

# positioned for growth

Carlisle enhanced its leadership role in the facilities services sector in fiscal 2000 on three fronts: winning new business in all divisions; making tuck-in acquisitions that expanded our reach both in the US and the UK; and improving profitability by reducing our cost base.

I am pleased to report that Carlisle ended fiscal 2000 with an enhanced platform for growth. Our track record and reputation for high quality service were instrumental in adding new business in every division. For example, by successfully integrating our US and UK operations, we leveraged our combined reputation and skills to win the contract for cleaning the Millennium Dome, London's newest and most visible landmark.

## Facilities Services

Our largest division turned in a good performance in a competitive market, benefiting from both organic growth and acquisitions. Divisional revenue for the year ended March 31, 2000, amounted to \$977 million, an increase of 12% over the prior year.

In the US, the OneSource brand was rolled out in every market and the company continued to add prestigious names to its client list. Noteworthy new janitorial contracts included the Metropolitan Transit Authority in New York; substantial business from property managers, including Cushman & Wakefield and USAA Realty; and expanded business from Southwest Airlines and Saks Fifth Avenue. Cross-marketing our higher-margin services, such as

painting and metal and marble refinishing, remains a key growth opportunity and several existing clients signed on for these new services. The competitive environment that we face on contract renewals continues to be intense, therefore the retention of our existing customers is a priority for the coming year.

Facilities Services in the UK, which includes both contract cleaning and manned guarding services, turned in a strong performance, with a sales increase of nearly 60% reflecting the effects of acquisitions. By signing contracts with a broader range of clients, the UK group improved the quality of its customer base and reduced its dependence on the retail sector. A highlight of the year was being selected from a competitive field of 47 facilities services companies to clean and maintain the Millennium Dome, one of London's top attractions.

Top-line growth was accompanied by margin improvement, and, going forward, enhancing profitability remains a key focus. Facilities Services achieved an operating margin of around 3.5% as layers of administrative staff were removed, and management continues to balance cost controls against the needs of a growing business. We know the next leap in

profitability will require adding higher-margin services to the business mix as we continue to leverage the cost base.

### Staffing Services

Carlisle's Staffing Services division represented just under 15% of sales and 20% of operating income for the year and is a successful and growing part of the group. We operate under several well-known brand names in the UK and our competitive edge is enhanced by our focus on specialty areas, including education services, retail, IT, and finance and banking. Organic sales growth of approximately 20% was complemented by successful niche acquisitions which took year on year sales growth to 70% and we look forward to ongoing successful performance in the coming quarters.

### Acquisitions

Our success with tuck-in acquisitions in both Facilities and Staffing Services added \$120m in revenue in fiscal 2000 and expanded Carlisle's geographic reach and breadth of services. We continue to see a healthy pipeline of deals and depressed values in the services sector are opening up potential opportunities. However, we are maintaining a prudent approach in terms of what we are willing to pay. Our policy is to seek only natural fits with our existing operations. Adding a platform business offering a new, higher-margin service in the US is a priority for the coming year.

### Financial Services

Financial Services, including The Belize Bank, continues to deliver record results. Income from Financial Services increased 23% in the 12 months ended March 31, 2000. These results reflect a 23% increase in net interest income, driven by a 15% increase in the average loan portfolio of the Bank. We continue to emphasize that the Financial Services business produces strong cash flow that we can redeploy in growing the core facilities and staffing services businesses. Financial Services now represents under 20% of Carlisle Group's business and that percentage is expected to continue to decrease as we grow our core business.

### Management and Staff

Carlisle remains dedicated to attracting and retaining the highest quality staff at all levels. Our top management team collectively has over 750 years of experience in the services sector and a level of expertise that we believe is second to none in the industry. This is a strong competitive advantage

as we continue to grow and manage a larger and more diversified business base. Training is a priority at all levels, and our achievement of ISO 9002 certification demonstrates our commitment to the highest quality standards and processes. We are proud of the 62,000 Carlisle employees who represent the Company every day.

### Outlook

Our top priority remains building shareholder value. As we review the fundamentals of our businesses – market leadership, strong cash generation, low capital investment, recurring revenue, and a proven management team – we are optimistic about our prospects for continued profitable growth in the two fragmented sectors in which we operate.

We see a number of ways to continue to deliver strong performance: improving customer retention; ensuring that existing services meet the highest standards; marketing higher-margin services across the large, established customer base, adding acquisitions to leverage the customer base; and leveraging technology to improve efficiency.

We successfully integrated the 'old' Carlisle and BHI businesses into one company and improved profitability. The overall market of contracting out business services continues to expand and there are many opportunities ahead that we can capitalize on by pooling our US and UK resources. Above all, we are committed to maintaining our strong financial performance and know that Carlisle has an excellent platform to support a continuing leadership role for your company as the services sector consolidates.

Thank you for your support.



**Sir Michael A Ashcroft**  
Chairman