

VPS Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 4835721

Year ended 31 March 2011

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Contents

Company information	1
Directors' report	2
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report to the members of VPS Holdings Limited	6
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Reconciliation of movements in shareholders' funds	12
Consolidated statement of total recognised gains and losses	12
Notes	13

Company information

Directors	I Quinlan S James J Kenrick J Seaward C Bates M Silver S Robertson	(resigned 21 May 2010) (resigned 21 May 2010) (appointed 6 September 2010) (appointed 24 January 2011)
Secretary	C Bates	
Registered office	Elstree Business Centre Elstree Way Borehamwood Herts WD6 1RX	
Registered number	4835721	
Auditors	KPMG LLP St James' Square Manchester M2 6DS	
Bankers	Royal Bank of Scotland PO Box 12258 1 Princes Street London EC2R 8PA	

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activity

The principal activity of the Group is the provision of void property security equipment and vacant property services

Business review

The results of the Group for the year are set out in the consolidated profit and loss account on page 8

Development and performance of the business

The level of business and the year end financial position was satisfactory and the Directors expect the Group to continue its growth in the future, through the development of products and services in all its territories. Turnover increased by 62% from £86,189k to £139,694k, with this increase due to significant growth in our US businesses. Operating profit however decreased by £5,201k from £271k to a loss of £4,930k. The decrease was due principally to exceptional items of £9.8m compared with £5.9m in 2010 (see note 3).

Principal risks and uncertainties

General

Principal risks and uncertainties revolve around changes in the economic climates of the countries where the Group companies operate and are outside the control of management.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of Directors are implemented by the Group's finance department.

Price risk

The Group is exposed to the risk of price fluctuations relating to the products and services sold due to the competitive nature of the market it operates in. However, a significant number of long term contracts are at fixed prices.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any significant individual counterparty is subject to a limit, which is reassessed annually by the Group.

The largest concentrations of amounts due to the group relate to two entities the Directors do not believe the Group is exposed to significant credit risk as they are government backed.

Liquidity and going concern risk

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. In addition the process for managing financial risk, its exposures to price risk and credit risk are also noted.

The Group meets its day to day working capital requirements through facilities as highlighted in note 1 and note 14.

The Group has prepared forecasts and projections for the period to June 2013, taking account of reasonably possible changes in trading performance which show that the Group should be able to comply with future covenants and operate within the level of the facilities available to the Group.

Directors' report *(continued)*

Financial risk management *(continued)*

The Directors have considered the economic conditions, the current competitive environment the Group operates in and associated credit risk together with the available committed finance facilities and potential actions that can be taken to protect operating profits and cash flows should revenues be worse than expected

Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a rate related to LIBOR. In relation to bank loans, 100% of interest payable is determined at LIBOR plus an agreed margin.

Interest payable on deep discounted bonds and loan notes is calculated at a constant rate over the term of the financial instruments plus compound interest determined by contractually agreed rates.

Key performance indicators

The Group measures performance against annually set budgets, targets and prior year financial information. Management compare actual performance against budget and prior year on a regular basis and action is taken where unfavourable variances occur. Gross margin analysis also forms part of the Group's performance measures. The reduction in gross profit margin from 39% in 2010 to 33% in 2011 is as a result of changes in the mix of the group sales and the margins earned thereon.

Proposed dividend and transfer to reserves

The loss for the year absorbed by the Group is £21,331k (2010 loss of £7,963k).

The Directors do not recommend payment of a dividend.

Directors

The Directors who held office during the year were

I Quinlan	
S James	(resigned 21 May 2010)
J Kenrick	(resigned 21 May 2010)
J Seaward	
C Bates	(appointed 6 September 2010)
M Silver	(appointed 24 January 2011)
S Robertson	

Equal opportunities and employment policy

The Group is committed to offering equal opportunities to all, no employee or potential employee receives more or less favourable treatment due to their gender, age, race, national or ethnic origin, disability, sexual orientation, or marital status. The Group is committed to the training and development of all employees and to providing a productive working environment.

Should an existing employee's circumstances change, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever possible.

Directors' report *(continued)*

Employee involvement

During the year, the policy of providing employees with information about the Group has continued through regular employee updates and divisional meetings. Employees are actively encouraged to present their suggestions and views on the Group's performance. A free flow of information between the Directors, managers and employees ensures that every person has an opportunity to contribute ideas to the Group.

