

# Financial Statements

## VSG Group Limited and its subsidiary undertakings

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For the year ended 31 March 2009

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COMPANIES HOUSE

## Company information

<b>Company registration number</b>	06182467
<b>Registered office</b>	650 Pavilion Drive Northampton Business Park NORTHAMPTON NN4 7SL
<b>Directors</b>	L K L Barwell R K L Francis R J Jones W R Muskin J Garner M E Aldridge
<b>Secretary</b>	R J Jones
<b>Bankers</b>	Royal Bank of Scotland plc 72 Abington Street NORTHAMPTON NN1 2BH  Bank of Ireland Swords DUBLIN County Dublin Ireland
<b>Solicitors</b>	DFA Law 6 Cheyne Walk NORTHAMPTON NN1 5PT
<b>Auditor</b>	Grant Thornton UK LLP Grant Thornton House Kettering Parkway Kettering Venture Park KETTERING Northants NN15 6XR

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## Report of the directors

The directors present their report and the financial statements for the year ended 31 March 2009.

### **Principal activities**

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

The principal activity of the group during the year 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 year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended payment of a dividend (2008 - £nil).

The group's share option scheme is set out in note 20 to the financial statements. None of the directors held options at the year end.

The directors remain optimistic about the future prospects of the company, despite the difficult trading conditions that exist. The company intends to grow its share of the manned guarding market by continuing to provide industry leading service levels at good value. The recent acquisition of Rampart Security Limited gives the company further opportunities to improve both the range of services offered and value for money.

### **The directors**

The present membership of the Board is set out below. All directors served throughout the year.

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

### **Existence of branches outside the United Kingdom**

Branches of the company located outside the United Kingdom existed in Ireland during the year and at the year 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 year-end debtor days were 36 compared to a target of 37 days.
- 3) Operating profit of £3,135,745 (2008 - £994,696) is stated after bad debt charges of £162,345 (2008 - £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 was marginally above target. 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) 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**

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;
- 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;

**Statement of directors' responsibilities (continued)**

- 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 auditor is 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 auditor is aware of that information.

**Charitable donations**

During the year the group contributed £8,913 (2008 - £10,242) to charities.

**Auditor**

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



R J Jones  
Secretary  
23 June 2009



## Report of the independent auditor to the members of VSG Group Limited

We have audited the group and parent company financial statements (the "financial statements") of VSG Group Limited for the year ended 31 March 2009 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 29. 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 auditor's 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.





## Report of the independent auditor to the members of VSG Group 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 2009 and of the group's 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 2009.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

**Kettering**  
**23 June 2009**

## 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 group's accounting policies are unchanged compared with the prior year.

### **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	- 10 - 20 years
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### **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.

### **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

### **Investments**

Investments are stated at cost less amounts written off.

### **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 year 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 losses 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 years 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 20 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 year, 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 an 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

			Year ended 31 March 2009	Period ended 31 March 2008
	Note	£	£	£
<b>Group turnover</b>	1			
- continuing operations		104,948,724	56,636,088	
- acquisitions		907,919	-	
			<b>105,856,643</b>	56,636,088
Cost of sales			<b>(88,131,968)</b>	(47,204,530)
<b>Gross profit</b>			<b>17,724,725</b>	9,431,558
Other operating income and charges	2		<b>(14,588,980)</b>	(8,436,862)
<b>Operating profit</b>	3			
- continuing operations		3,110,493	994,696	
- acquisitions		25,252	-	
			<b>3,135,745</b>	994,696
Net interest and other similar charges	6		<b>(2,759,626)</b>	(1,821,610)
<b>Profit/(loss) on ordinary activities before taxation</b>			<b>376,119</b>	(826,914)
Tax on profit/(loss) on ordinary activities	7		<b>(797,051)</b>	(516,538)
<b>Loss for the financial year</b>	22		<b>(420,932)</b>	(1,343,452)

The group has no recognised gains or losses other than the loss for the financial year.

