

## Consolidated Statements of Income

Year ended March 31	Notes	2001 \$m	2000 \$m	1999 \$m
<b>Service Businesses</b>				
Net sales	3	1,240.7	1,144.1	968.2
Cost of sales		(1,045.6)	(952.0)	(813.6)
Selling, general and administrative expenses		(191.9)	(155.3)	(130.5)
Restructuring and other non-recurring items	4	(9.2)	(10.9)	(11.4)
Operating (loss) income – Service Businesses	3	(6.0)	25.9	12.7
<b>Financial Services</b>				
Interest income		30.7	28.3	24.7
Interest expense		(10.3)	(9.4)	(9.3)
Net interest income		20.4	18.9	15.4
Provision for loan losses		(0.5)	(1.9)	(0.7)
Net non-interest (expense) income	5	(1.1)	0.3	(0.3)
Restructuring and other non-recurring items	4	–	2.7	–
Operating income – Financial Services		18.8	20.0	14.4
<b>Total operating income</b>				
Associates	12	7.3	17.8	9.3
Interest income		0.9	2.5	3.5
Interest expense		(6.8)	(3.3)	(4.3)
<b>Income before income taxes</b>				
Income taxes	6	(7.7)	(4.5)	(5.1)
<b>Income after income taxes</b>				
Minority interests		(3.0)	(1.7)	1.9
<b>Income from continuing operations</b>				
Loss from discontinued operations	7	–	–	(8.1)
<b>Net income</b>				
		3.5	56.7	24.3
<b>Basic earnings per ordinary share</b>				
Continuing operations	8	\$	\$	\$
Discontinued operations		0.06	0.98	0.76
Net income		–	–	(0.19)
		0.06	0.98	0.57
<b>Diluted earnings per ordinary share</b>				
Continuing operations	8	\$	\$	\$
Discontinued operations		0.06	0.90	0.71
Net income		–	–	(0.18)
		0.06	0.90	0.53

See notes to consolidated financial statements

## Consolidated Balance Sheets

At March 31	Notes	2001 \$m	2000 \$m
<b>Assets</b>			
<b>Service Businesses</b>			
Current assets:			
Cash and cash equivalents		36.0	25.3
Trade accounts receivable – net	9	180.4	164.2
Other current assets	10	21.8	16.8
Total Service Businesses current assets		238.2	206.3
Property, plant and equipment – net	11	94.4	32.5
Associates and other investments	12	46.8	89.3
Goodwill and other intangibles – net	13	332.5	318.7
Other long-term assets	14	7.0	9.0
Total Service Businesses assets		718.9	655.8
<b>Financial Services</b>			
Cash, cash equivalents and due from banks	15	28.5	16.2
Interest-bearing deposits with correspondent banks		49.2	24.4
Loans – net	16	171.5	155.9
Other assets	17	23.3	21.9
Total Financial Services assets		272.5	218.4
<b>Total assets</b>		<b>991.4</b>	<b>874.2</b>
<b>Liabilities and shareholders' equity</b>			
<b>Service Businesses</b>			
Current liabilities:			
Short-term debt	18	37.5	32.9
Accounts payable		15.2	13.9
Accrued personnel costs		48.2	45.9
Insurance reserves – current portion	21	20.2	19.4
Other current liabilities	19	50.5	47.1
Total Service Businesses current liabilities		171.6	159.2
Long-term debt	20	79.3	19.0
Insurance reserves – long-term portion	21	56.4	63.0
Other long-term liabilities	22	11.7	16.5
Minority interests		37.1	2.0
Total Service Businesses liabilities		356.1	259.7
<b>Financial Services</b>			
Deposits	23	229.2	185.9
Other liabilities		5.8	6.1
Long-term debt	24	0.2	0.3
Total Financial Services liabilities		235.2	192.3
Total liabilities		591.3	452.0
Commitments and contingencies	25		
Shareholders' equity:			
Share capital (ordinary shares of no par value 2001 – 61,765,820; 2000 – 61,765,820; 1999 – 60,666,672)	26	0.6	0.6
Additional paid-in capital		311.4	311.6
Treasury shares	26	(23.7)	(18.9)
Retained earnings		130.0	126.5
Cumulative other comprehensive (loss) income		(18.2)	2.4
Total shareholders' equity		400.1	422.2
<b>Total liabilities and shareholders' equity</b>		<b>991.4</b>	<b>874.2</b>

See notes to consolidated financial statements

## Consolidated Statements of Changes in Shareholders' Equity

	Share capital \$m	Additional paid-in capital \$m	Treasury shares \$m	Retained earnings \$m	Cumulative other comprehensive (loss) income \$m	Total \$m
At April 1, 1998	0.3	117.3	(5.0)	45.5	1.6	159.7
Ordinary shares issued	0.3	95.6	–	–	–	95.9
Net income	–	–	–	24.3	–	24.3
Purchase of treasury shares	–	–	(3.0)	–	–	(3.0)
Disposal of treasury shares	–	–	0.8	–	–	0.8
Currency translation adjustments	–	–	–	–	(0.6)	(0.6)
Net unrealized losses	–	–	–	–	(1.9)	(1.9)
At March 31, 1999	0.6	212.9	(7.2)	69.8	(0.9)	275.2
Ordinary shares issued	–	108.7	–	–	–	108.7
Net income	–	–	–	56.7	–	56.7
Purchase of treasury shares	–	–	(29.5)	–	–	(29.5)
Disposal of treasury shares	–	(10.0)	17.8	–	–	7.8
Currency translation adjustments	–	–	–	–	(2.0)	(2.0)
Net unrealized gains	–	–	–	–	5.3	5.3
At March 31, 2000	0.6	311.6	(18.9)	126.5	2.4	422.2
Net income	–	–	–	3.5	–	3.5
Purchase of treasury shares	–	–	(5.3)	–	–	(5.3)
Disposal of treasury shares	–	(0.2)	0.5	–	–	0.3
Currency translation adjustments	–	–	–	–	(14.1)	(14.1)
Net unrealized losses	–	–	–	–	(3.4)	(3.4)
Minimum pension liability	–	–	–	–	(3.1)	(3.1)
At March 31, 2001	<b>0.6</b>	<b>311.4</b>	<b>(23.7)</b>	<b>130.0</b>	<b>(18.2)</b>	<b>400.1</b>

Cumulative other comprehensive (loss) income comprises currency translation adjustments (March 31, 2001 – \$(15.1) million; 2000 – \$(1.0) million; 1999 – \$1.0 million), net aggregate unrealized holding gains and losses arising on investments classified as available-for-sale securities (March 31, 2001 – nil; 2000 – \$3.4 million; 1999 – \$(1.9) million) (note 12), and a minimum pension liability (March 31, 2001 – \$(3.1) million; 2000 – nil; 1999 – nil) (note 27).

At March 31, 2001, retained earnings included non-distributable statutory reserves in The Belize Bank Limited of \$2.1 million (2000 – \$2.1 million; 1999 – \$2.1 million).

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Comprehensive (loss) income (net of tax):			
Net income	3.5	56.7	24.3
Currency translation adjustments	(14.1)	(2.0)	(0.6)
Net unrealized (losses) gains	(3.4)	5.3	(1.9)
Minimum pension liability	(3.1)	–	–
Total comprehensive (loss) income	<b>(17.1)</b>	60.0	21.8

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
<b>Cash flows from operating activities</b>			
Net income	3.5	56.7	24.3
Adjustments to reconcile net income to net cash provided (utilized) by operating activities:			
Depreciation	13.9	9.9	8.7
Goodwill and other intangibles amortization	8.8	7.7	5.1
Discount amortization on insurance reserves	3.6	4.0	6.0
Restructuring and other non-recurring items	2.3	3.7	6.9
Loss (gain) on disposal of associates and other investments	5.6	(8.7)	–
Provision for loan losses	0.5	1.9	0.7
Undistributed earnings of associates	(2.3)	(7.5)	(5.2)
Refinancing costs amortization	0.6	0.8	0.9
Deferred income taxes	–	(0.4)	–
Minority interests net of distributions	0.2	1.1	(4.9)
Loss from discontinued operations	–	–	8.1
Other	(1.7)	(0.8)	(0.8)
Changes in assets and liabilities:			
(Increase) in accounts receivable	(10.5)	(23.3)	(10.4)
Decrease (increase) in other assets	6.5	(3.9)	3.3
(Decrease) increase in accounts payable	(1.6)	(3.7)	10.0
Increase (decrease) in accrued personnel costs	3.7	(8.7)	23.9
(Decrease) in insurance reserves	(9.4)	(18.3)	(24.4)
(Decrease) in other liabilities	(5.0)	(20.4)	(22.2)
<b>Net cash provided (utilized) by operating activities</b>	<b>18.7</b>	<b>(9.9)</b>	<b>30.0</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(19.2)	(19.2)	(13.9)
Disposal of property, plant and equipment	1.3	1.6	4.8
Purchase of associates and other investments	(15.6)	(14.3)	(15.7)
Disposal of associates and other investments	10.3	21.5	–
Acquisition of businesses	(27.9)	(47.5)	(70.1)
Disposal of discontinued businesses	–	10.8	23.7
(Increase) decrease in interest-bearing deposits with correspondent banks	(24.8)	(4.9)	7.6
(Increase) in loans to customers	(15.4)	(11.8)	(30.3)
Purchase of government and other securities	–	–	(11.6)
Other	(0.5)	1.2	0.1
<b>Net cash utilized by investing activities</b>	<b>(91.8)</b>	<b>(62.6)</b>	<b>(105.4)</b>

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt	54.4	19.0	–
Repayment of long-term debt	(0.1)	(0.1)	(0.1)
Debt refinancing costs	(0.4)	(0.8)	–
Increase (decrease) in short-term debt	4.6	(1.7)	7.1
Increase in deposits	43.3	15.7	26.6
Issuance of shares	–	–	80.9
Shares issued on exercise of warrants/options	–	6.1	4.7
Net (purchase) of treasury shares	(4.7)	(29.5)	(3.0)
<b>Net cash provided by financing activities</b>	<b>97.1</b>	<b>8.7</b>	<b>116.2</b>
<b>Currency translation adjustments</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(2.4)</b>
<b>Net change in cash, cash equivalents and due from banks</b>	<b>23.0</b>	<b>(64.8)</b>	<b>38.4</b>
<b>Cash, cash equivalents and due from banks at beginning of year</b>	<b>41.5</b>	<b>106.3</b>	<b>67.9</b>
<b>Cash, cash equivalents and due from banks at end of year</b>	<b>64.5</b>	<b>41.5</b>	<b>106.3</b>
Cash – service businesses	36.0	25.3	90.6
Cash – financial services	28.5	16.2	14.9
Cash – net assets held for disposal	–	–	0.8
	<b>64.5</b>	<b>41.5</b>	<b>106.3</b>
Supplemental cash flow information:			
Cash paid for interest	7.2	2.9	2.2
Cash paid for income taxes	4.9	4.5	3.7
In connection with the acquisition of businesses net (assets) liabilities were assumed as follows:			
Goodwill and other intangibles	34.5	95.6	118.8
Cash paid (net of cash assumed)	(27.9)	(47.5)	(70.1)
Loan notes issued	(7.9)	–	–
Issuance of shares	–	–	(77.7)
Net (assets) liabilities assumed	(1.3)	48.1	(29.0)
In connection with the disposal of discontinued businesses net assets were disposed of as follows:			
Cash received	–	10.8	23.7
Loss on disposal, including unamortized goodwill	–	–	8.1
Net assets disposed	–	10.8	31.8

See notes to consolidated financial statements

### Note 1 – Description of business

#### Introduction

Carlisle Holdings Limited (“CHL”) (formerly named BHI Corporation) is a company incorporated in Belize. CHL is a holding company with no independent business operations or assets other than its investment in its subsidiaries, associates, intercompany balances and holdings of cash and cash equivalents. CHL’s businesses are conducted through its subsidiaries.

