

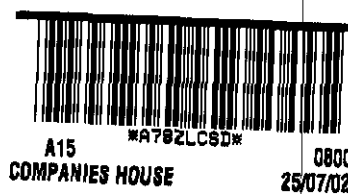


Temple Security Limited

Directors' report and financial
statements

31 December 2001

Registered number 3073516



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activity

The principal activity of the company and its subsidiary undertakings is the provision of security services.

Business review

The results for the year are set out in the profit and loss account.

On 1 February 2001 the company acquired 100% of the share capital of Forgealert Limited.

On 9 March 2001 the company acquired the trade and certain assets of Eurotelecom Corporation Limited.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

NJ Earley
RW Empson

Neither director who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of the directors in the parent company are disclosed in the directors' report of that company.

Employees' involvement

The company recognises the importance of good communications with its employees and considers the most effective form of communication regarding its activities, performance and plans is by way of informal discussions between management and other employees at a local level.

Employment of disabled persons

It is the company's policy to give disabled people full and fair consideration for all job vacancies for which they offer themselves as suitable candidates, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and the company endeavours to retrain any member of staff who develops a disability while in the employment of the company.

Directors' report (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 and of the profit or loss 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

KPMG were reappointed auditors on 4 September 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 23 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



NJ Earley
Director

Atlas House
466 London Road
Isleworth
Middlesex
TW7 4BF

19th July

2002



Festival Way
Stoke-on-Trent
Staffordshire ST1 5TA

Independent auditor's report to the members of Temple Security Limited

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditor

23 July 2002

Profit and loss account
for the year ended 31 December 2001

	Note	2001	2000
		£	£
Turnover			
- continuing operations		7,237,237	3,201,742
- acquisitions	2	1,009,578	-
		<hr/>	<hr/>
Cost of sales		8,246,815 (6,789,231)	3,201,742 (2,715,384)
		<hr/>	<hr/>
Gross profit		1,457,584	486,358
Administrative expenses	2	(1,315,445)	(450,434)
		<hr/>	<hr/>
Operating profit			
- continuing operations		87,024	35,924
- acquisitions		55,115	-
		<hr/>	<hr/>
Interest payable and similar charges	6	142,139 (67,676)	35,924 (19,038)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3-5	74,463	16,886
Tax on profit on ordinary activities	7	(19,800)	(3,101)
		<hr/>	<hr/>
Profit for the financial year		54,663	13,785
Retained profit brought forward		47,560	33,775
		<hr/>	<hr/>
Retained profit carried forward		102,223	47,560
		<hr/>	<hr/>

The company has no recognised gains or losses other than the profit for the year reported above.

Balance sheet
at 31 December 2001

	Note	£	2001	£	£	2000	£
Fixed assets							
Tangible assets	8		31,175			-	
Investments	9		495,034			95,034	
			526,209			95,034	
Current assets							
Debtors	10	3,274,702		1,907,921			
Cash at bank and in hand		200		200			
		3,274,902		1,908,121			
Creditors: amounts falling due within one year	11	(3,533,638)		(1,748,027)			
Net current (liabilities)/assets			(258,736)			160,094	
Total assets less current liabilities			267,473			225,128	
Creditors: amounts falling due after more than one year	12		(65,250)			(107,568)	
Net assets			202,223			147,560	
Capital and reserves							
Called up share capital	14		100,000			100,000	
Profit and loss account			102,223			47,560	
Equity shareholders' funds			202,223			147,560	

These financial statements were approved by the board of directors on 19th July, 2002 and were signed on its behalf by:



NJ Earley
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2001

	2001 £	2000 £
Profit for the financial year	54,663	13,785
Opening shareholders' funds	147,560	133,775
	<hr/>	<hr/>
Closing shareholders' funds	202,223	147,560
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Atlas Cleaning Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Atlas Cleaning Limited, within which this company is included, can be obtained from the address given in note 18.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	25% per annum on cost
Motor vehicles	-	25% per annum on cost

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents amounts invoiced (excluding valued added tax) by the company during the year to third parties for the provision of goods and security services and amounts recharged to group companies and related parties.

Notes (continued)

2 Analysis of continuing and acquired operations

	Con- tinuing £	2001 Acquisitions £	Total £	2000 Con- tinuing £
Turnover	7,237,237	1,009,578	8,246,815	3,201,742
Cost of sales	(5,860,455)	(928,776)	(6,789,231)	(2,715,384)
Gross profit	1,376,782	80,802	1,457,584	486,358
Administrative expenses	(1,289,758)	(25,687)	(1,315,445)	(450,434)
Operating profit	87,024	55,115	142,139	35,924

3 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration - audit	7,075	7,500
Depreciation and other amounts written off tangible fixed assets:		
Owned	10,492	3,475
Leased	-	5,542
Hire of other assets - operating leases	3,151	-
Exceptional items - stock write off	67,000	-
<i>after crediting</i>		
Exceptional items - profit on debtors acquired	150,193	-
Profit on sale of tangible fixed assets	316	-

During the year the company acquired the trade and certain assets of Eurotelecom Corporation Limited. This gave rise to the above exceptional items.

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	6,166	-

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Security guards	620	300
Administration	4	-
	<hr/> 624	<hr/> 300

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	7,839,819	2,856,498
Social security costs	606,473	243,147
Recharges	-	(287,224)
	<hr/> 8,446,292	<hr/> 2,812,421

In the year to 31 December 2001 employees of other group companies were transferred onto the payroll of Temple Security Limited for administrative ease. The relevant costs have then been recharged back to the relevant companies.