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

## Group balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Intangible assets	9	22,924,117	22,354,779
Tangible assets	10	1,781,138	1,277,807
		<u>24,705,255</u>	<u>23,632,586</u>
<b>Current assets</b>			
Stocks	12	60,997	41,477
Debtors	13	16,808,337	14,156,896
Cash at bank		4,690,436	5,776,195
		<u>21,559,770</u>	<u>19,974,568</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(18,546,047)</u>	<u>(17,785,762)</u>
<b>Net current assets</b>		<u>3,013,723</u>	<u>2,188,806</u>
<b>Total assets less current liabilities</b>		<u>27,718,978</u>	<u>25,821,392</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(29,003,991)</u>	<u>(26,682,367)</u>
		<u>(1,285,013)</u>	<u>(860,975)</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	17	<u>(33,078)</u>	<u>(36,184)</u>
		<u>(1,318,091)</u>	<u>(897,159)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	20	431,939	431,939
Share premium account	22	14,354	14,354
Profit and loss account	22	<u>(1,764,384)</u>	<u>(1,343,452)</u>
<b>Shareholders' deficit</b>	23	<u>(1,318,091)</u>	<u>(897,159)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 23 June 2009.  
They are signed on their behalf by:

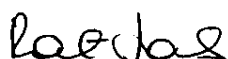


R J Jones  
Director

## Company balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Investments	10	1	1
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	441,703	441,703
Cash at bank		4,503	4,563
		<u>446,206</u>	<u>446,266</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(38,189)</u>	<u>(38,189)</u>
<b>Net current assets</b>		<u>408,017</u>	<u>408,077</u>
<b>Total assets less current liabilities</b>		<u>408,018</u>	<u>408,078</u>
<b>Capital and reserves</b>			
Called-up equity share capital	20	431,939	431,939
Share premium account	22	14,354	14,354
Profit and loss account	22	<u>(38,275)</u>	<u>(38,215)</u>
<b>Shareholders' funds</b>	23	<u>408,018</u>	<u>408,078</u>

These financial statements were approved by the Board of Directors and authorised for issue on 23 June 2009.  
They are signed on their behalf by:



R J Jones  
Director

## Group cash flow statement

	Note	Year ended 31 March 2009 £	Period ended 31 March 2008 £
<b>Net cash inflow from operating activities</b>	24	<b>4,339,019</b>	<b>4,701,541</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,188,117)	(909,329)
Interest received		108,017	64,950
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(1,080,100)</b>	<b>(844,379)</b>
<b>Taxation</b>		<b>(641,164)</b>	<b>(938,114)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(878,191)	(126,321)
Sale of tangible fixed assets		6,517	22,871
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(871,674)</b>	<b>(103,450)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking		(958,521)	(21,807,727)
Net cash/(overdraft) of subsidiary undertaking		39,744	(3,753,320)
Deferred consideration paid		(549,273)	-
<b>Net cash outflow from acquisitions and disposals</b>		<b>(1,468,050)</b>	<b>(25,561,047)</b>
<b>Financing</b>			
(Repayment of)/receipts from borrowings		(616,296)	27,303,877
Capital elements of finance leases		(12,124)	36,104
Issue of shares		-	446,293
<b>Net cash (outflow)/inflow from financing</b>		<b>(628,420)</b>	<b>27,786,274</b>
<b>(Decrease)/increase in cash</b>	24	<b>(350,389)</b>	<b>5,040,825</b>

**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 as stated in the Report of the Directors.

An analysis of turnover is given below:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
United Kingdom	103,507,131	55,955,256
Republic of Ireland	2,349,512	680,832
	<u>105,856,643</u>	<u>56,636,088</u>

#### Liability Limitation Agreement with the auditor

The directors propose that the company enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 March 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting on 23 June 2009.

