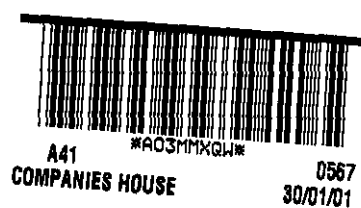


Capitol Security Services Limited

Report and financial statements for the year ended 31 March 2000

Registered No. 2654100



Capitol Security Services Limited

Report and financial statements for the year ended 31 March 2000

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Company information

Registered office

6 Ludgate Square
London
EC4M 7AS

Directors

P Elliot
C P Harvey
S Jones
B R Marchant
P J Ryan
Southtown Limited

Company secretary

P T Osborne

Auditors

PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6NN

Report of the directors for the year ended 31 March 2000

The directors present their report and the audited financial statements of the company for the year ended 31 March 2000.

Review of the business

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

In November 1999, the company acquired the entire issued share capital of Akita Security Limited for an aggregate consideration of £628,000. During the year, the company acquired the assets and trade of Airbourne Security and Investigation Services, Guardwell Security Management and Provincial Security Group for an aggregate consideration of £3,115,000.

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.

Results and dividends

The retained profit for the financial year amounted to £2,172,000 (1999: £1,199,000) which has been transferred to reserves. The directors do not recommend the payment of a dividend.

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.

Post balance sheet event

In April 2000, the company acquired the entire issued share capital of Ecosse Northern Security Limited for an aggregate consideration of £365,000

Report of the directors for the year ended 31 March 2000 (continued)

Directors

The following have served as directors during the year:

P Elliott
C P Harvey
S Jones
B R Marchant
P J Ryan
Southtown Limited (appointed 13 March 2000)
P J Coleman (appointed 26 April 1999; resigned 13 March 2000)
P J Fox (appointed 26 April 1999; resigned 29 October 1999)
R N Gatenby (resigned 26 April 1999)
R C Guthrie (resigned 23 April 1999)

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.

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 2000 was 17 days (1999: 28 days).

Report of the directors for the year ended 31 March 2000 (continued)

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.

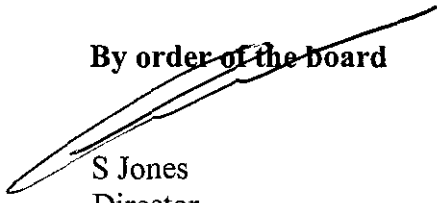
Year 2000

The company successfully prepared for the potential year 2000 problems and no disruptions arose. There were no significant costs of rendering the existing software year 2000 compliant.

Auditors

PricewaterhouseCoopers 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



S Jones
Director
15 January 2001

Report of the auditors to the members of Capitol Security Services Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
15 January 2001

**Profit and loss account
for the year ended 31 March 2000**

		2000	2000	2000	1999
	Notes	£'000	£'000	£'000	£'000
		Continuing	Acquisitions	Total	Total
Turnover		32,347	1,783	34,130	30,857
Cost of sales		<u>(26,177)</u>	<u>(1,397)</u>	<u>(27,574)</u>	<u>(26,034)</u>
Gross profit		6,170	386	6,556	4,823
Administrative expenses		(3,729)	(298)	(4,027)	(2,260)
Exceptional items – restructuring costs	2	<u>(37)</u>	<u>(147)</u>	<u>(184)</u>	<u>(574)</u>
Operating profit (loss)	3	<u>2,404</u>	<u>(59)</u>	<u>2,345</u>	<u>1,989</u>
Interest receivable and similar income	6			14	7
Interest payable and similar charges	7			(1)	(9)
Dividend received from subsidiary undertaking				<u>160</u>	<u>-</u>
Profit on ordinary activities before					
Taxation				2,518	1,987
Tax on profit on ordinary activities	8			<u>(346)</u>	<u>(788)</u>
Retained profit for the financial year	16			<u>2,172</u>	<u>1,199</u>

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 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	9	3,026	-
Tangible assets	10	595	297
Investments	11	1,398	320
		<u>5,019</u>	<u>617</u>
Current assets			
Debtors	12	6,767	4,931
Cash at bank and in hand		1,688	542
		<u>8,455</u>	<u>5,473</u>
Creditors: amounts falling due within one year	13	<u>(11,276)</u>	<u>(5,856)</u>
Net current liabilities		<u>(2,821)</u>	<u>(383)</u>
Total assets less current liabilities		<u>2,198</u>	<u>234</u>
Provisions for liabilities and charges	14	-	(208)
Net assets		<u>2,198</u>	<u>26</u>
Capital and reserves			
Called up share capital	15	21	21
Profit and loss account	16	2,177	5
Equity shareholders' funds	17	<u>2,198</u>	<u>26</u>

The financial statements on pages 6 to 19 were approved by the board of directors on 15 January 2001 and were signed on its behalf by:



S Jones - Director

Notes to the financial statements for the year ended 31 March 2000

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 tangible 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 Group 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 company's acquisitions made in the year gave rise to goodwill of £3,026,000. The businesses' recent record has been one of consistent growth in both turnover and operating profit. The underlying markets have 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 2000 (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
Computer equipment	33 per cent per annum
Office equipment and fixtures	20 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 at current rates of tax using the liability method to take account of all timing differences between the recognition of income and expenditure for taxation and accounting purposes, only to the extent that they are reasonably expected to reverse in the foreseeable future without being replaced.

