

Consolidated Statements of Income

	Notes	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Facilities Services				
Net sales		723.5	778.9	258.1
Cost of sales		(622.8)	(686.6)	(231.5)
Selling, general and administrative expenses		(82.6)	(76.5)	(22.7)
Restructuring and other non-recurring charges	3	(4.5)	(13.3)	–
Operating income – facilities services		13.6	2.5	3.9
Financial Services				
Interest income		22.5	22.3	20.0
Interest expense		(8.5)	(9.4)	(7.9)
Net interest income		14.0	12.9	12.1
Provision for loan losses		(0.7)	(0.3)	(0.4)
Net non-interest expense	4	(2.1)	(3.3)	(3.7)
Restructuring costs and general provision for loan losses	3	–	(2.2)	–
Operating income – financial services		11.2	7.1	8.0
Total operating income		24.8	9.6	11.9
Associates	12	8.1	6.7	9.2
Interest income		1.6	2.0	1.1
Interest expense		(3.6)	(5.9)	(1.9)
Income before income taxes		30.9	12.4	20.3
Income taxes	5	(2.8)	(1.5)	(1.1)
Income after income taxes		28.1	10.9	19.2
Minority interests		(0.7)	(0.7)	(0.6)
Income from continuing operations		27.4	10.2	18.6
Loss from discontinued operations	6	–	(14.5)	(0.5)
Net income (loss)		27.4	(4.3)	18.1
Basic earnings per ordinary share	7	\$	\$	\$
Continuing operations		2.56	1.16	2.33
Discontinued operations		–	(1.65)	(0.06)
Net income (loss)		2.56	(0.49)	2.27
Diluted earnings per ordinary share	7	\$	\$	\$
Continuing operations		2.42	1.16	2.13
Discontinued operations		–	(1.65)	(0.06)
Net income (loss)		2.42	(0.49)	2.07

See notes to consolidated financial statements

Consolidated Balance Sheets

	Notes	At March 31 1999 \$m	At April 30 1998 \$m
Assets			
Facilities Services			
Current assets:			
Cash and cash equivalents		17.6	44.4
Trade accounts receivable – net	8	95.9	85.7
Inventories		1.6	2.2
Deferred income taxes	5	1.7	4.2
Net assets held for disposal	9	11.6	13.0
Other current assets	10	9.4	8.0
Total facilities services current assets		137.8	157.5
Property, plant and equipment – net	11	18.5	16.4
Associates	12	62.0	57.5
Goodwill and other intangibles – net	13	144.8	114.5
Other long-term assets	14	0.9	2.3
Total facilities services assets		364.0	348.2
Financial Services			
Cash, cash equivalents and due from banks	15	14.9	14.1
Interest-bearing deposits with correspondent banks		19.5	27.1
Loans (net of unearned income and allowance for loan losses)	16	146.0	116.4
Other assets	17	20.6	8.2
Total financial services assets		201.0	165.8
Total assets		565.0	514.0
Liabilities and shareholders' equity			
Facilities Services			
Current liabilities:			
Short-term debt	18	22.9	15.8
Accounts payable		8.4	7.4
Accrued personnel costs		39.7	24.8
Insurance reserves – current portion	21	23.8	28.7
Other current liabilities	19	28.7	34.4
Total facilities services current liabilities		123.5	111.1
Insurance reserves – long-term portion	21	72.9	86.4
Other long-term liabilities	22	20.1	22.9
Minority interests		1.7	1.3
Total facilities services liabilities		218.2	221.7
Financial Services			
Deposits	23	171.6	145.2
Short-term debt	24	5.2	5.2
Other liabilities	25	2.8	1.6
Long-term debt	26	0.4	0.5
Total financial services liabilities		180.0	152.5
Total liabilities		398.2	374.2
Commitments and contingencies	27		
Shareholders' equity:			
Share capital (ordinary shares of \$0.01 each 1999 – 11,244,273; 1998 – 10,080,258; 1997 – 7,332,290)	28	0.1	0.1
Additional paid-in capital		106.2	104.4
Treasury shares	28	(7.2)	(5.0)
Retained earnings		67.9	40.5
Cumulative other comprehensive income		(0.2)	(0.2)
Total shareholders' equity		166.8	139.8
Total liabilities and shareholders' equity		565.0	514.0

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 income \$m	Total \$m
At May 1, 1996	0.1	53.0	(4.6)	31.5	(0.2)	79.8
Net income (comprehensive income)	-	-	-	18.1	-	18.1
Ordinary shares issued as dividends	-	3.0	-	(3.0)	-	-
Cash dividends paid on ordinary shares	-	-	-	(0.2)	-	(0.2)
Disposal of treasury shares	-	0.1	1.8	-	-	1.9
At April 30, 1997	0.1	56.1	(2.8)	46.4	(0.2)	99.6
Ordinary shares issued	-	44.8	-	-	-	44.8
Net loss (comprehensive loss)	-	-	-	(4.3)	-	(4.3)
Ordinary shares issued as dividends	-	1.5	-	(1.5)	-	-
Cash dividends paid on ordinary shares	-	-	-	(0.1)	-	(0.1)
Purchase of treasury shares	-	-	(6.1)	-	-	(6.1)
Disposal of treasury shares	-	2.0	3.9	-	-	5.9
At April 30, 1998	0.1	104.4	(5.0)	40.5	(0.2)	139.8
Ordinary shares issued	-	1.8	-	-	-	1.8
Net income (comprehensive income)	-	-	-	27.4	-	27.4
Purchase of treasury shares	-	-	(3.0)	-	-	(3.0)
Disposal of treasury shares	-	-	0.8	-	-	0.8
At March 31, 1999	0.1	106.2	(7.2)	67.9	(0.2)	166.8

Cumulative other comprehensive income comprises currency translation adjustments.

At March 31, 1999, retained earnings included non-distributable statutory reserves in The Belize Bank Limited of \$2.1 million (1998 – \$2.1 million; 1997 – \$2.1 million).

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Cash flows from operating activities			
Net income (loss)	27.4	(4.3)	18.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	6.9	8.2	3.0
Goodwill and other intangibles amortization	3.1	2.5	0.8
Discount amortization on insurance reserves	5.5	6.0	2.0
Restructuring and other non-recurring charges	2.1	11.0	–
Provision for loan losses	0.7	1.4	0.4
Undistributed earnings of associates	(4.5)	(8.0)	(7.7)
Provision against investment in associates	–	3.4	–
Refinancing costs amortization	0.9	1.0	0.3
Deferred income taxes	–	(0.5)	(3.7)
Minority interests net of distributions	0.4	0.3	0.2
Loss from discontinued operations	–	12.4	–
Other	(0.6)	0.9	0.2
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8.0)	1.2	3.1
Decrease (increase) in inventories	0.9	(0.6)	0.1
Decrease (increase) in other assets	1.6	(7.7)	(5.3)
Increase in accounts payable	1.0	6.1	3.7
Increase (decrease) in accrued personnel costs	14.9	(6.9)	1.8
(Decrease) in insurance reserves	(23.9)	(10.1)	(2.8)
(Decrease) in other liabilities	(9.8)	(16.2)	(1.0)
Net cash provided by operating activities	18.6	0.1	13.2
Cash flows from investing activities			
Purchase of property, plant and equipment	(11.1)	(13.8)	(3.5)
Disposal of property, plant and equipment	4.7	2.8	0.3
Purchase of associates and other investments	–	(1.3)	(2.0)
Disposal of associates and other investments	–	16.5	0.7
Acquisition of businesses	(36.2)	(4.6)	8.8
Decrease (increase) in interest-bearing deposits with correspondent banks	7.6	1.5	(1.9)
(Increase) in loans to customers	(30.1)	(11.3)	(21.1)
Purchase of government and other securities	(11.6)	–	–
Disposal of government and other securities	–	–	14.8
Other	(0.1)	0.1	(0.1)
Net cash utilized by investing activities	(76.8)	(10.1)	(4.0)

