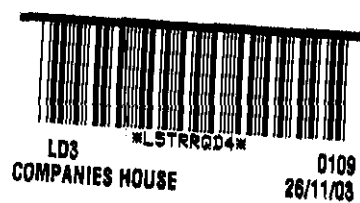


Defence Systems Eurasia Limited

(Registered Number: 3341262)

Annual Report And Financial Statements

Year Ended 31 December 2002



Defence Systems Eurasia Limited

Directors' Report For The Year Ended 31 December 2002

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal Activity

The principal activity of the company continued to be the provision of consultancy, management and administration services to fellow group companies and third party customers.

Review of the Business and Future Developments

The directors considered the results for the year and the financial position at the year-end satisfactory and are satisfied with the future developments of the company.

In July 2002, the company's ultimate parent undertaking announced its intention to sell, as a going concern, the division of their group of which Defence Systems Eurasia Limited and its subsidiaries are a part.

As at the date of this report no formal sale agreement has been concluded although negotiations with a financial buyer are at an advanced stage. These negotiations relate to the sale of the division in its entirety, on a going concern basis, and it is expected that agreement will be reached by the end of December 2003.

Results And Dividends

The company made a profit after taxation for the year of \$110,460 (2001: loss of \$324,767). The directors do not recommend the payment of a dividend (2001: \$nil) and accordingly the retained profit for the year of \$110,460 (2001: retained loss of \$324,767) has been transferred to reserves.

Directors And Their Interests

The directors who held office during the year and to the date of this report were as follows:

D J Seaton	
N A Philp	(appointed 6 September 2002)
D A Collett	(appointed 23 September 2002)
S J Loffler	(resigned 6 September 2002)
A Yakimov	(resigned 23 September 2002)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or other group companies.

Defence Systems Eurasia Limited

Directors' Report For The Year Ended 31 December 2002 (Continued)

Statement Of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

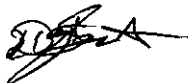
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 6 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors on 3 March 2003 and the directors appointed PricewaterhouseCoopers LLP, as auditors.

By Order of the Board



D J Seaton
Director

21st November 2003

Independent Auditors' Report to the Members of Defence Systems Eurasia Limited

We have audited the financial statements on pages 4 to 12.

Respective Responsibilities Of Directors And Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis Of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Harman House
1 George Street
Uxbridge UB8 1QQ

21 November 2003

Defence Systems Eurasia Limited

Profit And Loss Account For The Year Ended 31 December 2002

	Note	2002 US\$	2001 US\$
Turnover		3,344,011	899,894
Cost of sales		(2,151,134)	(637,373)
Gross profit		1,192,877	262,521
Administrative expenses		(951,919)	(612,298)
Profit / (loss) on ordinary activities before taxation	2	240,958	(349,777)
Tax on profit / (loss) on ordinary activities	5	(130,498)	25,010
Retained profit / (loss) for the financial year	10	110,460	(324,767)

All results derive from the continuing activities of the company.

There were no recognised gains or losses in the current year or in the prior year other than those shown above, and hence no statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

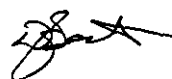
The notes on pages 6 to 12 form part of these financial statements.

Defence Systems Eurasia Limited

Balance Sheet As At 31 December 2002

	Note	2002 US\$	2001 US\$
Fixed assets			
Investments	6	9,294	30,414
Current assets			
Debtors	7	2,173,892	1,322,896
Cash		719,447	77,368
		2,893,339	1,400,264
Creditors - amounts falling due within one year	8	(3,565,940)	(2,204,445)
Net current liabilities		(672,601)	(804,181)
Net liabilities		(663,307)	(773,767)
Capital and reserves			
Called up share capital	9	3	3
Profit and loss account	10	(663,310)	(773,770)
Equity shareholders' deficit	11	(663,307)	(773,767)

Approved By The Board On 21 November 2003



D J Seaton
Director

The notes on pages 6 to 12 form part of these financial statements.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002

1 Accounting Policies

The following accounting policies have been applied consistently (with the exception of FRS 19 as detailed below) in dealing with items which are considered material in relation to the company's financial statements.

(1) Basis Of Preparation

The financial statements have been prepared in accordance with the Companies Act 1985, applicable accounting standards in the United Kingdom and under the historical cost convention.

