

# **Capitol Security Services Limited**

## **Report and financial statements for the year ended 31 March 2001**

Registered No. 2654100



# Capitol Security Services Limited

## Report and financial statements for the year ended 31 March 2001

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# **Capitol Security Services Limited**

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## **Company information**

### **Registered office**

St Florian House  
Milton Road  
Wokingham  
Berkshire  
RG40 1DB

### **Directors**

P Elliot  
C P Harvey  
S Jones  
P J Ryan  
Southtown Limited

### **Company secretary**

P T Osborne

### **Auditors**

PricewaterhouseCoopers  
1 Embankment Place  
London  
WC2N 6RH

## Report of the directors for the year ended 31 March 2001

The directors present their report and the audited financial statements of the company for the year ended 31 March 2001.

### Review of the business

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

In April 2000, the company acquired the entire issued share capital of Ecosse Northern Security Limited for an aggregate consideration of £444,000.

During the year, the company acquired the security assets and trade of Myriad Security Systems and Services Limited, MTL Commercial Limited and Beresford Security Services Limited for an aggregate consideration of £656,000.

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 £1,420,000 (2000: £2,172,000) which has been transferred to reserves. The directors do not recommend the payment of a dividend.

### Directors

The following have served as directors during the year:

P Elliott  
C P Harvey  
S Jones  
P J Ryan  
Southtown Limited  
B R Marchant (resigned 28 February 2001)

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 2001 (continued)**

**Post balance sheet events**

Details of post balance sheet events are set out in note 21 to the financial statements.

**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 2001 was 17 days (2000: 17 days).

## Report of the directors for the year ended 31 March 2001 (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:-

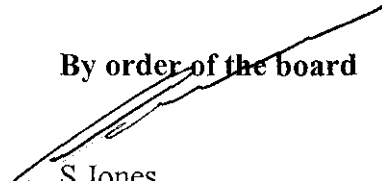
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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.

### 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  
6 August 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.

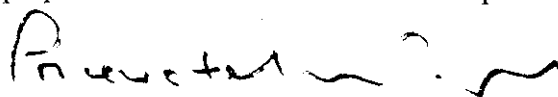
### Basis of audit opinion

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 2001 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

6 August 2001

**Profit and loss account  
for the year ended 31 March 2001**

	Notes	2001 £'000 Continuing	2001 £'000 Acquisitions	2001 £'000 Total	2000 £'000 Total
<b>Turnover</b>		37,811	489	38,300	34,130
Cost of sales		(30,622)	(292)	(30,914)	(27,574)
<b>Gross profit</b>		7,189	197	7,386	6,556
Administrative expenses		(5,268)	(93)	(5,361)	(4,027)
Exceptional items – restructuring costs	2	(1)	(39)	(40)	(184)
<b>Operating profit</b>	3	1,920	65	1,985	2,345
Interest receivable and similar income	6			7	14
Interest payable and similar charges	7			-	(1)
Dividend received from subsidiary undertaking				-	160
<b>Profit on ordinary activities before taxation</b>				1,992	2,518
Tax on profit on ordinary activities	8			(572)	(346)
<b>Retained profit for the financial year</b>	16			1,420	2,172

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

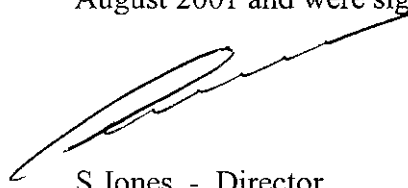
There is no difference between the results reported above and the equivalent results calculated on an unmodified historical cost basis.



## Balance sheet as at 31 March 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Intangible assets	9	3,758	3,026
Tangible assets	10	578	595
Investments	11	1,856	1,398
		<u>6,192</u>	<u>5,019</u>
<b>Current assets</b>			
Debtors	12	6,295	6,767
Cash at bank and in hand		2,891	1,688
		<u>9,186</u>	<u>8,455</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(11,760)</u>	<u>(11,276)</u>
<b>Net current liabilities</b>		<u>(2,574)</u>	<u>(2,821)</u>
<b>Net assets</b>		<u>3,618</u>	<u>2,198</u>
<b>Capital and reserves</b>			
Called up share capital	15	21	21
Profit and loss account	16	3,597	2,177
<b>Equity shareholders' funds</b>	17	<u>3,618</u>	<u>2,198</u>

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



S Jones - Director

**Notes to the financial statements  
for the year ended 31 March 2001****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 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 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 2001****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.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. All gains and losses are dealt with through the profit and loss account.

