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Financial Statements VSG Group Limited (formerly Castlegate 474 Limited) and its subsidiary undertakings

For the period from incorporation to 31 March 2008

Company No. 06182467

Company information

Company registration number	06182467
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 J Garner M E Aldridge
Secretary	R J Jones
Bankers	Royal Bank of Scotland plc 72 Abington Street NORTHAMPTON NN1 2BH Bank of Ireland Swords DUBLIN County Dublin Ireland
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

Index to the financial statements

Report of the directors

The directors present their report and the financial statements of the group for the period from incorporation to 31 March 2008

Principal activities

The company was incorporated on 12 January 2007 under the name of Castlegate 474 Limited before changing its name by special resolution on 3 September 2007 to VSG Group Limited

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

The principal activity of the group during the period was the provision of manned guarding security services primarily to the commercial, distribution, corporate and retail sectors of commerce and industry

Business review and future developments

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

The directors have not recommended payment of a dividend

The group's share option scheme is set out in note 19 to the financial statements None of the directors held options at the period end

The directors and their interests

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

L K L Barwell
W R Muskin
R J Jones
R K L Francis
J Garner
M E Aldridge

L K L Barwell, W R Muskin, R J Jones, R K L Francis and J Garner were all appointed to the Board on 3 September 2007 M E Aldridge was appointed to the Board on 24 December 2007

Castlegate Directors Limited were appointed to the Board on 12 January 2007 and resigned on 3 September 2007

Existence of branches outside the United Kingdom

Branches of the company located outside the United Kingdom existed in Ireland during the period and at the period end

Key performance indicators

Financial

The group measures its financial performance using the following measures

1) Growth in turnover is a key measure of the group's success in winning new business and retaining existing customers

2) Cash collection is an important part of effective working capital management At the period-end debtor days were 36 compared to a target of 37 days

3) Operating profit of £994,696 is stated after bad debt charges of £13,388

Non-financial

The group measures its non-financial performance in several areas as follows

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 period 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 group 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

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 group uses various financial instruments including loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

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

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

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk The group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below

Financial risk management objectives and policies (continued)

Liquidity risk

The group 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 a 7 year revolving credit facility

Interest rate risk

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

Credit risk

The group's principal financial assets are cash and trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history

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

Employment policy

The group 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 group 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 group also produces a regular newsletter, achieving an awareness of the financial and economic factors affecting the performance of the group

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 United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the 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 year In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

Statement of directors' responsibilities (continued)

- make judgements 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

Charitable donations

During the period the group contributed £10,242 to charities

Auditor

Grant Thornton UK LLP were appointed auditors on 7 February 2008 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985 Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

R J Jones
Secretary
16 June 2008

Grant Thornton

Report of the independent auditor to the members of VSG Group Limited (formerly Castlegate 474 Limited)

We have audited the group and parent company financial statements (the "financial statements") of VSG Group Limited (formerly Castlegate 474 Limited) for the period ended 31 March 2008 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement and notes 1 to 26 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 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 group's and company's circumstances, consistently applied and adequately disclosed

Grant Thornton

Report of the independent auditor to the members of VSG Group Limited (formerly Castlegate 474 Limited)

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

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 group's and the parent company's affairs as at 31 March 2008 and of the group's loss for the period 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 period 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)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies Acquisitions are accounted for under the acquisition method

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 230 of the Companies Act 1985

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill - 20 years

Turnover

The turnover is the revenue arising from the sale of goods and services It is stated net of value added tax, rebates and discounts

Invoices are raised mainly on a monthly basis with any over or under hours worked appropriately accrued or deferred Turnover also includes items purchased on behalf of customers and then re-charged on to them

Fixed assets

All fixed assets are initially recorded at cost

Investments

Investments are stated at cost less amounts written off

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold property improvements	-	Straight line over the life of the lease
Plant and equipment	-	25% straight line
Fixtures and fittings	-	10% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Foreign exchange gains or loses are credited or charged to the profit and loss account as they arise

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

Share options

The company operates a share option scheme, as detailed in note 19 under which it makes equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest

Fair value is measured using an appropriate pricing model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification

Where and equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph

Group profit and loss account

	Note	£	Period from incorporation to 31 March 08 £
Group turnover			
- Acquisitions	1		**56,636,088**
Cost of sales			**(47,204,530)**
Gross profit			**9,431,558**
Other operating income and charges	2		**(8,436,862)**
Operating profit	3		
- continuing operations		**(38,215)**	
- acquisitions		**1,032,911**	
			994,696
Net interest and other similar charges	6		**(1,821,610)**
Loss on ordinary activities before taxation			**(826,914)**
Tax on loss on ordinary activities	7		**(516,538)**
Loss for the financial period	20		**(1,343,452)**

