

Cirrus Communication Systems Limited

Report and Accounts

7 month period to 31 December 2000



Cirrus Communication Systems Limited

Registered No. 3229746

DIRECTORS

N G Bannister
M L Dalby
K C Rutherford

SECRETARY

M L Dalby

AUDITORS

Ernst & Young
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS

Barclays Bank PLC
PO Box 378
71 Grey Street
Newcastle-Upon-Tyne
Tyne & Wear
NE99 1JP

SOLICITORS

Nabarro Nathanson
84 Theobald's Road
London
WC1X 8RW

REGISTERED OFFICE

Queensway House
11 Queensway
New Milton
Hampshire
BH25 5NR

Cirrus Communication Systems Limited

DIRECTORS' REPORT

The directors present their report and accounts for the seven-month period ended 31 December 2000.

CHANGE OF ACCOUNTING REFERENCE DATE

The company changed its accounting reference date to 31 December, to coincide with the ultimate parent undertaking.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £702,191 (Year ended 31 May 2000: £1,046,695). The directors recommend the payment of a final ordinary dividend of £200,000 (Year ended 31 May 2000: £Nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the period was that of providing monitoring, maintenance and installation services. The directors look forward to the year ahead with confidence.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

N G Bannister
M L Dalby
K C Rutherford

No director had an interest in the ordinary share capital of the company or the ultimate parent undertaking, Holiday Retirement Corporation. The interest of N G Bannister in the share capital of Holiday Retirement UK Limited is disclosed in that company's accounts.

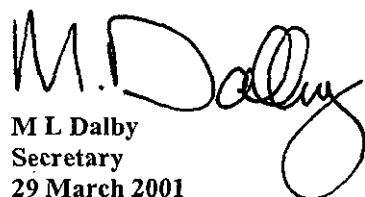
The directors are not liable to retire by rotation

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnership Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board


M L Dalby
Secretary
29 March 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 year. In preparing those accounts, 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 accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Cirrus Communication Systems Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Basis of opinion

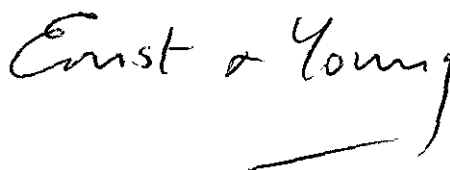
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Southampton
29 March 2001

A handwritten signature in cursive script, reading "Ernst & Young", with a horizontal line underneath.

Cirrus Communication Systems Limited

PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2000

		<i>7 months ended 31 December 2000</i>	<i>Year ended 31 May 2000</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	3	2,691,517	3,740,431
Cost of sales		(1,214,347)	(1,644,192)
GROSS PROFIT		1,477,170	2,096,239
Administrative expenses		(462,307)	(590,123)
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,014,863	1,506,116
Tax on profit on ordinary activities	7	(312,672)	(459,421)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		702,191	1,046,695
Dividend	8	(200,000)	-
RETAINED PROFIT FOR THE PERIOD / YEAR	15	502,191	1,046,695

There are no recognised gains or losses other than the profit attributable to shareholders for the period ended 31 December 2000 of £702,191 (Year ended 31 May 2000: £1,046,695). There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial periods stated above, and their historical cost equivalents.

Cirrus Communication Systems Limited

BALANCE SHEET

at 31 December 2000

		31 December 2000	31 May 2000
	Notes	£	£
FIXED ASSETS			
Intangible assets	9	345,433	356,668
Tangible assets	10	1,005,582	1,090,559
		<u>1,351,015</u>	<u>1,447,227</u>
CURRENT ASSETS			
Stock for resale		282,846	209,253
Debtors	11	1,572,864	688,298
Cash at bank and in hand		17,137	410
		<u>1,872,847</u>	<u>897,961</u>
CREDITORS: amounts falling due within one year	12	<u>(1,925,956)</u>	<u>(1,545,891)</u>
NET CURRENT LIABILITIES		<u>(53,109)</u>	<u>(647,930)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,297,906</u>	<u>799,297</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	(35,564)	(39,146)
NET ASSETS		<u>1,262,342</u>	<u>760,151</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,250,001	1,250,001
Profit and loss account	15	12,341	(489,850)
SHAREHOLDERS' FUNDS - equity interests		<u>1,262,342</u>	<u>760,151</u>

These accounts were approved by the board of directors on 29 March 2001 and were signed on its behalf by:



N G Bannister
Chief Executive

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern basis because the ultimate parent undertaking has provided assurance that adequate finance will be available.

2. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and with the requirements of the Companies Act 1985.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) which the company has adopted in these accounts, 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 accounts.

Related parties

Advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Holiday Retirement UK Limited or other group undertakings as the consolidated accounts of the Holiday Retirement UK Limited group in which the company is included are publicly available.

Goodwill

Goodwill arising on acquisitions prior to 31 May 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10.

Positive goodwill arising on acquisitions since 1 June 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, or each asset over its useful life, as follows:

Plant and equipment	-	evenly over five years
Motor vehicles	-	evenly over five years
Long leasehold property	-	over the residual life of the lease

Stocks

Equipment held for resale is stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period 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.

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

2. ACCOUNTING POLICIES (continued)

Pensions

The group operates a defined contribution pension scheme for its employees to which the company makes a contribution under specified circumstances. The scheme is administered on behalf of employees by an independent insurance company in funds separate from the group's finances. The amount charged against profits represents the contributions payable by the company in to the scheme in respect of the period.

3. TURNOVER

Turnover represents amounts derived from the provision of monitoring and maintenance services and the installation of equipment all of which falls within the company's ordinary activities, stated net of value added tax, is attributable to continuing operations generated in the UK.

Developments under management by other group companies are deemed to be related parties within the meaning of FRS8. Turnover derived from these developments amounted to £1,195,578 in the period ended 31 December 2000 (Period ended 31 May 2000: £2,226,593).

4. OPERATING PROFIT

	<i>7 months ended 31 December 2000</i>	<i>Year ended 31 May 2000</i>
This is stated after charging:	£	£
Depreciation of tangible fixed assets	175,690	240,417
Amortisation of goodwill	11,235	20,424
Operating lease rentals - plant and equipment	-	45,844
	<u> </u>	<u> </u>

The auditors were remunerated by the immediate parent undertaking, Peverel Limited.

5. DIRECTORS' EMOLUMENTS

No director received remuneration from the company during the period (Period ended 31 May 2000: £22,018), or contributions to group pension schemes (Period ended 31 May 2000: £881).

	<i>7 months ended 31 December 2000</i>	<i>Year ended 31 May 2000</i>
	£	£
Emoluments	-	22,018
	<u> </u>	<u> </u>
Company contributions paid to group pension scheme	-	881
	<u> </u>	<u> </u>
	<i>No.</i>	<i>No.</i>
Members of group pension scheme	-	1
	<u> </u>	<u> </u>

The directors were paid by the immediate parent undertaking, Peverel Limited, of which they are also directors.

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

6. STAFF COSTS

	<i>7 months ended 31 December 2000 £</i>	<i>Year ended 31 May 2000 £</i>
Wages and salaries	690,053	926,617
Social security costs	70,197	95,272
Other pension costs	16,037	8,506
	<u>776,287</u>	<u>1,030,395</u>

The average monthly number of employees during the period, including directors, was as follows:

	<i>2000 No.</i>	<i>2000 No.</i>
Office and management	<u>75</u>	<u>52</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>7 months ended 31 December 2000 £</i>	<i>Year ended 31 May 2000 £</i>
Based on the profit for the period:		
UK Corporation Tax	316,254	448,492
Deferred tax (credit) (note 13)	(3,582)	10,929
	<u>312,672</u>	<u>459,421</u>

Payment is made for group relief at the standard rate of corporation tax.