In June 1999, CHL completed the merger with, and acquisition of the whole of the issued and outstanding ordinary shares of, Carlisle Holdings Limited (“Carlisle”) (since renamed Blackwood Limited), a company incorporated in Guernsey, Channel Islands (notes 13 and 28(iv)). The merger with and acquisition of Carlisle was accounted for by CHL using the “as-if” pooling of interests method of accounting due to the existence of a common controlling shareholder, Lord Ashcroft, KCMG, in both CHL and Carlisle. Lord Ashcroft is the Chairman of CHL. The “as-if” pooling of interests method of accounting assumes that the combining companies have been merged since their inception, and the historical consolidated financial statements for periods prior to the consummation of the merger have been restated, with a minority interest eliminated for all periods where a non-controlling minority interest existed. The non-controlling minority interest in Carlisle was acquired by CHL at the same time and was accounted for by CHL using the purchase method. Through its subsidiaries, Carlisle at that time owned the whole of the issued and outstanding ordinary shares of LI Group Limited (“LI Group”), Capitol Security Services Limited (“Capitol Security Services”) and Carlisle Staffing Services Limited (“Carlisle Staffing Services”), all companies incorporated in the United Kingdom.

In January 2001, CHL acquired from Lord Ashcroft a 23.5 percent interest in Belize Telecommunications Limited (“BTL”), a company incorporated in Belize (notes 13 and 28(vi)). At that time, the Company held a 27.6 percent equity investment in BTL (note 12). Accordingly, CHL has consolidated BTL as a subsidiary, with a 48.9 percent minority interest.

#### Facilities services

The Facilities Services division operates in the United States under the name OneSource Holdings, Inc. (“OneSource”), and in the United Kingdom under the names LI Group and Capitol Security Services.

OneSource is a leading provider of outsourced facilities services, principally providing cleaning and value added building maintenance and support services to commercial, institutional and industrial facilities throughout the United States. LI Group provides specialized contract cleaning and ancillary support services to major retail chains and other businesses principally in the retail sector in the United Kingdom. Capitol Security Services provides specialist security services, principally manned guarding, in the United Kingdom.

#### Staffing services

The Staffing Services division, through Carlisle Staffing Services, operates in the United Kingdom and the Republic of Ireland under a number of different brand names. The division provides temporary and permanent staff recruitment services across a range of marketplaces.

#### Telecommunication services

Telecommunication services are provided through BTL, which is currently the exclusive licensed provider of local, national and long distance telecommunication services in Belize. At March 31, 2001, CHL holds a 51.1 percent interest in BTL.

#### Financial services

Financial services are provided principally through The Belize Bank Limited (the “Bank”), a company incorporated in and operating in Belize, as a full service commercial and retail banking operation.

#### Associates

CHL’s equity investment comprises 23.1 percent of Grupo Agroindustrial CB, S.A. and related companies (“NUMAR”) which have interests in agro-processing and distribution operations principally in Costa Rica.

#### Discontinued operations

Discontinued operations comprise Carlisle’s entire investment property portfolio which was disposed of in December 1998 (note 7).

### Note 2 – Summary of significant accounting policies

#### Basis of consolidated financial statements

The consolidated financial statements have been prepared in United States dollars in accordance with generally accepted accounting principles in the United States and as described below. The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These management estimates include, among others, an allowance for doubtful receivables, estimates of future cash flows associated with assets, asset impairments, and useful lives for depreciation and amortization, loss contingencies, income taxes and valuation allowances for deferred tax assets, insurance reserves and relevant discount rates, allowance for loan losses, and the determination of discount and other rate assumptions for pension obligations. Actual results could differ materially from those estimates. Certain figures at March 31, 2000 and for the years ended March 31, 2000 and 1999 have been reclassified to conform to the March 31, 2001 presentation.

#### Principles of consolidation

The consolidated financial statements incorporate the financial statements of CHL and its subsidiaries (the “Company”). The Company consolidates companies in which it owns or controls more than fifty percent of the voting shares. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. All significant intercompany balances and transactions have been eliminated in consolidation.

#### Associates

For investments in which the Company owns or controls more than twenty percent of the voting shares, and over which it exerts significant influence over operating and financial policies, the equity method of accounting is used in the consolidated financial statements. The investment in associates is shown in the consolidated balance sheets as the Company’s proportion of the underlying net assets of these companies plus any goodwill attributable to the acquisitions less any write-off required for a permanent diminution in value. The consolidated statements of income include the Company’s share of net income of associates, less applicable goodwill amortization.

### Note 2 – Summary of significant accounting policies (continued)

#### Investments

For investments in which the Company owns or controls less than twenty percent of the voting shares, the Company classifies the investments as either trading securities (principally bought and held for the purpose of selling them in the short-term) or available-for-sale securities (being investments not classified as either trading securities nor as held-to-maturity securities). Unrealized holding gains and losses arising from trading securities are included in the consolidated statements of income and those arising from available-for-sale securities are included as other comprehensive income in shareholders' equity until realized.

#### Currency translation

The reporting and functional currency of the Company is United States dollars. The results of subsidiaries and associates which account in a functional currency other than United States dollars are translated into United States dollars at the average rate of exchange for the year. The assets and liabilities of subsidiaries and associates, which account in a functional currency other than United States dollars, are translated into United States dollars at the rate of exchange ruling at the balance sheet date. Currency translation adjustments arising from the use of differing exchange rates from period to period are included as other comprehensive income in shareholders' equity.

Gains and losses arising from currency transactions are included in the consolidated statements of income.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid instruments, with an original maturity of three months or less. As a result of the short-term maturity of these financial instruments their carrying value is approximately equal to their fair market value.

#### Inventories

Inventories principally comprise raw materials and consumables and are carried at the lower of cost or market. Cost is determined on a first-in first-out basis.

#### Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight-line method, over the following periods:

Buildings	life of building, not exceeding 50 years
Leasehold improvements	term of lease
Machinery and equipment	3 to 20 years
Fixtures, fittings and office equipment	3 to 7 years

The carrying value of property, plant and equipment is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Where, in the opinion of the Company, a permanent diminution in the value of the property, plant and equipment has occurred, the amount of the diminution is recorded in the consolidated statements of income.

Repairs and maintenance costs are expensed as incurred. Gains and losses arising on the disposal of property, plant and equipment are included in the consolidated statements of income.

#### Goodwill and other intangibles

The goodwill that arises where the acquisition cost of subsidiaries and associates exceeds the fair values attributable to the underlying net assets is capitalized and is being amortized on a straight line basis over its estimated useful life, covering periods not exceeding forty years. Goodwill arising on the acquisition of associates is included in investments in associates. The carrying value of goodwill is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Where, in the opinion of the Company, a permanent diminution in the value of goodwill has occurred, the amount of the diminution is included in the consolidated statements of income.

#### Income taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the consolidated financial statements and tax bases of assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

#### Net sales

Net sales represent the invoiced value of services provided and goods supplied to outside customers net of sales-related taxes. Revenue from services or products is recognized in the consolidated statements of income as services are rendered or deliveries are made. Revenues derived from telecommunication services comprise telephone rental, network access, and airtime usage, are billed monthly in arrears, and are recognized in the consolidated financial statements in the month in which the services are provided.

#### Loans and interest income recognition

Loans are stated at the principal amount outstanding, net of unearned income. Interest income is recorded on an accruals basis. When either the collectibility of principal or interest is considered doubtful, or payment of principal or interest is ninety days or more past due, loans are placed on non-accrual status and previously accrued but unpaid interest is charged against current year interest income.

#### Allowance for loan losses

The Company's consideration as to the adequacy of the allowance to provide for reasonably foreseeable loan losses is based on a continuing review of the loan portfolio and includes, but is not limited to, consideration of the actual loan loss experience, the present and prospective condition of each borrower and its related industry, general economic conditions prevailing from time to time, and the estimated fair value of the related collateral.

In accordance with the regulations issued under the Banks and Financial Institutions Act, 1995 of Belize regarding loan loss reserves, the Bank has maintained a general loan loss reserve in an amount equivalent to one percent of loans which have not been classified as non-accrual.

## Notes to Consolidated Financial Statements

### Note 3 – Segmental analysis

The Company is engaged in four service businesses, Facilities Services and Staffing Services principally in the United States and in the United Kingdom, Telecommunication Services in Belize, analysis of which is set out below, and Financial Services, principally in Belize, analysis of which is separately shown in the consolidated financial statements.

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
<b>Business analysis</b>			
<b>Net sales</b>			
Facilities Services	1,006.0	976.9	870.7
Staffing Services	221.3	167.2	97.5
Telecommunication Services	13.4	–	–
	<b>1,240.7</b>	<b>1,144.1</b>	<b>968.2</b>
<b>Operating (loss) income</b>			
Facilities Services	(11.6)	29.1	15.4
Staffing Services	11.3	6.7	(0.2)
Telecommunication Services	6.7	–	–
Corporate	(12.4)	(9.9)	(2.5)
	<b>(6.0)</b>	<b>25.9</b>	<b>12.7</b>
<b>Depreciation and amortization</b>			
Facilities Services	17.2	14.6	11.7
Staffing Services	3.3	2.4	1.6
Telecommunication Services	1.6	–	–
	<b>22.1</b>	<b>17.0</b>	<b>13.3</b>
<b>Capital expenditures</b>			
Facilities Services	13.4	16.4	12.5
Staffing Services	2.2	1.6	1.0
Telecommunication Services	2.0	–	–
	<b>17.6</b>	<b>18.0</b>	<b>13.5</b>
<b>Total assets</b>			
Facilities Services	481.6	484.5	436.6
Staffing Services	100.1	94.8	79.1
Telecommunication Services	78.9	–	–
Associates	46.8	70.1	62.0
Corporate	11.5	6.4	6.8
	<b>718.9</b>	<b>655.8</b>	<b>584.5</b>

Operating income (loss) for the year ended March 31, 2001 included restructuring and other non-recurring items of \$9.2 million (2000 – \$10.9 million; 1999 – \$11.4 million), of which \$1.8 million (2000 – \$4.9 million; 1999 – \$10.0 million) related to the Facilities Services division, \$1.4 million (2000 – \$1.7 million; 1999 – \$2.9 million) related to the Staffing Services division and \$6.0 million (2000 – \$4.3 million; 1999 – \$(1.5) million) related to corporate matters (note 4).