In July 2002, the company's ultimate parent undertaking announced its intention to sell, as a going concern, the division of their group of which Defence Systems Eurasia Limited and its subsidiaries are a part. At the time these financial statements were approved no formal sale agreement has been concluded although negotiations with a financial buyer are at an advanced stage. These negotiations relate to the sale of the division in its entirety, on a going concern basis, and it is expected that agreement will be reached by the end of December 2003. The directors consider that this sales process does not affect the basis of accounting used in the preparation of these financial statements.

The financial statements show negative shareholders' funds. However, the directors believe it is appropriate for the financial statements to be prepared on the going concern basis as the ultimate parent undertaking, Armor Holdings Inc., has continued to provide support up to the date these financial statements were approved. In addition, Armor Holdings Inc., has informed the company that it is its intention to provide the company with sufficient funds, until the conclusion of the sale process, to enable it to meet its liabilities as they fall due. Furthermore, the anticipated corporate structure on conclusion of the sales process provides for a new ultimate parent undertaking. The directors believe that there is a reasonable expectation that the new ultimate parent undertaking will have sufficient resources to provide the company with adequate funds for the foreseeable future to enable it to meet its liabilities as they fall due.

(2) Changes in Accounting Policy

The company has adopted FRS 19 'Deferred Tax' from 1 January 2002 and this is reflected in these financial statements. Deferred taxation is now provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred taxation is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

Previously, provision was made for deferred taxation using the liability method on all material timing differences, to the extent that it was probable that a liability or asset would crystallise in the foreseeable future. The adoption of FRS 19 reflects a change in accounting policy although it has had no impact on the prior year comparatives or current year balances.

(3) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to group companies and third party customers during the year.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

1 Accounting Policies (Continued)

(4) Foreign Currencies

The directors consider United States dollars ("US\$") to be the functional currency and the local currency as defined under Statement of Standard Accounting Practice 20 "Foreign currency translation". Accordingly, these financial statements are presented in US\$. At 31 December 2002, the exchange rate to sterling was £1/\$1.6044 (2001: £1/\$1.4515).

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

(5) Investments

Fixed asset investments are stated at cost to the company less provision for any impairment.

(6) Pensions

The company participates in the group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

(7) Group Financial statements

Under the provisions of Section 228 Companies Act 1985 the company is exempt from the obligation to prepare and deliver group financial statements as it is included in the consolidated financial statements of Armor Holdings Limited. Accordingly, these financial statements present information about the company as an individual entity and not as a group.

(8) Cash Flow Statement and Related Party Transactions

The company is a wholly owned subsidiary of Armor Holdings Inc. and is included in the consolidated financial statements of Armor Holdings Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Armor Holdings Inc. group or investees of the Armor Holdings Inc. group.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

2 Profit / (Loss) on Ordinary Activities

	2002 US\$	2001 US\$
Loss on ordinary activities is stated after charging / (crediting):		
Staff costs (Note 4)	1,692,677	564,327
Depreciation on tangible fixed assets	-	23,372
Profit on sale of tangible fixed assets	-	(4,017)

Auditors' remuneration in respect of audit services for the years ended 31 December 2002 and 2001 was borne by a fellow group company.

3 Directors' Emoluments

	2002 US\$	2001 US\$
Directors' Emoluments		
Aggregate emoluments	84,000	50,000
Compensation for loss of office	20,000	-
	104,000	50,000

During the year ended 31 December 2002 and 2001 none of the directors accrued retirement benefits under defined benefit pension schemes or money purchase pension schemes.

4 Employee Information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2002 Number	2001 Number
Management and administration	8	3
Security services	17	15
	25	18

The aggregate payroll costs of these persons were as follows:

	2002 US\$	2001 US\$
Wages and salaries	1,681,840	561,047
Social security costs	10,837	-
Pension contributions	-	3,280
	1,692,677	564,327

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

5 Tax on Profit / (Loss) on Ordinary Activities

	2002 US\$	2001 US\$
Current tax		
Payment for group relief surrendered	-	(128,594)
Under-provision from prior year	130,498	22,584
Overseas tax	-	81,000
Total current tax	130,498	(25,010)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax credit for the current year is different to the standard rate for the reasons set out in the following reconciliation:

