

SALADIN SECURITY LIMITED

Company No: 01369559

FINANCIAL STATEMENTS

- for the year ended -

30TH JUNE 1996

SHARLES & CO
2 Bath Place
Rivington Street, London
EC2A 3JJ



SALADIN SECURITY LIMITED

DIRECTORS

D.J. Walker
B.W. Norris

SECRETARY

B.W. Norris

BUSINESS ADDRESS

7 Abingdon Road
London
W8 6AH

REGISTERED OFFICE

2 Bath Place
Rivington Street
London
EC2A 3JJ

AUDITORS

Sharles & Co
2 Bath Place
Rivington Street
London
EC2A 3JJ

PRINCIPAL BANKERS

Barclays Bank Plc
99 Hatton Garden
London
EC1N 8DN

SALADIN SECURITY LIMITED

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SALADIN SECURITY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 June 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The company has continued to incur considerable expense in developing business in the Middle East, the Far East and particularly Africa. This has resulted in high travel and marketing costs continuing during the year. Turnover has improved, but gross profit has suffered as the company breaks into these new markets. The directors are confident of the future profitability of the company, particularly in relation to Africa.

DIVIDEND AND TRANSFER TO RESERVES

The directors do not recommend payment of a dividend.

It is proposed that the retained profit of £4,459 is transferred to reserves.

FIXED ASSETS

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

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the ultimate parent company at that date and at the beginning of the year (or on appointment if later), were as follows:

| | <u>Class of share</u> | <u>Number of shares</u> | |
|-------------|-----------------------|-------------------------|-------------|
| | | <u>1996</u> | <u>1995</u> |
| D.J. Walker | Ordinary shares | 520 | 520 |
| B.W. Norris | Ordinary shares | 300 | 300 |

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 the 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.

SALADIN SECURITY LIMITED

REPORT OF THE DIRECTORS (Continued)

CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions totalling £6,700.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Sharles & Co, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Date: 22 October 1996

B.W. Norris
Secretary



SALADIN SECURITY LIMITED

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS OF SALADIN SECURITY LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described on the Directors' Report 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.

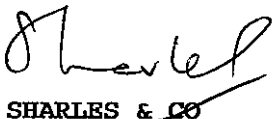
Basis of opinion

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 other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the full financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


SHARLES & CO

Registered Auditors

Date: 22 October 1996

2 Bath Place
Rivington Street
London
EC2A 3JJ

SALADIN SECURITY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1996

| | Notes | 1996 £ | 1995 £ |
|--|-------|-------------|-------------|
| TURNOVER | 2 | 2,569,384 | 1,999,879 |
| Cost of sales | | (1,778,214) | (1,300,558) |
| GROSS PROFIT | | 791,170 | 699,321 |
| Administrative expenses | | (772,264) | (676,225) |
| OPERATING PROFIT | 3 | 18,906 | 23,096 |
| Interest receivable | 4 | 915 | 2,224 |
| Interest payable | 5 | (6,058) | (503) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 13,763 | 24,817 |
| Tax on profit on ordinary activities | 8 | (9,304) | (11,219) |
| PROFIT FOR THE FINANCIAL YEAR | 17 | 4,459 | 13,598 |

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

SALADIN SECURITY LIMITED

BALANCE SHEET AT 30TH JUNE 1996

| | Notes | 1996 £ | 1995 £ |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 63,603 | 100,026 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 997,186 | 822,794 |
| Cash at bank and in hand | | 12,934 | 15,028 |
| | | <u>1,010,120</u> | <u>837,822</u> |
| CREDITORS: Amounts falling due within one year | 11 | <u>(733,191)</u> | <u>(587,484)</u> |
| NET CURRENT ASSETS | | <u>276,929</u> | <u>250,338</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>340,532</u> | <u>350,364</u> |
| CREDITORS: Amounts falling due after more than one year | 12 | - | (11,006) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 14 | - | (3,285) |
| | | <u>340,532</u> | <u>336,073</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 10,000 | 10,000 |
| Share premium account | 16 | 27,000 | 27,000 |
| Profit and loss account | 17 | 303,532 | 299,073 |
| | | <u>340,532</u> | <u>336,073</u> |

The financial statements were approved
by the board on 22 October 1996 and
signed on its behalf by

D.J. Walker

B.W. Norris

) Directors

The notes on pages 7 to 15 form part of these financial statements.