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
<b>Geographical analysis</b>			
<b>Net sales</b>			
United States	863.9	853.9	793.5
United Kingdom	363.4	290.2	174.7
Belize	13.4	–	–
	<b>1,240.7</b>	<b>1,144.1</b>	<b>968.2</b>
<b>Operating (loss) income</b>			
United States	(32.8)	9.8	12.5
United Kingdom	20.1	16.1	0.2
Belize	6.7	–	–
	<b>(6.0)</b>	<b>25.9</b>	<b>12.7</b>
<b>Total assets</b>			
United States	359.6	407.9	387.4
United Kingdom	233.6	177.8	135.1
Belize	125.7	70.1	62.0
	<b>718.9</b>	<b>655.8</b>	<b>584.5</b>

The total assets in Belize included, for convenience purposes, the investment in associates, which amounted to \$46.8 million at March 31, 2001 (2000 – \$70.1 million; 1999 – \$62.0 million).

The following unaudited proforma information presents the results of operations of the Company as if the acquisition of BTL had been completed at the beginning of the periods presented. The unaudited proforma information does not necessarily reflect the results of operations as they would have been if the acquisition had been completed as of the beginning of the periods and is not indicative of the future results of operations.

Year ended March 31	2001 \$m	2000 \$m
Net sales – proforma	1,277.5	1,187.6
Net income – proforma	5.9	59.7

## Notes to Consolidated Financial Statements

### Note 4 – Restructuring and other non-recurring items

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Facilities Services	1.8	4.9	10.0
Staffing Services	1.4	1.7	2.9
Corporate	6.0	4.3	(1.5)
	9.2	10.9	11.4
Financial Services	–	(2.7)	–
	9.2	8.2	11.4

#### Service Businesses

During the year ended March 31, 2001, the Company incurred a net charge for restructuring and other non-recurring items of \$9.2 million, of which \$1.8 million related to the Facilities Services division, \$1.4 million related to the Staffing Services division, and \$6.0 million related to corporate matters.

During the year ended March 31, 2001, the Company disposed of certain investments and other assets that were exchanged for a 23.5 percent interest in the issued share capital of BTL which resulted in a non-recurring net loss of \$6.8 million (notes 12 and 28(vi)). The Company also disposed of certain other investments during the year that resulted in non-recurring net gains of \$1.2 million (note 12).

As a result of acquisitions and other activity in the period, the Company reviewed its operational and administrative structure, following which a certain number of employees were terminated and office closings effected. The restructuring charge included employee severance and other associated costs for 13 executives and other employees of \$1.0 million, costs arising from the closure of certain operations of \$2.0 million, including the write-off of certain property, plant and equipment of \$0.4 million, and other restructuring costs of \$0.6 million. The amounts paid and charged in the year ended March 31, 2001 against the provisions in the aforementioned categories amounted to \$1.7 million.

During the year ended March 31, 2000, and following the merger with, and acquisition of, Carlisle by CHL, together with acquisition activity in the period, the Company reviewed its operational and administrative structure, following which a number of operational management and employees were terminated. The restructuring plan resulted in a net charge for restructuring and other non-recurring items of \$10.9 million, of which \$4.9 million related to the Facilities Services division, \$1.7 million related to the Staffing Services division, and \$4.3 million related to corporate matters.

The restructuring charge included professional and other costs incurred in connection with the merger between CHL and Carlisle and the aborted offer for The Corporate Services Group PLC of \$3.5 million, employee severance and other associated costs for 66 operational management and employees of \$3.6 million, costs arising on the closure of certain branch and office operations of \$2.8 million, and other integration and restructuring costs of \$2.5 million, including the write-off of certain property, plant and equipment and other assets of \$1.0 million. The amounts paid and charged in the year ended March 31, 2001 against the provisions in the aforementioned categories amounted to \$3.3 million (2000 - \$8.2 million). The aggregate restructuring charge of \$12.4 million has been offset by a non-recurring gain of \$1.0 million arising on the disposal of a non-core Facilities Services business operation, which comprises aggregate cash consideration of \$2.8 million less a \$1.8 million related goodwill write-off (note 13), and by other non-recurring gains of \$0.5 million.

In 1999, following significant acquisition activity, the Company carried out a human asset inventory and a detailed assessment of its operational and administrative structure, following which a number of senior executives and operational management and employees were terminated. The restructuring plan resulted in a net charge for restructuring and other non-recurring items of \$11.4 million, of which \$10.0 million related to the Facilities Services division, \$2.9 million related to the Staffing Services division, and \$(1.5) million related to corporate matters.

The restructuring charge included employee severance and other associated costs for five executives and 82 other operational management and employees of \$2.8 million and \$3.4 million, respectively, \$0.5 million from the contractual obligation to change the name of the United States Facilities Services business, \$1.1 million for property-related costs, \$1.8 million for aborted acquisition costs and other professional fees, and \$3.3 million for other integration and restructuring costs, including the write-off of certain property, plant and equipment and other assets of \$1.8 million, which were offset by a release of \$1.5 million which related to an adjustment to the prior year corporate restructuring charge. The amounts paid and charged in the year ended March 31, 2001 against the provisions in the aforementioned categories amounted to \$1.3 million (2000 – \$5.3 million; 1999 – \$6.3 million).

#### Financial Services

During the year ended March 31, 2000, the Company disposed of its entire 50 percent interest in Belize International Services Limited, a financial and other services operation, to a company led by former management of the Company, for an aggregate initial consideration of \$3.0 million. This resulted in a net gain arising on disposal of \$2.7 million. The aggregate consideration received by the Company on closing was comprised of cash of \$1.0 million and the issuance of a loan note of \$2.0 million by the purchaser to the Company. The loan note was non-collateralized, bore interest at 12.0 percent per annum and was repaid in June 2000. The Company is also entitled to receive deferred consideration of up to \$3.6 million in the period to June 2004, contingent on certain future performance targets of BISL. For the year ended March 31, 2001, deferred consideration of nil (2000 – \$0.4 million) has been recognized.

### Note 5 – Net non-interest (expense) income

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Non-interest income:			
Foreign exchange income and commissions	2.8	2.3	1.7
Customer service and letter of credit fees	1.6	1.4	1.2
Credit card fees	0.7	0.6	0.5
Other financial and related services	1.5	3.4	2.8
Other income	0.3	0.3	0.2
	6.9	8.0	6.4
Non-interest expense:			
Salaries and benefits	(4.1)	(3.9)	(3.3)
Premises and equipment	(1.5)	(1.4)	(1.3)
Other expenses	(2.4)	(2.4)	(2.1)
	(8.0)	(7.7)	(6.7)
Net non-interest (expense) income	(1.1)	0.3	(0.3)

## Notes to Consolidated Financial Statements

### Note 6 – Income taxes

(i) The provision for income taxes in the consolidated statements of income was as follows:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Current income taxes:			
Federal	–	1.3	–
State and local	0.5	0.4	0.3
Non-US taxes	7.2	3.2	4.8
	7.7	4.9	5.1
Deferred income taxes:			
Non-US taxes	–	(0.4)	–
Income tax provision	7.7	4.5	5.1

(ii) Income before income taxes included the following components:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
US (loss) income	(21.7)	16.2	12.5
Non-US income	35.9	46.7	23.1
Income before income taxes	14.2	62.9	35.6

(iii) The reconciliation between notional US federal income taxes at the statutory rate (35 percent) on consolidated income before income taxes and the Company's income tax provision was as follows:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Notional US federal income tax at the statutory rate	5.0	22.0	12.5
Adjustments to reconcile to the Company's income tax provision:			
Net income not taxed	(4.3)	(5.7)	(7.5)
US state income tax provisions, net	0.3	(0.3)	(0.2)
Valuation allowance	(2.1)	(2.9)	(3.8)
Non-US net earnings	9.5	(7.8)	1.4
Other	(0.7)	(0.8)	2.7
Income tax provision	7.7	4.5	5.1

A portion of net income is not subject to tax by virtue of the Company's status as a Public Investment Company under the International Business Companies Act, 1990 of Belize, as amended by the International Business Companies (Amendment) Act, 1995 of Belize.

(iv) The significant temporary timing differences that gave rise to the net deferred income tax balance were as follows:

At March 31	2001 \$m	2000 \$m
Assets:		
Provision for insurance reserves	15.8	11.8
Provision for estimated costs and expenses	56.6	36.0
	72.4	47.8
Valuation allowance	(70.7)	(44.6)
	1.7	3.2
Liabilities:		
Intangible and other assets	–	(1.5)
Net deferred income tax balance (note 10)	1.7	1.7

### Note 7 – Loss from discontinued operations

In December 1998, Carlisle disposed of its entire investment property portfolio. At the time of and prior to the acquisition by Carlisle of Carlisle Group plc ("Carlisle Group"), a company incorporated in the United Kingdom, in October 1998, Carlisle stated that it intended to dispose of Carlisle Group's property portfolio, which at that time represented the entire existing operations of that group of companies. The aggregate cash consideration received by Carlisle on closing amounted to \$23.7 million, which represented the net book value of the property portfolio at that time. The loss on disposal amounted to \$8.1 million which comprised the goodwill arising on the acquisition of Carlisle Group.

### Note 8 – Earnings per ordinary share

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Net income – Basic and Diluted earnings per ordinary share	3.5	56.7	24.3

Year ended March 31	2001 Number	2000 Number	1999 Number
Weighted average number of ordinary shares –			
Basic earnings per ordinary share	59,185,077	57,638,248	42,318,440
Warrants (note 26)	119,162	4,592,813	2,837,994
Share options (note 26)	12,421	604,622	794,421

Year ended March 31	2001 Number	2000 Number	1999 Number
Weighted average number of ordinary shares –			
Diluted earnings per ordinary share	59,316,660	62,835,683	45,950,855

The weighted average effect of 1,718,485 (2000 – 245,071; 1999 – 413,635) share options and warrants have been excluded from the calculation of diluted earnings per ordinary share, since they are anti-dilutive under the treasury method of earnings per share calculation.

### Note 9 – Trade accounts receivable – net

At March 31	2001 \$m	2000 \$m
Billed	192.1	163.2
Unbilled	13.0	8.2
	205.1	171.4
Less allowance for doubtful receivables	(24.7)	(7.2)
	180.4	164.2

	Balance at beginning of year \$m	Subsidiaries acquired \$m	Additions charged to income \$m	Deductions – primarily write-offs \$m	Balance at end of year \$m
Allowance for doubtful receivables:					
Year ended March 31, 1999	4.8	1.4	1.9	(0.6)	7.5
Year ended March 31, 2000	7.5	0.6	2.4	(3.3)	7.2
Year ended March 31, 2001	7.2	1.5	23.3	(7.3)	24.7

## Notes to Consolidated Financial Statements

### Note 10 – Other current assets

At March 31	2001 \$m	2000 \$m
Prepaid expenses	7.2	6.0
Inventories	4.9	1.6
Deferred income taxes (note 6)	1.7	1.7
Deferred refinancing costs (note 14)	0.5	0.5
Amounts due from affiliate	–	0.3
Other current assets	7.5	6.7
	<b>21.8</b>	<b>16.8</b>

Amounts due from affiliate comprised a non-collateralized note receivable, and accrued interest, from Georgia Cleaning Service & Supply Co., Inc., a company controlled by Mr. E.W. Turner, a director of CHL, which bore interest at 5.8 percent per annum and was repaid in March 2001.

At March 31, 2001, other current assets included \$2.5 million (2000 – \$2.7 million) in interest bearing, collateralized amounts receivable from certain directors and officers of CHL in respect of ordinary shares in CHL purchased at market price from CHL satisfied from CHL's holding of treasury shares and in respect of amounts due on the exercise of CHL share options (note 26).

