

This past year has been a very challenging one for Carlisle. Consistent and solid performances from our successful UK and Central American businesses were overshadowed in the last quarter by very disappointing results from OneSource in the US, where we had to deal with some significant one-off charges relating to a major new billing and payroll system installation.

These new systems are now fully operational with new management and support staff in place to ensure the quality of processing going forward. However, the system problems caused a serious consequential effect on the ability to collect some of the older receivables, which resulted in the need to make significant one-off provisions against the receivables base at March 31, 2001. Furthermore, the disruption to operations caused by the changes has both increased overheads and led to a deterioration in gross margins – this has continued through into the first quarter. Management's challenge for the rest of fiscal 2002 is to return OneSource to the performance levels we are more used to.

As we begin the new year, we remain confident in the core strengths of our other businesses and have a firm belief that they will continue to stand out as leaders in their respective industries both in the US and the UK.

Our UK staffing and facilities services businesses ended the year strongly, with performances up to or exceeding expectations and those businesses showed positive signs for the coming year. We believe that confidence is warranted by the growth our businesses have shown, growth that is organic, and through our continued pursuit of tuck-in acquisitions, particularly in the UK. The past year was also positive in terms of new client wins, reduced operating costs – particularly through the consolidation of acquired businesses – and progress in targeted segments for each of our key businesses.

Carlisle Staffing Services expanded in the growing field of outsourced human resources; the LI Group won important new contracts in the transport sector; and Capitol Security Services, in keeping with an industry trend, dramatically increased its closed circuit television monitoring capability. In the US, despite its problems, OneSource continued to add important new customers and to offer a broader range of services to more clients.

In Central America, the strong cash flows from The Belize Bank and Belize Telecommunications continued throughout the year.

**As we begin a new fiscal year, we are confident that the strategies driving our businesses will help us build shareholder value.**

**Facilities Services** As noted, the performance of OneSource was overshadowed by a major payroll and billing system conversion that took place in the second quarter. The conversion resulted in one-time charges principally taken to account for receivable write-offs and other related costs. We also provided for certain outstanding tax and legal issues which were identified in the year and we now feel confident that these matters are closed and behind us.

Even so, there were some positive aspects at OneSource despite the ongoing pressure on pricing and margins that is impacting the US facilities services industry as a whole. In April 2001, OneSource had its largest ever pipeline of new business bids in process, including a number with national and other well-known clients. In recent years we have talked about the importance of higher-margin services in our competitive environment, and we continued to expand the offering of those services and aggressively cross-market them to current clients as well as prospects. Acquiring Austin Outdoors for example, a group of three companies in Florida, meant that we can now offer our clients landscape installation services, a natural fit with our existing landscape maintenance business. Other important steps for OneSource, discussed later in this annual report, included a strategic reorganization to allow us to better focus on and serve key national accounts, and the rollout of a franchising program that will provide a new source of revenue while increasing the visibility of the OneSource brand-name.

In the UK, we provide contract cleaning through the LI Group and manned guarding through Capitol Security Services. The LI Group had a very good year. We made substantial progress in the transport sector which we had targeted as an important growth area, and we also expanded relationships with current clients, most notably by more than doubling our business with Tesco, the largest supermarket chain in Europe.

Capitol also gained a number of important new clients, including Esso in Ireland, the Patent Office and the Office of National Statistics. Through acquisition, we took ownership of a state-of-the-art closed circuit television facility that can cover as many as 500 clients. Also, for the first time, a series of industry regulations were issued by the British government, an important step that can only benefit larger, more established businesses such as Capitol.

**Staffing Services** Carlisle Staffing Services had an exceptional year, keyed by organic growth. To better address customer needs and more precisely target our sales and services, we have reorganized the business into five different sectors: Office and Industrial, Public Services, Professional Services, Specialist Markets and Outsourced Human Resources. This last sector, in particular, allows us to focus on a part of the business with tremendous potential for growth and relationship-building with our clients. We also increased our online capability by launching our own intranet and continued to find ways to attract and retain top candidates in a very competitive market.

**Tuck-in Acquisitions** Growth through acquisition continues to be an important strategy for expanding our geographic reach and breadth of services. However, we at all times maintain a prudent approach in terms of what we are willing to pay and only seek businesses that are natural fits with our existing operations. Last year, we made 16 acquisitions in total. Some of the more significant were: Doyle Building Services by OneSource, the company's largest janitorial acquisition to date, adding 200 clients and 400 sites; the London-based Hewitson-Walker Limited, which specializes in contract accounting services, acquired by Carlisle Staffing Services; MTL Commercial, which broadened the LI Group's position in the transport sector; and Solo Security Services, acquired by Capitol, which gave us a strong position in Wales.

**Financial Services** Financial Services, including The Belize Bank, continued to deliver strong results. Income from Financial Services increased 9 percent, the results reflecting an 8 percent increase in net interest income, driven by a 12 percent increase in the average loan portfolio of the Bank. The Financial Services business is non-core and a candidate for disposal at some future date. At present, however, the business continues to produce strong cash flow that we can use to grow our core businesses and to fund acquisitions.

**Telecommunication Services** Belize Telecommunications, now 51 percent owned, produced a solid profit and cash flow for the year.

**Outlook** As we begin the new fiscal year, we have a number of priorities that will drive our business and improved performance, including a continued focus on higher-margin services, aggressive cross-marketing and an ongoing emphasis on reducing our operating costs.

Thank you for your support.



Lord Ashcroft, KCMG  
Chairman