SALADIN SECURITY LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 1996**

| | Notes | 1996 £ | 1995 £ |
|---|-------|-----------|-----------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 19 | (121,746) | (57,898) |
| Return on investments and servicing of finance: | | | |
| Interest received | | 915 | 2,216 |
| Interest paid | | (6,058) | (503) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (5,143) | 1,713 |
| Taxation: | | | |
| Corporation tax paid | | (9,309) | (16,267) |
| Corporation tax received | | 898 | - |
| TAX PAID | | (8,411) | (16,267) |
| Investing activities: | | | |
| Purchase of tangible fixed assets | | (3,133) | (76,145) |
| Receipts from sale of tangible assets | | - | 10,000 |
| NET CASHFLOW FROM INVESTING ACTIVITIES | | (3,133) | (66,145) |
| NET CASH OUTFLOW BEFORE FINANCING | | (138,433) | (138,597) |
| Financing: | | | |
| Receipts from other long term loans | | - | (16,748) |
| Repayment of other long term loans | | 16,748 | - |
| NET CASH OUTFLOW FROM FINANCING | 21 | 16,748 | (16,748) |
| DECREASE IN CASH AND CASH EQUIVALENTS | 20 | (155,181) | (121,849) |
| | | (138,433) | (138,597) |

The notes on pages 7 to 15 form part of these financial statements.

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

1.2 TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

1.3 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

| | |
|-----------------------|--|
| Leasehold properties | Straight line over the life of the lease |
| Operational equipment | 25% Straight line |
| Fixtures and fittings | 25% Straight line |
| Motor vehicles | 25% Straight line |

1.4 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.5 LEASING AND HIRE PURCHASE

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

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.

2. TURNOVER

| 1996 | 1995 |
|------|------|
| £ | £ |

Analysis by:-

| | | |
|---------------------|-----------|-----------|
| Geographical market | | |
| United Kingdom | 817,384 | 615,679 |
| U.S.A. | 748,000 | 880,250 |
| Middle East | 542,000 | 365,900 |
| Africa | 211,100 | - |
| Far East | 239,900 | 81,100 |
| Europe | 11,000 | 56,950 |
| | <hr/> | <hr/> |
| | 2,569,384 | 1,999,879 |
| | <hr/> | <hr/> |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

| | | |
|--|---------------|---------------|
| 3. OPERATING PROFIT | 1996 | 1995 |
| | £ | £ |
| The operating profit is stated after charging: | | |
| Depreciation | 39,556 | 17,027 |
| Auditors' remuneration | 4,350 | 5,150 |
| Hire of equipment | 2,101 | 2,306 |
| Operating lease rentals: | | |
| Land and buildings | 31,000 | 31,000 |
| Plant and machinery | - | 3,046 |
| | <hr/> | <hr/> |
| 4. INTEREST RECEIVABLE | 1996 | 1995 |
| | £ | £ |
| Bank and other interest receivable | 915 | 2,224 |
| | <hr/> | <hr/> |
| 5. INTEREST PAYABLE | 1996 | 1995 |
| | £ | £ |
| On bank loans and overdrafts and on loans repayable in full within five years | 6,058 | 503 |
| | <hr/> | <hr/> |
| 6. DIRECTORS AND EMPLOYEES | 1996 | 1995 |
| | £ | £ |
| Staff costs: | | |
| Wages and salaries | 1,729,582 | 1,352,018 |
| Social security costs | 99,194 | 66,942 |
| Other pension costs | 6,827 | 7,064 |
| | <hr/> | <hr/> |
| | 1,835,603 | 1,426,024 |
| | <hr/> | <hr/> |
| The average weekly number of employees during the year was made up as follows: | Number | Number |
| Management and administration | 7 | 8 |
| Contract staff | 68 | 51 |
| | <hr/> | <hr/> |
| | 75 | 59 |
| | <hr/> | <hr/> |
| The division of directors' emoluments, excluding pension contributions, is as follows: | | |
| Chairman and highest paid director | - | - |
| | <hr/> | <hr/> |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

