

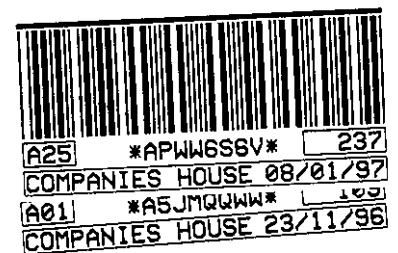
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CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

FINANCIAL STATEMENTS
FOR THE 10 MONTH PERIOD ENDED
31 MARCH 1996

COMPANY NUMBER: 2654100

MORGAN BROWN & SPOFFORTH
Chartered Accountants



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CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

DIRECTORS:	-	C P Harvey P J Ryan P Elliott B R Marchant K P Dulieu R N Gatenby
COMPANY SECRETARY:	-	C P Harvey
REGISTERED OFFICE:	-	82 St John Street London EC1M 4JN
AUDITORS:	-	Morgan Brown & Spofforth Chartered Accountants 82 St John Street London EC1M 4JN

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the company for the period 1 June 1995 to 31 March 1996.

Principal Activity

The principal activity of the company continued to be the provision of security guarding services.

Review of Business

The results for the period and financial position of the company are as shown in the annexed financial statements. The directors consider the results to be consistent with their expectations and are confident that the company will return to profit in the foreseeable future.

Dividends and Transfers to Reserves

No dividends will be distributed for the period ended 31 March 1996. The retained loss transferred to reserves is £1,243,840 (1995 - £36,750 profit).

Donations

During the period, the company made donations to charities totalling £1,000.

Directors

The directors holding office during the period were as follows:

C P Harvey
W H Lee - Resigned 25 October 1995
P J Ryan
J G P Arthurs - Resigned 12 June 1995
P Elliott

B R Marchant was appointed a director on 1 April 1996.

K P Dulieu and R N Gatenby were appointed on 25 June 1996.

The beneficial interests of the directors holding office on 31 March 1996 in the issued share capital of the company were as follows:

	1996	1995
	----	----
C P Harvey	21,100	18,500
P J Ryan	-	-
P Elliott	-	-

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)
REPORT OF THE DIRECTORS (CONTINUED)

Events Occurring after the Year End and Change of Name

On 1 April 1996 the entire issued share capital of the company was acquired by Capitol Group plc. Capitol Security Services Limited changed its name from Capital Security Services Limited on 24 April 1996.

Following acquisition by Capitol Group plc, the company changed its accounting reference date to 31 March.

Employees

It is the company's policy to ensure that employees are properly vetted and adequately trained to carry out their duties. Appraisal and consultation is carried out on a regular basis. All prospective employees including disabled persons are assessed on their individual merits.

The company endeavours to keep employees informed about matters concerning them as employees through the consultation process and uses this as a forum to consider the individual views of employees.

Statement of 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 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
- 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.

Auditors

The auditors Morgan Brown & Spofforth, who were appointed in the period will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On Behalf of the Board



C P Harvey
Secretary

18 October 1996

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibility of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 as at 31 March 1996 and of its loss and statement of cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Rosebery Lodge
South Street
EPSOM
Surrey
KT18 7PX

Morgan Brown & Spofforth



Chartered Accountants
Registered Auditor

21 October 1996

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

	Notes	10 Months to 31 March 1996	14 Months to 31 May 1995
Turnover	2	9,523,885	9,526,214
Cost of Sales		8,769,393	8,452,533
Gross Profit		<u>754,492</u>	<u>1,073,681</u>
Administrative Expenses		<u>1,868,418</u>	<u>982,603</u>
Operating (Loss)/Profit	3	(1,113,926)	91,078
Interest Receivable	4	4,865	1,841
Interest Payable and Similar Charges	5	<u>(134,779)</u>	<u>(55,709)</u>
(Loss)/Profit on Ordinary Activities Before Taxation		(1,243,840)	37,210
Taxation	6	<u>-</u>	<u>460</u>
(Loss)/Profit for the Financial Period		(1,243,840)	36,750
Accumulated Deficit Brought Forward		<u>(818,417)</u>	<u>(855,167)</u>
Accumulated Deficit Carried Forward		<u>£(2,062,257)</u> =====	<u>£(818,417)</u> =====

There is no difference between the (loss)/profit before taxation and (loss)/profit for the financial year on an unmodified historical cost basis and that disclosed above.

No statement of recognised gains and losses is required as there are no recognised gains or losses in the year other than the (loss)/profit detailed above.

The turnover and operating (loss)/profit derive from continuing operations. None of the company's activities were acquired or discontinued during the current or preceding period.

The notes on pages 8 to 13 form part of these financial statements.