6 Interest payable and similar charges

	2001	2000
	£	£
On bank loans and overdrafts	54,109	19,038
Other	13,567	-
	<hr/> 67,676	<hr/> 19,038

7 Taxation

	2001	2000
	£	£
UK corporation tax		
Current tax on income for year	19,800	5,000
Adjustments in respect of prior years	-	(1,899)
	<hr/> 19,800	<hr/> 3,101

Notes (continued)

8 Tangible fixed assets

	Fixtures and fittings	Office equipment	Plant, machinery and motor vehicles	Total
	£	£	£	£
Cost				
At beginning of year	-	3,657	32,413	36,070
Additions	35,000	6,567	100	41,667
Disposals	-	-	(10,245)	(10,245)
Transfers in	-	78,197	57,130	135,327
At end of year	35,000	88,421	79,398	202,819
Depreciation				
At beginning of year	-	3,657	32,413	36,070
Charge for year	8,750	1,642	100	10,492
On disposals	-	-	(10,245)	(10,245)
Transfers in	-	78,197	57,130	135,327
At end of year	8,750	83,496	79,398	171,644
Net book value				
At 31 December 2001	26,250	4,925	-	31,175
At 31 December 2000	-	-	-	-

Included in the total net book value of motor vehicles is £nil (2000: £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2000: £5,542).

9 Fixed asset investments

	Shares in group undertakings
	£
Cost	
At beginning of year	95,034
Additions	400,000
At end of year	495,034

The undertakings in which the company's interest at the year end is more than 20% is as follows:

Subsidiary undertakings	Principal activity	Class and percentage of shares held
Skelar Limited	Provision of security services	Ordinary – 100%
Forgealert Limited	Provision of security services	Ordinary – 100%

Notes (continued)

9 Fixed asset investments (continued)

The company acquired Forgealert Limited on 1 February 2001 for a consideration of £400,000. The net assets acquired were:

	Book value and fair value £
Fixed assets	23,406
Debtors	576,402
Cash at bank and in hand	67,346
Loan	(160,000)
Other liabilities	(107,154)
	<hr/> 400,000 <hr/>

10 Debtors

	2001 £	2000 £
Trade debtors	167,736	11,394
Amounts owed by group undertakings	526,901	607,324
Amounts owed by related parties	2,577,597	1,287,053
Other debtors	2,468	2,150
	<hr/> 3,274,702 <hr/>	<hr/> 1,907,921 <hr/>

11 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans and overdraft	428,674	341,668
Trade creditors	110,892	27,874
Amounts owed to group undertakings	2,198,476	887,822
Corporation tax	18,807	32,708
Other taxation and social security	626,756	335,955
Other creditors	140,333	112,500
Accruals and deferred income	9,700	9,500
	<hr/> 3,533,638 <hr/>	<hr/> 1,748,027 <hr/>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans	65,250	107,568
Analysis of debt		
	2001 £	2000 £
Debt can be analysed as falling due:		
In one year or less, or on demand	411,591	199,397
Between one and two years	65,250	107,568
	476,841	306,965

The bank loans are repayable in monthly instalments. Interest on the loans is charged at 3% above the bank's base rate (see note 15).

13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000
	Provided £	Unprovided £	Provided £
Difference between accumulated depreciation and amortisation and capital allowances	-	(10,103)	3,900

Notes (continued)

14 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
500,000 A ordinary shares of £1 each	500,000	500,000
500,000 B ordinary non-voting shares of £1 each	500,000	500,000
	<hr/>	<hr/>
	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100,000 A ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>

15 Contingent liabilities

There is a composite cross guarantee in place covering Atlas Cleaning Limited, Atlas Contractors Limited, Temple Security Limited, Temple Security Contractors Limited and Forgealert Limited. At the year end respective bank loans and overdrafts were as follows:

	2001 £	2000 £
Atlas Cleaning Limited	737,129	623,042
Temple Security Limited	493,924	449,236
	<hr/>	<hr/>
	1,231,053	1,072,278
	<hr/>	<hr/>

Bank loans and overdrafts are secured by:

- A mortgage debenture over the company.
- Directors' guarantees to the value of £400,000.

16 Commitments

- a) There were no capital commitments at the end of the financial year (2000: £nil).
- b) Annual commitments under non-cancellable operating leases are as follows:

	2001 Other £	2000 Other £
Operating leases which expire:		
In the second to fifth years inclusive	6,462	-
	<hr/>	<hr/>

Notes (continued)

17 Related party disclosures

The company is controlled by NJ Earley and RW Empson.

During the year, the company made rental payments of £100,000 (2000: £nil) for rent of a property owned by the directors.

Temple Security Contractors Limited

Temple Security Contractors Limited, a company under the direct control of NJ Earley and RW Empson purchased services from Temple Security Limited.

The following transactions took place between the two companies:

	2001 £	2000 £
Sale of security services	7,172,634	3,198,640
Recharge of overheads	107,069	14,263
Recharge of labour	111,312	84,747
	<hr/> 7,391,015	<hr/> 3,297,650
	<hr/>	<hr/>

The amount due to Temple Security Limited at the year end is £2,577,596 (2000: £1,287,053).

18 Ultimate holding company

The company is a wholly-owned subsidiary undertaking of Atlas Cleaning Limited.

The consolidated accounts of the group are available to the public and may be obtained from:

Registrar of Companies
Crown Way
Cardiff
CF4 3UZ