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

continued

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Cash flows from financing activities			
Proceeds from long-term debt	–	–	14.5
Repayment of long-term debt	(0.1)	(0.1)	(0.1)
Debt refinancing costs	–	–	(2.9)
Increase (decrease) in short-term debt	7.1	2.2	(1.3)
Increase in deposits	26.4	5.7	5.2
Issuance of shares	–	7.3	–
Shares issued on exercise of share options	1.8	1.8	–
Net (purchase) disposal of treasury shares	(3.0)	0.9	1.9
Cash dividends paid on ordinary shares	–	(0.1)	(0.2)
Net cash provided by financing activities	32.2	17.7	17.1
Net change in cash, cash equivalents and due from banks	(26.0)	7.7	26.3
Cash, cash equivalents and due from banks at beginning of period	59.3	51.6	25.3
Cash, cash equivalents and due from banks at end of period	33.3	59.3	51.6
Cash – facilities services	17.6	44.4	38.2
Cash – financial services	14.9	14.1	12.7
Cash – net assets held for disposal	0.8	0.8	0.7
	33.3	59.3	51.6
Supplemental cash flow information:			
Cash paid for interest	1.8	3.0	0.7
Cash paid for income taxes	1.8	6.8	0.4
In connection with the acquisition of businesses net (assets) liabilities were assumed as follows:			
Goodwill and other intangibles	33.4	19.7	98.1
Cash paid (net of cash assumed)	(36.2)	(4.6)	8.8
Issuance of shares	(0.8)	(12.3)	–
Net (assets) liabilities assumed	(3.6)	2.8	106.9

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Note 1 – Description of Business

Introduction

Carlisle Holdings Limited (formerly named BHI Corporation) (“CHL”) 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 April 1998, CHL completed the merger with, and acquisition of the whole of the issued and outstanding ordinary shares of, Aaxis Limited (“Aaxis”), a company incorporated in Bermuda (notes 13 and 30(v)). The acquisition of Aaxis was accounted for by CHL using the “as-if” pooling of interests method of accounting due to the existence of a common controlling shareholder, Mr. M.A. Ashcroft, in both CHL and Aaxis. Mr. Ashcroft is the Chairman and Chief Executive Officer of CHL. This method of accounting assumes that the combining companies had been merged since their inception, and the historical consolidated financial statements for periods prior to consummation of the merger have been restated. Accordingly, the consolidated financial statements give effect to the transaction by means of the “as-if” pooling of interests with a minority interest eliminated for all periods where a non-controlling minority interest existed in the ordinary share capital of Aaxis. The non-controlling minority interest in Aaxis was acquired by CHL in April 1998 and was accounted for by CHL using the purchase method.

During the period, CHL was engaged in two service businesses, facilities services principally in the United States, and financial services principally in Belize. Since March 31, 1999, BHI Corporation has consummated a merger with Carlisle Holdings Limited, a company incorporated in Guernsey, Channel Islands, which has facilities services and staffing services businesses operating principally in the United Kingdom (note 31). Simultaneously with the consummation of the merger, on June 1, 1999 BHI Corporation changed its name to Carlisle Holdings Limited.

Facilities Services

Aaxis owns the whole of the issued and outstanding common shares of OneSource Holdings, Inc. (“OneSource”) (formerly named ISS Holdings, Inc.), a company incorporated in the State of Delaware, USA.

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. Approximately forty per cent of OneSource’s revenues are currently earned in the north eastern states of the USA.

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 principal equity investments include 23.3 per cent of Grupo Agroindustrial CB, S.A. and related companies (“NUMAR”) which have interests in agro-processing and distribution operations principally in Costa Rica, and 26.2 per cent of Belize Telecommunications Limited operating principally in Belize.

Discontinued Operations

Discontinued operations principally comprise CHL’s construction and property development, and hotel operations, which were disposed of in May 1999 (note 6).

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 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 and post-retirement employee benefit expenses. Actual results could differ materially from those estimates. Certain figures at April 30, 1998 and for the years ended April 30, 1998 and 1997 have been reclassified to conform to the 1999 presentation.

CHL has changed its financial period end from April 30 to March 31. Accordingly, the consolidated financial statements have been prepared as at March 31, 1999 and for the eleven months then ended. Comparative figures are as at April 30, 1998 and for each of the years ended April 30, 1998 and 1997.

Principles of Consolidation

The consolidated financial statements incorporate the financial statements of CHL and its subsidiaries (the “Company”) including its fifty per cent ownership interest in ISS Southern Management Co. (“Southern Management”). The Company consolidates companies in which it owns or controls more than fifty per cent of the voting shares. Although the Company does not maintain a majority ownership interest in Southern Management, the Company considers that it exercises operational and financial control since Mr. E.W. Turner, a member of CHL’s board of directors, holds a fifty five per cent interest in Georgia Cleaning Service & Supply Co., Inc., (“Georgia Cleaning”) which in turn holds the remaining fifty per cent interest in Southern Management. 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 per cent 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 includes the Company’s share of net income of associates, less applicable goodwill amortization.

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Currency Translation

The results of subsidiaries and associates located outside the United States 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 located outside the United States which account in a functional currency other than United States dollars are translated into United States dollars at the rate 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.

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

The principal exchange rate used for both average and closing rates is one US dollar equals two Belize dollars.

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 net realizable value. 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 15 years
Fixtures, fittings and office equipment	3 to 7 years

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.

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.

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 90 days or more past due, loans are placed on non-accrual status and previously accrued but unpaid interest is charged against current period 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 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 established a general loan loss reserve at April 30, 1998 in an amount equivalent to one per cent of loans which have not been classified as non-accrual (notes 3 and 16).

Recently Issued Accounting Pronouncements

The Company has reviewed all recently issued accounting pronouncements and does not consider that their impact, when effective, will have a material effect on the Company's consolidated financial statements.

Notes to Consolidated Financial Statements

Note 3 – Restructuring Costs and General Provision for Loan Losses

Facilities Services

During the eleven months ended March 31, 1999, and following the merger with and acquisition of Aaxis by CHL, the Company carried out a human asset inventory and a detailed assessment of its administrative structure, following which a number of senior executives and operational management were terminated. In addition, as a result of its acquisition activity in the period, the Company made a number of other employees redundant. The restructuring plan resulted in a net charge for restructuring and other non-recurring items of \$4.5 million, which principally related to the OneSource operations.

The restructuring charge included employee severance and other associated costs for three executives and 57 other operational management of \$2.1 million and \$2.4 million, respectively, \$0.5 million from the contractual obligation to change the name of the facilities services business to OneSource, and \$1.0 million for other integration and restructuring costs, which were offset by a release of \$1.5 million which related to an adjustment to the prior year CHL corporate restructuring charge. The amounts paid and charged in the eleven months ended March 31, 1999 against the provisions in the aforementioned categories amounted to \$2.4 million.

In 1998, as a consequence of the merger with and acquisition of Aaxis by CHL, the Company carried out a strategic review of its business operations and its corporate organizational structure. In February 1998, senior executive management approved an initial restructuring plan which resulted in a charge for restructuring and other non-recurring items of \$13.3 million, comprising \$8.8 million related to the OneSource operations and \$4.5 million related to the CHL corporate functions.

The restructuring charge relating to the OneSource operations of \$8.8 million included employee severance and other associated costs for three executives of \$3.6 million, costs arising from the contractual obligation to change the business name to OneSource of \$2.9 million, provision for idle property leases of \$1.2 million, and other integration and restructuring costs of \$1.1 million, including the write off of certain property, plant and equipment of \$0.3 million. The amounts paid and charged in the year ended April 30, 1998 against the provisions in the aforementioned categories amounted to \$2.0 million. The amounts paid in the eleven months ended March 31, 1999 against these provisions amounted to \$2.9 million. The restructuring charge relating to the CHL corporate functions of \$4.5 million included employee severance and other associated costs for five executives of \$3.5 million, property and other asset write-downs of \$0.5 million, and other restructuring costs of \$0.5 million. The amounts paid and charged in the year ended April 30, 1998 against the provisions in the aforementioned categories amounted to \$2.2 million. The amounts paid in the eleven months ended March 31, 1999 against these provisions amounted to \$0.2 million.

Financial Services

In 1998, the charge relating to financial services of \$2.2 million included the establishment of a general loan loss reserve mandated by the Central Bank of Belize of \$1.1 million (note 2), property and other asset write-downs of \$0.7 million and other restructuring costs of \$0.4 million. The amounts paid and charged in the year ended April 30, 1998 against the provisions in the aforementioned categories amounted to \$1.8 million. The amounts paid in the eleven months ended March 31, 1999 against these provisions amounted to \$0.1 million.

