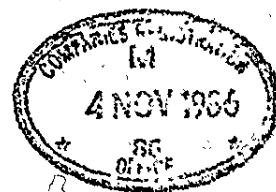


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RELIANCE SECURITY GROUP LIMITED
DIRECTORS' REPORT AND ACCOUNTS
for the year ended
5 APRIL 1986



BinderHamlyn 
CHARTERED ACCOUNTANTS

RELIANCE SECURITY GROUP LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
5 APRIL 1986

1.

RELIANCE SECURITY GROUP LIMITED

REPORT OF THE DIRECTORS
for the year ended 5 APRIL 1986

ACCOUNTS

The directors present their report and accounts for the year ended 5 April 1986.

ACTIVITIES

The principal activities of the group are the provision of security services, equipment leasing and property investment.

REVIEW AND DEVELOPMENT OF BUSINESS

In the year the group has begun to see profits from its earlier policy of developing a wider geographical spread of operational Centres. Centres outside the Home Counties have for the first time contributed significantly and taken with an increase in the longer established areas in which the group operates, the effect on profits has been greatly encouraging. It is anticipated that this trend will continue in the coming year and be supplemented by further geographic development. It is notable that favourable progress has been made with long established customers in many of the new areas in which the group has commenced operations.

The directors have reported in previous years that it was their belief that the market for security services continued to grow and this has once again been confirmed this year with many new customers converting from the in-house provision of security services to the contract services provided by Reliance. This trend has also been evident in the public sector where contracting out continues to develop. The group enjoys a reputation for providing the highest standards of service and practises a system of close control and supervision of all its assignments.

RESULTS

The results for the year are set out in the profit and loss account on page 4.

FIXED ASSETS

Significant changes in fixed assets during the year are set out in note 8 to the accounts. A professional valuation of the groups' freehold properties at 5 April 1986 showed a surplus over the net book amount of some £162,000.

EMPLOYMENT OF DISABLED PERSONS

It has been, and is, the group's policy to give full and fair consideration to the employment and development of disabled persons having regard to their qualifications and abilities.

DIRECTORS

The directors of the company at 5 April 1986 and throughout the year were:

B.A. Kingham
C.C. Norland F.C.A.

RELIANCE SECURITY GROUP LIMITED

REPORT OF THE DIRECTORS
for the year ended 5 APRIL 1986
(continued)

EMPLOYEES

The directors attach the highest priority to achieving excellent communication between people throughout the business. The nature of the very wide geographical spread of employees places special requirements on the management team. An internal consultative group meets regularly to contribute to making policy, to review employment conditions and to help improve services and efficiency. The business is structured so as to ensure the close identity of employees with the needs of the business and a close and continuous contact between the senior managers and employees at all levels is the major feature of this. Frequent news letters are sent to individual employees and a company publication, Reliance News, is distributed. All senior managers as part of customer service monitoring are required to meet with individual employees on a regular basis.

DONATIONS

During the year the company made a donation of £2,000 to the Conservative and Unionist Party.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The directors' interests in the shares of the company throughout the year were as follows:

Ordinary shares of 1p each

B.A. Kingham
C.C. Norland (non-beneficial)

433,532
100

Mr. Kingham's interests in the shares of the company includes 86,700 ordinary shares held by trusts in which he has a beneficial interest.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Binder Hamlyn as auditors.

By Order of the Board,


Secretary.

Surety House,
81, Chester Square,
London, SW1W 9DR.

17 October 1986

REPORT OF THE AUDITORS TO THE MEMBERS OF
RELIANCE SECURITY GROUP LIMITED

We have audited the financial statements on pages 4 to 16 in accordance with approved Auditing Standards.

In our opinion, the financial statements, which have prepared in accordance with the accounting policies on page 8, give a true and fair view of the state of affairs of the company and the group at 5 April 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Binder Hamlyn

Chartered Accountants.