**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 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.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**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 plc, who publishes consolidated financial statements which include a consolidated cash flow statement.

**2 Exceptional items**

Exceptional items relate to costs of restructuring the business.

	2001	2000
	£'000	£'000
Continuing operations:		
Redundancy costs	-	104
Abortive acquisition costs	-	37
Relocation costs	1	43
	<u>1</u>	<u>184</u>
Acquisitions:		
Reorganisation costs	39	-
	<u>40</u>	<u>184</u>

**3 Operating profit**

	2001	2000
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	233	123
Operating lease rentals		
- land and buildings	240	220
- plant and equipment	431	431
Auditors' remuneration	48	-
	<u>48</u>	<u>-</u>

Auditors' remuneration in the prior year was borne by Capitol Group plc.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)****4 Staff costs and numbers**

Staff costs during the year were:

	2001 £'000	2000 £'000
Wages and salaries	29,548	25,793
Social security costs	2,402	2,066
Other pension costs	83	93
	<u>32,033</u>	<u>27,952</u>

The average number of employees during the year was:

	2001 Number	2000 Number
Operational	2,616	2,452
Management and administration	111	103
	<u>2,727</u>	<u>2,555</u>

**5 Directors' emoluments and related transactions**

	2001 £'000	2000 £'000
Remuneration (including benefits in kind)	369	328
Pension contributions	32	31
	<u>401</u>	<u>359</u>

The emoluments of the highest paid director were £116,000 (2000: £117,000), plus pension contributions towards a defined contribution pension scheme of £15,000 (2000: £15,000).

The number of directors for whom contributions were made towards defined contribution pension schemes was 5 (2000: 5).

At 31 March 2000, a loan of £30,000 was outstanding from Mr BR Marchant. At 31 March 2001, the balance outstanding was £21,000 and the maximum owed at any point during the year was £32,000. 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 2001 (continued)**

**6 Interest receivable and similar income**

	2001 £'000	2000 £'000
Bank interest receivable	-	9
Other interest receivable	7	5
	<u>7</u>	<u>14</u>

**7 Interest payable and similar charges**

	2001 £'000	2000 £'000
Bank loans and overdrafts	-	1

**8 Tax on profit on ordinary activities**

	2001 £'000	2000 £'000
UK corporation tax at 30 per cent (2000: 30 per cent)	660	642
Group relief payable in respect of current year	-	51
Adjustment in respect of prior years	(134)	(5)
Group relief payable (receivable) in respect of prior years	46	(134)
Deferred tax	-	(208)
	<u>572</u>	<u>346</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**9 Intangible fixed assets**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 April 2000	3,026
Additions (note 20)	732
At 31 March 2001	<u>3,758</u>

**10 Tangible fixed assets**

	<b>Short leasehold land and buildings £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2000	72	746	64	882
Additions at cost	7	198	15	220
Disposals	-	(1)	(49)	(50)
At 31 March 2001	<u>79</u>	<u>943</u>	<u>30</u>	<u>1,052</u>
<b>Depreciation</b>				
At 1 April 2000	6	228	53	287
Charge for the year	10	219	4	233
Disposals	-	(1)	(45)	(46)
At 31 March 2001	<u>16</u>	<u>446</u>	<u>12</u>	<u>474</u>
<b>Net book values</b>				
At 31 March 2001	<u>63</u>	<u>497</u>	<u>18</u>	<u>578</u>
At 31 March 2000	<u>66</u>	<u>518</u>	<u>11</u>	<u>595</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**11 Fixed asset investments**

	Interest in Group undertakings £'000
At 1 April 2000	1,398
Additions	458
At 31 March 2001	<u>1,856</u>

In April 2000, the company acquired the entire issued share capital of Ecosse Northern Security Limited for an aggregate consideration of £444,000, and during the year made other additions of £14,000.