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

BALANCE SHEET

AS AT 31 MARCH 1996

	Notes	31 March 1996	31 May 1995
Fixed Assets			
Tangible fixed assets	7	218,635	120,676
Current assets			
Debtors	8	1,588,331	1,032,292
Cash at bank and in hand		531,133	4,693
		<u>2,119,464</u>	<u>1,036,985</u>
Creditors: amounts falling due within one year	9	<u>4,379,256</u>	<u>1,954,978</u>
Net current liabilities		(2,259,792)	(917,993)
Net liabilities		<u>£(2,041,157)</u>	<u>£ (797,317)</u>
Capital and reserves			
Called up share capital	10	21,100	21,100
Profit & loss account		<u>(2,062,257)</u>	<u>(818,417)</u>
Shareholders' funds (equity interests)	14	<u>£(2,041,157)</u>	<u>£ (797,317)</u>

Approved by the Board of Directors on 18 October 1996

C P Harvey

Directors

B R Marchant

The notes on pages 8 to 13 form part of these Financial Statements.

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

CASH FLOW STATEMENT

FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

	Notes	10 Months to 31 March 1996	14 Months to 31 May 1995
Net cash outflow from operating activities	12a	(1,043,061)	(44,278)
Returns on investments and servicing of finance			
Interest received		4,865	1,841
Interest paid		(90,835)	(55,709)
		-----	-----
Net cash outflow from returns on investments and servicing of finance		(85,970)	(53,868)
Taxation			
UK corporation tax paid		(5,555)	-
Investing activities			
Purchase of tangible fixed assets		(188,732)	(131,655)
Sale of tangible fixed assets		-	2,270
		-----	-----
Net cash outflow from investing activities		(188,732)	(129,385)
Net cash outflow before financing		(1,323,318)	(227,531)
Financing			
Advance of short-term loan		1,080,000	-
		-----	-----
Net cash inflow from financing		1,080,000	-
Decrease in cash and cash equivalents	12b	£ (243,318)	£ (227,531)
		=====	=====

The notes on pages 8 to 13 form part of these Financial Statements

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

1 Accounting policies

The following accounting policies have been consistently applied throughout the period and in the preparation of these Financial Statements.

a) Accounting conventions

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

b) Turnover

Turnover represents the invoiced value of services net of value added tax.

c) Depreciation of tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost less estimated residual value of each asset over its estimated useful life as follows:-

Leasehold improvements	- Over length of lease
Equipment and Fixtures	- 20% per annum straight line
Motor vehicles	- 25% per annum reducing balance
Computer equipment	- 33% per annum straight line

d) Deferred taxation

Deferred taxation is provided at current rates of taxation using the liability method to take account of timing differences between the recognition of income and expenditure for taxation and accounting purposes except when it can be reasonably ascertained that the benefit achieved will not reverse in the foreseeable future.

e) Hire purchase and leasing commitments

Payments made under operating leases are charged against profit in the period in which the expenditure is incurred.

f) Pension payments

The Company operates a defined contribution scheme.

The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge in note 3 represents contributions payable by the company to the fund.

CAPITOL SECURITY SERVICES LIMITED

(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

2. Turnover

The turnover and (loss)/profit on ordinary activities are derived from the principal activity of the Company and arise from trading within the United Kingdom.

3a Operating (loss)/profit

1996

1995

The operating (loss)/profit is arrived at after charging:-

Depreciation of owned assets	61,433	50,142
Auditors remuneration - audit	20,000	15,500
Loss on disposal of tangible fixed assets	18,840	10,858
	=====	=====

3b Staff costs

The aggregate staff costs, including directors was:

Wages and salaries	7,523,269	6,909,802
Social security costs	638,756	648,637
Directors' pension costs	16,055	24,006
Redundancy payments	49,943	-
	-----	-----
	£8,228,023	£7,582,445
	=====	=====

The average number of full-time employees in the company during the period was:-

Administration	20	14
Direct costs	769	490
	---	---
	789	504
	===	===

3c Directors' emoluments

Remuneration	229,189	202,702
Pension Contributions	16,055	20,500
Compensation for loss of office	42,075	-
	-----	-----
	£287,319	£223,202
	=====	=====

Details of individual emoluments, excluding pension contributions, were as follows:

Chairman and highest paid director	£133,439	£ 59,532
	=====	=====

The other directors received emoluments, excluding pension contributions, in the bands:

£ Nil - £ 5,000	-	1
£ 5,001 - £10,000	-	1
£10,001 - £15,000	1	-
£20,001 - £25,000	1	1
£35,001 - £40,000	1	1
£55,001 - £60,000	1	-
	===	===

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

	1996	1995
4 Interest receivable		
Bank interest received	£ 4,865 =====	£ 1,841 =====
5 Interest payable and similar charges		
On advances repayable within five years:		
Bank overdraft interest	9,082	3,773
Other loan interest	54,736	-
Interest on late payment of tax	70,961	51,936
	----- £134,779 =====	----- £55,709 =====
6 Taxation		
UK Corporation tax @ 25% on the adjusted results for the period	£ - =====	£ 460 =====

There is no charge to UK Corporation Tax for the period under review due to losses available for relief.