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

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

Group balance sheet

	Note	2008 £
Fixed assets		
Intangible assets	9	22,354,779
Tangible assets	10	1,277,807
		23,632,586
Current assets		
Stocks	12	41,477
Debtors	13	14,156,896
Cash at bank		5,776,195
		19,974,568
Creditors: amounts falling due within one year	14	(17,785,762)
Net current assets		2,188,806
Total assets less current liabilities		25,821,392
Creditors: amounts falling due after more than one year	15	(26,682,367)
		(860,975)
Provisions for liabilities and charges		
Deferred taxation	17	(36,184)
		(897,159)
Capital and reserves		
Called-up equity share capital	19	431,939
Share premium account	20	14,354
Profit and loss account	20	(1,343,452)
Shareholders' deficit	21	(897,159)

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
Director

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

Company balance sheet

	Note	2008 £
Fixed assets		
Investments	11	**1**
Current assets		
Debtors amounts fallıng due after more than one year	13	**441,703**
Cash at bank		**4,563**
		446,266
Creditors: amounts fallıng due wıthin one year	14	**(38,189)**
Net current liabılıties		**408,077**
Total assets less current lıabilıties		**408,078**
Capıtal and reserves		
Called-up equıty share capıtal	19	**431,939**
Share premıum account	20	**14,354**
Profit and loss account	20	**(38,215)**
	21	**408,078**

These financıal statements were approved by the Board of Dırectors and authorısed for ıssue on 16 June 2008
They are sıgned on theır behalf by

R J Jones
Dırector

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

Group cash flow statement

	Note	Period from incorporation to 31 March 08 £
Net cash inflow from operating activities	22	**4,701,541**
Returns on investments and servicing of finance		
Interest paid		**(909,329)**
Interest received		**64,950**
Net cash outflow from returns on investments and servicing of finance		**(844,379)**
Taxation		**(938,114)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets		**(126,321)**
Sale of tangible fixed assets		**22,871**
Net cash outflow from capital expenditure and financial investment		**(103,450)**
Acquisitions and disposals		
Purchase of subsidiary undertaking		**(21,807,727)**
Net overdraft of subsidiary undertaking		**(3,753,320)**
Net cash outflow from acquisitions and disposals		**(25,561,047)**
Financing		
Receipts from borrowings		**27,303,877**
Capital elements of finance leases		**36,104**
Issue of shares		**446,293**
Net cash inflow from financing		**27,786,274**
Increase in cash	22	**5,040,825**

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

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group which was acquired during the year

	Period from incorporation to 31 March 08 £
United Kingdom	55,955,256
Republic of Ireland	680,832
	56,636,088

2 Other operating charges

	Period from incorporation to 31 March 08 £
Administrative expenses	8,436,862

3 Operating profit

Operating profit is stated after charging

	Period from incorporation to 31 March 08 £
Amortisation	1,216,018
Depreciation of owned fixed assets	186,904
Depreciation of assets held under finance leases and hire purchase agreements	9,840
Auditor's remuneration	
Statutory audit of the financial statements	6,750
Audit of the company's subsidiaries	35,750
Taxation services	6,550
Operating lease rentals	
Motor vehicles	858,522
Land and buildings	397,539

4 Particulars of employees

The average number of staff employed by the group during the financial period amounted to

	Period from incorporation to 31 March 08 No
Field based staff	3,896
Office staff	216
	4,112

The aggregate payroll costs of the above were

	Period from incorporation to 31 March 08 £
Wages and salaries	73,361,821
Social security costs	6,113,815
	79,475,636

5 Directors

Remuneration in respect of directors was as follows

	Period from incorporation to 31 March 08 £
Emoluments receivable	629,267

Emoluments of highest paid director

	31 March 08 £
Emoluments receivable	168,093

6 Net interest and other similar charges

	Period from incorporation to 31 March 08 £
Bank interest receivable	(64,950)
On bank loans and overdrafts	1,001,593
Other interest payable and similar charges	816,110
Finance costs	68,857
	1,821,610

7 Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from incorporation to 31 March 08 £
Current tax	
UK corporation tax based on the results for the period at 30 % and total current tax	552,722
Deferred tax	
Origination and reversal of timing differences	(36,184)
Tax on loss on ordinary activities	516,538

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 30% The differences are explained below