Note 4 – Net Non-Interest Expense

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Non-interest income:			
Foreign exchange income and commissions	1.6	1.2	1.2
Customer service fees	1.1	1.1	1.1
Credit card fees	0.5	0.5	0.4
Other financial and related services	2.6	2.4	1.4
Other income	0.2	0.2	0.2
	6.0	5.4	4.3
Non-interest expense:			
Salaries and benefits	(3.7)	(4.0)	(3.8)
Premises and equipment	(1.5)	(1.6)	(1.3)
Other expenses	(2.9)	(3.1)	(2.9)
	(8.1)	(8.7)	(8.0)
Net non-interest expense	(2.1)	(3.3)	(3.7)

Note 5 – Income Taxes

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

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Current income taxes:			
Federal	–	1.1	2.6
State and local	0.3	0.4	2.1
Other	2.5	0.5	0.1
	2.8	2.0	4.8
Deferred income taxes:			
Federal	–	(0.4)	(2.3)
State and local	–	(0.1)	(1.4)
	–	(0.5)	(3.7)
Income tax provision	2.8	1.5	1.1

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

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Notional US federal income tax at the statutory rate	10.8	4.3	7.1
Adjustments to reconcile to the Company's income tax provision:			
Net income not taxed	(5.8)	(3.6)	(5.8)
US state income tax provisions, net	(0.2)	(0.2)	–
Valuation allowance	(3.4)	0.6	(0.2)
Other	1.4	0.4	–
Income tax provision	2.8	1.5	1.1

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.

Notes to Consolidated Financial Statements

Note 5 – Income Taxes (continued)

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

	At March 31 1999 \$m	At April 30 1998 \$m
Assets:		
Provision for insurance reserves	11.9	12.6
Provision for estimated costs and expenses	26.2	14.4
	38.1	27.0
Valuation allowance	(36.0)	(19.5)
	2.1	7.5
Liabilities:		
Intangible and other assets	(0.4)	(3.3)
Net deferred income tax balance	1.7	4.2

Note 6 – Loss from Discontinued Operations

As a consequence of the merger with and acquisition of Aaxis by CHL in 1998, the Company decided to sell its construction and property development, and hotel businesses and to redeploy the sales proceeds in the facilities services operations. The net assets of the discontinued operations have been included in net assets held for disposal (note 9) and include principally cash and cash equivalents, accounts receivable, construction and development work in process, property, plant and equipment, net of accounts payable, short-term debt and other liabilities. These businesses were disposed of in May 1999 to a company led by the former management of the operations for an aggregate consideration of \$11.6 million. The aggregate consideration received by the Company on closing was comprised of cash of \$10.0 million and the issuance of a loan note of \$1.6 million by the purchaser to the Company, plus the assumption by the purchaser of \$4.9 million of operational debt. The loan note is non-collateralized, repayable in May 2002, and bears interest at 11.0 per cent per annum.

Included in the \$4.9 million of operational debt was \$2.4 million due to the Bank, which the Company has agreed to leave in place on normal commercial terms. The Company has also agreed to guarantee until May 2000 a \$3.8 million bank facility and until May 2001 a further \$1.2 million bank facility (\$2.5 million of which in aggregate was drawn at March 31, 1999) provided to the construction businesses. In addition, the Company has agreed to provide temporary support of \$1.4 million for certain construction bonds until July 1999, and other bonds of \$1.0 million until February 2001, or until the end of the construction project, if earlier.

11 months ended March 31, 1999	Hotel \$m	Construction and property development \$m	Other \$m	Total \$m
Net sales	3.9	35.9	–	39.8
Income before income taxes	–	–	–	–
Income taxes	–	–	–	–
Net income	–	–	–	–

Year ended April 30, 1998	Hotel \$m	Construction and property development \$m	Other \$m	Total \$m
Net sales	4.0	43.2	–	47.2
Income (loss) before income taxes	0.4	(0.4)	(2.1)	(2.1)
Income taxes	–	–	–	–
Income (loss) after income taxes	0.4	(0.4)	(2.1)	(2.1)
Estimated loss on disposal	(5.6)	(5.9)	(0.9)	(12.4)
Net loss	(5.2)	(6.3)	(3.0)	(14.5)

Year ended April 30, 1997	Hotel \$m	Construction and property development \$m	Other \$m	Total \$m
Net sales	3.6	31.1	–	34.7
Income (loss) before income taxes	0.3	(0.1)	(0.7)	(0.5)
Income taxes	–	–	–	–
Net income (loss)	0.3	(0.1)	(0.7)	(0.5)

The income from operations between the measurement date (February 1998) and April 30, 1998 amounted to \$0.2 million and \$0.5 million for the hotel and the construction and property development operations, respectively.

Note 7 – Earnings Per Ordinary Share

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Net income (loss) – Basic and Diluted earnings per ordinary share	27.4	(4.3)	18.1

	11 months ended March 31 1999 Number	Year ended April 30 1998 Number	Year ended April 30 1997 Number
Weighted average number of ordinary shares –			
Basic earnings per ordinary share	10,719,775	8,759,520	7,985,291
Warrants (note 28)	327,078	698,030	752,312
Share options (note 28)	264,807	116,215	9,089
Weighted average number of ordinary shares –			
Diluted earnings per ordinary share	11,311,660	9,573,765	8,746,692

The weighted average effect of 550,430 (1998 – 63,742; 1997 – 305,435) share options 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.

Notes to Consolidated Financial Statements

Note 8 – Trade Accounts Receivable – Net

	At March 31 1999 \$m	At April 30 1998 \$m
Billed	92.4	84.9
Unbilled	9.3	5.4
	101.7	90.3
Less allowance for doubtful receivables	(5.8)	(4.6)
	95.9	85.7

	Balance at beginning of period \$m	Subsidiaries acquired \$m	Additions charged to income \$m	Deductions – primarily write-offs \$m	Balance at end of period \$m
Allowance for doubtful receivables:					
Year ended April 30, 1997	–	5.1	1.8	(1.2)	5.7
Year ended April 30, 1998	5.7	–	0.9	(2.0)	4.6
11 months ended March 31, 1999	4.6	0.1	1.3	(0.2)	5.8

Note 9 – Net Assets Held for Disposal

	At March 31 1999 \$m	At April 30 1998 \$m
Hotel	2.7	4.8
Construction and property development	7.9	6.7
Other	1.0	1.5
	11.6	13.0
Comprising:		
Cash and cash equivalents	0.8	0.8
Other assets	22.9	25.3
Liabilities	(12.1)	(13.1)
	11.6	13.0

Included in liabilities at March 31, 1999 was \$2.4 million of operational debt due to the Bank and \$2.5 million due to other banks.

Note 10 – Other Current Assets

	At March 31 1999 \$m	At April 30 1998 \$m
Prepaid expenses	3.9	4.2
Deferred refinancing costs (note 14)	0.7	–
Other current assets	4.8	3.8
	9.4	8.0

At March 31, 1999, other current assets included \$0.8 million (1998 – \$1.9 million) in interest bearing, collateralized amounts receivable from certain directors and officers of CHL in respect of ordinary shares purchased at market price satisfied from CHL's holding of treasury shares (note 28).

Note 11 – Property, Plant and Equipment – Net

	At March 31 1999 \$m	At April 30 1998 \$m
Cost:		
Land and buildings	5.8	0.8
Leasehold improvements	4.6	4.8
Machinery and equipment	34.9	34.2
Fixtures, fittings and office equipment	12.4	13.3
Total cost	57.7	53.1
Accumulated depreciation:		
Land and buildings	0.4	0.4
Leasehold improvements	3.2	3.3
Machinery and equipment	25.9	22.9
Fixtures, fittings and office equipment	9.7	10.1
Total accumulated depreciation	39.2	36.7
Net book values	18.5	16.4

Total capital expenditures for 1999, 1998 and 1997 were \$10.7 million, \$13.3 million and \$3.0 million, respectively. Total depreciation expense for 1999, 1998 and 1997 was \$6.4 million, \$7.6 million and \$2.5 million, respectively.

