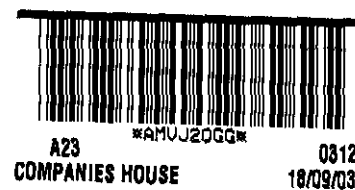


Company Registration No. 01369559 (England and Wales)

SALADIN SECURITY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003



SALADIN SECURITY LIMITED

COMPANY INFORMATION

Directors	D.J. Walker B.W. Norris P.K. Brookes
Secretary	B.W. Norris
Company number	01369559
Registered office	2 Bath Place Rivington Street London EC2A 3JJ
Auditors	Shalles & Co 2 Bath Place Rivington Street London EC2A 3JJ
Business address	7 Abingdon Road London W8 6AH
Bankers	Barclays Bank Plc 99 Hatton Garden London EC1N 8DN

SALADIN SECURITY LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 17

SALADIN SECURITY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report and financial statements for the year ended 30 June 2003.

Principal activities and review of the business

The principal activity of the company is that of security consultants and providing security services.

The directors are very pleased with the significant increase in the turnover which is the result of continuous work to improve their markets in the UK as well as the United States and South America.

The directors expect this trend to continue in the current financial year.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of any dividend.

Market value of land and buildings

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

Directors

The following directors have held office since 1 July 2002:

D.J. Walker
B.W. Norris
P.K. Brookes

Directors' interests

The directors' beneficial interest in the shares of the company were as stated below -

	Ordinary shares of £ 1 each	
	30 June 2003	1 July 2002
D.J. Walker	-	-
B.W. Norris	-	-
P.K. Brookes	-	-

As at 30 June 2003 D J Walker had 520 Ordinary shares of £1 each (2002: 520) and B W Norris 300 Ordinary shares of £1 each (2002: 300) in the ultimate holding company, Saladin Holdings Ltd. Additionally D J Walker had an interest in another 180 Ordinary shares in Saladin Holdings Ltd which were held by Mrs. C Walker.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Charles & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

SALADIN SECURITY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

On behalf of the board



.....
B.W. Norris
Director
.....

SALADIN SECURITY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALADIN SECURITY LIMITED

We have audited the financial statements of Saladin Security Limited on pages 4 to 17 for the year ended 30 June 2003. These financial statements have been prepared under the historical cost convention and 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

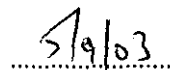
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 of the state of the company's affairs as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Charles & Co

Chartered Accountants
Registered Auditor


5/9/03

2 Bath Place
Rivington Street
London EC2A 3JJ

SALADIN SECURITY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 £	2002 £
Turnover	2	5,124,751	3,227,211
Cost of sales		(4,086,870)	(2,364,183)
Gross profit		1,037,881	863,028
Administrative expenses		(1,030,395)	(854,069)
Other operating income		12,000	-
Operating profit	3	19,486	8,959
Other interest receivable and similar income		1,458	500
Interest payable and similar charges	4	(5,856)	(7,300)
Profit on ordinary activities before taxation		15,088	2,159
Tax on profit on ordinary activities	5	(10,157)	(4,995)
Profit/(loss) on ordinary activities after taxation	13	4,931	(2,836)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

SALADIN SECURITY LIMITED

BALANCE SHEET AS AT 30 JUNE 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	6		43,723		67,178
Investments	7		25,000		25,000
			<u>68,723</u>		<u>92,178</u>
Current assets					
Debtors	8	1,752,252		1,333,465	
Cash at bank and in hand		44,130		16,295	
		<u>1,796,382</u>		<u>1,349,760</u>	
Creditors: amounts falling due within one year	9	<u>(1,563,942)</u>		<u>(1,145,706)</u>	
Net current assets			<u>232,440</u>		<u>204,054</u>
Total assets less current liabilities			<u>301,163</u>		<u>296,232</u>
			<u>301,163</u>		<u>296,232</u>
Capital and reserves					
Called up share capital	12		10,000		10,000
Share premium account	13		27,000		27,000
Profit and loss account	13		264,163		259,232
Shareholders' funds - equity interests	14		<u>301,163</u>		<u>296,232</u>

The financial statements were approved by the Board on 4 Sep 03



.....
D.J. Walker
Director



.....
B.W. Norris
Director

SALADIN SECURITY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	2003		2002	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		162,476		(99,420)
Returns on investments and servicing of finance				
Interest received	1,458		492	
Interest paid	(5,856)		(4,755)	
Net cash outflow for returns on investments and servicing of finance		(4,398)		(4,263)
Taxation		(5,372)		(12,615)
Capital expenditure				
Payments to acquire tangible assets	(63)		(38,586)	
Receipts from sales of tangible assets	4,300		33,254	
Net cash inflow/(outflow) for capital expenditure		4,237		(5,332)
Net cash inflow/(outflow) before management of liquid resources and financing		156,943		(121,630)
Increase/(decrease) in cash in the year		156,943		(121,630)