Health and safety

The Group strives to provide and maintain a safe environment for all employees, clients and visitors to its premises and comply with the relevant health and safety legislation. The Group is committed to the wellbeing of its employees and actively promotes best practise in the work place.

The environment

The Group recognises that it is part of the wider community of employees, clients, suppliers amongst others and recognises that it has a responsibility to act in a way that respects the environment. The Group actively encourages staff to act in an environmentally responsible manner, particularly in the development of recycling and energy conservation policies to ensure finite resources are not dissipated.

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations during the year (2010 £nil).

Director's indemnity insurance

Certain Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the board



C Bates
Director

Elstree Business Centre
Elstree Way
Borehamwood
Herts WD6 1RX

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statement, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent 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 Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



KPMG LLP

St James Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of VPS Holdings Limited

We have audited the financial statements of VPS Holdings Limited for the year ended 31 March 2011 on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members to the those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at - www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2011 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

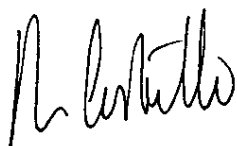
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of VPS Holdings Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



John Costello (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

29/7/11

Consolidated profit and loss account
for the year ended 31 March 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	139,694	86,189
Cost of sales		(93,443)	(52,861)
Gross profit		46,251	33,328
Administrative expenses before exceptional items		(41,383)	(27,157)
Exceptional costs		(9,798)	(5,900)
Total administrative expenses		(51,181)	(33,057)
Operating (loss) / profit	3	(4,930)	271
Other interest receivable and similar income		-	-
Interest payable and similar charges before exceptional items	6	(11,665)	(10,814)
Exceptional items		(359)	-
Total interest payable and similar charges		(12,024)	(10,814)
Loss on ordinary activities before taxation		(16,954)	(10,543)
Tax on loss on ordinary activities	7	(3,896)	2,580
Loss on ordinary activities after taxation		(20,850)	(7,963)

All amounts relate to continuing activities

The notes from pages 13 to 27 form part of the financial statements

Consolidated balance sheet
at 31 March 2011

	<i>Note</i>	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Intangible assets	8		66,713		73,732
Tangible assets	9		18,442		22,470
			<u>85,155</u>		<u>96,202</u>
Current assets					
Inventories	11	771		405	
Debtors	12	31,066		34,949	
Cash at bank and in hand		2,428		4,151	
		<u>34,265</u>		<u>39,505</u>	
Creditors, amounts falling due within one year	13	<u>(37,454)</u>		<u>(38,500)</u>	
Net current (liabilities) / assets			<u>(3,189)</u>		<u>1,005</u>
Total assets less current liabilities			<u>81,966</u>		<u>97,207</u>
Creditors: amounts falling due after more than one year	14		<u>(117,213)</u>		<u>(112,369)</u>
Net liabilities			<u>(35,247)</u>		<u>(15,162)</u>
Capital and reserves					
Called up share capital	16		3		3
Share premium	17		2,498		2,498
Profit and loss account	17		(37,748)		(17,663)
Equity shareholders' deficit			<u>(35,247)</u>		<u>(15,162)</u>

These financial statements were approved by the board of Directors on 27 July 2011 and were signed on its behalf by


C Bates
 Director

The notes from pages 13 to 27 form part of the financial statements

Company balance sheet
at 31 March 2011

	<i>Note</i>	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Investments	10		23,926		26,210
Intangible assets	8		2,150		2,150
			26,076		28,360
Current assets					
Debtors	12	16,868		9,909	
Bank & cash		2		-	
		16,870		9,909	
Creditors amounts falling due within one year	13	(1,350)		(2,267)	
Net current assets			15,520		7,642
Total assets less current liabilities			41,596		36,002
Creditors: amounts falling due after more than one year	14		(81,623)		(69,217)
Net liabilities			(40,027)		(33,215)
Capital and reserves					
Called up share capital	16		3		3
Share premium	17		2,664		2,664
Profit and loss account	17		(42,694)		(35,882)
Equity shareholders' deficit			(40,027)		(33,215)