Turnover

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

Pension payments

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 is a wholly owned subsidiary of Carlisle Group plc, who publishes consolidated financial statements which include a consolidated cash flow statement.

**Notes to the financial statements
for the year ended 31 March 2000 (continued)****2 Exceptional items**

Exceptional items relate to costs of restructuring the business.

	2000	1999
	£'000	£'000
Redundancy costs	104	-
Abortive acquisition costs	37	-
Relocation costs	43	-
Property costs	-	49
Impairment in asset values	-	525
	184	574

3 Operating profit

	2000	1999
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
- owned assets	123	259
Operating lease rentals		
- land and buildings	220	131
- plant and equipment	431	379

Auditors' remuneration in the current and prior year has been borne by Capitol Group plc.

**Notes to the financial statements
for the year ended 31 March 2000 (continued)****4 Staff costs and numbers**

Staff costs during the year were:

	2000 £'000	1999 £'000
Wages and salaries	25,793	22,515
Social security costs	2,066	2,014
Other pension costs	93	47
	<u>27,952</u>	<u>24,576</u>

The average number of employees during the year was:

	2000 Number	1999 Number
Operational	2,452	2,242
Management and administration	103	87
	<u>2,555</u>	<u>2,329</u>

5 Directors' emoluments and related transactions

	2000 £'000	1999 £'000
Remuneration (including benefits in kind)	328	565
Pension contributions	31	32
	<u>359</u>	<u>597</u>

The emoluments of the highest paid director were £117,000 (1999: £275,000), plus pension contributions towards a defined contribution pension scheme of £15,000 (1999: £13,000).

The number of directors for whom contributions were made towards defined contribution pension schemes was 5 (1999: 6).

At 1 April 1999, a loan of £33,000 was outstanding from Mr B.R. Marchant. At 31 March 2000, the balance outstanding was £30,000 and the maximum owed at any point during the year was £33,000. The loan is secured and interest bearing at the rate of 2 per cent per annum above base rate.

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

6 Interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest receivable	9	-
Other interest receivable	5	7
	<u>14</u>	<u>7</u>

7 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	1	-
Hire purchase interest	-	9
	<u>1</u>	<u>9</u>

8 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax at 30 per cent (1999: 31 per cent)	642	212
Group relief payable in respect of current year	51	576
Adjustment in respect of prior years	(5)	-
Group relief receivable in respect of prior years	(134)	-
Deferred tax	(208)	-
	<u>346</u>	<u>788</u>

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 1999	-
Additions (note 20)	3,026
At 31 March 2000	<u>3,026</u>

10 Tangible fixed assets

	Short leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 April 1999	6	678	68	752
Additions at cost	66	348	12	426
Disposals	-	(280)	(16)	(296)
At 31 March 2000	<u>72</u>	<u>746</u>	<u>64</u>	<u>882</u>
Depreciation				
At 1 April 1999	-	393	62	455
Charge for the year	6	112	5	123
Disposals	-	(277)	(14)	(291)
At 31 March 2000	<u>6</u>	<u>228</u>	<u>53</u>	<u>287</u>
Net book values				
At 31 March 2000	<u>66</u>	<u>518</u>	<u>11</u>	<u>595</u>
At 31 March 1999	<u>6</u>	<u>285</u>	<u>6</u>	<u>297</u>

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

11 Fixed asset investments

	Interest in group undertakings £'000
At 1 April 1999	320
Additions	1,078
At 31 March 2000	<u>1,398</u>

In November 1999, the company acquired the entire issued share capital of Akita Security Limited for an aggregate consideration of £628,000 and at the same time made a capital contribution of £450,000 to Akita.

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

Bourne Security Limited
Guard Group Limited
Akita Security Limited
Retail Protection Services Limited (non-trading)

All subsidiary undertakings are incorporated and operating in Great Britain and registered in England and Wales. The company holds 100% 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.