	2002 US\$	2001 US\$
Profit / (loss) on ordinary activities before tax	240,958	(349,777)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	72,287	(104,933)
Factors affecting tax charge for the year:		
Expenses not deductible for tax purposes	12,490	8,789
Depreciation in excess of capital allowances for period	-	2,894
Utilisation of tax losses	(84,777)	-
Foreign tax charged at higher rates than UK standard rate	-	45,656
Adjustments to tax charge in respect of previous periods	130,498	22,584
Current tax charge / (credit) for period	130,498	(25,010)

The company has no liability for deferred taxation as at 31 December 2002 (2001: \$nil).

The potential amount of deferred taxation for all timing differences is as follows:

	2002 US\$	2001 US\$
Taxation losses carried forward	57,327	-
Unprovided deferred tax asset	57,327	-

The deferred tax asset of \$57,327 (2001: \$nil) has not been recognised on the grounds that the directors do not consider it more likely than not that it will be recovered.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

6 Fixed asset investments

	2002 US\$
At 1 January 2002	30,414
Addition - Armor Group Eurasia LLC	5,000
Dissolution of investment in Defence System Eurasia Kazakhstan	(8,300)
Write down of investment in Defence System Eurasia Ukraine	(17,820)
At 31 December 2002	9,294

During the year the company acquired 100% of the share capital of Armor Group Eurasia Limited. The company has an interest of more than 10% in the following companies:

Subsidiary undertakings	Principal Activity	% share held	Country of incorporation
Defence Systems Eurasia Limited Moscow	Security services	100	Russia
Defence Systems Eurasia Limited Ukraine	Security services	100	Ukraine
Defence Systems Eurasia Limited Croatia	Security services	100	Croatia
Armor Group Eurasia LLC	Security services	100	Azerbaijan
Armor Group Eurasia Zao	Security services	100	Russia

In the opinion of the directors the investments in, and amounts due from, the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

The investment in Defence Systems Eurasia Limited Ukraine has been written down to \$nil as the directors are of the view that the carrying value of the investment has been impaired.

Defence Systems Eurasia Limited Kazakhstan was liquidated during the year ended 31 December 2002.

7 Debtors

	2002 US\$	2001 US\$
Trade debtors	114,925	47,004
Amounts owed by group undertakings	1,879,581	896,913
Amount recoverable in respect of group relief	165,096	295,594
Other debtors	10,790	3,385
Prepayments and accrued income	3,500	80,000
	2,173,892	1,322,896

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

8 Creditors: amounts falling due within one year

	2002 US\$	2001 US\$
Amounts owed to fellow subsidiary undertakings	3,419,482	2,176,524
Taxation and social security	-	2,400
Accruals and deferred income	146,458	6,550
Corporation tax	-	18,971
	<u>3,565,940</u>	<u>2,204,445</u>

9 Called Up Share Capital

	2002 US\$	2001 US\$
Authorised:		
1,000 ordinary shares of £1 each	1,630	1,630
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	3	3

10 Profit And Loss Account

	US\$
Balance as at 1 January 2002	(773,770)
Retained profit for the year	110,460
Balance at 31 December 2002	(663,310)

11 Reconciliation Of Movements In Equity Shareholders' Deficit

	2002 US\$	2001 US\$
Opening shareholders' deficit	(773,767)	(449,000)
Profit / (loss) for the year	110,460	(324,767)
Closing shareholders' deficit	(663,307)	(773,767)

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2002 (Continued)

12 Parent Undertaking

The company's immediate parent undertaking is DSL Holdings Limited, a company registered in England and Wales. The ultimate parent undertaking is Armor Holdings Inc., a company incorporated in the State of Delaware, United States of America.

The smallest group which consolidates the results of Defence Systems Eurasia Limited is Armor Holdings Limited. Copies of these group accounts can be obtained from The Secretary, Armor Holdings Limited, Egginton House, 25-28 Buckingham Gate, London SW1E 6LD.

The largest group which consolidates the results of Defence Systems Eurasia Limited is Armor Holdings Inc. Copies of these group accounts can be obtained from The Secretary, Armor Holdings Inc., 13386 International Parkway, Jacksonville, Florida 32218, USA.