These financial statements were approved by the board of Directors on 27 July 2011 and were signed on its behalf by


C Bates
 Director

The notes from pages 13 to 27 form part of the financial statements

Consolidated cash flow statement
for the year ended 31 March 2011

	<i>Note</i>	2011 £000	2010 £000
Net cash inflow from operating activities	19	12,612	16,506
Returns on investments and servicing of finance	20	(3,070)	(3,320)
Taxation		131	(1,168)
Capital expenditure and financial investment	20	(6,746)	(10,337)
Acquisitions and disposals	20	(7,341)	(788)
Cash (outflow) / inflow before financing		(4,414)	893
Financing	20	2,691	(2,005)
Decrease in cash in the year		(1,723)	(1,112)
Reconciliation of net cash flow to movement in net debt		2011 £000	2010 £000
Decrease in cash in the year	21	(1,723)	(1,112)
New finance leases	20	(1,339)	(2,584)
Finance lease repayments	20	1,892	1,456
Increase in debt finance (including non-cash movements)	21	(12,185)	(4,450)
Translation differences	21	(482)	658
Movement in net debt in the year		(13,837)	(6,032)
Net debt at beginning of the year	21	(112,067)	(106,035)
Net debt at end of the year	21	(125,904)	(112,067)

The notes from pages 13 to 27 form part of the financial statements

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2011

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Loss for the financial year	(20,850)	(7,963)	(6,812)	(6,786)
Currency translation	765	895	-	-
Net reduction in shareholders' funds	(20,085)	(7,068)	(6,812)	(6,786)
Opening shareholders' deficit	(15,162)	(8,094)	(33,215)	(26,429)
Closing shareholders' deficit	(35,247)	(15,162)	(40,027)	(33,215)

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2011

	2011 £000	2010 £000
Loss for the financial year	(21,850)	(7,963)
Currency translation gain	765	895
Total recognised gains and losses for the year	(20,085)	(7,068)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The prior year profit and loss account has been reclassified to show non recurring material items as exceptional. Previously these had been disclosed within the business review in the directors' report. There is no effect of this reclassification on the previously reported profit before tax or net assets figures.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to the year end. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going concern

On 7 December 2011, the Group entered into new funding arrangements with its existing lenders, Royal Bank of Scotland ('RBS') and Lloyds Banking Group ('LBG'). These arrangements, which terminate on 31 March 2013, included the redenomination of certain existing term loans, the resetting of future covenants (see below) and adjustments to the level of undrawn facilities available to the Group.

At 31 March 2011 the Group's working capital and financing requirements with RBS and LBG were met as follows:

- term loans of £41.0m,
- capital expenditure facility £3.75m

The Group also has access to a £7m facility provided to the Group on 25 May 2010 by TDR Capital LLP, the majority shareholder. £4m of this facility was drawn down at 31 March 2011.

The Group has prepared forecasts and projections for the period to June 2013, taking account of reasonably possible changes in trading performance which show that the Group should be able to comply with future covenants and operate within the level of the facilities available to the Group.

The Directors have considered the economic conditions, the current competitive environment the Group operates in and associated credit risk together with the available committed finance facilities and potential actions that can be taken to protect operating profits and cash flows should revenues be worse than expected.

After making enquiries the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The going concern basis has been adopted in preparing the annual financial statements.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale the weighted average price is used.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. In accordance with FRS 10, goodwill has been capitalised and is to be amortised over its useful economic life which is 20 years.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Related party transactions

The Company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions with fellow subsidiary undertakings where the Group has more than 90% control.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	over term of the lease
Security Equipment	14% - 50% straight line
Fixtures, fittings & equipment	15% straight line
Motor vehicles	25% - 30% straight line

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Fair values are restricted to an amount that does not create, or increase, any negative goodwill.

Concession, patents, licences and trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives.

Investments

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of security equipment and services. Income from the supply of such products is recognised at the time the Group has settled its obligations.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss accounts are translated at the average exchange rates.

Gains and losses arising on these transactions are taken to reserves.

Net investment in foreign operations

The portion of the gain or loss on a net investment hedge in a foreign operation is included as a movement in the cumulative foreign exchange reserve.

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are kept separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The credit for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the balance sheet date except as otherwise required by FRS 19.