7. PENSION COSTS

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. Contributions payable by the company amounted to £6,827 (1995: £7,064). All contributions were paid in the year.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1996 £ | 1995 £ |
|---|-------------|--------------|
| The taxation charge based on the profit before tax comprises: | | |
| U.K. corporation tax at 25% (1995 - 25%) | 12,589 | 9,309 |
| Transfer from deferred taxation | (3,285) | 1,941 |
| | <hr/> 9,304 | <hr/> 11,250 |
| Adjustment in respect of prior years | - | (31) |
| | <hr/> 9,304 | <hr/> 11,219 |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

9. TANGIBLE ASSETS

| | Land & buildings £ | Operational equipment £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|---|--------------------------|-------------------------------|-----------------------------|------------------------|------------|
| <u>Cost</u> | | | | | |
| At 1 July 1995 | 6,000 | 27,397 | 60,310 | 68,195 | 161,902 |
| Additions | - | - | 3,133 | - | 3,133 |
| Disposals | - | - | (551) | - | (551) |
| At 30 June 1996 | 6,000 | 27,397 | 62,892 | 68,195 | 164,484 |
| <u>Depreciation</u> | | | | | |
| At 1 July 1995 | 2,105 | 17,019 | 37,282 | 5,470 | 61,876 |
| Charge for year | 420 | 6,840 | 15,244 | 17,052 | 39,556 |
| On disposals | - | - | (551) | - | (551) |
| At 30 June 1996 | 2,525 | 23,859 | 51,975 | 22,522 | 100,881 |
| <u>Net book value at 30 June 1996</u> | 3,475 | 3,538 | 10,917 | 45,673 | 63,603 |
| <u>Net book value at 30 June 1995</u> | 3,895 | 10,378 | 23,028 | 62,725 | 100,026 |
| | | | | 1996 £ | 1995 £ |
| Analysis of net book value of land and buildings: | | | | | |
| Short leasehold | | | | 3,475 | 3,895 |

10. DEBTORS

| | 1996 £ | 1995 £ |
|------------------------------------|-----------|-----------|
| Trade debtors | 578,518 | 438,429 |
| Amounts owed by group undertakings | 376,841 | 342,304 |
| Other debtors | 345 | 1,532 |
| Prepayments and accrued income | 41,482 | 40,529 |
| | 997,186 | 822,794 |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

| 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 1996 £ | 1995 £ |
|---|----------------|----------------|
| Bank loans and overdrafts | 209,014 | 61,669 |
| Trade creditors | 382,532 | 387,828 |
| Corporation tax | 12,589 | 9,309 |
| Other taxes and social security costs | 68,396 | 49,320 |
| Directors' current accounts | 1,114 | 1,720 |
| Other creditors | 185 | 69 |
| Accruals and deferred income | 59,361 | 77,569 |
| | <u>733,191</u> | <u>587,484</u> |

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

| 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 1996 £ | 1995 £ |
|--|-----------|---------------|
| Loans | - | 11,006 |
| | <u>-</u> | <u>11,006</u> |

| 13. BORROWINGS | 1996 £ | 1995 £ |
|---|----------------|---------------|
| <u>The company's borrowings are repayable as follows:</u> | | |
| In one year, or less or on demand | 209,014 | 61,669 |
| Between one and two years | - | 5,742 |
| Between two and five years | - | 5,264 |
| | <u>209,014</u> | <u>72,675</u> |

Details of security:

The bank borrowings are secured on the assets of the company with a fixed and floating charge dated 9th July 1992.

