Carlisle Security Services Limited
(formerly Carlisle Facilities Services Limited)

Report and financial statements for the year ended 31 March 2006

Registered No. 2654100

Carlisle Security Services Limited

Report and financial statements for the year ended 31 March 2006

Company information

Registered office

Buckland House
Waterside Drive
Langley Business Park
Slough
Berkshire
SL3 6EZ

Directors

R J Bradford
J W Coates
D I Pennington

Company secretary

D I Pennington

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Report of the directors for the year ended 31 March 2006

The directors present their report and the audited financial statements of the company for the year ended 31 March 2006.

Change of name

On 24 November 2005, the company changed its name from Carlisle Facilities Services Limited to Carlisle Security Services Limited.

Review of the business and performance in the year

The principal activity of the company is the provision of security services in the United Kingdom.

The retained loss for the financial year amounted to £3,913,000 (2005: £64,000 profit) which has been transferred from reserves. The directors do not recommend the payment of a dividend.

In accordance with the company's accounting policies (see note 1 to the financial statements), an annual goodwill impairment review is undertaken. 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. As a result of that review, a goodwill impairment charge of £3,000,000 (see note 7 to the financial statements) has been charged to the profit and loss account.

As a result of the aforementioned charge, company's balance sheet as at 31 March 2006 is in a net liability position. The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, having adequate funds available to it to meet its obligations as they fall due. The company's ultimate parent undertaking, Carlisle Group Limited, has provided a written letter of support confirming to the directors its intention to provide the company with all such financial support, as is required to enable it to fulfil all of its obligations and other commitments falling due for the foreseeable future. It is therefore on this basis that the directors have, accordingly, prepared the financial statements on the going concern basis.

Given current market conditions, the directors expect that the present level of business activity will be sustained for the foreseeable future.

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to employee retention and legislative change. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report. The company is a wholly owned subsidiary of Carlisle Group Limited ("CGL") (see note 21 to the financial statements).

Report of the directors for the year ended 31 March 2006 (continued)

The directors of CGL manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of Carlisle Security Services Limited. The development, performance and position of CGL's Support Services division, which includes the company, is discussed in the group's annual report which does not form part of this report.

Directors

The following have served as directors during the year:

R J Bradford
J W Coates
D I Pennington (appointed 26 July 2005)
I G Robinson (resigned 26 July 2005)

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.

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 2006 was approximately 25 days.

Report of the directors for the year ended 31 March 2006 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company 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, 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

J W Coates
Director

30 January 2007

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

We have audited the financial statements of Carlisle Security Services Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet 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 report to you if, in our opinion the information given in the report of the directors is consistent with the financial statements. We also report to you if, in our opinion, 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 report of the directors 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 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.

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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the basis of preparation. The financial statements have been prepared on the going concern basis and the validity of this depends on the continuing financial support from group undertakings. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

30 January 2007

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Turnover		**20,381**	20,739
Cost of sales		**(18,339)**	(17,802)
Gross profit		**2,042**	2,937
Administrative expenses		**(2,864)**	(2,835)
Goodwill impairment	7	**(3,000)**	-
Operating (loss) profit	2	**(3,822)**	102
Interest receivable and similar income	5	**-**	2
(Loss) profit on ordinary activities before taxation		**(3,822)**	104
Tax on (loss) profit on ordinary activities	6	**(91)**	(40)
Retained (loss) profit for the financial year	16	**(3,913)**	64

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 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	7	**4,510**	7,510
Tangible assets	8	**160**	237
Investments	9	**534**	534
		5,204	8,281
Current assets			
Debtors	10	**5,423**	4,786
Cash at bank and in hand		**1**	530
		5,424	5,316
Creditors: amounts falling due within one year	11	**(7,590)**	(6,646)
Net current liabilities		**(2,166)**	(1,330)
Total assets less current liabilities		**3,038**	6,951
Creditors: amounts falling due after more than one year	12	**(3,866)**	(3,866)
Net (liabilities) assets		**(828)**	3,085
Capital and reserves			
Called up share capital	14	**21**	21
Other reserves	15	**3,614**	3,614
Profit and loss account - (deficit)	16	**(4,463)**	(550)
Equity shareholders' (deficit) funds	17	**(828)**	3,085