SALADIN SECURITY LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		2003	2002	
			£	£	
	Operating profit		19,486	8,959	
	Depreciation of tangible assets		14,816	22,495	
	Loss on disposal of tangible assets		4,402	5,087	
	Increase in debtors		(415,708)	(295,652)	
	Increase in creditors within one year		539,480	159,691	
	Net cash inflow/(outflow) from operating activities		162,476	(99,420)	
2	Analysis of net debt	1 July 2002	Cash flow	Other non-cash changes	30 June 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	16,295	27,835	-	44,130
	Bank overdrafts	(345,386)	129,108	-	(216,278)
		(329,091)	156,943	-	(172,148)
	Debt:				
	Finance leases	(35,651)	35,651	(35,651)	(35,651)
	Net debt	(364,742)	192,594	(35,651)	(207,799)
3	Reconciliation of net cash flow to movement in net debt		2003	2002	
			£	£	
	Increase/(decrease) in cash in the year		156,943	(121,630)	
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		35,651	(35,651)	
	Change in net debt resulting from cash flows		192,594	(157,281)	
	New finance lease		(35,651)	-	
	Movement in net debt in the year		156,943	(157,281)	
	Opening net debt		(364,742)	(207,461)	
	Closing net debt		(207,799)	(364,742)	

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Straight line over the life of the lease
Plant and machinery	25% Reducing balance
Fixtures, fittings & equipment	25% Reducing balance
Motor vehicles	25% Reducing balance

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

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

1.6 Pensions

Pension contributions are charged to the profit and loss accounts as incurred. These contributions are invested separately from the company's assets.

1.7 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

2 Turnover and profit on ordinary activities before taxation

Class of business	Turnover	
	2003 £	2002 £
United Kingdom	2,381,876	726,289
U.S.A.	1,746,339	1,310,154
Middle East	91,389	406,990
South America	108,983	27,771
Europe	796,164	756,007
	<u>5,124,751</u>	<u>3,227,211</u>

3 Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of tangible assets	14,816	22,495
Loss on disposal of tangible assets	4,402	5,087
Operating lease rentals	40,000	40,000
Auditors' remuneration	5,066	3,801
and after crediting:		
Profit on foreign exchange transactions	(3,379)	-

4 Interest payable

	2003 £	2002 £
On bank loans and overdrafts	5,856	4,755
Hire purchase interest	-	2,545
	<u>5,856</u>	<u>7,300</u>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

5	Taxation	2003 £	2002 £
	Domestic current year tax		
	U.K. corporation tax	13,194	5,331
	Adjustment for prior years	42	(1,125)
		<hr/>	<hr/>
	Current tax charge	13,236	4,206
	Deferred tax		
	Deferred tax charge/credit current year	(3,079)	789
		<hr/>	<hr/>
		10,157	4,995
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	15,088	2,159
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00 % (2002 : 20.00 %)	2,867	432
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	7,887	4,247
	Depreciation add back	2,815	4,499
	Capital allowances	(1,211)	(4,754)
	Adjustments to previous periods	-	(1,235)
	Chargeable disposals	836	1,017
	Other tax adjustments	42	-
		<hr/>	<hr/>
		10,369	3,774
		<hr/>	<hr/>
	Current tax charge	13,236	4,206
		<hr/>	<hr/>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

6 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 2002	6,000	42,063	89,570	73,845	211,478
Additions	-	63	-	-	63
Disposals	-	-	-	(13,850)	(13,850)
At 30 June 2003	6,000	42,126	89,570	59,995	197,691
Depreciation					
At 1 July 2002	5,045	37,955	81,153	20,147	144,300
On disposals	-	-	-	(5,148)	(5,148)
Charge for the year	420	1,043	2,104	11,249	14,816
At 30 June 2003	5,465	38,998	83,257	26,248	153,968
Net book value					
At 30 June 2003	535	3,128	6,313	33,747	43,723
At 30 June 2002	955	4,108	8,417	53,698	67,178

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 30 June 2003	33,747
At 30 June 2002	44,996
Depreciation charge for the year	
30 June 2003	11,249
30 June 2002	14,999

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

7 Fixed asset investments

	Shares in participating interests £
Cost	
At 1 July 2002	25,000
At 30 June 2003	<u>25,000</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Participating interests			
Alpha Holidays Limited	United Kingdom	Ordinary	21