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is calculated at 25% (1995 - 25%) analysed over the following timing differences:

| | Fully Provided | |
|---|-------------------|-------|
| | 1996 | 1995 |
| | £ | £ |
| On the excess of capital allowances over depreciation | - | 3,285 |
| | <hr/> | <hr/> |
| | - | 3,285 |
| | <hr/> | <hr/> |

Movements on the provision for deferred taxation are:

| | £ |
|--|---------|
| At 1 July 1995 | 3,285 |
| Transferred to profit and loss account | (3,285) |
| | <hr/> |
| At 30 June 1996 | - |
| | <hr/> |

15. SHARE CAPITAL

Authorised

Equity interests:

| | | |
|-----------------------------------|--------|--------|
| 10,000 Ordinary shares of £1 each | 1996 | 1995 |
| | £ | £ |
| | 10,000 | 10,000 |
| | <hr/> | <hr/> |

Allotted, called up and fully paid

Equity interests:

| | | |
|-----------------------------------|--------|--------|
| 10,000 Ordinary shares of £1 each | 1996 | 1995 |
| | £ | £ |
| | 10,000 | 10,000 |
| | <hr/> | <hr/> |

16. SHARE PREMIUM ACCOUNT

Equity interests:

| | | |
|---|--------|--------|
| Balance brought forward at 1 July 1995 | 1996 | 1995 |
| | £ | £ |
| | 27,000 | 27,000 |
| | <hr/> | <hr/> |
| Balance carried forward at 30 June 1996 | 27,000 | 27,000 |
| | <hr/> | <hr/> |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

17. PROFIT AND LOSS ACCOUNT

| | 1996 | 1995 |
|----------------------------------|-------------|-------------|
| | £ | £ |
| Retained profits at 1 July 1995 | 299,073 | 285,475 |
| Profit for the financial year | 4,459 | 13,598 |
| | <hr/> | <hr/> |
| Retained profits at 30 June 1996 | 303,532 | 299,073 |
| | <hr/> | <hr/> |

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1996 | 1995 |
|-------------------------------------|-------------|-------------|
| | £ | £ |
| Profit for the financial year | 4,459 | 13,598 |
| Shareholders' funds at 1 July 1995 | 336,073 | 322,475 |
| | <hr/> | <hr/> |
| Shareholders' funds at 30 June 1996 | 340,532 | 336,073 |
| | <hr/> | <hr/> |
| Represented by:- | | |
| Equity interests | 340,532 | 336,073 |
| | <hr/> | <hr/> |
| | 340,532 | 336,073 |
| | <hr/> | <hr/> |

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 1996 | 1995 |
|---|-------------|-------------|
| | £ | £ |
| Operating profit | 18,906 | 23,096 |
| Depreciation | 39,556 | 17,027 |
| Profit on disposal of fixed assets | - | (9,999) |
| Decrease in stocks | - | 19,500 |
| Increase in debtors | (175,290) | (26,402) |
| Decrease in creditors due within one year | (4,918) | (81,120) |
| | <hr/> | <hr/> |
| | (121,746) | (57,898) |
| | <hr/> | <hr/> |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

| | 1996 £ | 1995 £ |
|--|-----------|-----------|
| Cash at bank and in hand at 1 July 1995 | 15,028 | 120,722 |
| Cash at bank and in hand at 30 June 1996 | 12,934 | 15,028 |
| Net movement | (2,094) | (105,694) |
| Bank overdraft at 1 July 1995 | (55,927) | (39,772) |
| Bank overdraft at 30 June 1996 | (209,014) | (55,927) |
| Net movement | (153,087) | (16,155) |
| Total net movements | (155,181) | (121,849) |

21. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | 1996 £ | 1995 £ |
|--|-----------|-----------|
| Share capital (including premium) at 1 July 1995 | 37,000 | 37,000 |
| Share capital (including premium) at 30 June 1996 | 37,000 | 37,000 |
| Loans at 1 July 1995 | 16,748 | - |
| Cash outflow from financing | (16,748) | 16,748 |
| Loans at 30 June 1996 | - | 16,748 |

SALADIN SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1996

22. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

| <u>Land and buildings</u> | 1996 | 1995 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Expiry date: | | |
| After five years | 31,000 | 31,000 |
| | <u>31,000</u> | <u>31,000</u> |

23. CONTINGENT LIABILITIES

There are cross guarantees dated 9th July 1992 between all companies within the group.

24. ULTIMATE PARENT COMPANY

The ultimate parent company is Saladin Holdings Limited, a company incorporated in Great Britain.