### 2 Other operating charges

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Administrative expenses	<u>14,588,980</u>	<u>8,436,862</u>

### 3 Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Amortisation	1,372,748	1,216,018
Depreciation of owned fixed assets	359,557	186,904
Depreciation of assets held under finance leases and hire purchase agreements	9,840	9,840
Auditor's remuneration:		
Statutory audit of the financial statements	7,000	6,750
Audit of the company's subsidiaries	42,600	35,750
Taxation services	11,850	6,550
Operating lease rentals:		
Motor vehicles		858,522
Land and buildings		397,539
	<u></u>	<u></u>

**4 Particulars of employees**

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

	Year ended 31 March 2009 No	Period ended 31 March 2008 No
Field based staff	4,220	3,896
Office staff	231	216
	<u>4,451</u>	<u>4,112</u>

The aggregate payroll costs of the above were:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Wages and salaries	80,943,856	73,361,821
Social security costs	6,741,216	6,113,815
	<u>87,685,072</u>	<u>79,475,636</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Emoluments receivable	<u>798,211</u>	<u>629,267</u>

Emoluments of highest paid director:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Emoluments receivable	<u>205,125</u>	<u>168,093</u>

No directors participate in the share option scheme.

**6 Net interest and other similar charges**

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Bank interest receivable	(108,017)	(64,950)
On bank loans and overdrafts	1,014,072	1,001,593
Other interest payable and similar charges	1,719,733	816,110
Finance costs	133,838	68,857
	<u>2,759,626</u>	<u>1,821,610</u>

**7 Taxation on profit/(loss) on ordinary activities**

The tax charge represents:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Current tax:		
Corporation tax	807,429	552,722
Adjustment in respect of prior periods	(13,512)	-
Total current tax	<u>793,917</u>	<u>552,722</u>
Deferred tax:		
Origination and reversal of timing differences	3,134	(36,184)
Total deferred tax	<u>3,134</u>	<u>36,184</u>
Tax on profit/(loss) on ordinary activities	<u>797,051</u>	<u>516,538</u>

**Factors affecting the tax charge for the year**

The tax assessed on the profit/(loss) on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 28% (2008 - 30%). The differences can be explained as follows:

	Year ended 31 March 2009 £	Period ended 31 March 2008 £
Profit/(loss) on ordinary activities before taxation	<u>376,119</u>	<u>(826,914)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax of 28% (2008 - 30%)	105,313	(248,074)
Expenses not deductible for tax purposes	431,996	484,871
Differences between capital allowances and depreciation	103	18,457
Marginal relief	-	(1,120)
Other timing differences	263,777	298,588
Adjustments in respect of prior periods	(13,512)	-
Creation of trading losses	6,240	-
Total current tax	<u>793,917</u>	<u>552,722</u>

**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 £60 (2008 - £38,215).

**9 Intangible fixed assets**

<b>The group</b>	<b>Goodwill</b>
	<b>£</b>
Cost	
At 1 April 2008	23,570,797
Additions	<u>1,942,086</u>
At 31 March 2009	<u>25,512,883</u>
Amortisation	
At 1 April 2008	1,216,018
Charge for the year	<u>1,372,748</u>
At 31 March 2009	<u>2,588,766</u>
Net book amount	
At 31 March 2009	<u><b>22,924,117</b></u>
Net book amount	
At 31 March 2008	<u><b>22,354,779</b></u>

The company had no intangible fixed assets.