The financial statements on pages 7 to 18 were approved by the board of directors on 30 January 2007 and were signed on its behalf by:

J W Coates
Director

Notes to the financial statements for the year ended 31 March 2006

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 and the provisions of the Companies Act 1985, except for the requirements of legislation as explained in intangible fixed assets below, and on the basis of continuing financial support from group undertakings which has been confirmed and committed to in writing.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, having adequate funds available to it to meet its obligations as they fall due. The company's ultimate parent undertaking, Carlisle Group Limited, has provided a written letter of support, confirming to the directors its intention to provide the company with all such financial support as is required to enable it to fulfil all of its obligations and other commitments falling due for the foreseeable future. It is therefore on this basis that the directors have, accordingly, prepared the financial statements on the going concern basis.

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 Group Limited.

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 underlying markets in which the company operates have generally seen consistent growth over many years and the nature of and demand for the services offered by each business is likely to continue for the foreseeable future. The directors consider that the goodwill is an

Notes to the financial statements for the year ended 31 March 2006 (continued)

inseparable part of the total value of the relevant businesses. 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 business and 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.

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 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.

Notes to the financial statements for the year ended 31 March 2006 (continued)

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 Group Limited, who publishes consolidated financial statements which include a consolidated cash flow statement.

2 Operating (loss) profit

	2006	2005
	£'000	£'000
Operating (loss) profit is stated after charging:		
Depreciation of tangible fixed assets	125	133
Operating lease rentals		
- land and buildings	273	206
- plant and equipment	198	280
Auditors' remuneration	29	35

3 Staff costs and numbers

Staff costs during the year were:

	2006	2005
	£'000	£'000
Wages and salaries	15,434	15,850
Social security costs	1,439	1,564
Other pension costs	59	68
	16,932	17,482

The average number of employees during the year was:

	2006	2005
	Number	Number
Operational	998	1,036
Management and administration	72	80
	1,070	1,116

Notes to the financial statements for the year ended 31 March 2006 (continued)

4 Directors' emoluments

	2006	2005
	£'000	£'000
Remuneration (including benefits in kind)	-	71
Compensation for loss of office	-	17
Pension contributions	-	6
	-	94

The emoluments of the highest paid director were £nil (2005: £71,000), plus pension contributions towards a defined contribution pension scheme of £ nil (2005: £6,000).

The number of directors for whom contributions were made towards defined contribution pension schemes was nil (2005: 1).

5 Interest receivable and similar income

	2006	2005
	£'000	£'000
Other interest receivable	-	2

Notes to the financial statements for the year ended 31 March 2006 (continued)

6 Tax on (loss) profit on ordinary activities

	2006	2005
	£'000	£'000
Group relief receivable in respect of current year	**-**	-
Deferred taxation	**91**	40
	91	40

	2006	2005
	£'000	£'000
(Loss) profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**(1,147)**	31
Effects of:		
Expenses not deductible for tax purposes	**8**	8
Capital allowances for the year in excess of depreciation and other timing differences	**(5)**	(20)
Utilisation of brought forward losses	**-**	(19)
Goodwill impairment not deductible for tax purposes	**900**	-
Losses not recognised as deferred tax asset	**244**	-
	-	-

7 Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 April 2005	7,510
Provision for impairment	(3,000)
At 31 March 2006	**4,510**

In accordance with the company's accounting policies (note 1), an annual goodwill impairment review is undertaken. 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. As a result of that review, a goodwill impairment charge of £3,000,000 has been charged to the profit and loss account.