Note 12 – Associates

	% of share capital 1999	At March 31 1999 \$m	At April 30 1998 \$m
NUMAR	23.3%	38.4	33.6
Belize Telecommunications Limited	26.2%	16.8	16.7
Belize Electricity Limited	20.0%	4.2	3.6
Energia Global International Ltd.	20.4%	2.3	2.8
Belize Food Holdings Limited	26.7%	0.3	0.8
		62.0	57.5

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Share of earnings:			
NUMAR	6.8	8.1	6.8
Belize Telecommunications Limited	2.1	3.1	2.9
Belize Electricity Limited	0.7	0.3	0.5
Energia Global International Ltd.	(0.5)	(0.4)	(0.4)
Belize Food Holdings Limited	(0.5)	(0.4)	(0.1)
Group cost allocation	(0.5)	(0.6)	(0.5)
	8.1	10.1	9.2
Provision against investment in Energia Global	–	(3.4)	–
	8.1	6.7	9.2
Total dividends receivable during the period	4.1	2.7	2.0

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, 1999, the accumulated undistributed earnings of associates included in the consolidated retained earnings of the Company was \$27.7 million (1998 – \$23.2 million; 1997 – \$15.2 million).

Notes to Consolidated Financial Statements

Note 13 – Goodwill and Other Intangibles – Net

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m
Cost:		
At beginning of period	117.8	98.1
Additions	33.4	19.7
At end of period	151.2	117.8
Accumulated amortization:		
At beginning of period	3.3	0.8
Charge for the period	3.1	2.5
At end of period	6.4	3.3
Net book values		
At end of period	144.8	114.5

In April 1998, CHL completed the acquisition of, and merger with, Aaxis, a company in which Mr. Ashcroft held a controlling interest (notes 1 and 30(iv)).

The non-controlling minority interest in Aaxis was acquired by CHL in February 1998 and April 1998. In February 1998, CHL completed the purchase of the interests of a convertible loan note holder in Aaxis. A total of 1,047,285 CHL ordinary shares were issued to the holder, Guardian Consolidated, Inc., a company incorporated in the British Virgin Islands (note 28). In April 1998, CHL acquired the remaining minority interests in Aaxis. A total of 618,511 CHL ordinary shares were issued to minority shareholders in Aaxis (note 28), together with a payment of \$4.6 million in cash. The acquisition by CHL of the non-controlling minority interest in Aaxis 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 \$19.7 million arising during the year ended April 30, 1998.

During the eleven months ended March 31, 1999, the Company made a number of acquisitions in the facilities services business for an aggregate consideration of \$37.0 million, with further payments of up to \$9.3 million contingent on certain future performance targets. The aggregate consideration paid by the Company on closing was comprised of cash of \$36.2 million, which was financed from cash on hand, and the issue of 57,143 ordinary shares in CHL, satisfied out of treasury shares (note 28) at a value of \$0.8 million. 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 \$33.4 million arising during the eleven months ended March 31, 1999.

Total amortization expense for 1999, 1998 and 1997 was \$3.1 million, \$2.5 million and \$0.8 million, respectively.

Note 14 – Other Long-Term Assets

	At March 31 1999 \$m	At April 30 1998 \$m
Amounts due from affiliate	0.3	0.3
Deferred refinancing costs (note 10)	–	1.6
Other long-term assets	0.6	0.4
	0.9	2.3

Amounts due from affiliate comprises a non-collateralized note receivable, and accrued interest, from Georgia Cleaning, which bears interest at 5.8 per cent per annum and is due in March 2001.

In connection with the refinancing of certain long-term debt obligations of OneSource, 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 OneSource's long-term debt obligations. The refinancing costs amortization for 1999, 1998 and 1997 were \$0.9 million, \$1.0 million and \$0.3 million, respectively.

Note 15 – Cash, Cash Equivalents and Due From Banks

	At March 31 1999 \$m	At April 30 1998 \$m
Cash in hand	3.6	2.8
Balances with the Central Bank of Belize	9.9	10.0
Amounts in the course of collection	1.4	1.3
	14.9	14.1

The Bank is required to maintain an average minimum non-interest bearing deposit balance with the Central Bank of Belize equal to 5 per cent of its average deposit liabilities. In addition, it 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 per cent of the average deposit liabilities of the Bank.

Note 16 – Loans

	At March 31 1999 \$m	At April 30 1998 \$m
Loans (net of unearned income):		
Commercial, financial and agricultural	76.3	52.1
Real estate – mortgage	40.2	39.2
Real estate – construction	3.4	3.5
Consumer	29.7	24.7
	149.6	119.5
Specific allowance for loan losses:		
Commercial, financial and agricultural	(1.0)	(1.0)
Real estate – mortgage	(0.2)	(0.2)
Real estate – construction	(0.2)	(0.1)
Consumer	(0.8)	(0.7)
	(2.2)	(2.0)
Loans (net of unearned income and specific allowance for loan losses):		
Commercial, financial and agricultural	75.3	51.1
Real estate – mortgage	40.0	39.0
Real estate – construction	3.2	3.4
Consumer	28.9	24.0
	147.4	117.5
Less: general allowance for loan losses (notes 2 and 3)	(1.4)	(1.1)
Loans (net of unearned income and allowance for loan losses)	146.0	116.4

Unearned income at March 31, 1999 amounted to \$4.7 million (1998 – \$4.3 million).

Commercial, financial and agricultural loans at March 31, 1999 included loans to certain officers and employees of the Company of \$0.9 million (1998 – \$0.8 million) at preferential rates of interest varying between 4.0 per cent and 8.5 per cent per annum and repayable over varying periods not exceeding 25 years. Included in loans at March 31, 1999 were \$2.0 million (1998 – \$1.1 million) loans to third parties by subsidiary companies other than the Bank.

Notes to Consolidated Financial Statements

Note 16 – Loans (continued)

The maturity ranges of loans outstanding at March 31, 1999 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	40.6	12.5	23.2	76.3
Real estate – mortgage	1.2	6.3	32.7	40.2
Real estate – construction	2.1	0.4	0.9	3.4
Consumer	9.5	17.0	3.2	29.7
	53.4	36.2	60.0	149.6

The Bank provides working capital financing and loans at normal commercial terms to various affiliated companies, including associates. At March 31, 1999, the amount of working capital financing due from affiliates was \$14.6 million (1998 – \$9.6 million) under credit lines totalling a maximum of \$15.2 million (1998 – \$9.8 million). The interest income earned on this financing during the eleven months ended March 31, 1999 amounted to \$1.7 million (1998 – \$1.7 million; 1997 – \$1.5 million). At March 31, 1999, the amount of loans due from affiliates was \$3.4 million (1998 – \$3.5 million). The interest income earned on these loans during the eleven months ended March 31, 1999 amounted to \$0.5 million (1998 – \$0.6 million; 1997 – \$0.6 million).

Non-accrual loans at March 31, 1999 amounted to \$8.7 million (1998 – \$7.5 million). The interest income which would have been recorded during the eleven months ended March 31, 1999 had all non-accrual loans been current in accordance with their terms was approximately \$1.0 million (1998 – \$0.9 million; 1997 – \$0.5 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, 1999, the amount of loans outstanding in which the Company considers that there was a probability of a loss totalled \$3.7 million, with related specific allowances of \$2.2 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 eleven months ended March 31, 1999 was \$3.5 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:

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
At beginning of period – specific	2.0	1.9	1.7
At beginning of period – general	1.1	–	–
	3.1	1.9	1.7
Specific provision charged to income	0.4	0.3	0.4
General provision charged to income (notes 2 and 3)	0.3	1.1	–
Charge-offs	(0.2)	(0.2)	(0.2)
	0.5	1.2	0.2
At end of period – specific	2.2	2.0	1.9
At end of period – general	1.4	1.1	–
	3.6	3.1	1.9

Note 17 – Other Assets

	At March 31 1999 \$m	At April 30 1998 \$m
Cost:		
Land and buildings	3.7	4.5
Fixtures, fittings and office equipment	4.3	4.4
Total cost	8.0	8.9
Less: total accumulated depreciation	(3.6)	(3.4)
Property, plant and equipment – net	4.4	5.5
Government of Belize securities	11.6	–
Other assets	4.6	2.7
	20.6	8.2

Total capital expenditures for 1999, 1998 and 1997 were \$0.4 million, \$0.5 million and \$0.5 million, respectively. Total depreciation expense for 1999, 1998 and 1997 was \$0.5 million, \$0.6 million and \$0.5 million, respectively.