	Period from incorporation to 31 March 08 £
Loss on ordinary activities before taxation	(826,914)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax	(248,074)
Expenses not deductible for tax purposes	484,871
Differences between capital allowances and depreciation	18,457
Marginal relief	(1,120)
Other timing differences	298,588
Total current tax (note 7(a))	552,722

8 Loss attributable to members of the parent company

The parent company has taken advantage of section 230 of the Companies Act 1985 and not included its own profit and loss account in these financial statements The loss dealt with in the accounts of the parent company was £38,215

9 Intangible fixed assets

The group	**Goodwill**
	£
Cost	
Additions and at 31 March 2008	23,570,797
Amortisation	
Charge for the period and at 31 March 2008	1,216,018
Net book amount	
At 31 March 2008	**22,354,779**

The company had no intangible fixed assets

10 Tangible fixed assets

The group	**Leasehold Property Improvements**	**Plant & Equipment**	**Fixtures & Fittings**	**Total**
	£	**£**	**£**	**£**
Cost				
Acquisition of subsidiary undertakings	663,263	1,342,177	290,928	2,296,368
Additions	2,369	111,087	12,865	126,321
Disposals	-	(65,828)	(2,049)	(67,877)
At 31 March 2008	665,632	1,387,436	301,744	2,354,812
Depreciation				
Acquisition of subsidiary undertakings	80,995	771,407	72,865	925,267
Charge for the period	19,365	159,362	18,017	196,744
Disposals	-	(44,926)	(80)	(45,006)
At 31 March 2008	100,360	885,843	90,802	1,077,005
Net book value				
At 31 March 2008	**565,272**	**501,593**	**210,942**	**1,277,807**

Included within the net book value of £1,277,807 is £68,059 relating to assets held under finance leases and hire purchase agreements The depreciation charged to the financial statements in the period in respect of such assets amounted to £9,840

The company had no tangible fixed assets

11 Investments

The company

	Subsidiary undertakings £
Cost and net book value	
Additions and 31 March 2008	1

On 3 September 2008 the company acquired the allotted share capital of the following companies, all of which are incorporated in England and Wales, all were held at 31 March 2008

	Class of share held	Proportion of voting rights held	Nature of business
Subsidiary undertakings			
VSG Investments Limited (formerly Castlegate 471 Limited)	Ordinary	100% direct	Holding company
VSG Holdings Limited	Ordinary	100% indirect	Holding company
Vision Security Group Limited	Ordinary	100% indirect	Provision of manned guarding security services
VSG Staff Hire Limited (formerly VSG (1) Limited)	Ordinary	100% indirect	Provision of hired staff services
VSG Payroll Services Limited (formerly VSG (2) Limited)	Ordinary	100% indirect	Provision of payroll services

12 Stocks

	The group 2008 £	The company 2008 £
Finished goods	41,477	-

13 Debtors

	The group 2008 £	The company 2008 £
Trade debtors	11,191,893	-
Other debtors	529,818	-
Amounts owed by group undertakings falling due after more than one year	-	441,703
Prepayments and accrued income	2,435,185	-
	14,156,896	441,703

14 Creditors: amounts falling due within one year

	The group 2008 £	The company 2008 £
Bank loans and overdrafts	1,375,717	-
Trade creditors	1,309,765	-
Amounts owed to group undertakings	-	38,189
Corporation tax	292,015	-
Social security and other taxes	6,771,725	-
Amounts due under finance leases and hire purchase agreements	17,267	-
Other creditors	3,327,613	-
Deferred consideration (see note 23)	549,273	-
Accruals and deferred income	4,142,387	-
	17,785,762	38,189

15 Creditors: amounts falling due after more than one year

	The group 2008 £	The company 2008 £
Bank loans	10,006,559	-
Other loans	16,656,971	-
Amounts due under finance leases and hire purchase agreements	18,837	-
	26,682,367	-

Bank loans are secured by an all asset debenture in favour of Royal Bank of Scotland plc

16 Borrowings

	The group 2008 £	The company 2008 £
Within one year or on demand		
Bank overdrafts	735,370	-
Bank loans	640,347	-
Finance leases and hire purchase agreements	17,267	-
After one and within two years		
Bank loans	1,140,347	-
Finance leases and hire purchase agreements	18,837	-
After two and within five years		
Bank loans	4,671,040	-
After five years		
Bank loans	4,195,172	-
Other loans	16,656,971	-
	28,075,351	-

Amounts due under finance leases and hire purchase contracts are secured upon the assets to which they relate

Bank loans and overdrafts are secured by an all asset debenture in favour of Royal Bank of Scotland plc

Bank loans represent two facilities Facility A is repayable in half yearly instalments over the term of the loan and attracts interest generally at 2 25% above LIBOR Facility B is repayable in full at the termination date and attracts interest generally at 2 75% above LIBOR