Research and development

All research and development expenditure is written off as incurred.

Financial instruments

Loan notes are recognised in the balance sheet at their issued amount less any directly attributable issue costs plus the accrued finance charge that has arisen on them. The finance charge has been calculated using the effective interest rate over the life of the financial instrument plus compound loan note interest calculated at the prevailing rate determined by the loan note agreement.

Finance payments associated with financial instruments are dealt with as part of interest payable and similar charges.

2 Turnover

Turnover is analysed by geographical market below

By geographical market	2011 £000	2010 £000
UK	33,899	36,829
France	11,776	11,599
USA	92,861	36,594
Germany	881	1,087
Italy	277	80
	139,694	86,189

Notes (continued)

3 Operating profit

	2011 £000	2010 £000
<i>Operating profit is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets	10,085	9,111
Amortisation of goodwill	4,417	4,679
Amortisation of other intangibles	7	7
Other operating leases	2,073	1,863
Loss on disposal of fixed assets	125	215
Foreign exchange loss	1,087	240

Auditors' remuneration

	2011 £000	2010 £000
Audit of these financial statements	11	11

Amounts receivable by the auditors and their associates in respect of:

Audit of financial statements of subsidiaries pursuant to legislation	133	134
Other services relating to taxation	93	57
All other services	-	198

Exceptional costs

	2011 £000	2010 £000
Administrative costs		
US operations restructuring	-	2,600
Receivables provisioning – US	1,764	1,700
Receivables provisioning - rest of world	1,242	-
Reorganisation and restructuring of existing business	3,429	1,600
Legal and professional fees in respect of debt review	1,100	-
Consultancy fees incurred in business development	2,263	-
	9,798	5,900
Interest payable and similar charges		
Bank fees on respect of debt review	359	-
Total exceptional items	10,157	5,900

Notes (continued)

4 Remuneration of Directors

	2011 £000	2010 £000
Directors' emoluments	639	751
Company contributions to defined contribution pension schemes	40	15
	<u>679</u>	<u>766</u>

Two (2010 nil) Directors were paid for their services by a management fee from VPS Acquisitions Limited, the holding company of VPS Holdings Limited. Two Directors had benefits arising under defined contribution pension schemes (2010-2) and the emoluments of the highest paid Director was £275k (2010 £273k)

5 Staff numbers and costs

The average number of persons employed by the Company during the year, including Directors is analysed by category as follows

	Number of employees	
	2011	2010
Operational	882	825
Administration, sales and marketing	371	323
	<u>1,253</u>	<u>1,148</u>

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	32,693	27,190
Social security costs	4,121	3,566
Other pension costs (note 22)	138	125
	<u>36,952</u>	<u>30,881</u>

6 Interest payable and similar charges

	2011 £000	2010 £000
Bank loans	2,953	3,231
Amounts payable on loan notes	8,486	7,130
Amortisation of issue costs on term loans	585	453
	<u>12,024</u>	<u>10,814</u>

Included within bank loans above are £359k of exceptional items relating to bank fees in respect of the debt review

Notes (continued)

7 Taxation

Analysis of charge / (credit) in period

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Prior year adjustment	369	16
	<u>369</u>	<u>16</u>
<i>Foreign tax</i>		
Current tax on income for the period	834	(189)
Prior year adjustment	9	(312)
	<u>843</u>	<u>(501)</u>
Total current tax	1,212	(485)
<i>Deferred Tax</i>		
Current year	2,684	(1,881)
Prior year	-	(214)
	<u>2,684</u>	<u>(2,095)</u>
Total deferred tax	2,684	(2,095)
Tax charge / (credit) on loss on ordinary activities	<u>3,896</u>	<u>(2,580)</u>

Factors affecting the tax charge / (credit) for the current period

The current tax charge for the year is higher (2010 lower) than the standard rate of corporation tax in the UK 28% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Loss on ordinary activities before taxation	(16,954)	(10,543)
Current tax at 28%	<u>(4,747)</u>	<u>(2,952)</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	620	270
Capital allowances in excess of depreciation and amortisation	848	601
Creation/utilised losses tax losses	1,896	512
Prior year adjustment	377	(296)
Short term timing differences	148	106
Differing tax rate on overseas earnings	358	(38)
Goodwill amortisation on consolidation	1,712	1,312
	<u>1,212</u>	<u>(485)</u>
Total current tax charge / (credit) for the year	<u>1,212</u>	<u>(485)</u>

