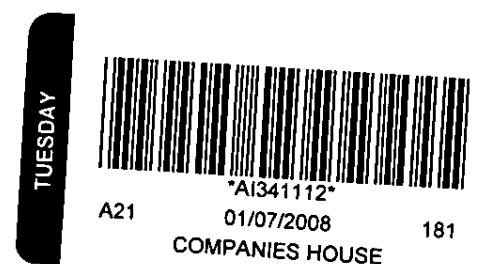


Financial Statements VSG Holdings Limited

For the year ended 31 March 2008



Company No. 5382414

Company information

Company registration number	5382414
Registered office	650 Pavilion Drive Northampton Business Park NORTHAMPTON NN4 7SL
Directors	L K L Barwell R K L Francis R J Jones W R Muskin
Secretary	R J Jones
Bankers	Royal Bank of Scotland plc 72 Abington Street NORTHAMPTON NN1 2BH
Solicitors	DFA Law 6 Cheyne Walk NORTHAMPTON NN1 5PT
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House Kettering Parkway KETTERING Northants NN15 6XR

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2008

Principal activities

The principal activity of the company during the year was that of a holding company

Business review and future developments

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

A dividend of £325,417 was paid during the year

On 3 September 2007 the company changed ownership and 100% of the share capital was acquired by VSG Investments Limited

Key performance indicators

Financial

The company measures its financial performance using the following measures based on its subsidiary undertaking, Vision Security Group Limited

- 1) Growth in turnover is a key measure of the company's success in winning new business and retaining existing customers. The growth in turnover between 2007 and 2008 was 14.4 %, slightly below target
- 2) Cash collection is an important part of effective working capital management. At the year-end debtor days were 36 compared to a target of 37 days
- 3) Operating profit of £3,521,745 is stated after bad debt charges of £13,388

Non-financial

The company measures its non-financial performance in several areas as follows based on its subsidiary undertaking, Vision Security Group Limited

- 1) The securing of new business is a critical area for the business to continue to grow. The value of contracts won during the year is therefore closely monitored against targets by the directors. During the year the level of new business won was marginally below target. However, new business gains post year end have been ahead of target
- 2) For similar reasons, the level of contract losses is also measured against a set target. Contract losses are categorised into two areas - those under our control and those outside of our control. The level of contract losses under our control was significantly less than target, whilst contract losses outside of our control (customers going into receivership or closing sites) were marginally above target
- 3) The directors plan to expand the activities of the company in the electronic security market, possibly by way of an acquisition. This will allow a broader security solution to be offered to clients. The current strategy for manned guarding will continue with a focus on expansion into new geographical markets

Key performance indicators (continued)

- 4) Each customer has a Service Level Agreement (SLA) against which our service delivery is measured, usually on a quarterly basis. These scores are monitored by the board to ensure the company is meeting its performance standards. During the year the overall SLA scores were consistently above target.

Financial risk management objectives and policies

The company uses various financial instruments including loans and cash. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk and cash flow interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by an asset backed bank lending facility.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Employment policy

The company gives full and fair consideration to employment applications from disabled persons, the continued employment and training of employees who become disabled, and the training, career development and promotion of disabled employees.

The company provides employees systematically with information of concern to them and consults its employees or their representatives on a regular basis so that their views can be taken into account in making decisions affecting them. The company also produces a regular newsletter, achieving an awareness of the financial and economic factors affecting the performance of the company.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment within the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

The directors

The directors who served the company during the year were as follows

L K L Barwell
W R Muskin
R J Jones
R K L Francis

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP were appointed as auditors on 7 February 2008 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to appoint Grant Thornton UK LLP will be proposed at the next annual general meeting.

BY ORDER OF THE BOARD



R J Jones
Secretary

16 June 2008



Report of the independent auditor to the members of VSG Holdings Limited

We have audited the financial statements of VSG Holdings Limited for the year ended 31 March 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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.



Report of the independent auditor to the members of VSG Holdings Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 March 2008

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Kettering 16 June 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

The company's accounting policies are unchanged compared with the prior year

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group

The company has taken advantage of the exemption provided by Section 228 of the Companies Act 1985 not to prepare group accounts, as its ultimate parent undertaking is VSG Group Limited (formerly Castlegate 474 Limited), a company registered in England and Wales, which prepares consolidated financial statements

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary in a group where the ultimate parent undertaking publishes a consolidated cash flow statement