Other loans represent two loans Both are repayable in full at the termination date and attract interest at 10%

17 Provisions for liabilities and charges

The movement in the deferred taxation provision during the period was

	Deferred tax 2008 £
Profit and loss account movement arising during the period and provision carried forward	36,184

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2008 £
Accelerated capital allowances	36,184

18 Leasing commitments

At 31 March 2008 the group had annual commitments under non-cancellable operating leases as set out below

	Land & buildings 2008 £	Other items 2008 £
Operating leases which expire		
Within 1 year	34,092	88,805
Within 2 to 5 years	28,319	556,157
After more than 5 years	302,950	-
	365,361	644,962

19 Equity share capital

Authorised share capital

	2008 £
356,786 Ordinary shares of £1 each	356,786
109,078 Preferred ordinary shares of £1 each	109,018
	465,804

Equity shares
Allotted, called up and fully paid

	No	2008 £
Ordinary shares of £1 each	327,054	327,054
Preferred ordinary shares of £1 each	104,885	104,885
	431,939	431,939

Allotments during the period

The company made an allotment of 327,054 ordinary shares and 104,885 preferred ordinary shares at £1 per share The difference between the total consideration of £446,293 has been credited to the share premium account (£14,354) (see note 20)

The ordinary and preferred ordinary shares rank pari passu except for differences in voting proportions Ordinary shareholders are entitled to 0 8 of a vote in respect of each share held and the holders of each Preferred ordinary share are entitled to 1 6 of a vote in respect of each share held

Contingent rights to the allotment of shares

The company has granted options to certain employees in respect of the Ordinary £1 shares under an approved share option scheme

The options, granted on 31 March 2008, have an exercise price of £1 and are exercisable based on certain events occurring Based on the company's current business plan, the earliest exercise date is assumed to be 31 March 2010

At 31 March 2008 20,811 options were outstanding at a weighted average exercise price per share of £1 The weighted average remaining contractual life is 120 months

Movements in the number of share options outstanding at a weighted average exercise price of £1 are as follows

	No. of options
Granted	20,811
Lapsed	-
Outstanding at 31 March 2008	**20,811**
Exercisable at 31 March 2008	**20,811**

20 Reserves

The group

	Share premium account £	Profit and loss account £
Loss for the financial period	-	(1,343,452)
Premium on allotment during the period	14,354	-
At 31 March 2008	**14,354**	**(1,343,452)**

The company

	Share premium account £	Profit and loss account £
Loss for the financial period	-	(38,215)
Premium on allotment during the period	14,354	-
At 31 March 2008	**14,354**	**(38,215)**

21 Reconciliation of movements in shareholders' funds

The group

	Period from incorporation to 31 March 08 £
Loss for the financial period	(1,343,452)
New equity share capital issued	446,293
Closing shareholders' deficit	**(897,159)**

The company

	£
Loss for the financial period	(38,215)
New equity share capital issued	446,293
Closing shareholders' funds	**408,078**

22 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Period from incorporation to 31 March 08 £
Operating profit	994,696
Amortisation	1,216,018
Depreciation	196,744
Decrease in stocks	665
Decrease in debtors	(449,377)
Increase in creditors	2,742,795
Net cash inflow from operating activities	4,701,541

Reconciliation of net cash flow to movement in net debt

	Period from incorporation to 31 March 08 £
Increase in cash in the period	5,040,825
Net cash inflow from financing	(27,303,877)
Net cash outflow from finance leases and hire purchase agreements	(36,104)
Movement in net debt in the period net debt at 31 March 2008	(22,299,156)

Analysis of changes in net debt

	Cash flow and at 31 March 08 £
Cash at bank and in hand	5,776,195
Overdraft	(735,370)
	5,040,825
Debt	(27,303,877)
Finance leases	(36,104)
	(22,299,156)

23 Acquisitions

VSG Holdings Limited and VSG Investments Limited

On 3 September 2007 the company acquired the entire ordinary share capital of VSG Investments Limited (formerly Castlegate 471 Limited) for a consideration of £1 in cash Goodwill arising on the acquisition of VSG Investments Limited (formerly Castlegate 471 Limited) has been capitalised

On 3 September 2007 VSG Investments Limited (formerly Castlegate 471 Limited) acquired the entire ordinary share capital of VSG Holdings Limited and its subsidiary undertakings for a consideration of £10,974,583 in cash, £9,700,000 in loan notes and £549,273 deferred consideration Goodwill arising on the acquisition of VSG Holdings Limited and its subsidiary undertakings has been capitalised