Notes to the financial statements for the year ended 31 March 2006 (continued)

8 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2005	28	771	15	814
Additions at cost	-	57	-	57
Disposals	-	(9)	(10)	(19)
At 31 March 2006	28	819	5	852
Depreciation				
At 1 April 2005	10	552	15	577
Charge for the year	4	121	-	125
Disposals	-	-	(10)	(10)
At 31 March 2006	14	673	5	692
Net book values				
At 31 March 2006	**14**	**146**	**-**	**160**
At 31 March 2005	18	219	-	237

9 Fixed asset investments

	Interest in group undertakings
	£'000
At 31 March 2005 and 31 March 2006	534

Notes to the financial statements for the year ended 31 March 2006 (continued)

9 Fixed asset investments (continued)

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

Akita Security Limited
Bourne Security Limited
Capitol Security Services Limited
Carlisle Distribution Sector Services Limited
Ecosse Northern Securities Limited
Guard Group Limited
Retail Protection Services Limited
Solo Security Services Limited

All subsidiary undertakings are incorporated and operating in Great Britain and registered in England and Wales, with the exception of Ecosse Northern Securities Limited which is registered in Scotland. The company holds 100 percent of the issued share capital, in each case comprising ordinary shares of £1 each. All subsidiary undertakings are non-trading.

10 Debtors

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**2,230**	1,759
Amounts owed by group undertakings	**1,561**	1,472
Prepayments and accrued income	**1,632**	1,464
Deferred taxation (note 6)	-	91
	5,423	4,786

11 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft (secured)	**3,651**	-
Trade creditors	**129**	260
Amounts owed to group undertakings	**650**	3,390
Social security and other taxes	**943**	1,002
Accruals and deferred income	**2,217**	1,994
	7,590	6,646

Notes to the financial statements for the year ended 31 March 2006 (continued)

12 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	**3,866**	3,866

13 Deferred tax asset

	Provided		**Unprovided**	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	-	91	**161**	-
Losses not recognised	-	-	**244**	-
	-	91	**405**	-

There are no provided or unprovided deferred taxation liabilities at the balance sheet date. Unprovided deferred tax assets of approximately £161,000 in respect of capital allowances and other timing differences of approximately £244,000 in respect of tax losses have not been recognised due to the uncertainty over their recoverable economic value.

14 Called up share capital

	2006	2005
	£'000	£'000
Authorised		
100,000 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
21,100 ordinary shares of £1 each	**21**	21

15 Other reserves

	£'000
At 31 March 2005 and 31 March 2006	**3,614**

Notes to the financial statements for the year ended 31 March 2006 (continued)

16 Profit and loss account

	£'000
At 1 April 2005	(550)
Retained loss for the financial year	(3,913)
At 31 March 2006	**(4,463)**

17 Reconciliation of movements in equity shareholders' (deficit) funds

	2006	2005
	£'000	£'000
(Loss) profit for the financial year	**(3,913)**	64
Capital contribution (note 15)	**-**	3,614
Net movement	**(3,913)**	3,678
Shareholders' funds (deficit) at beginning of year	**3,085**	(593)
Shareholders' (deficit) funds at end of year	**(828)**	3,085

18 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:	**2006**	2005
	£'000	£'000
Land and buildings		
- expiring within one year	**-**	1
- expiring between two and five years	**71**	25
- expiring after five years	**28**	170
	99	196
Plant and equipment		
- expiring within one year	**86**	21
- expiring between two and five years	**124**	209
	210	230
	309	426

Notes to the financial statements for the year ended 31 March 2006 (continued)

19 Contingencies

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

20 Related party transactions

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

21 Ultimate parent undertaking

The company's immediate parent undertaking is Capitol Group plc, a company incorporated in Great Britain and registered in England and Wales.

As at 31 March 2006, the company's ultimate parent undertaking was Carlisle Group Limited, a company registered in Belize. Lord Ashcroft, KCMG was interested in and controlled 73.3 percent of Carlisle Group Limited. Copies of the consolidated financial statements of Carlisle Group Limited can be obtained from its registered office at 60 Market Square, Belize City, Belize, Central America.