Government of Belize securities bear interest at 9 per cent 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 1999 \$m	At April 30 1998 \$m
Bank and acceptance facilities	8.8	15.8
Amounts due to related party (note 30(vi))	14.1	–
	22.9	15.8

Note 19 – Other Current Liabilities

	At March 31 1999 \$m	At April 30 1998 \$m
Accruals	9.1	11.0
Income taxes	2.3	1.6
State and local taxes	4.4	5.3
Restructuring reserves	8.1	9.1
Other current liabilities	4.8	7.4
	28.7	34.4

Notes to Consolidated Financial Statements

Note 20 – Long-Term Debt

In January 1997, OneSource entered into a \$110 million bank credit agreement. The agreement had a term of three years expiring on December 31, 1999, but was terminated in May 1999 and replaced with a new facility. The initial facility was guaranteed on an unconditional, unlimited and irrevocable joint and several basis by Aaxis and certain of its subsidiaries. The facility was also collateralized by a first priority lien on the capital stock of OneSource and each guarantor (except Aaxis) and all property and assets of Aaxis, OneSource and each guarantor.

Amounts available under the initial facility comprised (a) a \$100 million letter of credit facility which was available for issuance and reissuance principally in respect of the Company's self-insurance program; and (b) a \$10 million revolving credit facility which was available for borrowing and reborrowing but which could also be utilized as a letter of credit facility.

At March 31, 1999, letters of credit amounting to \$77.5 million (1998 – \$102.2 million) had been issued with expiration on December 31, 1999. At March 31, 1999, the letters of credit approximately reflect fair market value as a condition of their underlying purpose. The Company expects the counterparties to fully perform under the terms of the agreements. At March 31, 1999, no amounts (1998 – nil) were drawn down under the revolving credit facility.

Amounts drawn under the letter of credit facility bore interest at 2.0 per cent per annum and any amounts undrawn bore interest at 1.0 per cent per annum.

The initial bank credit agreement contained certain financial and operating covenants, including restrictions on certain of the Company's subsidiaries' ability to incur additional indebtedness, limitations on certain payments, including capital expenditure and dividends on the ordinary shares of Aaxis and OneSource, and certain other financial covenants applicable to Aaxis and OneSource, including a minimum debt to shareholder's equity ratio, a minimum level of adjusted shareholder's equity, a minimum interest coverage ratio, a minimum current ratio and a minimum level of earnings before interest and taxes.

In May 1999, OneSource entered into a new \$60 million bank credit agreement. The agreement has a term expiring on December 31, 2000 and is guaranteed on an unconditional, unlimited and irrevocable joint and several basis by CHL and certain of its operating subsidiaries. The facility is also collateralized by a first priority lien on the capital stock of each guarantor, except CHL, and on other property and assets, principally receivables, of OneSource and its subsidiaries. The amount available under this facility is available in the form of letters of credit issuable and reissuable principally in support of the Company's self-insurance program.

Amounts drawn under the terms of the facility bear interest at 1.0 per cent per annum and any amounts undrawn bear interest at 0.375 per cent per annum.

The new bank credit agreement contains certain financial and operating covenants, including restrictions on certain of the Company's subsidiaries' ability to incur additional indebtedness, limitations on certain payments by OneSource and its subsidiaries, and certain other financial covenants including a minimum interest coverage ratio, a minimum receivables coverage ratio and a minimum debt service ratio applicable to OneSource, together with a minimum shareholders' equity covenant applicable to the Company.

Note 21 – Insurance Reserves

	At March 31 1999 \$m	At April 30 1998 \$m
Current portion	23.8	28.7
Long-term portion	72.9	86.4
	96.7	115.1

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, 1999 was 5.0 per cent (1998 – 5.0 per cent). The discount amortization charged in the consolidated statements of income for 1999, 1998 and 1997 was \$5.5 million, \$6.0 million and \$2.0 million, respectively. The independent actuarial valuations were carried out by William M. Mercer, Incorporated. In connection with certain self-insurance agreements, at March 31, 1999 the Company had letters of credit supporting the estimated liability in the amount of \$73.4 million (1998 – \$91.3 million) (note 20).

Note 22 – Other Long-Term Liabilities

	At March 31 1999 \$m	At April 30 1998 \$m
Pensions (note 29)	1.3	2.3
Post-retirement benefits other than pensions (note 29)	0.7	0.6
Deferred compensation (note 29)	2.4	3.7
Other long-term liabilities	15.7	16.3
	20.1	22.9

Note 23 – Deposits

	At March 31 1999 \$m	At April 30 1998 \$m
Certificates of deposit	97.8	85.2
Demand deposits	43.2	32.3
Savings deposits	30.6	27.7
	171.6	145.2

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

	At March 31 1999 \$m	At April 30 1998 \$m
3 months or less	50.1	37.9
Over 3 and to 6 months	6.0	4.4
Over 6 and to 12 months	2.1	9.2
Deposits less than \$0.1 million	39.6	33.7
	97.8	85.2

Included in certificates of deposit at March 31, 1999 was \$17.4 million (1998 – \$11.8 million) of certificates of deposit denominated in US dollars. Included in demand deposits at March 31, 1999 was \$19.1 million (1998 – \$13.4 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.

Notes to Consolidated Financial Statements

Note 24 – Short-Term Debt

	At March 31 1999 \$m	At April 30 1998 \$m
Loan from Citibank, N.A. with interest at 7.0 per cent per annum due in June 1999 – collateralized	3.2	3.2
Loan from Dresdner Bank Lateinamerika AG with interest at 7.125 per cent per annum due in June 1999 – non-collateralized	2.0	2.0
	5.2	5.2

Note 25 – Other Liabilities

	At March 31 1999 \$m	At April 30 1998 \$m
Accounts payable	0.9	0.4
Restructuring reserves	0.3	0.4
Accruals and other liabilities	1.6	0.8
	2.8	1.6

Note 26 – Long-Term Debt

	At March 31 1999 \$m	At April 30 1998 \$m
Non-collateralized loans due to the Central Bank of Belize under the Caribbean Basin Initiative program: Repayable over 15 years in equal monthly installments with interest at 6 per cent per annum, commencing July 1988	0.2	0.2
Repayable over 15 years in equal monthly installments with interest at 6 per cent per annum, commencing August 1989	0.2	0.3
	0.4	0.5

The maturities and installments with respect to long-term debt for the five years subsequent to March 31, 1999 are as follows:

	\$m
2000	0.1
2001	0.1
2002	0.1
2003	0.1
2004	–
	0.4

Note 27 – Commitments and Contingencies

Facilities Services

(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, 1999 are as follows:

	\$m
2000	3.6
2001	2.7
2002	2.3
2003	1.6
2004	1.2
Thereafter	3.7
	15.1

The net operating lease rental charge for 1999, 1998 and 1997 included in the consolidated statements of income was \$4.4 million, \$10.9 million and \$3.7 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 business 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, 1999, the Company had issued guarantor surety bonds of \$25.1 million.

(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, 1999 amounted to \$19.9 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, 1999 amounted to \$0.7 million.

Notes to Consolidated Financial Statements

Note 28 – Share Capital

	At March 31 1999 \$m	At April 30 1998 \$m	At April 30 1997 \$m
Authorized			
Ordinary shares:			
100,000,000 shares of \$0.01 each (1998 – 98,998,000; 1997 – 10,000,000)	1.0	1.0	0.1
A Ordinary shares:			
nil shares of \$0.01 each (1998 – 1,002,000; 1997 – 1,002,000)	–	–	–
Preference shares:			
14,000,000 shares of \$1.00 each (1998 – 14,000,000 shares of \$1.00 each; 1997 – 100,000 shares of \$100 each)	14.0	14.0	10.0
Total authorized	15.0	15.0	10.1

Issued and Outstanding

Ordinary shares:			
11,244,273 shares of \$0.01 each (1998 – 10,080,258; 1997 – 7,332,290)	0.1	0.1	0.1
A Ordinary shares:			
nil shares of \$0.01 each (1998 – 989,200; 1997 – 989,200)	–	–	–
Total issued and outstanding	0.1	0.1	0.1

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.