### Note 11 – Property, plant and equipment – net

At March 31	2001 \$m	2000 \$m
Cost:		
Land and buildings	21.0	7.8
Leasehold improvements	4.9	4.1
Machinery and equipment	139.2	38.4
Fixtures, fittings and office equipment	31.4	22.1
Total cost	<b>196.5</b>	<b>72.4</b>
Accumulated depreciation:		
Land and buildings	2.1	0.5
Leasehold improvements	3.2	3.1
Machinery and equipment	81.8	24.9
Fixtures, fittings and office equipment	15.0	11.4
Total accumulated depreciation	<b>102.1</b>	<b>39.9</b>
Net book values	<b>94.4</b>	<b>32.5</b>

Total capital expenditures for the years ended March 31, 2001, 2000 and 1999 were \$17.6 million, \$18.0 million and \$13.5 million, respectively. Total depreciation expense for the years ended March 31, 2001, 2000 and 1999 was \$13.3 million, \$9.3 million and \$8.2 million, respectively.

### Note 12 – Associates and other investments

At March 31	2001 \$m	2000 \$m
Associates:		
NUMAR	46.8	45.4
Belize Telecommunications Limited	–	17.2
Consolidated Fruit Corporation (BVI) Limited (“CFC”)	–	7.5
	<b>46.8</b>	<b>70.1</b>
Other investments	–	19.2
	<b>46.8</b>	<b>89.3</b>

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Share of associates' earnings:			
NUMAR	5.1	8.8	7.3
Belize Telecommunications Limited	2.2	3.0	2.3
Belize Electricity Limited	–	0.6	0.7
Energia Global International Ltd.	–	–	(0.5)
Belize Food Holdings Limited	–	–	(0.5)
	<b>7.3</b>	<b>12.4</b>	<b>9.3</b>
Net gain on disposal of associates	–	5.4	–
	<b>7.3</b>	<b>17.8</b>	<b>9.3</b>
Total dividends receivable during the year	<b>5.0</b>	<b>4.9</b>	<b>4.1</b>

In August 2000, the Company acquired an additional 1.4 percent interest in BTL for an aggregate cash consideration of \$1.2 million, increasing the Company's percentage holding in BTL at that time from 26.2 percent to 27.6 percent.

During the year ended March 31, 2001, the Company disposed of certain other investments for an aggregate cash consideration of \$10.3 million. This resulted in a net gain on disposal of \$1.2 million (note 4).

In January 2001, the Company disposed of its entire equity investment in CFC, an investment holding company incorporated in the British Virgin Islands in which the Company held a 33.3 percent interest, together with all of its remaining other investments, and certain other assets, in exchange for a 23.5 percent interest in the issued share capital of BTL (notes 13 and 28(vi)). Accordingly, the Company increased its investment in BTL to 51.1 percent and therefore the Company has consolidated BTL as a subsidiary. The aggregate consideration arising on this transaction amounted to \$18.1 million. This resulted in a net loss on disposal of \$6.8 million (note 4), principally comprising net realized holding losses and currency translation adjustments.

At March 31, 2000, other investments comprised holdings in certain listed securities. These investments were accounted for as available-for-sale securities and the net aggregate unrealized holding gain for the year ended March 31, 2001 was nil (2000 – \$5.3 million; 1999 – \$1.9 million loss), which was accounted for as other comprehensive income in shareholders' equity.

During the year ended March 31, 2000, the Company disposed of its entire investment in Belize Electricity Limited, Energia Global International Ltd. and Belize Food Holdings Limited for an aggregate cash consideration of \$17.2 million. This resulted in a net gain on disposal of \$5.4 million.

Associates comprise companies in respect of which fair market values are not readily available, but they are considered by the Company to exceed the carrying amounts.

At March 31, 2001, the accumulated undistributed earnings of associates included in the consolidated retained earnings of the Company were \$28.5 million (2000 – \$34.9 million; 1999 – \$27.7 million).

## Notes to Consolidated Financial Statements

### Note 12 – Associates and other investments (continued)

Summarized combined unaudited financial information for associates was as follows:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Net sales	234.7	250.3	237.9
Gross profit	77.5	94.8	82.6
Income from continuing operations	48.0	68.2	56.7
Net income	37.0	51.3	40.7
<b>At March 31</b>			
	2001 \$m	2000 \$m	
Current assets	79.8	103.3	
Non-current assets	237.9	297.3	
Current liabilities	36.0	48.6	
Non-current liabilities	94.1	88.0	

### Note 13 – Goodwill and other intangibles – net

Year ended March 31	2001 \$m	2000 \$m
<b>Cost:</b>		
At beginning of year	336.7	244.1
Additions (i)	34.5	95.6
Disposals (ii)	–	(1.8)
Currency translation adjustments	(12.0)	(1.2)
At end of year	359.2	336.7
<b>Accumulated amortization:</b>		
At beginning of year	18.0	10.3
Charge for the year (iii)	8.8	7.7
Currency translation adjustments	(0.1)	–
At end of year	26.7	18.0
Net book values		
At March 31	332.5	318.7

(i) During the year ended March 31, 2001, the Company increased its investment in BTL from 26.2 percent to 51.1 percent for an aggregate consideration of \$19.3 million (notes 12 and 28(vi)), and the Company also made a number of acquisitions in both the Facilities Services and Staffing Services divisions for an aggregate cash consideration of \$26.4 million, which was financed from cash on hand or from the Company's bank credit facility, together with a loan note of \$7.9 million (note 28(v)), with further payments of up to \$15.5 million contingent on certain future performance targets. These acquisitions have been accounted for using the purchase method. Accordingly, the purchase price has been allocated to assets acquired and liabilities assumed based on their preliminary estimated fair values. This allocation resulted in goodwill and other intangibles of \$34.5 million arising during the year March 31, 2001.

In June 1999, CHL completed the acquisition of, and merger with, Carlisle, a company in which Lord Ashcroft held a controlling interest (notes 1 and 28(iv)). The non-controlling minority interest in Carlisle was acquired by CHL at the same time. In connection with this transaction, a total of 26,933,853 CHL ordinary shares were issued, including 10,690,906 to the minority shareholders in Carlisle. The acquisition by CHL of the non-controlling minority interest in Carlisle was accounted for by CHL using the purchase method. Accordingly, the purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values. This allocation resulted in goodwill and other intangibles of \$46.4 million arising during the year ended March 31, 2000.

During the year ended March 31, 2000, the Company made a number of acquisitions in both the Facilities Services and Staffing Services divisions for an aggregate cash consideration of \$42.9 million, which was financed from cash on hand, with further payments of up to \$13.5 million (of which \$9.0 million was paid during the year ended March 31, 2001) contingent on certain future performance targets. These acquisitions have been accounted for using the purchase method. Accordingly, the purchase price has been allocated to assets acquired and liabilities assumed based on their estimated fair values. This allocation resulted in goodwill and other intangibles of \$49.2 million arising during the year ended March 31, 2000.

(ii) The disposal of goodwill during the year ended March 31, 2000 related to the disposal of a non-core Facilities Services business operation (note 4).

(iii) Total amortization expense for the years ended March 31, 2001, 2000 and 1999 was \$8.8 million, \$7.7 million and \$5.1 million, respectively.

### Note 14 – Other long-term assets

At March 31	2001 \$m	2000 \$m
Deferred refinancing costs	1.1	1.3
Prepaid pensions (note 27)	–	1.0
Other long-term assets	5.9	6.7
	7.0	9.0

In connection with the refinancing of certain long-term debt obligations of the Company, certain fees and expenses were incurred. These refinancing costs are being amortized as interest expense through the consolidated statements of income on a straight-line basis over the life of the Company's long-term debt obligations. The refinancing costs amortization for the years ended March 31, 2001, 2000 and 1999 were \$0.6 million, \$0.8 million and \$0.9 million, respectively.

### Note 15 – Cash, cash equivalents and due from banks

At March 31	2001 \$m	2000 \$m
Cash in hand	2.7	3.4
Balances with the Central Bank of Belize	22.9	10.2
Amounts in the course of collection	2.9	2.6
	28.5	16.2

The Bank is required to maintain an average minimum non-interest bearing deposit balance with the Central Bank of Belize equal to 5 percent of the average deposit liabilities of the Bank. In addition, the Bank must maintain an average aggregate of approved liquid assets (which include the average minimum non-interest bearing deposit balance maintained with the Central Bank of Belize) equal to 24 percent of the average deposit liabilities of the Bank.

## Notes to Consolidated Financial Statements

### Note 16 – Loans – net

At March 31	2001 \$m	2000 \$m
Loans (net of unearned income):		
Commercial, financial and agricultural	80.8	70.9
Real estate – mortgage	55.3	52.4
Real estate – construction	10.6	8.2
Consumer	29.9	29.7
	<b>176.6</b>	161.2
Specific allowance for loan losses:		
Commercial, financial and agricultural	(1.8)	(2.2)
Real estate – mortgage	(0.7)	(0.6)
Real estate – construction	–	(0.1)
Consumer	(1.0)	(1.0)
	<b>(3.5)</b>	(3.9)
Loans (net of unearned income and specific allowance for loan losses):		
Commercial, financial and agricultural	79.0	68.7
Real estate – mortgage	54.6	51.8
Real estate – construction	10.6	8.1
Consumer	28.9	28.7
	<b>173.1</b>	157.3
Less: general allowance for loan losses	(1.6)	(1.4)
Loans (net of unearned income and allowance for loan losses)	<b>171.5</b>	155.9

Unearned income at March 31, 2001 amounted to \$4.9 million (2000 – \$4.8 million).

Commercial, financial and agricultural loans at March 31, 2001 included loans to certain officers and employees of the Company of \$1.2 million (2000 – \$0.7 million) at preferential rates of interest varying between 4.0 percent and 8.5 percent per annum, repayable over varying periods not exceeding 25 years. At March 31, 2001 the Bank held 101,447 ordinary shares of CHL as collateral for certain loans provided. Included in loans at March 31, 2001 were \$0.1 million (2000 – \$0.7 million) loans to third parties by subsidiary companies other than the Bank.

The maturity ranges of loans outstanding at March 31, 2001 are shown in the table below. All loans, other than consumer loans, are legally repayable on demand, however they are disclosed below as if they run to their full maturity.

	Due in one year or less \$m	Due after one year through five years \$m	Due after five years \$m	Total \$m
Commercial, financial and agricultural	35.2	17.8	27.8	80.8
Real estate – mortgage	4.8	9.5	41.0	55.3
Real estate – construction	3.3	1.3	6.0	10.6
Consumer	7.2	13.1	9.6	29.9
	<b>50.5</b>	<b>41.7</b>	<b>84.4</b>	<b>176.6</b>

The Bank provides working capital financing and loans at normal commercial terms to various affiliated companies, including associates. At March 31, 2001 the amount of working capital financing due from affiliates was \$0.6 million (2000 – \$15.8 million) under credit lines totalling a maximum of \$1.6 million (2000 – \$18.6 million). The interest income earned on this financing during the year ended March 31, 2001 amounted to \$0.2 million (2000 – \$1.5 million; 1999 – \$1.7 million). At March 31, 2001, the amount of loans due from affiliates was \$0.6 million (2000 – \$9.9 million). The interest income earned on these loans during the year ended March 31, 2001 amounted to \$0.2 million (2000 – \$1.0 million; 1999 – \$0.5 million).