# **10 Tangible fixed assets**

The group	Leasehold Property Improvements £	Plant & Equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 April 2008	665,632	1,387,436	301,744	2,354,812
Acquisition of subsidiary undertakings	-	63,901	-	63,901
Additions	-	400,698	477,493	878,191
Disposals	-	(60,459)	-	(60,459)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	665,632	1,791,576	779,237	3,236,445
Depreciation				
At 1 April 2008	100,360	885,843	90,802	1,077,005
Acquisition of subsidiary undertakings	-	51,919	-	51,919
Charge for the year	33,282	286,317	49,798	369,397
Disposals	-	(43,014)	-	(43,014)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	133,642	1,181,065	140,600	1,455,307
Net book value				
At 31 March 2009	<b>531,990</b>	<b>610,511</b>	<b>638,637</b>	<b>1,781,138</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2008	<b>565,272</b>	<b>501,593</b>	<b>210,942</b>	<b>1,277,807</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Included within the net book value of £1,781,138 (2008 - £1,277,807) is £58,219 (2008 - £68,059) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £9,840 (2008 - £9,840).

The company had no tangible fixed assets.

## **11 Investments**

### **The company**

	Subsidiary undertakings £
Cost and net book value At 31 March 2009 and 31 March 2008	<u>1</u>

During the year Vision Security Group Limited acquired 100% of the ordinary share capital of Vision Security Group Systems Limited (formerly Rampart Security Limited) and VSG Systems Direct Limited (formerly Rampart Direct Limited).

On 31 March 2009 the company held more than 20% of the allotted share capital of the following companies, all of which are incorporated in England and Wales:

Subsidiary undertakings	Class of share held	Proportion of voting rights held	Nature of business
VSG Investments 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	Ordinary	100% indirect	Provision of hired staff services
VSG Payroll Services Limited	Ordinary	100% indirect	Provision of payroll services
Vision Security Group Systems Limited (formerly Rampart Security Limited)	Ordinary	100% indirect	The supply, installation, maintenance and monitoring of electronic security services.
VSG Systems Direct Limited (formerly Rampart Direct Limited)	Ordinary	100% indirect	Dormant

## **12 Stocks**

	The group 2009 £	The group 2008 £	The company 2009 £	The company 2008 £
Finished goods	<u>60,997</u>	<u>41,477</u>	<u>-</u>	<u>-</u>

**13 Debtors**

	The group 2009 £	The group 2008 £	The company 2009 £	The company 2008 £
Trade debtors	13,328,346	11,191,893	-	-
Other debtors	521,445	529,818	-	-
Amounts owed by group undertakings falling due after more than one year	-	-	441,703	441,703
Prepayments and accrued income	2,958,546	2,435,185	-	-
	<u>16,808,337</u>	<u>14,156,896</u>	<u>441,703</u>	<u>441,703</u>

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

	The group 2009 £	The group 2008 £	The company 2009 £	The company 2008 £
Bank loans and overdrafts	1,140,347	1,375,717	-	-
Trade creditors	2,152,426	1,309,765	-	-
Amounts owed to group undertakings	-	-	38,189	38,189
Corporation tax	485,106	292,015	-	-
Social security and other taxes	7,022,113	6,771,725	-	-
Amounts due under finance leases and hire purchase agreements	23,980	17,267	-	-
Other creditors	3,622,518	3,327,613	-	-
Deferred consideration (see note 24)	200,000	549,273	-	-
Accruals and deferred income	3,899,557	4,142,387	-	-
	<u>18,546,047</u>	<u>17,785,762</u>	<u>38,189</u>	<u>38,189</u>

**15 Creditors: amounts falling due after more than one year**

	The group 2009 £	The group 2008 £	The company 2009 £	The company 2008 £
Bank loans	8,866,213	10,006,559	-	-
Other loans	16,681,022	16,656,971	-	-
Amounts due under finance leases and hire purchase agreements	-	18,837	-	-
Accruals	2,656,756	-	-	-
Deferred consideration (see note 24)	800,000	-	-	-
	<u>29,003,991</u>	<u>26,682,367</u>	<u>-</u>	<u>-</u>

**16 Borrowings**

	The group £	The group £	The company £	The company £
Within one year or on demand				
Bank overdrafts	-	735,370	-	-
Bank loans	<b>1,140,347</b>	640,347	-	-
Finance leases and hire purchase agreements	<b>23,980</b>	17,267	-	-
After one and within two years				
Bank loans	<b>1,390,347</b>	1,140,347	-	-
Finance leases and hire purchase agreements	-	18,837	-	-
After two and within five years				
Bank loans	<b>3,725,866</b>	4,671,040	-	-
After five years				
Bank loans	<b>3,750,000</b>	4,195,172	-	-
Other loans	<b>16,681,022</b>	16,656,971	-	-
	<b>26,711,562</b>	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.