In January 1998, CHL approved an increase in CHL's authorized share capital to \$15.0 million; an increase in the number of authorized ordinary shares of CHL to 100,000,000; the sub-division of each authorized but unissued preference share of CHL of \$100 each into one hundred authorized but unissued preference shares of \$1.00 each; and an increase, following the sub-division, in the number of authorized preference shares of \$1.00 each from 10,000,000 to 14,000,000.

The movement in issued and outstanding shares since May 1, 1996 has been as follows:

	Ordinary shares Number	A Ordinary shares Number
At May 1, 1996	7,155,504	989,200
Stock dividend (i)	84,650	–
Stock dividend (ii)	92,136	–
At April 30, 1997	7,332,290	989,200
Stock dividend (iii)	79,360	–
Shares issued (iv)	2,668,608	–
At April 30, 1998	10,080,258	989,200
Shares issued (v)	174,815	–
Conversion (vi)	989,200	(989,200)
At March 31, 1999	11,244,273	–

(i) A stock dividend with a cash option of \$0.18 was paid on September 3, 1996 to shareholders on the register on August 9, 1996 on the basis of one new ordinary share for every 79 ordinary shares then held, resulting in an issue of 84,650 ordinary shares in CHL.

(ii) A stock dividend with a cash option of \$0.27 was paid on March 3, 1997 to shareholders on the register on February 7, 1997 on the basis of one new ordinary share for every 72 ordinary shares then held, resulting in an issue of 92,136 ordinary shares in CHL.

(iii) A stock dividend with a cash option of \$0.23 was paid on September 2, 1997 to shareholders on the register on August 8, 1997 on the basis of one new ordinary share for every 86 ordinary shares then held, resulting in an issue of 79,360 ordinary shares in CHL.

(iv) The shares issued comprise (a) 909,637 ordinary shares to Page Investments, Inc. ("Page") following the exchange in December 1997 of Series I warrants held by Page in Aaxis for an aggregate cash consideration of \$7.3 million (note 30(iv)); (b) 1,047,285 ordinary shares to the convertible loan note holder in Aaxis (note 13); (c) 618,511 ordinary shares to the minority shareholders in Aaxis (note 13); and (d) 93,175 ordinary shares on exercise of share options for an aggregate cash consideration of \$1.8 million.

(v) The shares issued comprise 174,390 ordinary shares on exercise of share options for an aggregate cash consideration of \$1.8 million, and 425 ordinary shares issued for other purposes.

(vi) The 989,200 A ordinary shares were converted into ordinary shares in February 1999.

Warrants to purchase ordinary shares:

In February 1995, Aaxis issued to Page 909,637 Series I warrants to subscribe for ordinary shares in Aaxis, each warrant to be exchangeable for one ordinary share at a subscription price of \$8.00 and to be exercisable at any time up to December 31, 1997, and 454,000 Series II warrants to subscribe for ordinary shares in Aaxis, each warrant to be exchangeable for one ordinary share at a subscription price of \$8.00 if exercised on or before December 31, 1997, \$8.80 if exercised between January 1, 1998 and December 31, 1998, and \$9.68 if exercised between January 1, 1999 and December 31, 1999.

The Series I warrants were exchanged by Page in December 1997 for 909,637 ordinary shares of Aaxis for an aggregate cash consideration of \$7.3 million, and subsequently in February 1998 such shares were exchanged for ordinary shares in CHL. The Series II warrants were assumed by CHL in February 1998, in consideration for the issue by CHL to Page of a warrant to purchase 454,000 additional CHL ordinary shares on terms and conditions substantially identical to the terms and conditions of the Series II warrants (note 30(iv)).

Preference shares:

In December 1997, CHL determined that, subject to the passing of the necessary resolution to sub-divide the preference shares into par value \$1.00 each, 0.5 million preference shares of \$1.00 each be 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.

In January 1998, CHL approved the sub-division of each authorized but unissued preference share of CHL of \$100 each, into one hundred authorized but unissued preference shares of \$1.00 each. 0.5 million preference shares are designated as Series A preference shares in accordance with the Shareholders Rights Agreement referred to below, and 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.

Notes to Consolidated Financial Statements

Note 28 – Share Capital (continued)

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. 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 per cent 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 per cent or more of CHL's ordinary shares. The rights did not become exercisable on account of any person being the beneficial owner of 15 per cent 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 per cent or more of CHL's ordinary shares, or if any person who was already the beneficial owner of 15 per cent 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 per cent or more of CHL's ordinary shares, CHL is involved in any mergers or other business combination or sells or transfers more than 50 per cent 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 per cent 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 May 1, 1996 has been as follows:

	Number	\$m
At May 1, 1996	310,382	4.6
Disposal	(124,253)	(1.8)
At April 30, 1997	186,129	2.8
Purchase (i)	460,556	6.1
Disposal (ii)	(198,839)	(3.9)
At April 30, 1998	447,846	5.0
Purchase (iii)	108,549	3.0
Disposal (iv)	(57,143)	(0.8)
At March 31, 1999	499,252	7.2

(i) The purchase of treasury shares included 313,598 ordinary shares from ISS A/S (note 30(v)) for an aggregate consideration of \$2.0 million.

(ii) The disposal of treasury shares included 169,000 ordinary shares issued to certain directors and officers of CHL for an aggregate consideration of \$3.2 million (note 10).

(iii) The purchase of treasury shares included 29,500 ordinary shares returned by certain officers of CHL on their resignation.

(iv) The disposal of treasury shares comprises 57,143 ordinary shares issued as consideration for acquisitions (note 13).

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 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 Aaxis (note 30(iv)), in April 1998 CHL assumed the options previously granted by Aaxis to certain members of OneSource management.

	Number of share options	Weighted average exercise price	Weighted average market price	Estimated weighted average fair value at date of grant
Outstanding at May 1, 1996	381,163	\$17.68		
Granted at market price	86,612	\$17.41	\$17.41	\$1.87
Granted at more than market price	45,000	\$24.85	\$19.38	\$0.71
Total granted – fiscal 1997	131,612	\$19.95	\$18.08	\$1.47
Outstanding at April 30, 1997	512,775	\$18.26		
Granted at market price	379,332	\$30.18	\$30.18	\$5.81
Granted at more than market price	758,668	\$37.68	\$30.18	\$4.24
Total granted – fiscal 1998	1,138,000	\$35.18	\$30.18	\$4.76
Assumed on acquisition of Aaxis	385,975	\$9.03		
Exercised – fiscal 1998	274,378	\$17.79		
Cancelled – fiscal 1998	106,612	\$21.23		
Outstanding at April 30, 1998	1,655,760	\$27.61		
Granted at market price	36,000	\$30.00	\$30.00	\$8.88
Granted at more than market price	72,000	\$37.50	\$30.00	\$6.57
Total granted – fiscal 1999	108,000	\$35.00	\$30.00	\$7.34
Exercised – fiscal 1999	174,390	\$10.52		
Lapsed – fiscal 1999	810,195	\$32.64		
Outstanding at March 31, 1999	779,175	\$27.72		
At March 31, 1999			Options outstanding	
Range of exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	
\$10.24 to \$29.99	266,175	\$12.94	1.3 years	
\$30.00 to \$39.99	328,665	\$32.60	3.2 years	
\$40.00 to \$45.00	184,335	\$40.36	3.3 years	
	779,175	\$27.72	2.6 years	

Options outstanding at March 31, 1999 included 154,390 options currently exercisable at a weighted average exercise price of \$10.24 each.