Investments

Investments are stated at cost less provision for diminution in value

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2008 £	2007 £
Other operating charges		-	(3,522)
Net interest	2	(20)	(203,957)
Loss on ordinary activities before taxation		(20)	(207,479)
Tax on loss on ordinary activities	3	-	-
Retained loss for the financial year	8	(20)	(207,479)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the loss for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Investments	5	<u>8,119,097</u>	<u>8,119,097</u>
Current assets			
Cash at bank		1,659	1,679
Creditors: amounts falling due within one year	6	<u>(4,229,465)</u>	<u>(3,904,048)</u>
Net current liabilities		<u>(4,227,806)</u>	<u>(3,902,369)</u>
Total assets less current liabilities		<u>3,891,291</u>	<u>4,216,728</u>
Capital and reserves			
Called-up equity share capital	7	4,600,100	4,600,100
Profit and loss account	8	<u>(708,809)</u>	<u>(383,372)</u>
Shareholders' funds	9	<u>3,891,291</u>	<u>4,216,728</u>

These financial statements were approved by the Board of Directors and authorised for issue on 16 June 2008
They are signed on their behalf by

R J Jones

R J Jones
Director

Notes to the financial statements

1 Directors and employees

There were no employees during the year and no director received any remuneration

2 Net interest

	2008 £	2007 £
Interest payable on bank borrowings	<u>20</u>	<u>203,957</u>

3 Taxation on ordinary activities

The tax charge represents

	2008 £	2007 £
Corporation tax and total current tax charge	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 30% (2007 - 30%) The differences are explained below

	2008 £	2007 £
Loss on ordinary activities before taxation	<u>(20)</u>	<u>(207,479)</u>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax	(6)	(62,244)
Group relief claimed	<u>6</u>	<u>62,244</u>
Total current tax	<u>-</u>	<u>-</u>

4 Dividends

	2008 £	2007 £
Equity dividends paid on ordinary shares	<u>325,417</u>	<u>-</u>

5 Investments

The company

**Investments
in group
undertakings**

£

Cost and net book amount
At 1 April 2007 and 31 March 2008

8,119,097

At 31 March 2008 the company held more than 20% of the allotted share capital of the following companies which are incorporated in England and Wales

	Class of share held	Proportion of voting rights held	Nature of business
Subsidiary undertakings			
Vision Security Group Limited	Ordinary	100% direct	Provision of manned guarding security services
VSG Staff Hire Limited (formerly VSG(1) Limited)	Ordinary	100% indirect	Provision of staff services
VSG Payroll Services Limited (formerly VSG (2) Limited)	Ordinary	100% indirect	Provision of payroll services

6 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	<u>4,229,465</u>	<u>3,904,048</u>

7 Equity share capital

Authorised

	2008 £	2007 £
20,000 Ordinary shares of £0.01 each	200	200
4,600,000 Preference shares of £1 each	4,600,000	4,600,000
	<u>4,600,200</u>	<u>4,600,200</u>

Equity shares

Allotted, called up and fully paid

	No	2008 £	No	2007 £
Ordinary shares of £0.01 each	10,000	100	10,000	100
Preference shares of £1 each	4,600,000	4,600,000	4,600,000	4,600,000
	<u>4,610,000</u>	<u>4,600,100</u>	<u>4,610,000</u>	<u>4,600,100</u>

8 Profit and loss account

	£
Balance brought forward	(383,272)
Loss for the financial year	(20)
Equity dividends paid (see note 4)	<u>(325,417)</u>
At 31 March 2008	<u>(708,809)</u>

9 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the financial year	(20)	(207,479)
Equity dividends paid (see note 4)	(325,417)	-
Opening shareholders' funds	4,216,728	4,424,207
Closing shareholders' funds	<u>3,891,291</u>	<u>4,216,728</u>

10 Related party transactions

As a wholly owned subsidiary of VSG Investments Limited (formerly Castlegate 471 Limited), the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the company headed by VSG Group Limited (formerly Castlegate 474 Limited) on the grounds that consolidated accounts of VSG Group Limited (formerly Castlegate 474 Limited) are publicly available from Companies House

11 Capital commitments

The company had no capital commitments at 31 March 2008 or 31 March 2007

12 Contingent liabilities

During the year the company entered into an inter-company composite guarantee with accession between VSG Group Limited (formerly Castlegate 474 Limited), VSG Investments Limited (formerly Castlegate 471 Limited), VSG Staff Hire Limited (formerly VSG (1) Limited), VSG Payroll Services Limited (formerly VSG (2) Limited) and Vision Security Group Limited. At 31 March 2008, the potential liability of the company was £11,382,636 (2007 - £nil)

13 Controlling related party

On 3 September 2007 the entire share capital of the company was purchased by VSG Investments Limited (formerly Castlegate 471 Limited)

VSG Investments Limited (formerly Castlegate 471 Limited) is considered the controlling related party by virtue of its 100% shareholding

VSG Group Limited (formerly Castlegate 474 Limited) is considered the ultimate controlling related party by virtue of its share ownership