

SABREWATCH LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

Registered Number: 1804778



FILER KNAPPER
CHARTERED ACCOUNTANTS
CHRISTCHURCH
DORSET

REGISTRAR
OF COMPANIES

SABREWATCH LIMITED
FINANCIAL STATEMENTS
for the year ended 31 March 2000

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SABREWATCH LIMITED**COMPANY INFORMATION****for the year ended 31 March 2000**

COMPANY NUMBER 1804778

DIRECTORS

- L Lucas Esq - Managing director
- M Steers Esq - Operations director
- Lady Greenbury - Non-executive director
- M Ollerton Esq - Finance director (resigned 9 July 1999)
- Sir John Smith - Non-executive director (resigned 31 March 2000)

SECRETARY M Hudson Esq - appointed 12 August 1999

REGISTERED OFFICE 10 Bridge Street
Christchurch
Dorset
BH23 1EF

AUDITORS Filer Knapper
10 Bridge Street
Christchurch
Dorset
BH23 1EF

BANKERS Lloyds TSB Bank Plc
1-3 London Road
East Grinstead
West Sussex
RH19 1AH

SOLICITORS Harold G Walker & Co
Office Chambers
Lansdowne House
Christchurch Road
Bournemouth
Dorset
BH1 3JT

SABREWATCH LIMITED**DIRECTORS' REPORT****for the year ended 31 March 2000**

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report for the year ended 31 March 2000.

Directors' responsibilities

Company Law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group continues to be the provision of security services.

Business review

The directors report a satisfactory year.

Results and dividends

The audited accounts for the year ended 31 March 2000 are set out on pages 5 to 20. The group profit for the year, after taxation, was £2,289,054 (1999 : £2,029,744).

An interim dividend amounting to £80.62 (1999 : £105.86) per ordinary share was paid. The directors do not recommend the payment of a final dividend (1999 : £nil).

SABREWATCH LIMITED
DIRECTORS' REPORT (CONTINUED)
for the year ended 31 March 2000

Directors and their interests

The directors of the company during the year and their interests in the ordinary shares of the company as recorded in the register of directors' interests were as follows:

	31 March 2000	31 March 1999
L Lucas Esq	11,312	11,312
M Ollerton Esq (resigned 9 July 1999)	2,828	2,828
M Steers Esq	744	744
Lady Greenbury	-	-
Sir John Smith (resigned 31 March 2000)	-	-

Charitable and political contributions

During the year the company made charitable contributions of £3,784. No political contributions were made.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

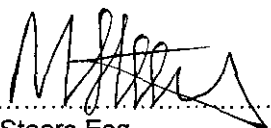
Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them.

Auditors

The company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary, Filer Knapper will continue in office.

This report was approved by the Board of Directors on 25-7-00


 M Steers Esq
 Director

SABREWATCH LIMITED**AUDITORS' REPORT****for the year ended 31 March 2000****To the shareholders of Sabrewatch Limited**

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention as modified by the revaluation of property and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are *appropriate to the company's circumstances, consistently applied and adequately disclosed*.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

26 July 2000



Filer Knapper
Registered Auditors
Chartered Accountants

SABREWATCH LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover	2	32,092,172	33,676,404
Cost of sales	3	(25,985,514)	(27,296,675)
Gross profit	3	6,106,658	6,379,729
Administrative expenses	3	(2,675,491)	(3,241,923)
Other operating income	3	35,000	35,000
Operating profit		3,466,167	3,172,806
Investment income	4	28,902	20,789
Interest payable	5	(63,769)	(163,788)
Profit on ordinary activities before taxation	6	3,431,300	3,029,807
Tax on profit on ordinary activities	9	(1,142,246)	(1,000,063)
Profit on ordinary activities after taxation		2,289,054	2,029,744
Dividends	10	(1,200,000)	(1,575,660)
Retained profit for the year		1,089,054	454,084

There were no acquisitions or discontinued activities during either year.

The accompanying notes form an integral part of this consolidated profit and loss account.

Movements in reserves are shown in the notes to the financial statements.

SABREWATCH LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****for the year ended 31 March 2000**

	2000 £	1999 £
Profit for the financial year	2,289,054	2,029,744
(Loss)/Profit on foreign currency translation	(20,147)	(2,978)
Total recognised gains relating to the year	<u>2,268,907</u>	<u>2,026,766</u>

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses.