Notes to Consolidated Financial Statements

Note 28 – Share Capital (continued)

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 (loss) and proforma earnings per ordinary share would have been as follows:

	11 months ended March 31 1999	Year ended April 30 1998	Year ended April 30 1997
Net income (loss) – proforma	\$26.8m	\$(4.7)m	\$18.0m
Basic earnings per ordinary share – proforma	\$2.50	\$(0.54)	\$2.25
Diluted earnings per ordinary share – proforma	\$2.37	\$(0.54)	\$2.06

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:

	11 months ended March 31 1999	Year ended April 30 1998	Year ended April 30 1997
Expected stock price volatility	26.0 per cent	20.0 per cent	5.0 per cent
Risk-free interest rate	4.5 per cent	5.6 per cent	6.4 per cent
Expected dividend yield	nil per cent	nil per cent	2.3 per cent
Expected life of options	3.0 years	3.0 years	3.1 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 29 – 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. Effective April 1989, OneSource elected to freeze the plan, whereby no additional benefits are earned by plan members. The net pension expense included the following components:

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Interest cost on projected benefit obligations	0.6	0.7	0.2
Expected return on plan assets	(0.6)	(2.1)	–
Net amortization and deferral	0.1	1.6	(0.1)
Net pension expense	0.1	0.2	0.1

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

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m
Changes in benefit obligations:		
At beginning of period	9.9	9.5
Interest cost	0.6	0.7
Benefits paid	(1.0)	(0.4)
Actuarial movement	–	0.1
At end of period	9.5	9.9
Changes in plan assets:		
At beginning of period	7.6	6.3
Actual return on plan assets	0.9	0.6
Employer contributions	0.7	1.1
Benefits paid	(1.0)	(0.4)
At end of period	8.2	7.6
Funded status:		
Projected benefit obligations in excess plan assets	1.3	2.3
Unrecognized net gain	(1.7)	(2.1)
Unrecognized prior service costs	0.4	0.4
Minimum pension liability	1.3	1.7
Net pension liability (note 22)	1.3	2.3
Benefit cover	86%	77%

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 1999 were 8.5 per cent and 7.25 per cent, respectively (1998 – 8.0 per cent and 7.0 per cent, respectively). The independent actuarial valuations were carried out by WTR Consulting Group (1998 – Aon Consulting, Inc.) using the projected unit credit method of calculation.

In connection with an acquisition made in 1993, OneSource assumed the responsibility to provide post-retirement medical and life insurance benefits to a closed group of retired individuals and their dependants. The plan is unfunded. The net post-retirement benefit expense included the following components:

	11 months ended March 31 1999 \$m	Year ended April 30 1998 \$m	Year ended April 30 1997 \$m
Interest cost	0.1	0.1	–
Net amortization and deferral	–	–	–
Net post-retirement benefit expense	0.1	0.1	–

The following table sets forth the components of the plan's accumulated post-retirement benefit obligations and benefit liability.

	At March 31 1999 \$m	At April 30 1998 \$m
Accumulated post-retirement benefit obligations	0.7	0.9
Plus (less): unrecognized net gain (loss)	0.1	(0.1)
Less: unrecognized transition obligation	(0.1)	(0.2)
Post-retirement benefit liability (note 22)	0.7	0.6

The weighted average discount rate used in determining the accumulated post-retirement benefit obligations for 1999 was 7.0 per cent (1998 – 7.0 per cent). The independent actuarial valuations were carried out by WTR Consulting Group (1998 – Aon Consulting, Inc.).

Notes to Consolidated Financial Statements

Note 29 – Pensions and Other Plans (continued)

For measurement purposes, the health care cost trend rates of increase in the per capita cost of covered medical benefits for 1999 started at 7.0 per cent and were assumed to decrease gradually to 6.0 per cent by the year 2003 and remain at that level thereafter. The health care cost trend rate assumptions have an effect on the amounts reported. To illustrate this, increasing the assumed health care cost trend rate by one percentage point would increase the plan's accumulated post-retirement benefit obligations at March 31, 1999 by \$33,000 and the interest cost component for the eleven months ended March 31, 1999 by \$2,000. Decreasing the assumed health care cost trend rate by one percentage point would decrease the plan's accumulated post-retirement benefit obligations at March 31, 1999 by \$30,000 and the interest cost component for the eleven months ended March 31, 1999 by \$2,000.

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 per cent of their salary to a maximum amount set by the IRC. OneSource makes matching contributions equal to 50 per cent of each participant's elective contributions, to a maximum of 1.5 per cent of eligible compensation, for employees with at least two years of qualified service. During 1999, 1998 and 1997, OneSource made matching contributions of \$0.7 million, \$0.4 million and \$0.4 million, respectively.

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 one per cent of the participant's eligible compensation for each plan year in order to participate in the plan, up to a maximum of 30 per cent of such compensation, or such smaller percentage as may be established by OneSource. OneSource makes matching contributions equal to 50 per cent of each participant's elective contributions to a maximum of 5 per cent of the participant's eligible compensation. During 1999, 1998 and 1997, OneSource made matching contributions of \$0.5 million, \$0.1 million and nil, respectively. Included in other long-term liabilities at March 31, 1999 was \$2.4 million (1998 – \$3.7 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 1999, 1998, and 1997, OneSource made contributions of \$6.9 million, \$8.5 million and \$3.1 million, respectively, to these plans.

The Company has a defined contribution pension plan which covers substantially all salaried employees of the financial services operations. In general, the plan provides 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 1999, 1998 and 1997 amounted to nil, \$0.1 million and nil, respectively.

Note 30 – Related Party Transactions

(i) In January 1997, Aaxis acquired from ISS-International Service System A/S, a public company incorporated in Denmark, ("ISS A/S") all of the issued and outstanding common shares of OneSource for a purchase price of \$1 in cash. In a separate transaction, ISS A/S assigned a promissory note receivable from OneSource to Aaxis in exchange for the assumption by Aaxis of certain obligations and liabilities of ISS A/S, arising in connection with OneSource, and the issuance to ISS A/S of 313,598 ordinary shares of Aaxis. ISS A/S provided a \$17.0 million guarantee to OneSource's insurance carrier

in support of OneSource's self-insurance program which, during the year ended April 30, 1998, was subsequently reduced to nil and cancelled by agreement. During the life of the guarantee, Aaxis provided ISS A/S with an indemnity to cover any losses suffered by ISS A/S in connection with this guarantee. As part of the transaction, the parties also entered into a co-operation and license agreement with ISS A/S which provided, amongst other things, for OneSource to continue to operate under the "ISS" name for a limited period of time.

(ii) In connection with the purchase of OneSource by Aaxis in January 1997 and the bank credit agreement referred to in note 20, Mr. 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 assumed by Mr. 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, Mr. 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.

(iii) In October 1997, OneSource acquired the whole of the issued share capital of ADT Aviations, Inc. (since renamed OneSource Aviation, Inc.), whose only asset comprised an owned and operated private airplane, for an aggregate cash consideration of \$3.5 million. Prior to acquisition, ADT Aviations, Inc. was a wholly owned subsidiary of Tyco International Ltd., a public company incorporated in Bermuda of which Mr. Ashcroft is a director and shareholder.

(iv) In February 1998, CHL completed the purchase of 1,769,618 ordinary shares in Aaxis which represented the entire controlling interest in Aaxis held by Page. The consideration was one new CHL ordinary share for each Aaxis ordinary share which resulted in the issue to Page of 1,769,618 CHL ordinary shares, which included 909,637 CHL ordinary shares issued in respect of the Series I warrants (note 28). Page is a company incorporated in Belize which is beneficially owned by a family trust of Mr. Ashcroft, in which Mr. Ashcroft is beneficially interested.

As part of the aforementioned transactions, CHL also agreed to assume Series II warrants held by Page in Aaxis and certain share options held by OneSource management in Aaxis (note 28).

(v) In February 1998, Aaxis entered into settlement arrangements with ISS A/S, regarding certain outstanding issues relating to the purchase of OneSource by Aaxis and connected matters. As part of these arrangements it was agreed that the 313,598 ordinary shares of Aaxis (note 28) issued to ISS A/S in January 1997 would be purchased by a subsidiary of Aaxis for the sum of \$2.0 million payable to ISS A/S on or before June 1, 1998.

(vi) During the eleven months ended March 31, 1999, Banana Limited, a company controlled by Mr. 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 (note 18). Both loans are non-collateralized, repayable on demand and bear interest at 9.0 per cent per annum.