Non-accrual loans at March 31, 2001 amounted to \$10.7 million (2000 – \$11.5 million). The interest income which would have been recorded during the year ended March 31, 2001 had all non-accrual loans been current in accordance with their terms was approximately \$0.9 million (2000 – \$0.2 million; 1999 – \$1.0 million).

The Bank measures its estimates of impaired loans in accordance with Statement of Financial Accounting Standards No. 114 – Accounting by Creditors for Impairment of a Loan, as amended by Statement of Financial Accounting Standards No. 118 – Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures. Under the Bank's accounting policy for loan loss provisioning, the Company evaluates the probability of an impairment loss when a loan is classified as non-accrual. An impairment loss is recognized and fully provided for if the recorded amount of the non-accrual loan exceeds the estimated fair value of the underlying collateral less costs to sell. Substantially all of the Bank's loan portfolio is fully collateralized. Interest income on impaired loans is recognized only when payments are received and the Company considers that the loan will remain performing.

At March 31, 2001, the amount of loans outstanding in which the Company considers that there was a probability of a loss totalled \$6.1 million, with related specific allowances of \$3.5 million. There were no impaired loans without allowances. The average amount of loans outstanding in which the Company considers there was a probability of a loss during the year ended March 31, 2001 was \$7.4 million. Interest is not recognized on any loan classified as non-accrual.

The fair market value of the loan portfolio is not readily available, but as a result of the nature of these financial instruments they are considered by the Company to approximate their carrying values.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
At beginning of year – specific	3.9	2.2	2.0
At beginning of year – general	1.4	1.4	1.1
	<b>5.3</b>	3.6	3.1
Specific provision charged to income	0.3	1.9	0.4
General provision charged to income	0.2	–	0.3
Charge-offs	(0.7)	(0.2)	(0.2)
	<b>(0.2)</b>	1.7	0.5
At end of year – specific	3.5	3.9	2.2
At end of year – general	1.6	1.4	1.4
	<b>5.1</b>	5.3	3.6

## Note 17 – Other assets

At March 31	2001 \$m	2000 \$m
Cost:		
Land and buildings	5.4	4.0
Fixtures, fittings and office equipment	5.0	5.0
Total cost	10.4	9.0
Less: total accumulated depreciation	(4.5)	(4.1)
Property, plant and equipment – net	5.9	4.9
Government of Belize securities	11.6	11.6
Other assets	5.8	5.4
	23.3	21.9

Total capital expenditures for the years ended March 31, 2001, 2000 and 1999 were \$1.6 million, \$1.2 million and \$0.4 million, respectively. Total depreciation expense for the years ended March 31, 2001, 2000 and 1999 was \$0.6 million, \$0.6 million and \$0.5 million, respectively.

Government of Belize securities bear interest at 9.0 percent per annum, are classified as being held-to-maturity, and are carried at cost which, as a result of the short-term maturity of these financial instruments, is approximately equal to their fair market value.

## Note 18 – Short-term debt

At March 31	2001 \$m	2000 \$m
Bank and acceptance facilities (note 20)	36.3	32.9
Short-term portion of long-term debt (note 20)	1.2	–
	37.5	32.9

## Note 19 – Other current liabilities

At March 31	2001 \$m	2000 \$m
Accruals	23.6	15.7
Income taxes	13.3	3.5
State, local and other taxes	9.7	13.5
Restructuring reserves	2.8	5.5
Accrued acquisition costs	0.4	6.6
Other current liabilities	0.7	2.3
	50.5	47.1

## Note 20 – Long-term debt

At March 31	2001 \$m	2000 \$m
Revolving credit facility (i)	73.4	19.0
Term loan (ii)	7.1	–
	80.5	19.0
Less short-term portion of long-term debt (note 18)	(1.2)	–
	79.3	19.0

(i) In March 2000, Carlisle Finance S.A., a wholly owned financing subsidiary of CHL incorporated in Luxembourg, entered into a \$250 million bank credit agreement. The agreement has a term of four years expiring on March 30, 2004 and is guaranteed on an unconditional, unlimited and irrevocable joint and several basis by CHL and certain of CHL's operating subsidiaries. The facility is also collateralized by a first priority lien on the capital stock of each guarantor, except CHL, and on certain other property and assets, including receivables, of each guarantor. In September 2000, the bank credit agreement was amended to a total facility of \$210 million.

The amounts available under this multi-currency, revolving credit facility may be borrowed and re-borrowed. The facility can be used for (a) general working capital purposes; (b) letters of credit up to a maximum of \$60 million which are available for issuance and reissuance principally in respect of the Company's self-insurance program; and (c) permitted acquisitions, subject to certain conditions. At March 31, 2001, \$150 million of the \$210 million facility was available to the Company.

At March 31, 2001, \$73.4 million (2000 – \$19.0 million) was drawn down under the facility (all denominated in US dollars), together with letters of credit amounting to \$37.9 million (2000 – \$37.8 million) with expiration dates up to and including January 2002. At March 31, 2001, the letters of credit approximately reflected fair market value as a condition of their underlying purpose. The Company expects the counterparties to fully perform under the terms of the agreements.

Amounts drawn under the terms of the facility bear interest at LIBOR plus a margin based upon an EBITDA leverage ratio of the Company.

The bank credit agreement contains certain financial and operating covenants, including restrictions on certain of CHL's subsidiaries' ability to incur additional indebtedness, limitations on certain payments, and certain other financial covenants applicable to the Company, including a minimum debt to total shareholders' equity ratio, a minimum level of total shareholders' equity, a minimum interest coverage ratio and a maximum debt to EBITDA ratio. The agreement also contains a change in control clause, including a condition that Lord Ashcroft shall continue to have an interest (directly or indirectly) in at least two-thirds of his March 30, 2000 shareholding in CHL.

## Notes to Consolidated Financial Statements

### Note 20 – Long-term debt (continued)

The bank credit agreement also permits up to an additional \$30 million to be lent to the Company through non-collateralized short-term overdraft facilities, the effect of which is to reduce the amount available to the Company under the \$210 million facility. At March 31, 2001, three such overdraft facilities were in place (a) two \$5 million credit lines to OneSource, of which, in aggregate, \$3.7 million (2000 – \$9.0 million) had been drawn; and (b) an \$18.5 million credit facility available to the Company's operations in the United Kingdom, of which \$4.9 million (2000 – \$9.9 million) had been drawn. These drawn amounts are included in short-term debt at March 31, 2001 (note 18). The interest rates on these bank and acceptance facilities are based on LIBOR plus a margin.

(ii) BTL has a US dollar denominated term bank loan repayable in semi-annual installments through to October 2006. The loan is collateralized by a letter of commitment and the assignment of certain of BTL's receivables, and bears interest at LIBOR plus 1.5 percent per annum.

(iii) The estimated fair market value of all long-term debt is considered by the Company to approximate its carrying value.

The maturities and installments with respect to all long-term debt for the years subsequent to March 31, 2001 are as follows:

	\$m
2002	1.2
2003	1.2
2004	74.6
2005	1.2
2006	1.2
Thereafter	1.1
	<b>80.5</b>

### Note 21 – Insurance reserves

At March 31	2001 \$m	2000 \$m
Current portion	20.2	19.4
Long-term portion	56.4	63.0
	<b>76.6</b>	<b>82.4</b>

The Company is self-insured for workers' compensation, general liability and automobile liability coverage. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Estimated actuarially calculated liabilities and provisions under self-insurance programs are based upon historical loss experience, and are recorded at the net present value of the estimated obligations. The discount rate used to calculate the net present value is the estimated risk free rate for investments with maturities matching the anticipated payment pattern of the obligations. The discount rate used to estimate the liability at March 31, 2001 was 5.0 percent (2000 – 5.0 percent). The discount amortization charged in the consolidated statements of income for the years ended March 31, 2001, 2000 and 1999 was \$3.6 million, \$4.0 million and \$6.0 million, respectively. The independent actuarial valuations were carried out by MMC Enterprise Risk Consulting, Inc. In connection with certain self-insurance agreements, at March 31, 2001 the Company had letters of credit supporting the estimated liability in the amount of \$34.4 million (2000 – \$34.0 million) (note 20), and had issued guarantor bonds in the amount of \$36.5 million (2000 – \$30.6 million) (note 25).

### Note 22 – Other long-term liabilities

At March 31	2001 \$m	2000 \$m
Pensions (note 27)	1.3	–
Deferred compensation (note 27)	3.0	3.8
Other long-term liabilities	7.4	12.7
	<b>11.7</b>	<b>16.5</b>

### Note 23 – Deposits

At March 31	2001 \$m	2000 \$m
Certificates of deposit	122.3	98.3
Demand deposits	66.5	53.0
Savings deposits	40.4	34.6
	<b>229.2</b>	<b>185.9</b>

The maturity distribution of certificates of deposit of \$0.1 million or more was as follows:

At March 31	2001 \$m	2000 \$m
3 months or less	59.7	42.1
Over 3 and to 6 months	8.4	8.2
Over 6 and to 12 months	8.6	5.7
Deposits less than \$0.1 million	45.6	42.3
	<b>122.3</b>	<b>98.3</b>

Included in certificates of deposit at March 31, 2001 was \$43.6 million (2000 – \$17.3 million) of certificates of deposit denominated in US dollars. Included in demand deposits at March 31, 2001 was \$26.6 million (2000 – \$20.5 million) of demand deposits denominated in US dollars.

As a result of the short-term maturity of these financial instruments their carrying value is considered by the Company to approximately equal their fair market value.

### Note 24 – Long-term debt

At March 31	2001 \$m	2000 \$m
Non-collateralized loans due to the Central Bank of Belize:		
Repayable over 15 years in equal monthly installments with interest at 6 percent per annum, commencing July 1988	0.1	0.1
Repayable over 15 years in equal monthly installments with interest at 6 percent per annum, commencing August 1989	0.1	0.2
	<b>0.2</b>	<b>0.3</b>

The maturities and installments with respect to long-term debt for the years subsequent to March 31, 2001 are as follows:

	\$m
2002	0.1
2003	0.1
	<b>0.2</b>

## Note 25 – Commitments and contingencies

### Service Businesses

(i) The Company leases land, buildings, motor vehicles and other equipment under various contracts. The future total minimum rental payments required under operating leases that have remaining non-cancellable lease terms in excess of one year at March 31, 2001 are as follows:

	\$m
2002	11.3
2003	10.2
2004	11.5
2005	6.7
2006	4.0
Thereafter	5.4
	<b>49.1</b>

The net operating lease rental charge for the years ended March 31, 2001, 2000 and 1999 included in the consolidated statements of income was \$14.5 million, \$13.5 million and \$11.0 million, respectively.

(ii) Financial instruments which potentially subject the Company to concentrations of credit risk principally consist of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. The Company's trade receivables primarily result from its core businesses and reflects a broad customer base. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize the risk of loss. As a consequence, concentrations of credit risk are considered to be limited.

(iii) At March 31, 2001, the Company had issued guarantor surety, performance and other bonds of \$70.3 million (2000 – \$61.6 million), of which \$36.5 million (2000 – \$30.6 million) related to the Company's self-insurance arrangements (note 21).