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

Bourne Security Limited  
Akita Security Limited  
Ecosse Northern Security Limited  
Guard Group Limited  
Solo Security Services 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**

	2001 £'000	2000 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	3,495	3,333
Amounts owed by group undertakings	851	1,899
Other debtors	136	147
Prepayments and accrued income	1,813	1,388
	<u>6,295</u>	<u>6,767</u>



**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**13 Creditors: amounts falling due within one year**

	2001	2000
	£'000	£'000
Trade creditors	200	182
Amounts owed to group undertakings	4,587	4,557
Corporation tax	806	754
Social security and other taxes	2,230	1,572
Other creditors	848	2,749
Accruals and deferred income	3,089	1,462
	<u>11,760</u>	<u>11,276</u>

**14 Deferred tax asset**

	Provided		Unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	24	19
Other timing differences	-	-	-	76
	<u>-</u>	<u>-</u>	<u>24</u>	<u>95</u>

**15 Called up share capital**

	2001	2000
	£'000	£'000
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
21,100 ordinary shares of £1 each	<u>21</u>	<u>21</u>

**16 Profit and loss account**

	£'000
At 1 April 2000	2,177
Retained profit for the financial year	1,420
At 31 March 2001	<u>3,597</u>

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**17 Reconciliation of movements in equity shareholders' funds**

	2001 £'000	2000 £'000
Profit for the financial year	1,420	2,172
Shareholders' funds at beginning of year	2,198	26
Shareholders' funds at end of year	<u>3,618</u>	<u>2,198</u>

**18 Financial commitments**

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

	2001 £'000	2000 £'000
<b>Land and buildings</b>		
- expiring within one year	41	4
- expiring between two and five years	17	17
- expiring after five years	210	150
	<u>268</u>	<u>171</u>
<b>Plant and equipment</b>		
- expiring within one year	44	44
- expiring between two and five years	163	319
- expiring after five years	-	74
	<u>207</u>	<u>437</u>
	<u>475</u>	<u>608</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 2001 (continued)**

**20 Acquisitions**

**a) Beresford Security Services**

In November 2000, the security assets and trade of Beresford Security Services Limited were purchased for an aggregate consideration of £288,000, which has been accounted for as an acquisition.

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

	Book value £'000	Adjustments £'000	Fair value £'000
<b>Net assets acquired</b>			
Tangible fixed assets	18	(13)	5
Goodwill arising			283
Consideration			<u>288</u>
Consideration was satisfied by:			
Cash (including acquisition costs)			258
Deferred consideration			<u>30</u>
			<u>288</u>

The book value of the assets and liabilities has been derived from the unaudited management accounts as at 14 November 2000 which has been taken as the accounting date of the acquisition.

In its last financial year to 31 March 2000, Beresford Security Services Limited recorded a profit after taxation of £2,000. For the period from 1 April 2000 to the date of acquisition by the company, Beresford Security Services Limited's unaudited management accounts show: turnover of £331,000, operating profit of £9,000, profit before taxation of £6,000, taxation of £1,000 and net profit of £5,000. 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 2001 (continued)**

**b) Other acquisitions**

During the year, the company has made several other lock-on acquisitions which have each been accounted for as an acquisition. The aggregated numbers for these acquisitions are as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
<b>Net assets acquired</b>			
Tangible fixed assets	114	(88)	26
Stocks	5	(5)	-
Debtors	16	(13)	3
Creditors less than one year	(21)	(89)	(110)
Net assets acquired	114	(195)	(81)
Goodwill arising			449
Consideration			368
Consideration was satisfied by:			
Cash (including acquisition costs)			293
Deferred consideration			75
			368

The book value of the assets and liabilities has been derived from the unaudited management accounts of the various companies at the date of acquisition.

**Notes to the financial statements  
for the year ended 31 March 2001 (continued)**

**20 Acquisitions**

**c) Summary of all acquisitions**

	£'000	£'000
Fair value of net liabilities arising		(76)
Goodwill arising:		
Beresford Security Services	283	
Other	449	
		732
Consideration		656
Consideration was satisfied by:		
Cash (including acquisition costs)		551
Deferred consideration		105
		656

**21 Post balance sheet events**

In April 2001, the company paid a dividend of £1,971,000 to its parent company, Capitol Group plc.

**22 Related party transactions**

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

**23 Ultimate parent undertaking**

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

As at 31 March 2001, the smallest group in which the company is consolidated was 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 St Florian House, Milton Road, Wokingham, Berkshire RG40 1DB.

As at 31 March 2001, the company's ultimate parent undertaking was Carlisle Holdings Limited, a company registered in Belize. Lord Ashcroft beneficially owned and controlled 65.8 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.