends of £3,048,000.

10 Intangible fixed assets

| | Goodwill |
|--|--------------|
| | £'000 |
| Cost | |
| At 1 April 2002 | 4,331 |
| Transferred from fixed asset investments (note 12) | 674 |
| Additions | 674 |
| At 31 March 2003 | <u>5,679</u> |

Additions during the year arose on the transfer to the company of the trade and assets of Solo Security Services Limited, a subsidiary undertaking, at net book value.

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

11 Tangible fixed assets

| | Short leasehold land and buildings £'000 | Fixtures, fittings and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------|--|--|----------------------------|----------------|
| Cost | | | | |
| At 1 April 2002 | 52 | 613 | 10 | 675 |
| Additions at cost | - | 103 | - | 103 |
| Intercompany transfer | - | 25 | 43 | 68 |
| Disposals | (40) | (184) | (29) | (253) |
| At 31 March 2003 | 12 | 557 | 24 | 593 |
| Depreciation | | | | |
| At 1 April 2002 | 18 | 348 | 9 | 375 |
| Charge for the year | 1 | 161 | 7 | 169 |
| Intercompany transfer | - | 12 | 33 | 45 |
| Disposals | (16) | (168) | (25) | (209) |
| At 31 March 2003 | 3 | 353 | 24 | 380 |
| Net book values | | | | |
| At 31 March 2003 | 9 | 204 | - | 213 |
| At 31 March 2002 | 34 | 265 | 1 | 300 |

12 Fixed asset investments

| | Interest in group undertakings £'000 |
|--|---|
| At 1 April 2002 | 3,184 |
| Transferred to intangible fixed assets (note 10) | (674) |
| Adjustment in respect of prior year acquisitions | (145) |
| At 31 March 2003 | 2,365 |

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

12 Fixed asset investments (continued)

The following were subsidiary undertakings at the end of the year:

Carlisle Distribution Sector Services Limited
Akita Security Limited (non-trading)
Bourne Security Limited (non-trading)
Capitol Security Services Limited (non-trading)
Ecosse Northern Securities Limited (non-trading)
Guard Group Limited (non-trading)
Retail Protection Services Limited (non-trading)
Solo Security Services Limited (non-trading)

All subsidiary undertakings are incorporated and operating in Great Britain and registered in England and Wales. The company holds 100 percent of the issued share capital, in each case comprising ordinary shares of £1 each. The principal activity of each subsidiary, unless otherwise stated, is the provision of security services.

13 Debtors

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 2,327 | 3,804 |
| Amounts owed by group undertakings | 661 | 1,461 |
| Prepayments and accrued income | 1,352 | 976 |
| | <u>4,340</u> | <u>6,241</u> |

14 Creditors: amounts falling due within one year

| | 2003 £'000 | 2002 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 123 | 97 |
| Amounts owed to group undertakings | 9,692 | 9,800 |
| Corporation tax | 51 | 153 |
| Social security and other taxes | 1,443 | 1,320 |
| Other creditors | - | 1,490 |
| Accruals and deferred income | 2,112 | 2,302 |
| | <u>13,421</u> | <u>15,162</u> |

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

15 Deferred tax asset

| | Provided | | Unprovided | |
|--------------------------------|-----------------|--------------|-------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | - | - | 100 | 113 |
| Other timing differences | - | - | 15 | 26 |
| | <u>-</u> | <u>-</u> | <u>115</u> | <u>139</u> |

16 Called up share capital

| | 2003 | 2002 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Authorised | | |
| 100,000 ordinary shares of £1 each | <u>100</u> | <u>100</u> |
| Allotted, called up and fully paid | | |
| 21,100 ordinary shares of £1 each | <u>21</u> | <u>21</u> |

17 Profit and loss account

| | £'000 |
|--------------------------------------|--------------|
| At 1 April 2002 | (431) |
| Retained loss for the financial year | (280) |
| At 31 March 2003 | <u>(711)</u> |

18 Reconciliation of movements in equity shareholders' deficit

| | 2003 | 2002 |
|--|--------------|----------------|
| | £'000 | £'000 |
| Loss for the financial year | (280) | (980) |
| Dividends | - | (3,048) |
| Net movement in shareholders' funds | <u>(280)</u> | <u>(4,028)</u> |
| Shareholders' (deficit) funds at beginning of year | (410) | 3,618 |
| Shareholders' deficit at end of year | <u>(690)</u> | <u>(410)</u> |

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

19 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

| | 2003 | 2002 |
|---------------------------------------|------------|------------|
| | £'000 | £'000 |
| Land and buildings | | |
| - expiring within one year | 28 | 20 |
| - expiring between two and five years | 35 | 51 |
| - expiring after five years | 205 | 205 |
| | <u>268</u> | <u>276</u> |
| Plant and equipment | | |
| - expiring within one year | 168 | 48 |
| - expiring between two and five years | 79 | 305 |
| | <u>247</u> | <u>353</u> |
| | <u>515</u> | <u>629</u> |

20 Contingencies

An unlimited composite banking guarantee exists between the company and certain subsidiary undertakings and various fellow group undertakings in respect of banking facilities provided to the group in the UK.

The company, together with certain subsidiary undertakings and various fellow group undertakings, has provided a UK guarantee for the financing obligations of Carlisle Finance (Iceland) Ltd., a fellow group undertaking incorporated in Iceland. The guarantee provides a first priority lien on the share capital of each guarantor and on certain other property and assets, including receivables, of each guarantor.

At 31 March 2003, under the company's standard banking arrangements, certain bonds, guarantees and indemnities, in the ordinary course of business, have been issued by the banks on behalf of the company to the value of £70,000.

**Notes to the financial statements
for the year ended 31 March 2003 (continued)**

21 Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose transactions with other group companies.

22 Ultimate parent undertaking

The company's immediate parent undertaking is Capitol Group plc.

As at 31 March 2003, the smallest group in which the company is consolidated was Carlisle Facilities Group (UK) plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Carlisle Facilities Group (UK) plc can be obtained from its registered office at St Florian House, Milton Road, Wokingham, Berkshire RG40 1EN.

As at 31 March 2003, the company's ultimate parent undertaking was Carlisle Holdings Limited, a company registered in Belize. Lord Ashcroft, KCMG beneficially owned and controlled 70.6 percent of Carlisle Holdings Limited. Copies of the consolidated financial statements of Carlisle Holdings Limited can be obtained from its registered office at 60 Market Square, Belize City, Belize, Central America.