(iv) The Company is a defendant in a number of pending legal and other proceedings incidental to present and former operations, acquisitions and dispositions. The Company does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on the consolidated results of operations and cash flows or the consolidated financial position of the Company.

### Financial Services

The Bank is a party to financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. The Bank grants short-term credit facilities to customers for periods of up to twelve months generally to meet customers' working capital requirements. These facilities are repayable on demand and are subject to review at any time. In practice, such reviews are carried out at periodic intervals agreed with the customer. Outstanding commitments to extend credit at March 31, 2001 amounted to \$28.2 million (2000 – \$23.0 million).

Since many of the commitments are expected to expire without being drawn upon in full, and because of the fluctuating aspect of the facilities, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral required by the Bank for the extension of credit is based on the Company's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The terms of such guarantees do not normally exceed more than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds similar collateral to that held for the short-term facilities described above and such commitments are generally fully collateralized. Outstanding standby letters of credit and financial guarantees written at March 31, 2001 amounted to \$2.5 million (2000 – \$1.2 million).

## Note 26 – Share capital

At March 31	2001 \$m	2000 \$m	1999 \$m
Authorized			
Ordinary shares:			
300,000,000 shares of no par value	–	–	–
Preference shares:			
14,000,000 shares of \$1.00 each	14.0	14.0	14.0
Total authorized	14.0	14.0	14.0
Issued and outstanding			
Ordinary shares:			
61,765,820 shares of no par value (2000 – 61,765,820; 1999 – 60,666,672)	0.6	0.6	0.3

In June 1999, CHL converted all of its authorized and issued and outstanding ordinary shares of \$0.01 each into ordinary shares of no par value.

In May 1999, CHL effected a three for one stock split under the terms of which shareholders of CHL each received two new ordinary shares of CHL for every one ordinary share then held. All numbers within the consolidated financial statements have been restated to effect the aforementioned stock split.

The movement in issued and outstanding shares since April 1, 1998 has been as follows:

	Ordinary shares Number	A Ordinary shares Number
At April 1, 1998	35,959,557	2,967,600
Shares issued (i)	21,739,515	–
Conversion (ii)	2,967,600	(2,967,600)
At March 31, 1999	60,666,672	–
Shares issued (iii)	1,099,148	–
At March 31, 2000 and 2001	<b>61,765,820</b>	–

### Note 26 – Share capital (continued)

(i) The shares issued comprise (a) 6,178,786 ordinary shares in connection with the acquisition by Carlisle of Carlisle Group, which included 1,976,166 and 815,963 ordinary shares issued to Portland Holdings Limited (“Portland”), a company incorporated in Belize, which is controlled by Lord Ashcroft, and to Mr. N.W. Wray (a director of CHL) and his family trusts in exchange for their respective holdings of shares in Carlisle Group; (b) 2,716,589 ordinary shares in connection with the acquisition by Carlisle of Capitol Group plc (“Capitol Group”), the parent of Capitol Security Services, which included 1,541,041 ordinary shares issued to Strand Associates Limited, a company incorporated in the United Kingdom, in which Lord Ashcroft has an interest, in exchange for its holding of shares in Capitol Group; (c) 10,989,121 ordinary shares in connection with an open offer by Carlisle to raise \$82.5 million in cash before expenses at a price of £4.55 per share, in order to finance the cash element of the consideration for the acquisition of Carlisle Group and Capitol Group and to provide funding for the future development and expansion of the Company. 7,690,228 ordinary shares were issued to Portland under the terms of a subscription agreement representing a total subscription price of approximately \$57.8 million. Lord Ashcroft guaranteed Portland’s obligations under the agreement. 3,298,893 ordinary shares were offered to certain shareholders and warrant holders of Carlisle Group. To the extent that any ordinary shares were not taken-up under the said offer, Portland agreed to subscribe, or to procure subscribers, for such ordinary shares. Lord Ashcroft guaranteed Portland’s obligations under the agreement. In total, 1,197,209 ordinary shares were issued to certain shareholders and warrant holders of Carlisle Group, 857,770 ordinary shares were issued to Portland and 1,243,914 ordinary shares were issued to subscribers procured by Portland, at a total subscription price of approximately \$24.7 million; (d) 729,698 ordinary shares in connection with the acquisition by Carlisle of Abacus Recruitment plc, a staffing services company incorporated in the United Kingdom; and (e) 1,124,046 ordinary shares on exercise of share options and warrants for an aggregate cash consideration of \$4.7 million, and 1,275 ordinary shares issued for other purposes.

(ii) In February 1999, the A ordinary shareholders of CHL approved an amendment to CHL’s memorandum of association to afford full voting rights to holders of all ordinary shares. Subsequently, the holders of all A ordinary shares elected to convert their holdings of A ordinary shares into ordinary shares on a one-for-one basis. As a result, each issued and outstanding A ordinary share of CHL was converted into one issued and outstanding ordinary share of CHL and each authorized A ordinary share was converted into one authorized ordinary share.

(iii) The shares issued comprise (a) 1,098,604 ordinary shares to Portland in June 1999, in satisfaction of the deferred consideration due to Portland in respect of an acquisition made by Carlisle in July 1998; and (b) 544 ordinary shares on exercise of the 1996 shareholder warrants.

### 1998 Shareholder Warrants

(a) In consideration for Portland entering into the subscription agreement referred to above, Carlisle agreed to issue to Portland a series of warrants to subscribe for 7,690,228 ordinary shares in Carlisle at a price of £4.55 per share, exercisable at any time up to October 28, 2003.

(b) At the time of the acquisition of Carlisle Group by Carlisle in October 1998, Carlisle Group had outstanding a series of 2,548,282 deferred subscription rights, exercisable at any time up to June 24, 2001 at a price of £4.55 per share. The subscription rights were held by Portland. Portland agreed to cancel those rights in consideration of the grant to Portland by Carlisle of rights in respect of the same number of ordinary shares in Carlisle and on substantially the same terms.

Upon the acquisition of Carlisle by CHL in June 1999, Portland agreed to the cancellation of the warrants and deferred subscription rights referred to above in consideration of the grant to Portland by CHL of warrants and deferred subscription rights to subscribe for the same number of CHL’s ordinary shares on substantially the same terms.

To date, none of the warrants have been exercised. On June 24, 2001, all of the deferred subscription rights lapsed unexercised in accordance with their terms.

### 1996 Shareholder Warrants

At the time of the acquisition of Carlisle Group by Carlisle in October 1998, Carlisle Group had outstanding a series of 904,731 warrants (the 1996 warrants) to subscribe for the same number of ordinary shares in Carlisle Group. The warrants are exercisable at a price of £4.55 per share at any time up to June 24, 2001. Under revised terms Carlisle immediately acquired the ordinary shares issued by Carlisle Group on exercise of the warrants and issued to the warrant holder the equivalent number of ordinary shares in Carlisle. In February 1999, Carlisle offered to acquire all of the outstanding warrants on the following basis: for every five warrants (accompanied by the payment of the exercise price of £4.55 per warrant), six ordinary shares in Carlisle. As a result of this warrant offer, 334,043 warrants were exchanged into 400,849 ordinary shares in Carlisle.

Upon the acquisition of Carlisle by CHL in June 1999, the 1996 warrant holders agreed to a revision of the terms whereby CHL immediately acquires the ordinary shares issued by Carlisle Group on exercise of the warrants and issues to the warrant holder the equivalent number of ordinary shares in CHL.

During the year ended March 31, 2001, 93 (2000 – 2,041; 1999 – 11,614) warrants were exercised. At March 31, 2001, 556,940 (2000 – 557,033; 1999 – 559,074) warrants remain outstanding, of which 163,194 are held by Mr. Wray and his family trusts. On June 24, 2001, all of the remaining warrants lapsed unexercised in accordance with their terms.

### 1994 Shareholder Warrants

At the time of the acquisition of Carlisle Group by Carlisle in October 1998, Carlisle Group had outstanding a series of 120,767 warrants (the 1994 warrants) to subscribe for the same number of ordinary shares in Carlisle Group. Each of the holders of the said warrants agreed to the cancellation of the warrants in consideration of the grant to them by Carlisle of warrants to subscribe for the same number of Carlisle’s ordinary shares on substantially the same terms.

(a) Accordingly, one holder was issued 27,847 warrants to subscribe for ordinary shares in Carlisle at prices between £7.93 and £13.67 per share, all of which were exercisable at any time up to February 7, 1999. The said holder exercised 6,967 warrants prior to February 7, 1999 at an exercise price of £7.93 per share. The remaining 20,880 warrants lapsed in February 1999 in accordance with their terms.

(b) The other holder was issued 92,920 warrants to subscribe for ordinary shares in Carlisle, all of which are exercisable at any time up to February 7, 2004.

Number of warrants	Exercise price (if exercised by June 24, 2001)	Exercise price (if exercised after June 24, 2001)
23,230	£7.93	£8.61
23,230	£9.37	£10.33
23,230	£10.81	£12.06
23,230	£13.67	£15.50

Upon the acquisition of Carlisle by CHL in June 1999, the holder of the aforementioned 1994 warrants agreed to the cancellation of the warrants in consideration of the grant to the warrant holder by CHL of warrants to subscribe for the same number of CHL’s ordinary shares on substantially the same terms.

To date, none of the warrants have been exercised.

### Note 26 – Share capital (continued)

#### Preference Shares

In December 1997, 0.5 million preference shares of \$1.00 were designated as Series A preference shares, pursuant to the Shareholder Rights Agreement referred to below, which have been reserved for issuance upon exercise of the said rights. The rights attaching to the balance of 13.5 million preference shares, none of which are issued and outstanding, as to designation, dividends, return of capital, redemption, conversion, voting and otherwise shall be determined by the board of directors of CHL on or before the time of allotment.

In December 1997, CHL adopted a Shareholder Rights Agreement (the “Agreement”) which became effective in February 1998. Under the Agreement, each CHL ordinary shareholder received a distribution of one right for each CHL ordinary share held. In May 1999, CHL resolved that, as a result of the three for one stock split, the number of rights associated with each ordinary share in issue be adjusted from one to one-third.

Each right entitles the holder to purchase from CHL shares of a new series of A preference shares at an initial purchase price of \$90 per one hundredth of a Series A preference share. The rights will become exercisable and will detach from the ordinary shares a specified period of time after any person becomes the beneficial owner of 15 percent or more of CHL’s ordinary shares, or commences a tender or exchange offer which, if consummated, would result in any person becoming the beneficial owner of 15 percent or more of CHL’s ordinary shares. The rights did not become exercisable on account of any person being the beneficial owner of 15 percent or more of CHL’s ordinary shares when the Agreement was adopted, but become exercisable if such a person increases their beneficial ownership after that time.

If any person becomes the beneficial owner of 15 percent or more of CHL’s ordinary shares, or if any person who was already the beneficial owner of 15 percent or more of CHL’s ordinary shares when the Agreement was adopted increases their beneficial ownership, each right will enable the holder, other than the acquiring person, to purchase, for the rights purchase price, CHL ordinary shares having a market value of twice the rights purchase price.

