

STERLING SECURITY SERVICES LIMITED
(NOW CALLED P & O SECURITY SERVICES LTD)

DIRECTORS' REPORT AND ACCOUNTS

31st DECEMBER 1992



REPORT OF THE DIRECTORS

The directors present their annual report and the audited accounts for the year ended 31st December, 1992.

Principal Activities:

The principal activity of the company is the provision of security services and secure premises.

Review of Business:

The results of the company and transfers to reserves are set out on page 4 of the accounts.

Dividends:

During the year, £860,000 of dividends were paid (1991: £265,000). The directors do not recommend the payment of a final dividend.

Fixed Assets:

Details of changes in fixed assets are shown in note 6 to the accounts.

Change of Name:

The company changed its name from Sterling Security Services Limited to P & O Security Services Limited on 18th January 1993.

Directors:

The following were directors of the company during the year:

J.D.Stirling Gallacher	(Chairman - Resigned 31st July 1992)
D.K.Fasken	(Resigned 6th January 1992)
D.R.Evans	
A.J.Senior	
M.M.Darley	
J.T.Adams	
D.P.Harrison	

The following changes have occurred since the year end:

D.P.Harrison	(Resigned 23rd March 1993)
G.Parrott	(Appointed 23rd March 1993)
H.Staunton	(Appointed 23rd March 1993)
P.Coleridge	(Appointed 23rd March 1993)
J.Tibbitts	(Appointed 23rd March 1993)
A.Frew	(Appointed 23rd March 1993)
S.Cartwright	(Appointed 23rd March 1993)
A.Robertson	(Appointed 23rd March 1993)

Directors' Interests:

No director had any beneficial interest in the shares of the company during the year.

REPORT OF THE DIRECTORS

(Continued)

The interest in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company (P&O), and of Mr D.P.Harrison are shown in the accounts of an intermediate holding company.

According to the notifications received by the Company relating to the interests of the directors and their families in the share capital and debentures of group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	31st December 1992	1st January 1992	Deferred Stock under Option granted during the year.
	No. of P&O Stock	No. of P&O Stock	
	Deferred	Deferred	
D.R.Evans	1,062	975	2,007
M.M.Darley	1,355	1,206	3,625
A.J.Senior			5,671
J.T.Adams			1,564

No director had any material interest in any contract with the company during the period.

Post Balance Sheet Events:

On 23 March 1993 Sterling Security Services Limited was acquired by Granada Group PLC.

Employment of disabled persons:

The company recognises its obligations towards disabled persons and its policy and practice is to give full and fair consideration to applications for employment made by disabled persons, to encourage the training, career development and promotion of disabled persons on the basis of their aptitudes and abilities and to retain and retrain employees who become disabled.

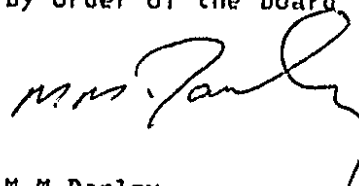
Employee information:

All employees are regularly informed, by way of company bulletins, of matters affecting the company that may concern them.

Auditors:

A resolution for the appointment of KPMG Peat Marwick will be proposed at the forthcoming Annual General Meeting.

By order of the board



M.M.Darley
Secretary

Sterling House
305 - 307 Chiswick High Road
London W4 4HH

23 March 1993

REPORT OF THE AUDITORS, KPMG PEAT MARWICK
TO THE MEMBERS OF
STERLING SECURITY SERVICES LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

23 March, 1993

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1992

	Note	1992 £000	1991 £000
TURNOVER	2	18,324	17,442
Cost of sales		(12,883)	(12,184)
GROSS PROFIT		5,441	5,258
Administrative expenses		(4,416)	(4,323)
Income from shares in group undertakings			262
Other interest receivable and similar income	5	154	97
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,4	1,179	1,294
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	11	(412)	(345)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		767	949
Dividends paid and proposed		(860)	(265)
RETAINED PROFIT FOR THE FINANCIAL YEAR		(93)	684
Retained profit brought forward		2,132	1,448
RETAINED PROFIT CARRIED FORWARD		2,039	2,132

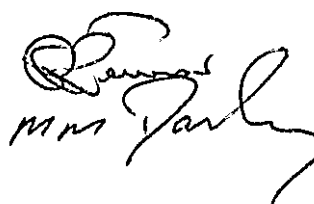
The notes on pages 6 to 14
form part of these accounts

BALANCE SHEET
at 31st December, 1992

		31st December 1992		31st December 1991	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	6		2,242		1,899
Investments	7		-		-
			<u>2,242</u>		<u>1,899</u>
CURRENT ASSETS					
Stocks	8	147		138	
Debtors	9	3,755		2,705	
Cash at bank and in hand		1,654		1,921	
		<u>5,556</u>		<u>4,764</u>	
CREDITORS: Amounts					
falling due					
within one year	10	(4,403)		(3,417)	
NET CURRENT ASSETS			<u>1,153</u>		<u>1,347</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,395</u>		<u>3,246</u>
PROVISION FOR DEFERRED TAXATION	11		-	(8)	
NET ASSETS			<u><u>3,395</u></u>		<u><u>3,238</u></u>
FINANCED BY:					
CAPITAL AND RESERVES					
Called up share capital	12		101		101
Revaluation reserve	13		1,195		945
Other reserves			60		60
Profit and loss account			2,039		2,132
			<u>3,395</u>		<u>3,238</u>

The notes on pages 6 to 14 form part of these accounts

These accounts were approved by the board of directors on 23 March 1993.