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2003 £	Profit for the year 2003 £
Alpha Holidays Limited	<u>15,738</u>	<u>(6,086)</u>

8 Debtors

	2003 £	2002 £
Trade debtors	1,600,293	970,287
Amounts owed by parent and fellow subsidiary undertakings	68,007	284,180
Other debtors	2,000	4,000
Prepayments and accrued income	77,369	73,494
Deferred tax asset (see note 10)	4,583	1,504
	<u>1,752,252</u>	<u>1,333,465</u>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

9 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	216,278	345,386
Net obligations under hire purchase contracts	35,651	35,651
Trade creditors	737,223	482,937
Amounts owed to parent and fellow subsidiary undertakings	34,095	-
Corporation tax	13,195	5,331
Other taxes and social security costs	122,976	116,502
Directors' current accounts	471	3,583
Other creditors	37,401	37,401
Accruals and deferred income	366,652	118,915
	<u>1,563,942</u>	<u>1,145,706</u>

The loan from the bank is secured on the assets of the company by way of a fixed and floating charge dated 9th July 1992.

Net obligations under hire purchase contracts

Repayable within one year	35,651	35,651
Finance charges and interest allocated to future accounting periods	-	-
	<u>35,651</u>	<u>35,651</u>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

10 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 8) is made up as follows:

	2003 £	
Balance at 1 July 2002	(1,504)	
Profit and loss account	(3,079)	
Balance at 30 June 2003	<u>(4,583)</u>	
	2003 £	2002 £
Accelerated capital allowances	<u>(4,583)</u>	<u>(1,504)</u>

11 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. All contributions were made during the year.

	2003 £	2002 £
Contributions payable by the company for the year	<u>7,542</u>	<u>7,283</u>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

12 Share capital	2003	2002
	£	£
Authorised		
10,000 Ordinary shares of £ 1 each	10,000	10,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £ 1 each	10,000	10,000
	<u> </u>	<u> </u>
13 Statement of movements on reserves		
	Share premium account	Profit and loss account
	£	£
Balance at 1 July 2002	27,000	259,232
Retained profit for the year	-	4,931
	<u> </u>	<u> </u>
Balance at 30 June 2003	27,000	264,163
	<u> </u>	<u> </u>
14 Reconciliation of movements in shareholders' funds	2003	2002
	£	£
Profit/(Loss) for the financial year	4,931	(2,836)
Opening shareholders' funds	296,232	299,068
	<u> </u>	<u> </u>
Closing shareholders' funds	301,163	296,232
	<u> </u>	<u> </u>
15 Contingent liabilities		

There are cross guarantees dated 9th July 1992 between all companies within the group in respect of group bank borrowings.

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

16 Financial commitments

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £
Expiry date:		
Within one year	40,000	-
Between two and five years	-	40,000
	<u>40,000</u>	<u>40,000</u>

The leasehold on property will expire in 2004.

17 Directors' emoluments

	2003 £	2002 £
Emoluments for qualifying services	<u>88,673</u>	<u>59,695</u>

18 Employees

Number of employees

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

	2003 Number	2002 Number
Management and administration	9	9
Contract staff	119	101
	<u>128</u>	<u>110</u>

Employment costs

	£	£
Wages and salaries	3,729,866	2,283,731
Social security costs	261,123	144,469
Other pension costs	7,542	7,283
	<u>3,998,531</u>	<u>2,435,483</u>

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

19 Control

The ultimate parent company is Saladin Holdings Limited, a company incorporated in England and Wales. As mentioned in the directors' report, D. Walker by virtue of having 70% of the issued share capital of Saladin Holdings Ltd (52% direct and 18% through Mrs. C. Walker) is the ultimate controlling party of the company.

20 Related party transactions

The company has taken advantage of provisions made in FRS 8 not to disclose transactions with other group companies as these are fully disclosed in the accounts of the Holding Company, Saladin Holdings Limited.

The company is also related to Saladin Technical Services Plc, a company incorporated in England, on the basis of the fact that one of the directors, D Walker, is a director of Saladin Technical Services and has 30% shareholding in that company. During the year Saladin Security Limited purchased services from this company amounting to £5,183. There was no inter-company balance between these two companies as at the year end.

The company is also related to Alpha Holidays Limited by virtue of the fact that the company has 21% shareholding in that company. During the year the company purchased travel services for its operations amounting to £54,870. The balance due to Alpha Holidays Ltd. as at the year end was £5,310 (2002 : £3,199) which is shown in trade creditors.