SABREWATCH LIMITED
CONSOLIDATED BALANCE SHEET
as at 31 March 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	11	3,061,564	3,709,422
Current assets			
Debtors	13	4,625,455	5,385,805
Cash at bank and in hand		3,161,471	2,311,653
Creditors: amounts falling due within one year	14	7,786,926 (3,664,450)	7,697,458 (5,246,747)
Net current assets		4,122,476	2,450,711
Total assets less current liabilities		7,184,040	6,160,133
Provisions for liabilities and charges	15	-	(45,000)
Net assets		7,184,040	6,115,133
Capital and reserves			
Called up share capital	16	14,884	14,884
Share premium reserve	17	98,236	98,236
Revaluation reserve	17	361,516	361,516
Profit and loss account	17	6,709,404	5,640,497
Equity shareholders' funds	18	7,184,040	6,115,133

The accounts on pages 5 to 20 were approved by the Board of Directors on 25-7-00


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L Lucas Esq
Director

The accompanying notes form an integral part of this consolidated balance sheet.

SABREWATCH LIMITED
COMPANY BALANCE SHEET
as at 31 March 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	11	3,061,564	3,709,422
Investments	12	100	100
		<u>3,061,664</u>	<u>3,709,522</u>
Current assets			
Debtors	13	4,707,937	5,570,635
Cash at bank and in hand		2,764,309	1,774,013
		<u>7,472,246</u>	<u>7,344,648</u>
Creditors: amounts falling due within one year	14	<u>(3,578,541)</u>	<u>(5,101,615)</u>
Net current assets		<u>3,893,705</u>	<u>2,243,033</u>
Total assets less current liabilities		<u>6,955,369</u>	<u>5,952,555</u>
Provisions for liabilities and charges	15	-	(45,000)
Net assets		<u><u>6,955,369</u></u>	<u><u>5,907,555</u></u>
Capital and reserves			
Called up share capital	16	14,884	14,884
Share premium reserve	17	98,236	98,236
Revaluation reserve	17	361,516	361,516
Profit and loss account	17	6,480,733	5,432,919
Equity shareholders' funds		<u><u>6,955,369</u></u>	<u><u>5,907,555</u></u>

The accounts on pages 5 to 20 were approved by the Board of Directors on 25-7-00

L. Lucas
L Lucas Esq
Director

The accompanying notes form an integral part of this balance sheet.

SABREWATCH LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2000

	Note	2000 £	1999 £
Reconciliation of operating profit to operating cash flows			
Operating profit		3,466,167	3,172,806
Depreciation charges		846,552	977,020
Profit on sale of tangible fixed assets		(11,780)	(399)
Decrease/(increase) in debtors		760,350	13,562
(Decrease)/Increase in creditors		(365,201)	182,048
Net cash inflow from operating activities		<u>4,696,088</u>	<u>4,345,037</u>

CASH FLOW STATEMENT

Net cash inflow from operating activities		4,696,088	4,345,037
Returns on investments and servicing of finance	19	(34,867)	(142,999)
Taxation	19	(1,214,342)	(1,266,640)
Capital expenditure and financial investment	19	(186,912)	(407,778)
Equity dividends paid		(1,200,000)	(1,575,660)
Cash inflow before financing		<u>2,059,967</u>	<u>951,960</u>
Financing	19	(1,190,000)	(463,575)
Increase in cash in year		<u>869,967</u>	<u>488,385</u>

ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 April 1999 £	Cash Flow £	Exchange movement £	31 March 2000 £
Cash at bank and in hand	2,311,651	869,967	(20,147)	3,161,471
Debt due within one year	(1,190,000)	1,190,000	-	-
Net funds	<u>1,121,651</u>	<u>2,059,967</u>	<u>(20,147)</u>	<u>3,161,471</u>

SABREWATCH LIMITED
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
for the year ended 31 March 2000

	2000 £	1999 £
Increase in cash in the year	869,967	488,385
Cash outflow from decrease in debt financing	1,190,000	562,555
Change in net funds resulting from cash flows	2,059,967	1,050,940
Translation difference	(20,147)	(2,978)
Movement in net funds in year	2,039,820	1,047,962
Net funds at 31 March 1999	1,121,651	73,689
Net funds at 31 March 2000	<u>3,161,471</u>	<u>1,121,651</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

1 Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout both the current and the preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Sabrewatch Limited and its subsidiary undertaking drawn up to 31 March each year.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, or valuation less estimated residual value, of each asset over its expected useful life as follows:-

Computer equipment	33% on straight line
Plant, machinery, fixtures and fittings	50% on straight line basis & 15% on reducing balance
Motor vehicles	25% on reducing balance

Freehold properties

It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition, are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate. Where an impairment review shows a change in the useful economic life of the properties, depreciation is provided for on a straight line basis over the remaining useful economic life.