If, following an acquisition of 15 percent or more of CHL’s ordinary shares, CHL is involved in any merger, or other business combination, or sells or transfers more than 50 percent of its assets or earnings power, each right will entitle the holder to purchase, for the rights purchase price, ordinary shares, of the other party to such transaction, having a market value of twice the rights purchase price.

CHL may redeem all of the rights at a price of \$0.01 per right at any time prior to the specified period of time after a person has become the beneficial owner of 15 percent or more of CHL’s ordinary shares. The rights will expire in December 2007 unless exercised or redeemed earlier. The holders of the rights have no rights as a shareholder of CHL, including the right to vote and to receive dividends.

The movement in treasury shares, at cost, held since April 1, 1998 has been as follows:

	Number	\$m
At April 1, 1998	1,343,538	5.0
Purchase (i)	325,647	3.0
Disposal (ii)	(171,429)	(0.8)
At March 31, 1999	1,497,756	7.2
Purchase	2,825,366	29.5
Disposal (iii)	(2,146,721)	(17.8)
At March 31, 2000	2,176,401	18.9
Purchase (iv)	890,277	5.3
Disposal (v)	(54,482)	(0.5)
At March 31, 2001	<b>3,012,196</b>	<b>23.7</b>

(i) The purchase of treasury shares included 88,500 ordinary shares returned by certain officers of CHL on their resignation.

(ii) The disposal of treasury shares comprised 171,429 ordinary shares issued as consideration for certain acquisitions.

(iii) The disposal of treasury shares comprised (a) 1,362,000 ordinary shares issued to Page Investments, Inc. (“Page”), on exercise of certain warrants for an aggregate cash consideration of \$4.4 million (note 28(ii)); (b) 1,497 ordinary shares issued on exercise of the 1996 warrants; (c) 781,115 ordinary shares issued on exercise of share options for an aggregate consideration of \$3.4 million, of which \$1.7 million was received in cash and \$1.7 million in collateralized loan notes (note 10); and (d) 2,109 ordinary shares issued for other purposes.

(iv) The purchase of treasury shares included 30,000 ordinary shares returned by certain officers of CHL on their resignation.

(v) The disposal of treasury shares comprised (a) 52,337 ordinary shares issued in connection with OneSource’s defined contribution pension plan obligations for an aggregate cash consideration of \$0.3 million; and (b) 2,145 ordinary shares issued on exercise of share options and warrants.

The Company has, from time to time, utilized surplus available funds to purchase treasury shares at times when shares have become available at a share price which represented an attractive purchase opportunity. Certain of the treasury shares have been subsequently reissued to finance acquisitions or satisfy the exercise of warrants and share options.

CHL has granted employee share options which are issued under a number of fixed share option plans and schemes which reserve ordinary shares for issuance to the Company’s executives, officers and key employees. The majority of options have been granted under the CHL 1997 Long-Term Incentive Plan (the “Incentive Plan”). The Incentive Plan is administered by a committee of the board of directors of CHL. Options are generally granted to purchase CHL ordinary shares at prices which equate to or are above the market price of the ordinary shares on the date the option is granted. Conditions of vesting are determined at the time of grant but options are generally vested and become exercisable for a period of between three and ten years from the date of grant, and all have a maximum term of ten years. As part of the merger with and acquisition of Carlisle (notes 1 and 28(iv)), in June 1999 CHL assumed the options previously granted by Carlisle to certain of its officers and employees.

## Notes to Consolidated Financial Statements

### Note 26 – Share capital (continued)

	Number of share options	Weighted average exercise price	Weighted average market price	Estimated weighted average fair value at date of grant
Outstanding at April 1, 1998	4,967,280	\$9.20		
Granted at market price	108,000	\$10.00	\$10.00	\$2.96
Granted at more than market price	216,000	\$12.50	\$10.00	\$2.19
Total granted – fiscal 1999	324,000	\$11.67	\$10.00	\$2.45
Exercised – fiscal 1999	523,170	\$3.51		
Lapsed – fiscal 1999	2,430,585	\$10.71		
Outstanding at March 31, 1999	2,337,525	\$9.24		
Granted at market price	63,500	\$11.67	\$11.67	\$3.93
Granted at more than market price	113,000	\$14.17	\$11.67	\$2.91
Total granted – fiscal 2000	176,500	\$13.27	\$11.67	\$3.28
Assumed on acquisition of Carlisle	756,084	\$8.03		
Exercised – fiscal 2000	781,115	\$4.37		
Lapsed – fiscal 2000	737,035	\$10.68		
Outstanding at March 31, 2000	1,751,959	\$10.69		
Granted at more than market price	414,400	\$7.50	\$7.10	\$1.23
Total granted – fiscal 2001	414,400	\$7.50	\$7.10	\$1.23
Exercised – fiscal 2001	2,052	\$3.49		
Lapsed – fiscal 2001	334,875	\$10.12		
Outstanding at March 31, 2001	<b>1,829,432</b>	<b>\$10.08</b>		

At March 31, 2001 Range of exercise prices	Options outstanding		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
\$4.97 to \$9.99	652,803	\$7.14	3.3 years
\$10.00 to \$13.32	778,198	\$10.85	2.5 years
\$13.33 to \$17.77	398,431	\$13.39	2.4 years
	<b>1,829,432</b>	<b>\$10.08</b>	<b>2.8 years</b>

Options outstanding at March 31, 2001 included 135,059 options currently exercisable at a weighted average exercise price of \$6.72 each.

Statement of Financial Accounting Standards No. 123 – Accounting for Stock-Based Compensation (“SFAS 123”), allows companies to measure compensation cost in connection with share option plans and schemes using a fair value based method, or to continue to use the intrinsic value based method which generally does not result in a compensation cost. The Company has decided to continue to use the intrinsic value based method and no compensation cost has been recorded. Had the fair value based method been adopted consistent with the provisions of SFAS 123, the Company’s proforma net income and proforma earnings per ordinary share would have been as follows:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Net income – proforma	<b>\$2.3m</b>	\$55.7m	\$23.7m
Basic earnings per ordinary share – proforma	<b>\$0.04</b>	\$0.97	\$0.56
Diluted earnings per ordinary share – proforma	<b>\$0.04</b>	\$0.89	\$0.52

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Year ended March 31	2001	2000	1999
Expected stock price volatility	<b>40.0 percent</b>	29.0 percent	26.0 percent
Risk-free interest rate	<b>5.9 percent</b>	4.3 percent	4.5 percent
Expected dividend yield	<b>nil percent</b>	nil percent	nil percent
Expected life of options	<b>3.0 years</b>	3.0 years	3.0 years

The effects of applying SFAS 123 in these proforma disclosures are not indicative of future amounts, although additional awards in future years are anticipated.

### Note 27 – Pensions and other plans

OneSource operates a non-contributory, funded, defined benefit pension plan covering substantially all of its non-union employees. Benefits are provided based upon a formula, as defined in the plan documentation, using an employee’s length of service and average compensation. In 1989, OneSource elected to freeze the plan, whereby no additional benefits are earned by plan members. The net pension (income) expense included the following components:

Year ended March 31	2001 \$m	2000 \$m	1999 \$m
Interest cost on projected benefit obligations	<b>0.6</b>	0.6	0.6
Expected return on plan assets	<b>(0.7)</b>	(0.7)	(0.6)
Net amortization and deferral	–	–	0.1
Net pension (income) expense	<b>(0.1)</b>	(0.1)	0.1

The following table sets forth the actuarial present value of projected benefit obligations and funded status of the plan.

Year ended March 31	2001 \$m	2000 \$m
Changes in benefit obligations:		
At beginning of year	<b>8.0</b>	9.5
Interest cost	<b>0.6</b>	0.6
Benefits paid	<b>(0.7)</b>	(1.8)
Actuarial movement	<b>0.2</b>	(0.3)
At end of year	<b>8.1</b>	8.0
Changes in plan assets:		
At beginning of year	<b>8.4</b>	8.2
Actual return on plan assets	<b>(1.6)</b>	1.0
Employer contributions	<b>0.7</b>	1.0
Benefits paid	<b>(0.7)</b>	(1.8)
At end of year	<b>6.8</b>	8.4
Funded status:		
Projected benefit obligations in excess of plan assets	<b>(1.3)</b>	0.4
Unrecognized net gain	<b>3.4</b>	1.0
Unrecognized prior service costs	<b>(0.3)</b>	(0.4)
Minimum pension liability	<b>(3.1)</b>	–
Net pension (liability) asset (notes 14 and 22)	<b>(1.3)</b>	1.0
Benefit cover	<b>84%</b>	105%

The actuarial assumptions for the expected long-term rate of return on plan assets and weighted average discount rate used in determining the actuarial present value of accumulated benefit obligations for 2001 were 8.5 percent and 7.25 percent, respectively (2000 – 8.5 percent and 7.25 percent, respectively). The independent actuarial valuations were carried out by AON Consulting Group, using the projected unit credit method of calculation.

OneSource also has a defined contribution pension plan which has adopted the salary deferral provisions of Section 401(k) of the United States Internal Revenue Code (IRC). Non-union employees with at least one year qualified service may participate in the plan by contributing up to 15 percent of their salary to a maximum amount set by the IRC. OneSource makes matching contributions equal to 50 percent of each participant’s elective contributions, to a maximum of 1.5 percent of eligible compensation, for employees with at least two years of qualified service. During the years ended March 31, 2001, 2000 and 1999, OneSource made matching contributions of \$0.7 million, \$0.9 million and \$0.7 million, respectively.

### Note 27 – Pensions and other plans (continued)

OneSource also has a non-qualified, funded deferred compensation plan for certain employees not eligible to participate in the defined contribution plan described above. Under this plan, such individuals may elect to defer payment of salary and bonus on a pre-tax basis. The deferral must total at least 1 percent of the participant's eligible compensation for each plan year in order to participate in the plan, up to a maximum of 30 percent of such compensation, or such smaller percentage as may be established by OneSource. OneSource makes matching contributions equal to 50 percent of each participant's elective contributions, to a maximum of 5 percent of the participant's eligible compensation. During the years ended March 31, 2001, 2000 and 1999, OneSource made matching contributions of \$0.2 million, \$0.3 million, and \$0.5 million, respectively. Included in other long-term liabilities at March 31, 2001 was \$3.0 million (2000 – \$3.8 million) (note 22) for these accumulated obligations.

OneSource also participates in several multi-employer defined contribution and defined benefit pension plans covering substantially all union employees. During the years ended March 31, 2001, 2000 and 1999, OneSource made contributions of \$10.7 million, \$9.3 million and \$7.5 million, respectively, to these plans.

The Company operates various defined contribution pension plans in the United Kingdom which cover a number of salaried employees of the facilities services and staffing services operations. In general, the plans provide benefits at normal retirement age based on a participant's individual accumulated fund including any additional voluntary contributions. The Company's pension contribution expense for the years ended March 31, 2001, 2000 and 1999 amounted to \$0.6 million, \$0.5 million and \$0.6 million, respectively.

### Note 28 – Related party transactions

(i) In connection with the purchase of OneSource in January 1997 and a bank credit agreement entered into at the same time, Lord Ashcroft pledged to The Bank of Nova Scotia certain freely tradable securities owned by him having a market value of at least \$37.5 million as security for the performance of certain covenants given and obligations assured by Lord Ashcroft in connection with the provision of this credit facility. This arrangement was terminated in May 1999.