 A.J. Senior)
M.M. Darley) Directors

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

The principal accounting policies of the group that have been adopted in the preparation of the accounts are shown below.

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except that long leasehold properties are included in the accounts at a recent valuation.

(b) Fixed Assets

Long leasehold properties are included in the accounts at their latest valuation in December, 1992.

No provision has been made for any taxation liability which would arise on disposal of properties at book value outside the Peninsular and Oriental Steam Navigation Company.

(c) Depreciation and amortisation

The directors consider that no provision for depreciation or amortisation is required in respect of freehold or long leasehold property as they are maintained to a high standard.

Other fixed assets are depreciated on a straight line basis over the expected life of the asset concerned, at the following annual rates:

Plant & Machinery	5% - 20%
Fixtures & Fittings & Equipment	20%
Short Leasehold Property	20%

(d) Stocks

Stocks comprise uniforms and alarms which are valued at the lower of cost and net realisable value.

(e) Deferred Taxation

Provision is made for deferred tax liabilities resulting from timing differences where such liabilities are expected to crystallize in the foreseeable future.

(f) Goodwill

Goodwill on the acquisition of subsidiaries is written off directly against reserves.

NOTES ON THE ACCOUNTS

2. TURNOVER

This is the total amount receivable by the company for goods sold and services provided of which £2,452,544 (1991: £2,351,941) results from trading within the group.

No analysis of turnover and profit before taxation by class of business has been provided. The directors are of the opinion that such analysis would be seriously prejudicial to the interests of the company. All turnover is from services and goods supplied within the UK.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31st December 1992	Year ended 31st December 1991
	£000	£000
Depreciation	171	148
Auditors' remuneration	10	9
Operating leases	315	267
Directors' emoluments:		
(a) The aggregate emoluments of the directors, which all relate to services as executives, were:		
Emoluments	201	207
Pension scheme contributions	5	4
	206	211
(b) The emoluments of the chairman and of the highest paid director were:		
Chairman	-	-
Highest paid director	60	62
(c) The number of directors, including the Chairman and highest paid director, whose remuneration, excluding pension contributions, fell within the ranges indicated was:		
	Year ended 31st December 1992	Year ended 31st December 1991
	No.	No.
£0 - £ 5,000	2	3
£45,001 - £50,000	2	2
£50,001 - £55,000	1	1
£55,001 - £60,000	1	-
£60,001 - £65,000	-	1

NOTES ON THE ACCOUNTS

(Continued)

- (d) Certain directors (including the Chairman) were remunerated by other group undertakings, and accordingly these emoluments are not included above but are set out in the accounts of those companies.

4. STAFF NUMBERS AND COSTS

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

	Year ended 31st December 1992	Year ended 31st December 1991
Guarding	1,042	1,110
Administration	115	120
	<u>1,157</u>	<u>1,230</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	13,313	12,731
Social security costs	1,171	1,132
Other pension costs	163	121
	<u>14,647</u>	<u>13,984</u>

The company is a member of the P&O Group Pension Scheme. The Scheme is of a defined benefit nature and administered under a Trust.

Formal actuarial valuations of the main scheme are carried out triennially by R. Watson & Sons, consulting actuaries, using the projected unit method, the latest being as at 1st of April 1991, at which date the scheme was fully funded. Further details of this scheme may be found in the accounts of the Peninsular and Oriental Steam Navigation Company.

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31st December 1992	Year ended 31st December 1991
	£000	£000
Bank interest	154	97

NOTES ON THE ACCOUNTS

(Continued)

6. TANGIBLE FIXED ASSETS

	Long Leasehold at valuation £000	Plant and Machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost or valuation:				
At 1st January 1992	1,500	535	186	2,221
Revaluation	250	-	-	250
Additions	-	222	54	276
Disposals	-	(84)	(40)	(124)
At 31st December 1992	1,750	673	200	2,623
Depreciation and amortisation:				
At 1st January 1992	-	240	82	322
Charge for the year	-	121	50	171
Disposals	-	(77)	(35)	(112)
Transfers between items				
At 31st December 1992	-	284	97	381
Net book values:				
At 31st December 1992	1,750	389	103	2,242
At 31st December 1991	1,500	295	104	1,899

Long Leasehold
Land and buildings
£000

Included at valuation:	
At 31st December 1991	1,500
At 31st December 1992	1,750
Historical cost of revalued asset:	
At 31st December 1991 and 31st December 1992	540

The valuation of the long leasehold property at 31st December 1992 at £1,750,000 was made on an open market value basis by the Group Chief Surveyor R.A. Knight RICS.