8. DIVIDENDS

	<i>7 months ended 31 December 2000 £</i>	<i>Year ended 31 May 2000 £</i>
Ordinary - final proposed	<u>200,000</u>	<u>-</u>

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS at 31 December 2000

9. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 1 June 2000 and 31 December 2000	386,383
Amortisation:	
At 1 June 2000	29,715
Provided during the period	11,235
At 31 December 2000	40,950
Net book value at 31 December 2000	345,433
Net book value at 31 May 2000	356,668

10. TANGIBLE FIXED ASSETS

	<i>Long Leasehold Property</i> £	<i>Motor vehicles</i> £	<i>Plant and equipment</i> £	<i>Total</i> £
Cost:				
At 1 June 2000	33,190	423,691	1,283,650	1,740,531
Additions	-	134,132	21,838	155,970
Disposals	(33,190)	(35,935)	(23,000)	(92,125)
At 31 December 2000	-	521,888	1,282,488	1,804,376
Depreciation:				
At 1 June 2000	-	72,445	577,527	649,972
Disposals	-	(26,868)	-	(26,868)
Provided during the period	-	56,309	119,381	175,690
At 31 December 2000	-	101,886	696,908	798,794
Net book value at 31 December 2000	-	420,002	585,580	1,005,582
Net book value at 31 May 2000	33,190	351,246	706,123	1,090,559

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS at 31 December 2000

11. DEBTORS

	31 December 2000 £	31 May 2000 £
Trade debtors	470,454	457,137
Amounts due from parent undertaking	911,781	-
Other debtors	2,059	740
Prepayments	188,570	230,421
	<u>1,572,864</u>	<u>688,298</u>

The amount due from related parties as at 31 December 2000 was £46,530 (31 May 2000: £74,490) included in trade debtors. Included within this amount is £nil that is due after more than one year (31 May 2000: £1,756).

12. CREDITORS: amounts falling due within one year

	31 December 2000 £	31 May 2000 £
Bank overdraft	-	65,684
Trade creditors	98,859	31,961
Amounts due to parent undertaking	186,170	130,982
Corporation tax	578,576	448,491
Other creditors	39,254	8,978
Accruals and deferred income	823,097	859,795
Dividend payable	200,000	-
	<u>1,925,956</u>	<u>1,545,891</u>

The bank overdraft is secured by a first fixed and floating charge over the assets of various UK companies in the group.

13. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	31 December 2000 £	Provided 31 May 2000 £	Not provided 31 December 2000 £	Not provided 31 May 2000 £
Capital allowances in advance of depreciation	35,564	39,146	-	-

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS at 31 December 2000

14. SHARE CAPITAL

	<i>31 December</i>	<i>Authorised</i>	<i>Allotted, called up</i>	<i>and fully paid</i>
	<i>2000</i>	<i>31 May 2000</i>	<i>31 December 2000</i>	<i>31 May 2000</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	1,251,000	1,251,000	1,250,001	1,250,001

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 June 1999	1	(1,536,545)	(1,536,544)
Shares issued during the year	1,250,000	-	1,250,000
Profit for the year	-	1,046,695	1,046,695
At 31 May 2000	1,250,001	(489,850)	760,151
Profit for the period	-	702,191	702,191
Dividend	-	(200,000)	(200,000)
At 31 December 2000	1,250,001	12,341	1,262,342

The cumulative amount of goodwill written off to the profit and loss account reserve at 31 December 2000 is £2,390,438 (Year ended 31 May 2000: £2,390,438).

16. FINANCIAL COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

	<i>31 December 2000</i>	<i>31 May 2000</i>
	<i>£</i>	<i>£</i>
<i>Plant and machinery</i>		
Operating leases which expire:		
Within one year	-	6,656

Cirrus Communication Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

17. CONTINGENT LIABILITIES

The company has given unlimited guarantees on the bank overdrafts and loans of various UK group undertakings. At 31 December 2000 the amount outstanding under these guarantees was £18,922,498 (31 May 2000: £23,943,216).

18. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party is Holiday Retirement Corporation, a company registered in Oregon USA. Holiday Retirement UK Limited is the smallest and largest group for which group accounts are prepared and are available to the public and may be obtained from Companies House, Cardiff.