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions are always recognised in full.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

1 Statement of accounting policies (continued)

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions or contract rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

Balance sheets of foreign subsidiaries and related foreign currency borrowings are translated into sterling at the closing rates of exchange and profit and loss accounts are translated at the average rates of exchange for the year. Differences arising on translation are taken directly to reserves.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related tax.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

2 Turnover

The analysis of turnover by geographical origin was:

	2000 £	1999 £
United Kingdom	31,051,857	32,321,854
Ireland	1,040,315	1,354,550
	<u>32,092,172</u>	<u>33,676,404</u>

3 Cost of sales, gross profit and other operating expenses (net)

	2000 £	1999 £
Cost of sales	<u>25,985,514</u>	<u>27,296,675</u>
Gross profit	<u>6,106,658</u>	<u>6,379,729</u>
Administrative expenses	<u>2,675,491</u>	<u>3,241,923</u>
Other operating income	<u>35,000</u>	<u>35,000</u>

4 Investment income

	2000 £	1999 £
Interest receivable and similar income	<u>28,902</u>	<u>20,789</u>

5 Interest payable and similar charges

	2000 £	1999 £
Bank interest	1,200	5,989
Other interest	62,569	157,799
	<u>63,769</u>	<u>163,788</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000	1999
	£	£
Depreciation and amounts written off tangible fixed assets	834,772	849,043
Deficit on revaluation of property	-	127,578
Auditors' remuneration	28,755	31,929
Foreign exchange loss	5,970	3,181
	<u>869,500</u>	<u>1,011,731</u>

7 Staff Costs

The average monthly number of employees (including directors) was:

	2000	1999
	Number	Number
Administration	62	70
Security guards	1,313	1,430
	<u>1,375</u>	<u>1,500</u>

Their aggregate remuneration (including directors) comprised:

Wages and salaries	23,310,884	24,131,336
Social security costs	2,069,113	2,353,824
Pension costs	205,990	217,930
	<u>25,585,987</u>	<u>26,703,090</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

8 Directors' remuneration

The remuneration of the directors was as follows:

	2000 £	1999 £
Emoluments	288,214	530,803
Company contributions to money purchase pension scheme	134,298	163,570
	<u>422,512</u>	<u>694,373</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	Number	Number
Money purchase schemes	<u>3</u>	<u>3</u>

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	£	£
Emoluments	120,014	272,379
Company contributions to money purchase schemes	63,150	21,270
	<u>183,164</u>	<u>293,649</u>

9 Tax on profit on ordinary activities

The tax charge comprises:

Corporation tax at 30% (1999: 31%)	1,177,571	1,108,093
Overprovision in previous years	158	(4,208)
Deferred taxation	(45,000)	(155,000)
Overseas taxation	9,517	51,178
	<u>1,142,246</u>	<u>1,000,063</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

10 Dividends paid

	2000 £	1999 £
Equity shares		
- interim paid of £80.62 (1999 : £105.86) per ordinary share	1,200,000	1,575,660

11 Tangible fixed assets

	Freehold Land & Buildings £	Plant & Machinery £	Computer Equipment £	Motor Vehicles £	Total £
The Group and Company					
Cost or Valuation					
1 April 1999	2,796,261	2,314,967	285,659	57,630	5,454,517
Additions	4,424	101,582	55,827	87,705	249,538
Disposals	-	(3,500)	-	(83,056)	(86,556)
31 March 2000	2,800,685	2,413,049	341,486	62,279	5,617,499
Depreciation					
1 April 1999	154,675	1,325,860	237,927	26,633	1,745,095
Charge for year	154,674	629,959	47,228	14,689	846,550
Disposals	-	(2,378)	-	(33,332)	(35,710)
31 March 2000	309,349	1,953,441	285,155	7,990	2,555,935
Net book value					
31 March 2000	2,491,336	459,608	56,331	54,289	3,061,564
31 March 1999	2,641,586	989,107	47,732	30,997	3,709,422

During the year ended 31 March 1998, a number of the group's properties were professionally valued on an open market value basis, at £2,500,000 (original cost £2,138,484) giving rise to a revaluation surplus of £361,516 which was credited to the revaluation reserve in the balance sheet.

A further property was professionally valued on an open market value basis, at £275,000 (original cost £402,577) giving rise to a revaluation deficit of £127,578 which was charged to the profit and loss account in the year ended 31 March 1999.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

12 Fixed asset investment

Investment in subsidiary undertakings	£
Cost	
1 April 1999 and 31 March 2000	<u>100</u>

At 31 March 2000, the company owned all of the ordinary share capital of Sabrewatch (Ireland) Limited, a subsidiary company incorporated in Ireland. The subsidiary is engaged in the provision of security services in Ireland.