NOTES ON THE ACCOUNTS

(Continued)

7. FIXED ASSET INVESTMENTS

Investments consist of 100% of the share capital of The London Silver Vaults and Chancery Lane Safe Deposit Company and 100% of the share capital of Sterling Guards Limited, both of which are dormant companies. The company is exempt, by virtue of s228 of the Companies Act 1985 from preparing group accounts. Details of the company's ultimate holding company can be found in note 15.

	31st December 1992	31st December 1991
	£	£
The London Silver Vaults and Chancery Lane Safe Deposit Company Limited Shares at cost	2	2
Sterling Guards Limited Shares at Cost	18,790	18,790
less Goodwill written off on acquisition (12,000)	(12,000)
Investment written down (6,690)	(6,690)
	102	102

The companies in which the company's interest is more than 10% are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class and percentage of shares held
The London Silver Vaults and Chancery Lane Safe Deposit Co Limited	England	Dormant	100%
Sterling Guards Limited	England	Dormant	100%

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

8. STOCKS

	31st December 1992	31st December 1991
	£000	£000
Raw materials and consumables	147	138

NOTES ON THE ACCOUNTS

(Continued)

9. DEBTORS	31st December 1992	31st December 1991
	<u>£000</u>	<u>£000</u>
Trade debtors	1,468	1,299
Amounts owed by group undertakings	767	349
Other debtors	510	325
Prepayments and accrued income	1,010	732
	<u>3,755</u>	<u>2,705</u>

The amounts owed by group undertakings
comprise:

Parent and fellow subsidiary undertakings	767	349
---	-----	-----

10. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR

	31st December 1992	31st December 1991
	<u>£000</u> <u>£000</u>	<u>£000</u> <u>£000</u>
Trade creditors	514	368
Amounts owed to group undertakings	731	229
Other creditors including taxation and social security:		
Value Added Tax	738	709
Corporation tax	414	353
Other taxes and social security	428	374
Other creditors	564	469
	<u>2,144</u>	<u>1,905</u>
Accruals and deferred income	1,014	915
	<u>4,403</u>	<u>3,417</u>

The amounts owed to group undertakings
comprise:

Parent and fellow subsidiary undertakings	731	229
---	-----	-----

NOTES ON THE ACCOUNTS

(Continued)

11. TAXATION

(a) Taxation charge on ordinary activities is as follows:

	1992	1991
	<u>£000</u>	<u>£000</u>
UK Corporation tax at 33% (1991:33.25%)	414	359
Prior year (over)/under provision	6	(11)
Deferred Taxation	(8)	(3)
	<u>412</u>	<u>345</u>

(b) The movement on the deferred tax comprises:

	1992	1991
	<u>£000</u>	<u>£000</u>
At the beginning of the year	8	11
Debit/(credit) to Profit and Loss Account	(8)	(3)
At the end of the year	<u>-</u>	<u>8</u>

(c) The full potential liability for deferred tax is as follows:

	1992	1991
	<u>£000</u>	<u>£000</u>
Capital allowances	-	8
On property if realised at the net book value shown in the balance sheet.	399	317
	<u>399</u>	<u>325</u>

12. SHARE CAPITAL

	31st December 1992	31st December 1991
	<u>£000</u>	<u>£000</u>
Authorised, allotted, called up and fully paid:		
2% Non-cumulative deferred shares of £1 each	100	100
Ordinary shares of £1 each	1	1
	<u>101</u>	<u>101</u>

NOTES ON THE ACCOUNTS

(Continued)

13. RESERVES

	Revaluation Reserve £000	Other Reserves £000
At 1.1.92	945	60
Revaluation during the year	250	-
At 31.12.92	<u>1,195</u>	<u>60</u>

14. COMMITMENTS

CAPITAL

Commitments for capital expenditure for which no provision had been made in the accounts amounted to:

	1992 £000	1991 £000
Contracted	<u>23</u>	<u>82</u>

REVENUE

The commitment of the Company during the following year in respect of non-cancellable operating leases is as follows:

	1992		1991	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Leases expiring:				
In 1993	-	38	10	61
1994-1997	137	234	135	156
After 1997	202	-	141	-
	<u>339</u>	<u>272</u>	<u>286</u>	<u>217</u>

NOTES ON THE ACCOUNTS

(Continued)

15. ULTIMATE HOLDING COMPANY

As at 31 December 1992, the company's ultimate parent company was The Peninsular and Oriental Steam Navigation Company ("P & O"), a company incorporated in England and Wales. Copies of the group accounts may be obtained from Companies House.

On 23 March 1993 a substantial part of the P & O Services Group, of which this company forms a part, was acquired by Granada Group PLC, a company incorporated in England and Wales. The accounts of the new ultimate parent company can be obtained from The Secretary, Granada Group PLC, 36 Golden Square, London. W1R 4AH.