The purchase of VSG Investments Limited (formerly Castlegate 471 Limited) and its subsidiary undertakings has been accounted for by the acquisition method of accounting

The consolidated profit after taxation of VSG Holdings Limited for the period from 1 April 2007, the beginning of the subsidiary's financial year to the date of acquisition was £606,752 During this period, turnover amounted to £ 36,640,366, operating profit amounted to £967,187 and profit before taxation amounted to £799,866 The profit after taxation for the year ended 31 March 2007 was £571,963

The assets and liabilities of VSG Holdings Limited and its subsidiary undertakings acquired were as follows

	Book value	Other adjustments	Fair value
	£	£	£
Fixed assets			
Tangible	1,371,101	-	1,371,101
Intangible assets	6,746,066	(6,746,066)	-
Current assets			
Stocks	42,142	-	42,142
Debtors	13,707,519	-	13,707,519
Cash	8,682	-	8,682
Total assets	21,875,510	(6,746,066)	15,129,444
Creditors			
Bank overdraft	(3,762,002)	-	(3,762,002)
Trade creditors	(1,463,245)	-	(1,463,245)
Corporation tax	(749,775)	-	(749,775)
Social security and other taxes	(4,465,374)	-	(4,465,374)
Other creditors	(3,076,732)	-	(3,076,732)
Accruals and deferred income	(2,826,113)	-	(2,826,113)
Total liabilities	(16,343,241)	-	(16,343,241)
Net assets	5,532,269	(6,746,066)	(1,213,797)
Goodwill capitalised			23,570,797
			22,357,000

Acquisitions (continued)

	Fair value £
Satisfied by	
Issue of loan notes	9,700,000
Cash	10,974,583
Deferred consideration	549,273
Directly attributable costs	1,133,144
	22,357,000

The other adjustment relate to the original goodwill analysis on the consolidation of Vision Security Group Limited within VSG Holdings Limited The goodwill has now been subsumed within the goodwill arising on the consolidation of the group headed by VSG Group Limited (formerly Castlegate 474 Limited)

The deferred consideration is contingent on amounts of savings made in an ongoing profit improvement plan set up by the company

The subsidiary undertakings acquired during the year made the following contributions to, and utilisations of, group cash flow

	2008 £
Net cash inflow from operating activities	10,923,321
Returns on investment and servicing of finance	(29,818)
Taxation	(938,114)
Capital expenditure and financial investment	(103,450)
Equity dividends	(325,413)
Financing	(3,763,572)
Increase/decrease in cash	5,762,950

Analysis of net outflow of cash in respect of the purchase of the subsidiary undertakings

	2008 £
Cash at bank and in hand acquired	8,682
Bank overdrafts	(3,762,002)
	(3,753,320)
Cash consideration	(10,974,583)
	(14,727,903)

24 Related party transactions

Included within other loans and accruals in creditors are the following loans made to the group from shareholders of the company during the period

	Loan balance at 1 March 2008 £	Interest accrued at 31 March 2008 £
Lloyds TSB Development Capital Limited	6,956,971	406,477
M Barwell and M Paynter as trustees	3,889,190	227,235
L Barwell	626,790	36,622
K Francis	1,855,170	108,393
B Muskin	2,333,750	136,355
R Jones	995,100	58,140
	16,656,971	973,222

Included in sales is £117,907 (2007 - £124,030) to Northampton Rugby Football Club Limited, a company of which Mr L K L Barwell is a director The balance outstanding at the year end was £31,301 (2007 - £26,120)

Purchases from Northampton Rugby Football Club Limited during the year were £25,030 (2007 - £19,653) The balance owed to Northampton Rugby Football Club Limited at the year end was £3,524 (2007 - £5,163)

Included in other debtors is £513,503 (2007 - £380,529) due from Hardingstone Properties Limited, a company of which W R Muskin, R K L Francis, R J Jones and L K L Barwell are directors

Included in rent are payments of £275,000 (2007 - £275,000) to Hardingstone Properties Limited

Other interest received of £12,524 (2007 - £10,499) relates to interest receivable from Hardingstone Properties Limited on the rent deposit

25 Contingent liabilities

During the period the group entered into an inter company composite guarantee with accession between VSG Investments Limited (formerly Castlegate 471 Limited), VSG Holdings Limited, Vision Security Group Limited, VSG Staff Hire Limited (formerly VSG (1) Limited) and VSG Payroll Sevices Limited (formerly VSG (2) Limited) At 31 March 2008, the potential liability of the company was £11,382,636

26 Capital commitments

The group had capital commitments of £170,000 at 31 March 2008