Notes to Consolidated Financial Statements

Note 31 – Post Balance Sheet Events

On April 1, 1999, the Company announced the terms of a merger between BHI Corporation and Carlisle Holdings Limited (“Carlisle”), a company incorporated in Guernsey, Channel Islands, whose shares were, at that time, traded on the Alternative Investment Market of the London Stock Exchange. Carlisle’s principal businesses are facilities services and staffing services operating in the United Kingdom. At that time, Mr. Ashcroft was the executive chairman of Carlisle and, through Portland Holdings Limited, a company incorporated in Belize (“Portland”) which is wholly owned by Mr. Ashcroft, owned and controlled 60.3 per cent of the issued share capital of Carlisle. In addition, Strand Associates Limited (in which Mr. Ashcroft has an interest) owned 5.7 per cent of the issued share capital of Carlisle. For the year ended March 31, 1999, Carlisle reported net sales of approximately \$169 million, net income before restructuring and other non-recurring charges of approximately \$7.3 million and total shareholders’ equity of approximately \$153 million.

Following approval of the merger by Carlisle shareholders on May 21, 1999, the merger was consummated on June 1, 1999 at which time BHI Corporation simultaneously changed its name to Carlisle Holdings Limited.

On May 21, 1999, prior to the merger becoming effective, BHI Corporation effected a three for one stock split under the terms of which shareholders of BHI Corporation each received two new ordinary shares of BHI Corporation for each one ordinary share then held. In connection with this stock split, BHI Corporation issued 22,488,546 new ordinary shares.

Under the terms of the merger agreement, shareholders in Carlisle each received one new ordinary share of BHI Corporation for every 43.058 Carlisle ordinary shares then held. Consequently, BHI Corporation issued 26,933,853 new ordinary shares to Carlisle shareholders.

On June 1, 1999, all outstanding warrants, share options, and other rights to subscribe for Carlisle ordinary shares were amended so as to relate to CHL ordinary shares. Consequently, Portland owns (i) Carlisle 1998 warrants which enable 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 entitle the holder to subscribe for 2,548,282 CHL ordinary shares at £4.55 per share exercisable at any time up to June 2007.

In addition, (a) the Carlisle 1996 warrants entitle the holders to subscribe for 577,145 CHL ordinary shares at £4.55 per share exercisable at any time up to June 2001; (b) the Carlisle 1994 warrants entitle the holders to subscribe for 92,920 CHL ordinary shares at prices between £7.93 and £13.67 per share exercisable at any time up to February 2004; and (c) share option arrangements entitle the holders to subscribe for 756,841 CHL ordinary shares at prices between £1.59 and £12.11 exercisable at various times up to December 2006.

On June 1, 1999, CHL converted all of its authorized and issued and outstanding ordinary shares of par value \$0.01 each into ordinary shares of no par value.

On June 11, 1999, CHL issued 1,098,604 CHL ordinary shares to Portland in satisfaction of the deferred consideration due to Portland in respect of the acquisition by Carlisle of Building Maintenance Services Limited in July 1998.

Report of Independent Accountants

To the Board of Directors and Shareholders of Carlisle Holdings Limited (formerly named BHI Corporation)

We have audited the accompanying consolidated balance sheets of Carlisle Holdings Limited and its subsidiaries as of March 31, 1999 and April 30, 1998, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the eleven months ended March 31, 1999 and each of the years ended April 30, 1998 and 1997. 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, 1999 and April 30, 1998, and the consolidated results of their operations and their cash flows for the eleven months ended March 31, 1999 and each of the years ended April 30, 1998 and 1997, in conformity with generally accepted accounting principles in the United States of America.



This report was signed in Belize City, Belize on June 25, 1999
by PricewaterhouseCoopers, London, United Kingdom.

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". The table opposite sets forth the quarterly high and low reported prices of the ordinary shares in US dollars (source: Bloomberg), adjusted to reflect the three for one stock split which became effective on May 21, 1999. Since June 2, 1999, the ordinary shares are also traded on the Alternative Investment Market of the London Stock Exchange in the United Kingdom ("AIM") under the symbol "CHL".

	Range of ordinary share prices	
	High	Low
Fiscal 1998		
First Quarter	\$ 7 ³² / ₉	\$ 6 ²² / ₆₅
Second Quarter	7 ¹ / ₃	6 ¹ / ₄
Third Quarter	10 ¹ / ₃	6 ³ / ₄
Fourth Quarter	14 ¹ / ₆	9 ²³ / ₂₄
Fiscal 1999		
First Quarter	\$15 ⁴⁵ / ₆₄	\$12 ⁵ / ₆₄
Second Quarter	11 ⁴ / ₆₄	7 ²⁷ / ₆₄
Third Quarter	11 ³⁵ / ₆₄	8 ⁷ / ₆
Fourth Quarter	9 ⁷ / ₈	8 ³⁷ / ₆₄

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Registrar and Transfer Agent

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Co-Transfer Agent

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Nominated Broker

(for AIM in the UK)
Fyshe Horton Finney
Charles House
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Birmingham B3 3HT
United Kingdom

Michael A Ashcroft

Chairman and Chief Executive Officer

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. Mr Ashcroft is currently a non-executive director of Tyco International Ltd. Mr Ashcroft is Belize's Permanent Representative to the United Nations and Treasurer of the Conservative and Unionist Party in the United Kingdom.

David Hammond

Non-Executive Director and Deputy Chairman

Mr Hammond is currently Chairman of Integrated Transport Systems Limited, the holding company of the leading European vehicle auction group. He was also Director (1984 to 1996) and Deputy Chairman (1989 to 1996) of ADT Limited. Since 1995, Mr Hammond has been a commissioner of the Competitions Commission (formerly the Monopolies and Mergers Commission) in the United Kingdom.

Sir Edney Cain

Non-Executive Director

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 United Kingdom.

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

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

Edward Turner

Non-Executive Director

Mr Turner is currently Chairman of OneSource. His previous experience includes positions as President and Chief Executive Officer of Oxford Building Services, Inc., and ADT Maintenance, Inc.

Nigel Wray

Non-Executive Director

Mr Wray is currently Chairman of Burford Holdings PLC in the United Kingdom. He also holds a number of other executive and non-executive directorships.

Corporate Information

Officers

Raymond Gross

President, OneSource (US subsidiary of Carlisle Holdings Limited)

Raymond Gross has been President of OneSource since 1998. He was formerly Senior Vice President – ADT Security Services, Inc. from 1996 to 1998 and President and Chief Executive Officer of Alert Centre, Inc., from 1993 to 1996. Mr Gross was previously President and General Manager of Cellular One of Ohio in the US, a division of Pactel (now Airtouch) Telecommunications from 1988 to 1993 and prior to that he was Executive Vice President of Management Reports, Inc., a computer services company.

Peter Fox

Chairman and Managing Director, Carlisle Group UK

Peter Fox is Chairman and Managing Director of Carlisle Group UK. He has been the Executive Chairman of the LI Group since its formation in 1989 and a director of Recruit since 1996, becoming Executive Chairman in 1997. Prior to the formation of the LI Group, he was Managing Director of the UK support services division of ADT Limited, having joined ADT following its acquisition of Pritchard Services Group, of which he was Chief Operating Officer. Mr Fox has more than 30 years' experience at senior management level within companies engaged in providing business-to-business services.

Philip Johnson

Executive Vice President, Financial Services, Carlisle Holdings Limited

Philip Johnson has been Executive Vice President of Carlisle's Financial Services business since 1995. He is a member of the Institute of Chartered Accountants in England and Wales, having trained with the international accounting firm of KPMG Peat Marwick in London. Prior to joining Carlisle, Mr Johnson spent over ten years in a variety of commercial roles, including over seven years with Lonrho PLC.

Peter Gaze

Executive Vice President and Chief Financial Officer, Carlisle Holdings Limited

Peter Gaze has been Executive Vice President and Chief Financial Officer of Carlisle 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.

Paul Coleman

Finance Director, Carlisle Group UK

Paul Coleman qualified as a chartered accountant and spent 11 years in professional accounting firms before joining an international money broking company as Financial Controller. He joined ADT Limited in 1989 where he became European Financial Director in 1991. After leaving ADT in 1996, Mr Coleman worked for Mr Ashcroft as a financial consultant on a variety of strategic investments before being appointed Finance Director of Carlisle Group UK in 1998.

Philip Osborne

Company Secretary, Carlisle Holdings Limited

Philip Osborne has been Secretary of Carlisle 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 S. J. Berwin & Co. He is a member of the International Bar Association and the Union Internazionale des Avocats.