12 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	3,333	2,671
Amounts owed by group undertakings	1,899	771
Other debtors	147	69
Prepayments and accrued income	1,388	1,420
	<u>6,767</u>	<u>4,931</u>

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

13 Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Trade creditors	182	241
Amounts owed to group undertakings	4,557	1,006
Corporation tax	754	278
Social security and other taxes	1,572	2,289
Other creditors	2,749	1,383
Accruals and deferred income	1,462	659
	<u>11,276</u>	<u>5,856</u>

14 Deferred tax asset (provision)

	Provided		Unprovided	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(19)	19	43
Other timing differences	-	(189)	76	76
	<u>-</u>	<u>(208)</u>	<u>95</u>	<u>119</u>

15 Called up share capital

	2000	1999
	£'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>

16 Profit and loss account

	£'000
At 1 April 1999	5
Retained profit for the financial year	2,172
At 31 March 2000	<u>2,177</u>

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

17 Reconciliation of movements in equity shareholders' funds

	2000	1999
	£'000	£'000
Profit for the financial year	2,172	1,199
Shareholders' funds (deficit) at beginning of year	26	(1,173)
Shareholders' funds at end of year	<u>2,198</u>	<u>26</u>

18 Financial commitments

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

	2000	1999
	£'000	£'000
Land and buildings		
- expiring within one year	4	8
- expiring between two and five years	17	40
- expiring after five years	150	148
	<u>171</u>	<u>196</u>
Plant and equipment		
- expiring within one year	44	41
- expiring between two and five years	319	304
- expiring after five years	74	-
	<u>437</u>	<u>345</u>
	<u>608</u>	<u>541</u>

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.

The company, together with certain subsidiary undertakings and various fellow group undertakings, has provided a UK guarantee for the financing obligations of Carlisle Finance S.A., a fellow group undertaking incorporated in Luxembourg. 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.

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

20 Acquisitions

(a) Airbourne Security and Investigation Services

In November 1999, the assets and trade of Airbourne Security and Investigation Services Limited were purchased for an aggregate consideration of £546,000.

The fair values of the assets purchased at the date of acquisition were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Net assets acquired			
Tangible fixed assets	17	(5)	12
Consideration			
Cash (including acquisition costs)			546
Goodwill arising			<u>534</u>

The book value of the assets and liabilities has been derived from the unaudited management accounts as at 30 September 1999.

In its last financial year to 31 March 1999, Airbourne Security and Investigation Services Limited recorded a profit after taxation of £80,000. For the period from 1 April 1999 to the date of acquisition by the company, Airbourne Security and Investigation Services Limited's unaudited management accounts show: turnover of £667,000, operating profit of £90,000, profit before taxation of £80,000, taxation of £nil and net profit of £80,000. There was no difference between net profit and total recognised gains for the period.

(b) Guardwell Security Management

In December 1999, the assets and trade of Guardwell Security Management Limited were purchased for an aggregate consideration of £1,309,000.

The fair values of the assets purchased at the date of acquisition were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Net assets acquired			
Tangible fixed assets	138	(99)	39
Consideration			
Cash (including acquisition costs)			1,309
Goodwill arising			<u>1,270</u>

**Notes to the financial statements
for the year ended 31 March 2000 (continued)**

20 Acquisitions (continued)

(b) Guardwell Security Management (continued)

The book value of the assets and liabilities has been derived from the unaudited management accounts as at 31 December 1999.

In its last financial year to 31 December 1998, Guardwell Security Management Limited recorded a profit after taxation of £81,000. For the period from 1 January 1999 to the date of acquisition by the company, Guardwell Security Management Limited's unaudited management accounts show: turnover of £5,484,000, operating profit of £174,000, profit before taxation of £128,000, taxation of £28,000 and net profit of £100,000. There was no difference between net profit and total recognised gains for the period.

(c) Provincial Security Group

In February 2000, the assets and trade of Provincial Security Group Limited were purchased for an aggregate consideration of £1,260,000.

The fair values of the assets purchased at the date of acquisition were as follows:

	Book and fair value £'000
Net assets acquired	
Tangible fixed assets	38
Consideration	
Cash (including acquisition costs)	1,260
Goodwill arising	<u>1,222</u>

The book value of the assets and liabilities has been derived from the unaudited management accounts as at 31 January 2000.

In its last financial year to 31 July 1999, Provincial Security Group Limited recorded a profit after taxation of £77,000. For the period from 1 August 1999 to the date of acquisition by the company, Provincial Security Group Limited's unaudited management accounts show: turnover of £1,934,000, operating profit of £31,000, profit before taxation of £29,000, taxation of £nil and net profit of £29,000. There was no difference between net profit and total recognised gains for the period.

**Notes to the financial statements
for the year ended 31 March 2000 (continued)****20 Acquisitions (continued)****(d) Summary of all acquisitions**

	Book value £'000	Adjustments £'000	Fair value £'000
Net assets acquired			
Tangible fixed assets	193	(104)	89
Consideration			
Cash (including acquisition costs)			3,115
Goodwill arising			<u>3,026</u>

In April 2000, the company acquired the entire issued share capital of Ecosse Northern Security Limited for an aggregate consideration of £365,000.

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.

The smallest group in which the company is consolidated is Carlisle Group plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Carlisle Group plc can be obtained from its registered office at 6 Ludgate Square, London, EC4M 7AS.

As at 31 March 2000, the company's ultimate parent undertaking was Carlisle Holdings Limited, a company registered in Belize. Mr. M. A. Ashcroft beneficially owned and controlled 65.5 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.