The company has entered into an interest rate hedge to fix a portion of the interest on these bank loans at a rate of between 5.3% and 6.3%.

Other loans represent two loans. Both are repayable in full on 3 September 2015 and attract interest at 10%.

**17 Derivatives**

Derivatives not carried at fair value in the financial statements comprise interest rate hedge liabilities of £709,461 (2008 - £nil).



**18 Provisions for liabilities and charges**

The movement in the deferred taxation provision during the year was:

	Deferred tax £
Provision brought forward	36,184
Profit and loss account movement arising during the year	3,134
Acquisition of subsidiary undertakings	(6,240)
Provision carried forward	<u>33,078</u>

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

	£
Accelerated capital allowances	39,318
Other timing differences	(6,240)
	<u>33,078</u>

**19 Leasing commitments**

At 31 March 2009 the group had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings 2009 £	Other items 2009 £	Land & buildings 2009 £	Other items 2009 £
Operating leases which expire:				
Within 1 year	-	152,280	34,092	88,805
Within 2 to 5 years	152,893	599,152	28,319	556,157
After more than 5 years	418,284	-	302,950	-
	<u>571,177</u>	<u>751,432</u>	<u>365,361</u>	<u>644,962</u>

**20 Equity share capital**

Authorised share capital:

	2009 £	2008 £
356,786 Ordinary shares of £1 each	356,786	356,786
109,078 Preferred ordinary shares of £1 each	109,018	109,018
	<u>465,804</u>	<u>465,804</u>

**Equity share capital (continued)**

Equity shares

Allotted, called up and fully paid:

	No	2009 £	No	2008 £
Ordinary shares of £1 each	327,054	327,054	327,054	327,054
Preferred ordinary shares of £1 each	104,885	104,885	104,885	104,885
	<u>431,939</u>	<u>431,939</u>	<u>431,939</u>	<u>431,939</u>

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.

**21 Share-based payments**

**Equity-settled share-based payments**

The company has a share option scheme for senior management of Vision Security Group Limited in respect of Ordinary £1 Shares of VSG Group Limited. Options are exercisable at a price of £1. The options become exercisable when an exit event occurs. The directors current estimate of the earliest exercise date is September 2010.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2009		2008	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	8,919	1.00	-	-
Granted during the year	11,892	1.00	8,919	1.00
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>20,811</u>	<u>1.00</u>	<u>8,919</u>	<u>1.00</u>
Exercisable at the year end	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Share-based payments (continued)**

The share options outstanding at the end of the year have a maximum remaining contractual life of 9 Years (2008 - 10 years) and have the following exercise prices:

Expiry date	Exercise price	2009	2008
	£	No	No
19 March 2018	1.00	5,946	5,946
20 March 2018	1.00	2,973	2,973
7 April 2018	1.00	2,973	-
15 April 2018	1.00	2,973	-
19 April 2018	1.00	2,973	-
25 April 2018	1.00	2,973	-
		<u>20,811</u>	<u>8,919</u>

No options were exercised during the current or prior year. Since the year end 2,973 options have lapsed due to an employee leaving the company.

The fair values were calculated using the market value agreed with HMRC. The directors believe that the fair value at the year end was £1 per share therefore the charge for the year is not material and is not reflected in the financial statements.