Notes (continued)

8 Intangible fixed assets

Group	Goodwill £000	Development costs £000	Patents and other £000	Total £000
Cost				
At 1 April 2010	93,778	100	81	93,959
Additions in the year	-	-	16	16
Revision to preliminary acquisition assessment	(2,611)	-	-	(2,611)
At 31 March 2011	91,167	100	97	91,364
Amortisation				
At 1 April 2010	20,090	100	37	20,227
Charge for year	4,417	-	7	4,424
At 31 March 2011	24,507	100	44	24,651
Net book value				
At 31 March 2011	66,660	-	53	66,713
At 31 March 2010	73,688	-	44	73,732

The movement in additions to Goodwill in the year relate to revisions to the expected contingent consideration on previous acquisitions

Company	Intellectual property £000
Cost and net book value	
At the beginning and end of the year	2,150

Notes (continued)

9 Tangible fixed assets

Group	Short leasehold land and buildings £000	Security equipment £000	Fixtures, fittings, and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2010	318	34,882	8,737	8,274	52,211
Additions	213	1,825	2,677	2,015	6,730
Disposals	-	(2,660)	(37)	(324)	(3,021)
Reclassifications	25	(261)	236	-	-
Foreign exchange	(6)	(859)	(120)	(174)	(1,159)
At 31 March 2011	550	32,927	11,493	9,791	54,761
Depreciation					
At 1 April 2010	114	21,355	4,517	3,755	29,741
Charge for the year	63	5,913	2,013	2,096	10,085
Disposals	-	(2,607)	(8)	(279)	(2,894)
Reclassifications	4	(278)	275	(1)	-
Foreign exchange	(2)	(489)	(52)	(70)	(613)
At 31 March 2011	179	23,894	6,745	5,501	36,319
Net book value					
At 31 March 2011	371	9,033	4,748	4,290	18,442
At 31 March 2010	204	13,527	4,220	4,519	22,470

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

	Motor vehicles 2011 £000	Motor vehicles 2010 £000
Net book values	3,783	4,150
Depreciation charge for the year	1,333	1,402

Company

The Company does not have any tangible fixed assets

Notes (continued)

10 Fixed asset investments

Company	Investments in Group undertakings £000
Cost	
At 1 April 2010	26,210
Disposals	(2,284)
At 31 March 2011	23,926
Net book value	
At 31 March 2011	23,926
At 31 March 2010	26,210

The cost represents the cost of acquiring the whole of the issued share capital of the Company's subsidiary undertakings. Fixed asset investments are recognised at cost.

At 31 March 2011, the Company holds 100% of the ordinary shares in the subsidiary undertakings listed below of which the results, assets and liabilities have been included within the consolidated financial statements. These investments are unlisted.

Subsidiary undertakings	Country of incorporation	Principal activity
Vacant Property Security Limited	England and Wales	Provision of security equipment and services
Vacant Property Specialists Limited*	England and Wales	Provision of security equipment and services
VPS France SAS*	France	Provision of security equipment and services
Asset Management Holdings Inc* (formerly VPS Inc)	USA	Provision of security equipment and services
Radcom Security Services Limited	England and Wales	Provision of security equipment and services
VPS (UK) Limited (formerly Safe Estates Services Limited)*	England and Wales	Provision of security equipment and services
VPS Deutschland GmbH	Germany	Provision of security equipment and services
Smartpatrol Property Protection Limited (formerly Fews Limited)	England and Wales	Provision of security services
VPSecurity Italia S R L	Italy	Provision of security services
Intruder Protection Systems Limited	England and Wales	Provision of security equipment and services
Quatro Electronics Limited	England and Wales	Manufacture of security & safety equipment
Safe Estates Services Limited (formerly Response Facilities Management Limited)	England and Wales	Provision of security equipment and services
Asset Management Specialists Inc*	USA	Provision of property maintenance services
AMS Environmental Inc*	USA	Provision of property maintenance services

* Undertakings held indirectly

Notes (continued)