In May 1999, in connection with certain insurance arrangements provided by insurers to the Company, Lord Ashcroft pledged for the benefit of these insurers certain freely tradeable securities owned by him having a market value of \$34.8 million as security for certain insurance payment obligations of the Company. This arrangement was terminated in August 1999.

(ii) As part of a series of transactions completed in March 1998, CHL agreed to assume certain warrants held by Page. Page was a company incorporated in Belize controlled by Lord Ashcroft. In December 1999, the warrants were exercised by Page for an aggregate cash consideration of \$4.4 million and 1,362,000 CHL ordinary shares were issued out of treasury shares (note 26).

(iii) During the year ended March 31, 1999, Banana Limited, a company controlled by Lord Ashcroft, provided loans to the Company, principally to fund acquisitions, of \$9.7 million and \$4.0 million in November 1998 and March 1999, respectively. The balance outstanding at March 31, 1999 (including accrued interest of \$0.4 million) was \$14.1 million. During the year ended March 31, 2000 interest of \$0.2 million was charged on these loans. Both loans together with all accrued interest were repaid by the Company during the year ended March 31, 2000.

(iv) In June 1999, CHL completed the merger with, and acquisition of the whole of the issued and outstanding ordinary shares of, Carlisle (notes 1 and 13). At that time, Lord Ashcroft was the executive chairman of Carlisle and, through Portland, owned and controlled 60.3 percent of the issued and outstanding ordinary shares of Carlisle. In addition, Strand owned 5.7 percent of the issued share capital of Carlisle. Under the terms of the merger agreement, shareholders in Carlisle each received one new ordinary share of CHL for every 43.058 Carlisle ordinary shares then held. Consequently, CHL issued 26,933,853 ordinary shares to Carlisle shareholders, of which 16,242,947 were issued to Portland.

All outstanding warrants, share options and other rights to subscribe for Carlisle ordinary shares were amended on comparable terms and became rights to subscribe for CHL ordinary shares (note 26). Consequently, at that time, Portland owned (i) Carlisle 1998 warrants which now entitle the holder to subscribe for 7,690,228 CHL ordinary shares at £4.55 per share exercisable at any time up to October 2003; and (ii) Carlisle deferred subscription rights which now entitle the holder to subscribe for 2,548,282 CHL ordinary shares at £4.55 per share exercisable at any time up to June 2001.

(v) In September 2000, the Company acquired from Lord Ashcroft the entire issued share capital of Carlisle Staffing Limited ("CSL"), a company incorporated in the British Virgin Islands. CSL is the holding company for a group of staffing services companies operating in the United Kingdom which CSL had acquired for an aggregate cash consideration of \$7.7 million in September 2000. The aggregate consideration paid by the Company of \$7.9 million (including a finance charge of \$0.2 million) was left outstanding as a collateralized loan note (note 13) until it was repaid in January 2001 (note 28 (vi)).

(vi) In January 2001, CHL exercised an option to purchase from Lord Ashcroft, at cost (\$17.6 million) plus a financing charge, a 23.5 percent interest in BTL, recently acquired by him and held through Aspen International Development Inc. ("Aspen"), a company incorporated in the British Virgin Islands which is controlled by Lord Ashcroft. Accordingly, the Company increased its investment in BTL at that time from 27.6 percent to 51.1 percent and therefore the Company has consolidated BTL as a subsidiary, with a 48.9 percent minority interest (note 13). The aggregate consideration arising on this transaction amounted to \$18.1 million. As part of this transaction, it was also agreed that the loan note of \$7.9 million due by the Company to Lord Ashcroft (note 28(v)) would be repaid.

The aggregate consideration was satisfied by CHL through the transfer to Aspen of a number of investments and other assets of the Company, valued at \$23.6 million, together with \$2.4 million in cash. The investments (note 12) and other assets comprised the Company's entire equity investment in CFC at book value, certain other listed investments at current market value, and the entire issued share capital of Bearwood Holdings Limited, a non-core Financial Services business operation, at book value. This transaction resulted in a net loss on disposal of \$6.8 million (note 4), principally comprising net realized holding losses and currency translation adjustments.

An opinion regarding the fairness and reasonableness of the transaction was provided to the directors of CHL by a leading European investment banking firm and the transaction was unanimously approved by the independent non-executive directors of CHL.

### To the Board of Directors and Shareholders of Carlisle Holdings Limited

We have audited the accompanying consolidated balance sheets of Carlisle Holdings Limited and its subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these consolidated financial statements in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Carlisle Holdings Limited and its subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with generally accepted accounting principles in the United States of America.

**PRICEWATERHOUSECOOPERS** 

PricewaterhouseCoopers  
London, United Kingdom  
July 31, 2001

## Shareholder Information

### Market Information

Carlisle Holdings Limited ordinary shares are currently traded in the Over-the-Counter Market and quoted on The NASDAQ National Market in the United States under the symbol "CLHL" and on the Alternative Investment Market of the London Stock Exchange in the United Kingdom ("AIM") under the symbol "CLH". The table opposite sets forth the quarterly high and low reported prices of the ordinary shares in US dollars (source: Bloomberg).

	Range of ordinary share prices	
	High	Low
<b>Fiscal 2000</b>		
First Quarter	\$14 <sup>7</sup> / <sub>8</sub>	\$8 <sup>7</sup> / <sub>8</sub>
Second Quarter	\$14 <sup>7</sup> / <sub>16</sub>	\$10 <sup>1</sup> / <sub>4</sub>
Third Quarter	\$13 <sup>1</sup> / <sub>4</sub>	\$8 <sup>3</sup> / <sub>16</sub>
Fourth Quarter	\$13	\$6 <sup>1</sup> / <sub>4</sub>
<b>Fiscal 2001</b>		
First Quarter	\$9	\$6 <sup>1</sup> / <sub>4</sub>
Second Quarter	\$8 <sup>1</sup> / <sub>4</sub>	\$7
Third Quarter	\$8	\$5 <sup>1</sup> / <sub>4</sub>
Fourth Quarter	\$7 <sup>1</sup> / <sub>2</sub>	\$3 <sup>3</sup> / <sub>4</sub>

### Website

www.carlisleholdings.com

### Registered Office

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### Registrar and Transfer Agent

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United States

### Registrar and Transfer Agent

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### Co-Transfer Agent

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Belize City  
Belize  
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### Nominated Adviser

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### Nominated Broker

(for AIM in the UK)  
Fyshe Horton Finney  
Charles House  
148-149 Great Charles Street  
Birmingham B3 3HT  
United Kingdom

**Lord Ashcroft, KCMG**

**Chairman**

Chairman of the Michael A Ashcroft Foundation. Formerly Chairman and Chief Executive Officer of ADT Limited (1977 to 1997), now known as Tyco International Ltd., a company listed on the New York Stock Exchange. Currently a non-executive director of Tyco International Ltd. He was Belize's Permanent Representative to the United Nations until April 2000. Treasurer of the Conservative and Unionist Party in the UK. Chairman of Trustees for a number of UK charities – Crimestoppers Trust, Industry in Education, Prospect Education (Technology) Trust. In March 2000, he was appointed as a life peer in the British House of Lords and in June 2000 he was awarded a Knighthood (KCMG – Knight Commander of the Order of St. Michael and St. George) for public service to the community and country of Belize.

**Sir Edney Cain**

**Non-Executive Director**

**Member of the Audit Committee**

Sir Edney Cain is now in retirement after a distinguished career in the public service in Belize, which included positions as Financial Secretary to the Government of Belize, Governor of the Central Bank of Belize and Belize High Commissioner to the UK.

**David Hammond**

**Deputy Chairman and Chairman of the Executive Committee**

**Member of the Audit Committee**

Mr Hammond is Chairman of BCA Holdings Limited. He was previously Deputy Chairman of ADT Limited from 1989 to 1996 and Director and Chairman of the Audit Committee of American Medical Response Inc. from 1993 to 1997. Member of the Competition Commission in the UK since 1995. Mr Hammond, who is a Chartered Accountant, has over 30 years experience in the services industry.

**Emory King**

**Non-Executive Director**

Mr King is now in semi-retirement after a career in insurance and real estate. He is presently involved in publishing, printing and public relations. He is also a Justice of the Peace in Belize.

**John Searle**

**Non-Executive Director**

**Member of the Audit Committee**

Mr Searle is Chairman and Managing Director of Belize Global Travel Services Limited which carries on the business of a travel agency and tourism.

**Eddie Turner**

**Non-Executive Director**

Mr Turner is Chairman of OneSource. His previous experience included positions as President and Chief Executive Officer of Oxford Building Services, Inc. and ADT Maintenance, Inc. Mr Turner has over 30 years experience in the facilities and services industry.

**Nigel Wray**

**Non-Executive Director**

Mr Wray is non-executive Chairman of WILink.com plc. He also holds a number of other executive and non-executive directorships.

#### **Peter Gaze**

Executive Vice President and Chief Financial Officer  
Member of the Executive Committee

Peter Gaze has been Executive Vice President and Chief Financial Officer of Carlisle Holdings Limited since 1998. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having trained with the international accounting firm of PricewaterhouseCoopers in London. Prior to joining Carlisle, Mr Gaze was the Group Financial Controller of ADT Limited from 1990 to 1997.

#### **Philip Osborne**

Company Secretary

Philip Osborne has been Secretary of Carlisle Holdings Limited since 1993. He is a Solicitor and a member of the Law Society of England and Wales. Before joining Carlisle, Mr Osborne worked as a legal adviser to the London Stock Exchange and The Securities Association in the UK and for the international law firms of Clifford Chance and SJ Berwin & Co. He is country representative for Belize of the International Bar Association.

#### **Richard Bradford**

Carlisle Staffing Services – Chief Executive

Richard Bradford joined Carlisle Staffing Services as Chief Executive in 1997 from Exel plc where he had broad-ranging line management experience in different businesses in a range of roles from Branch Manager to Managing Director. This spanned an 11 year period, during which a significant time was also spent on secondment to McKinsey & Co.

#### **Peter Harvey**

Capitol Security Services – Chief Executive

Peter Harvey joined Capitol when Capitol Security Services Limited, a manned guarding business founded by him, was acquired by Capitol in 1996. The business of Capitol Security Services and Capitol's existing MASS business were brought together to create the manned guarding operation, of which Mr Harvey was appointed Chief Executive. Before forming his own business in 1985, Mr Harvey held various senior sales positions in the security industry.

#### **Philip Johnson**

Financial Services – President

Philip Johnson has been President of Carlisle's Financial Services businesses since 1995. Prior to joining Carlisle, Mr Johnson spent over ten years in a variety of commercial roles, including over seven years with Lonrho PLC, having previously qualified as a Chartered Accountant.

#### **Richard Kissane**

OneSource – President

Rich Kissane joined OneSource in 1998. He is an active member of the Building Owners and Managers Association (BOMA) and has over 20 years experience in the services industry including Australian Managing Director for Wendy's International, Chief Operating Officer for Sylvan Learning Corporation and President of Alpha Graphics Corporation.

#### **Ian Pugh**

LI Group – Chief Executive

Ian Pugh joined LI Group in 1993 as Chief Executive, having previously been commercial services director of Berkshire County Council. Mr Pugh has also held a number of senior management positions with international, publicly listed companies, including a period with Pritchard Services Group as Executive Vice President, USA.