**22 Reserves**

**The group**

	Share premium account	Profit and loss account
	£	£
At 1 April 2008	14,354	(1,343,452)
Loss for the financial year	-	(420,932)
	<u>14,354</u>	<u>(1,764,384)</u>
At 31 March 2009		

**The company**

	Share premium account	Profit and loss account
	£	£
At 1 April 2008	14,354	(38,215)
Loss for the financial year	-	(60)
	<u>14,354</u>	<u>(38,275)</u>
At 31 March 2009		

**23 Reconciliation of movements in shareholders' deficit**

**The group**

	2009 £	2008 £
Loss for the financial year	(420,932)	(1,343,452)
New equity share capital issued	-	446,293
Net movement in shareholders' deficit	(420,932)	(897,159)
Opening shareholders' deficit	(897,159)	-
Closing shareholders' deficit	<u>(1,318,091)</u>	<u>(897,159)</u>

**The company**

	£	£
Loss for the financial year	(60)	(38,215)
Opening shareholders' funds	408,078	446,293
Closing shareholders' funds	<u>408,018</u>	<u>408,078</u>

**24 Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

	2009 £	2008 £
Operating profit	3,135,745	994,696
Amortisation	1,372,748	1,216,018
Depreciation	369,397	196,744
Loss on disposal of fixed assets	10,928	-
(Increase)/decrease in stocks	(6,348)	665
Decrease in debtors	(2,307,854)	(449,377)
Increase in creditors	1,764,403	2,742,795
Net cash inflow from operating activities	<u>4,339,019</u>	<u>4,701,541</u>

**Notes to the statement of cash flows (continued)**

**Reconciliation of net cash flow to movement in net debt**

	2009 £	2008 £
(Decrease)/increase in cash in the year	(350,389)	5,040,825
Net cash outflow/(inflow) from financing	616,295	(27,303,877)
Net cash outflow/(inflow) from finance leases and hire purchase agreements	12,124	(36,104)
	<u>278,030</u>	<u>(22,299,156)</u>
Movement in net debt in the year	278,030	(22,299,156)
Net debt at 1 April 2008	(22,299,156)	-
	<u>(22,021,126)</u>	<u>(22,299,156)</u>
Net debt at 31 March 2009	(22,021,126)	(22,299,156)

**Analysis of changes in net debt**

	At 31 March 2008 £	Cashflow 2009 £	At 31 March 2009 £
Cash at bank and in hand	5,776,195	(1,085,759)	4,690,436
Overdraft	(735,370)	735,370	-
	<u>5,040,825</u>	<u>(350,389)</u>	<u>4,690,436</u>
Debt	(27,303,877)	616,295	(26,687,582)
Finance leases	(36,104)	12,124	(23,980)
	<u>(22,299,156)</u>	<u>278,030</u>	<u>(22,021,126)</u>

**25 Acquisitions**

On 31 October 2008 the company acquired the entire ordinary share capital of Vision Security Group Systems Limited (formerly Rampart Security Limited) and its dormant subsidiary undertaking, VSG Systems Direct Limited (formerly Rampart Direct Limited) for a consideration of £900,000 in cash and £1,000,000 deferred consideration. Goodwill arising on the acquisition of Vision Security Group Systems Limited (formerly Rampart Security Limited) and its subsidiary undertaking has been capitalised.

The purchase of Vision Security Group Systems Limited (formerly Rampart Security Limited) and its dormant subsidiary undertaking, VSG Systems Direct Limited (formerly Rampart Direct Limited) has been accounted for by the acquisition method of accounting.

The profit after taxation of Vision Security Group Systems Limited (formerly Rampart Security Limited) and its dormant subsidiary undertaking for the period from 1 September 2008, the beginning of the subsidiary's financial year, to 31 October 2008, the date of acquisition, was £6,185. During this period, turnover amounted to £274,732, operating profit amounted to £6,109 and the profit before taxation amounted to £6,185. The profit after taxation for the year ended 31 August 2008 was £145,577.