11 Inventories

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Finished goods, work in progress & raw materials	771	-	405	-
	<u>771</u>	<u>-</u>	<u>405</u>	<u>-</u>

12 Debtors

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Trade debtors	27,686	-	22,252	-
Amounts owed by Group undertakings	-	16,336	-	9,217
Deferred tax (note 15)	645	513	3,284	513
Other debtors	752	19	1,388	179
Prepayments and accrued income	1,983	-	8,025	-
	<u>31,066</u>	<u>16,868</u>	<u>34,949</u>	<u>9,909</u>

All debtors fall due within one year

Management are satisfied that the deferred tax asset is recoverable based on their detailed forecasts of future trading.

13 Creditors: amounts falling due within one year

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Bank loans and overdrafts (secured)	9,621	-	7,189	-
Obligations under finance lease and hire purchase contracts	1,499	-	1,637	-
Trade creditors	6,729	-	6,475	-
Amounts owed to Group undertakings	-	1,350	-	2,267
Corporation tax	1,841	-	661	-
Other taxation and social security	3,033	-	3,749	-
Other creditors	505	-	5,452	-
Accruals and deferred income	14,226	-	13,337	-
	<u>37,454</u>	<u>1,350</u>	<u>38,500</u>	<u>2,267</u>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Group and Company

Notes (continued)

14 Creditors: amounts falling due after one year

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Bank loans	33,983	-	36,184	-
Loan Notes	81,623	81,623	69,217	69,217
Obligations under finance lease and hire purchase contracts	1,607	-	1,991	-
Other creditors	-	-	4,977	-
	<u>117,213</u>	<u>81,623</u>	<u>112,369</u>	<u>69,217</u>

£7,000,000 of cumulative loan notes were issued on 19 September 2003 and are redeemable on 18 September 2013 at a value of £21,173,360, or earlier by sale or listing. Issue costs of £323,495 have been deducted from the proceeds and are being amortised over the term of the debt. Interest is being recognised at an effective rate of 12.1%.

On 31 March 2008, £44,910,300 of cumulative loan notes were issued and are redeemable on 31 March 2018 at a value of £131,112,223, or earlier by sale or listing. Issue costs of £1,243,066 have been deducted from the proceeds and are being amortised over the term of the debt. Interest is being recognised at an effective rate of 11%.

The bank loan is repayable in instalments at an interest rate of which 100% (2010: 57%) is at LIBOR plus an agreed margin and 0% (2010: 43%) is at a swapped rate of 3.98% until June 2010. Thereafter, the bank loan is entirely repayable in instalments at an interest rate at LIBOR plus an agreed margin. The bank loan termination date is 31 March 2013.

The bank loans and loan notes are secured by a fixed and floating charge over the assets of the Group and Company.

	Group		Company	Group		Company
	Finance			Finance		
Maturity of debt	Loans	Leases	Loans	Loans	Leases	Loans
	2011	2011	2011	2010	2010	2010
	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	9,621	1,499	-	7,189	1,637	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
In more than one year, less than two years	54,534	985	-	9,857	1,141	-
In more than two years, less than five years	-	622	-	40,887	850	14,560
After more than five years	61,072	-	61,072	54,657	-	54,657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	115,606	1,607	61,072	105,401	1,991	69,217

Notes (continued)

15 Movements on deferred tax asset

	2011 £000	2010 £000
Group		
At start of year	(3,284)	(1,170)
Exchange difference	(45)	-
Recognised in the profit and loss account	2,684	(2,114)
	<u>(645)</u>	<u>(3,284)</u>
At end of year (note 12)	<u>(645)</u>	<u>(3,284)</u>

The elements of deferred taxation are as follows

Group

	2011 £000	2010 £000
Difference between accumulated depreciation and capital allowances	(468)	(2,447)
Other short term timing differences	336	214
Tax losses	(513)	(1,051)
	<u>(645)</u>	<u>(3,284)</u>

	2011 £000	2010 £000
Company		
At start of year	(513)	-
Recognised in the profit and loss account	-	(513)
	<u>(513)</u>	<u>(513)</u>
At end of year (note 12)	<u>(513)</u>	<u>(513)</u>

16 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
Ordinary shares £0.001	3	3
	<u>3</u>	<u>3</u>

Ordinary shares of £0.001 each Number

In Issue at the beginning of the year	2,666,667
Issued during the year	53,334
	<u>2,720,001</u>
In Issue at the end of the year	<u>2,720,001</u>

During the year 53,334 'B' class shares were issued. These shares are convertible to 'A' shares on a 1 for 1 basis subject to certain performance objectives being achieved by the management shareholders. The B shares have no rights beyond conversion. There is no time limit on conversion.