No provision for deferred taxation has been made for the period as it was not considered material.

7 Tangible fixed assets

Cost or Valuation	Leasehold improvements	Equipment fixtures & fittings	Motor vehicles	Total
At 1 June 1995	-	85,110	111,529	196,639
Additions	69,075	102,757	16,900	188,732
Disposals	-	-	(58,249)	(58,249)
At 31 March 1996	£69,075	187,867	70,180	327,122 =====
Depreciation				
At 1 June 1995	-	37,945	38,018	75,963
Charge for the period	373	27,999	33,061	61,433
Eliminated on Disposal	-	-	(28,909)	(28,909)
At 31 March 1996	£ 373	65,944	42,170	108,487 =====
Net Book Value				
At 31 March 1996	£68,702	121,923	28,010	218,635 =====
At 31 May 1995	£ -	47,165	73,511	120,676 =====

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

8	Debtors	1996	1995
	Trade debtors	1,171,332	562,468
	Other debtors	25,540	48,172
	Prepayments and accrued income	391,459	421,652
		-----	-----
		£1,588,331	£1,032,292
		=====	=====
9	Creditors: amounts falling due within one year		
	Debenture loan	1,080,000	-
	Bank overdraft	960,111	190,353
	Trade creditors	167,484	79,122
	Other creditors	567,182	26,350
	Social security & other taxes	1,000,587	1,550,649
	Corporation tax	-	5,555
	Accruals and deferred income	603,892	102,949
		-----	-----
		£4,379,256	£1,954,978
		=====	=====

The debenture loan was advanced by Capitol Group plc during the period. The interest rate charged is 5% over Lloyds bank base rate. The loan is repayable on demand and is secured by a floating charge over the trade debtors.

10 **Called up share capital**

Authorised:		
100,000 ordinary shares of £1 each	£ 100,000	£ 100,000
	=====	=====
Allotted, issued and fully paid:		
21,100 ordinary shares of £1 each	£ 21,100	£ 21,100
	=====	=====

11 **Post balance sheet event**

On 1 April 1996, Capitol Group plc exercised an option granted in July 1995 and has acquired the entire issued share capital of Capitol Security Services Limited (CSS).

CAPITOL SECURITY SERVICES LIMITED
(FORMERLY CAPITAL SECURITY SERVICES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

12 Notes to the cash flow statement

a Reconciliation of operating (loss)/profit to
net cash outflow from operating activities

	1996	1995
Operating (loss)/profit	(1,113,926)	91,078
Depreciation charges	61,433	50,142
Loss on sale of tangible fixed assets	18,840	10,858
Increase in debtors	(545,539)	(261,032)
Increase in creditors	536,131	64,676
	-----	-----
Net cash outflow from operating activities	£(1,043,061)	£(44,278)
	=====	=====

b Analysis of changes in cash and cash
equivalents during the period

Cash at bank and in hand		
Balance at the beginning of the period	(185,660)	41,871
Balance at the end of the period	(428,978)	(185,660)
	-----	-----
Movement in period	£(243,318)	£(227,531)
	=====	=====

	1996	1995	Change in Period
c Analysis of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand	531,133	4,693	526,440
Bank overdraft	(960,111)	(190,353)	(769,758)
	-----	-----	-----
	£(428,978)	£(185,660)	£(243,318)
	=====	=====	=====

CAPITOL SECURITY SERVICES LIMITED

(FORMERLY CAPITAL SECURITY SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD 1 JUNE 1995 TO 31 MARCH 1996

	1996		1995	
	Land and Buildings	Other	Land and Buildings	Other
	-----	-----	-----	-----
13 Financial commitments				
Leases:				
Annual commitments under operating leases expiring:				
Within one year	-	-	-	39,374
Within two to five years	-	183,561	-	5,452
Greater than five years	70,000	-	-	-
	-----	-----	-----	-----
	£70,000	£7,701	£ -	£44,826
	=====	=====	=====	=====

There were no material capital commitments at the balance sheet date.

	1996	1995
14 Reconciliation of movement in shareholders' funds		
(Loss)/Profit for the financial period	(1,243,840)	36,750
Shares cancelled	-	(4,900)
	-----	-----
Net (decrease)/increase in shareholders' funds	(1,243,840)	31,850
Shareholders' funds at the beginning of the period	(797,317)	(829,167)
	-----	-----
Shareholders' funds at the end of the period	£(2,041,157)	£(797,317)
	=====	=====

15 Contingent Liabilities

Following acquisition of the company by Capitol Group plc, the company provides security under a composite banking arrangement for all group companies. At 31 March 1996 there was no liability under this facility.