**Acquisitions (continued)**

The assets and liabilities of Vision Security Group Systems Limited (formerly Rampart Security Limited) and its subsidiary undertakings acquired were as follows:

	Book value	Adjustments	Fair value
	£	£	£
Fixed assets:			
Tangible	25,717	(13,735)	11,982
Current assets:			
Stocks	89,382	(76,210)	13,172
Debtors	393,455	(49,868)	343,587
Cash	39,744	-	39,744
Deferred taxation	-	6,240	6,240
Total assets	<u>548,298</u>	<u>(133,573)</u>	<u>414,725</u>
Creditors:			
Trade creditors	(265,271)	-	(265,271)
Social security and other taxes	(73,189)	-	(73,189)
Corporation tax	(39,123)	(1,215)	(40,338)
Other creditors	(9,496)	(9,996)	(19,492)
Total liabilities	<u>(387,079)</u>	<u>(11,211)</u>	<u>(398,290)</u>
Net assets	<u>161,219</u>	<u>(144,784)</u>	16,435
Goodwill capitalised			<u>1,942,086</u>
			<u>1,958,521</u>
Satisfied by:			£
Cash			900,000
Deferred consideration			1,000,000
Directly attributable costs			58,521
			<u>1,958,521</u>

The other adjustments relate to the restatement of assets and liabilities to fair value at acquisition.

**Acquisitions (continued)**

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

	2009 £
Net cash outflow from operating activities	(17,149)
Returns on investment and servicing of finance	(997)
Taxation	(9,987)
Capital expenditure and financial investment	719
Financing	(2,689)
	<hr/>
Decrease in cash	(30,103)
	<hr/>

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

	2009 £
Cash at bank and in hand acquired	39,744
Cash consideration	(900,000)
Acquisitions costs	(58,521)
	<hr/>
	(918,777)
	<hr/>

**26 Transactions with related parties**

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

	Loan balance 2009 £	Interest accrued 2009 £	Loan balance 2008 £	Interest accrued 2008 £
Lloyds TSB Development Capital Limited	6,981,022	1,126,016	6,956,971	406,477
M Barwell and M Paynter as trustees	3,889,190	613,746	3,889,190	227,235
L Barwell	626,790	98,913	626,790	36,622
K Francis	1,855,170	292,761	1,855,170	108,393
B Muskin	2,333,750	368,285	2,333,750	136,355
R Jones	995,100	157,035	995,100	58,140
	<hr/>	<hr/>	<hr/>	<hr/>
	16,681,022	2,656,756	16,656,971	973,222
	<hr/>	<hr/>	<hr/>	<hr/>

Included in sales is £49,475 (2008 - £117,907) 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 £30,946 (2008 - £31,301).

**Related party transactions (continued)**

Purchases from Northampton Rugby Football Club Limited during the year were £32,653 (2008 - £25,030). The balance owed to Northampton Rugby Football Club Limited at the year end was £13,422 (2008 - £3,524).

Included in other debtors is £395,614 (2008 - £513,503) 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 £330,466 (2008 - £275,000) to Hardingstone Properties Limited.

Other interest received of £10,054 (2008 - £12,524) relates to interest receivable from Hardingstone Properties Limited on the rent deposit.

**27      Contingent liabilities**

The group is party to an inter company composite guarantee with accession between VSG Group Limited, VSG Investments Limited, VSG Holdings Limited, Vision Security Group Limited, VSG Staff Hire Limited, VSG Payroll Services Limited and Vision Security Group Systems Limited (formerly Rampart Security Limited). At 31 March 2009, the potential liability of the company was £11,925,000 (2008 - £11,382,636).

**28      Capital commitments**

The group had no capital commitments at 31 March 2009 (2008 - £170,000).

**29      Controlling related party**

Lloyds TSB Development Capital Limited is considered to be the controlling related party by virtue of their ownership of the preferred ordinary shares which control 90% of the voting rights.