Notes (continued)

17 Share premium and reserves

	Share premium account £000	Profit and loss account £000
Group		
At start of year	2,498	(17,663)
Retained loss for the year	-	(20,850)
Currency foreign exchange reserve	-	765
At end of year	2,498	(38,748)

The cumulative foreign exchange reserve comprises all foreign exchange differences arising from the translation of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries. During the year, foreign exchange gains of £281,000 (2010 losses of £nil) on foreign currency borrowings were offset by losses of £281,000 (2010 gains of £nil) arising from retranslation of foreign assets, designated as the hedging instrument.

	Share premium account £000	Profit and loss account £000
Company		
At start of year	2,664	(35,882)
Retained loss for the year	-	(6,812)
At end of year	2,664	(42,694)

18 Contingent liabilities

Each group company is party to a group banking facility under which it has guaranteed the bank borrowings, performance bonds and guarantees of its fellow group companies.

19 Reconciliation of operating profit to operating cash flows

	2011 £000	2010 £000
Reconciliation of operating profit to net cash inflows from operating activities		
Operating (loss) / profit	(4,930)	271
Depreciation charge	10,085	9,111
Hedging adjustment	281	-
Amortisation of other intangibles	7	7
Amortisation of goodwill	4,417	4,679
Loss on sale of fixed assets	125	109
Increase in inventories	(366)	(307)
Decrease / (increase) in debtors	1,040	(1,622)
Increase in creditors	1,953	4,258
Net cash inflow from operating activities	12,612	16,506

Cash outflows from operating activities includes exceptional items of £6,792k (2010 £4,200k)

Notes (continued)

20 Analysis of cash flows

	2011 £000	2010 £000
Returns on investments and servicing of finance		
Interest paid	(3,070)	(3,320)
	<u>(3,070)</u>	<u>(3,320)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(6,730)	(10,317)
Payment for patents	(16)	(20)
	<u>(6,746)</u>	<u>(10,337)</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	(7,341)	(788)
	<u>(7,341)</u>	<u>(788)</u>
Financing		
New finance leases	1,339	2,584
Capital element of finance leases	(1,892)	(1,456)
Repayment of bank loan	(8,157)	(5,241)
Receipt of bank loan	7,401	3,200
Receipt of loan stock	4,000	-
Repayment of loan stock	-	(506)
Finance fees paid	-	(586)
	<u>2,691</u>	<u>(2,005)</u>

21 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non cash movements £000	Foreign exchange differences £000	At end of year £000
Cash in hand and at bank	4,151	(1,723)	-	-	2,428
Debt due within one year	(7,189)	(1,897)	(535)	-	(9,621)
Debt due after one year	(105,401)	(1,347)	(8,406)	(452)	(115,606)
Finance leases	(3,628)	553	-	(30)	(3,105)
	<u>(116,218)</u>	<u>(2,691)</u>	<u>(8,941)</u>	<u>(482)</u>	<u>(128,332)</u>
Total	<u>(112,067)</u>	<u>(4,414)</u>	<u>(8,941)</u>	<u>(482)</u>	<u>(125,904)</u>

Notes (continued)

22 Pension scheme

The Group contributes to defined contribution pension schemes that are open to eligible employees. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £138,000 (2010 £125,000)

23 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as follows

	2011 Land & buildings £000	2011 Other £000	2010 Land & buildings £000	2010 Other £000
Within one year	384	-	438	-
Within two to five years	862	32	758	27
More than five years	2,458	-	650	-
	<u>3,704</u>	<u>32</u>	<u>1,846</u>	<u>27</u>

24 Related party transactions

During the year, management fees and reimbursed expenses of £2,885k were incurred from TDR Capital LLP

25 Control

The immediate controlling party is VPS Acquisitions Limited

The ultimate controlling party is TDR Capital LLP