13 Debtors: amounts falling due within one year

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	4,383,532	4,927,013	4,290,452	4,769,980
Amount owed by subsidiary undertaking	-	-	209,403	370,038
Other debtors	41,009	215,365	40,534	215,365
Prepayments and accrued income	200,914	243,427	167,548	215,252
	<u>4,625,455</u>	<u>5,385,805</u>	<u>4,707,937</u>	<u>5,570,635</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

14 Creditors: amounts falling due within one year

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Trade creditors	144,498	269,853	112,214	269,853
Taxation and social security	1,846,547	1,985,411	1,804,280	1,924,266
Other creditors	934,476	2,225,458	934,476	2,193,317
Corporation tax	738,929	766,025	727,571	714,179
	<u>3,664,450</u>	<u>5,246,747</u>	<u>3,578,541</u>	<u>5,101,615</u>

15 Provision for liabilities and charges

	Group	Company
	Deferred Tax	Deferred Tax
	£	£
(a) Summary		
1 April 1999	45,000	45,000
Profit and loss account	(45,000)	(45,000)
	<u>-</u>	<u>-</u>
31 March 2000	<u>-</u>	<u>-</u>

If the group's properties were sold at the valuation stated in note 11 to the accounts, there would be no gain arising and therefore deferred tax has not been provided.

	The Group and the Company			
	2000	1999		
	Potential liability	Provision made	Potential liability	Provision made
	£	£	£	£
(b) Deferred Taxation				
Accelerated capital allowances	-	-	45,000	45,000
	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>

The potential liability and provision are based on a corporation tax rate of 30% (1999 : 31%).

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

16 Called up share capital

Authorised	2000 £	1999 £
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 14,884 ordinary shares of £1 each	<u>14,884</u>	<u>14,884</u>

17 Reserves

	The Group			The Company		
	Revaluation Reserve	Profit & Loss Account	Share Premium Account	Revaluation Reserve	Profit & Loss Account	Share Premium Account
1 April 1999	361,516	5,640,497	98,236	361,516	5,432,919	98,236
Loss on foreign currency translation	-	(20,147)	-	-	-	-
Retained profit for the year	-	1,089,054	-	-	1,047,814	-
	<u>361,516</u>	<u>6,709,404</u>	<u>98,236</u>	<u>361,516</u>	<u>6,480,733</u>	<u>98,236</u>

The revaluation reserve arose in the year ended 31 March 1998 when a number of freehold properties were professionally valued on an open market value basis at £2,500,000 (original cost £2,138,484).

18 Reconciliation of movements in group shareholders' funds

	2000 £	1999 £
Profit for the financial year	2,289,054	2,029,744
New share capital subscribed	-	98,980
Other recognised gains and losses relating to the year	(20,147)	(2,978)
Dividends paid on equity shares	<u>(1,200,000)</u>	<u>(1,575,660)</u>
Net addition to shareholders' funds	1,068,907	550,086
Opening shareholders' funds	<u>6,115,133</u>	<u>5,565,047</u>
Closing shareholders' funds	<u>7,184,040</u>	<u>6,115,133</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 2000

19 Analysis of cash flow

Returns on investments and servicing of finance

Interest received	28,902	20,789
Interest paid	(63,769)	(163,788)
Net cash outflow	<u>(34,867)</u>	<u>(142,999)</u>

Taxation

UK corporation tax paid	(1,164,337)	(1,247,999)
Overseas tax paid	(50,005)	(18,641)
Net cash outflow	<u>(1,214,342)</u>	<u>(1,266,640)</u>

Capital expenditure and financial investment

Purchase of tangible fixed assets	(249,538)	(423,378)
Sale of tangible fixed assets	62,626	15,600
Net cash outflow	<u>(186,912)</u>	<u>(407,778)</u>

Financing

Issue of share capital	-	98,980
Loan repayments	(1,190,000)	(562,555)
Net cash outflow	<u>(1,190,000)</u>	<u>(463,575)</u>

20 Pension contribution

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £205,990 (1999 : £217,930). At the balance sheet date, all contributions due had been fully paid to the pension scheme.

21 Net profit for the year

The company has taken advantage of Section 230 (4) of the Companies Act 1985, and has not included its own profit and loss account in these accounts. £1,047,814 (1999 : £330,730) of the group profit for the year is dealt with in the accounts of the parent undertaking.