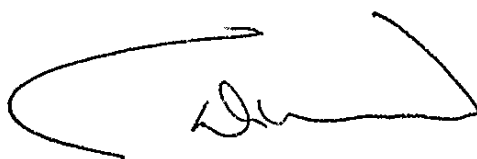
17 October 1986

RELIANCE SECURITY GROUP LIMITEDGROUP PROFIT AND LOSS ACCOUNT
for the year ended 5 APRIL 1986

	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	2	18,636,060	14,700,845
Cost of sales		(13,250,743)	(10,655,345)
Gross profit		5,385,317	4,045,500
Distribution costs		(164,581)	(214,680)
Administrative expenses		(4,325,397)	(3,487,425)
Other interest receivable and similar income		56,377	8,720
Interest payable and similar charges		(11,384)	(49,711)
Other operating income		3,757	-
Profit on ordinary activities before taxation	3	944,089	302,404
Tax on profit on ordinary activities	5	(553,525)	(19,389)
Profit on ordinary activities after taxation	7	390,564	283,015
Extraordinary losses	6	-	(149,000)
Profit for the year transferred to reserves	15	£390,564	£134,015

RELIANCE SECURITY GROUP LIMITED
GROUP BALANCE SHEET at 5 APRIL 1986

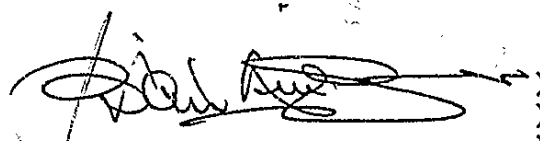
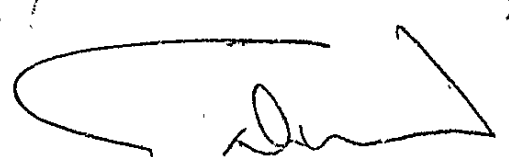
	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
FIXED ASSETS			
Tangible assets	8 (a)	<u>1,269,599</u>	<u>1,343,730</u>
CURRENT ASSETS			
Debtors	10	2,927,243	2,369,657
Cash at bank and in hand		<u>1,362,831</u>	<u>259,705</u>
		4,290,074	2,629,362
CREDITORS (amounts falling due within one year)	11	<u>(3,638,023)</u>	<u>(2,261,322)</u>
NET CURRENT ASSETS		<u>652,051</u>	<u>368,040</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,921,650</u>	<u>1,711,770</u>
CREDITORS (amounts falling due after more than one year)	12	(236,887)	(323,028)
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(826,057)</u>	<u>(920,600)</u>
NET ASSETS		<u>£858,706</u>	<u>£468,142</u>
CAPITAL AND RESERVES			
Called up share capital	14	4,335	4,335
Share premium account	15	428,999	428,999
Other reserves	15	14,245	14,245
Profit and loss account	15	<u>411,127</u>	<u>20,563</u>
		<u>£858,706</u>	<u>£468,142</u>


) Directors


RELIANCE SECURITY GROUP LIMITED

BALANCE SHEET at 5 APRIL 1986

	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
FIXED ASSETS			
Tangible assets	8 (b)	48,871	101,011
Investments	9	<u>1,430,087</u>	<u>1,430,087</u>
		<u>1,478,958</u>	<u>1,531,098</u>
CURRENT ASSETS			
Debtors	10	237,138	107,637
Cash at bank and in hand		<u>2,243</u>	<u>3,745</u>
		239,381	111,382
CREDITORS (amounts falling due within one year)	11	<u>(1,277,240)</u>	<u>(1,364,006)</u>
NET CURRENT LIABILITIES		<u>(1,037,859)</u>	<u>(1,252,624)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		441,099	278,474
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(3,040)</u>	<u>(3,600)</u>
NET ASSETS		<u>£438,059</u>	<u>£274,874</u>
CAPITAL AND RESERVES			
Called up share capital	14	4,335	4,335
Share premium account	15	428,999	428,999
Profit and loss account	15	<u>4,725</u>	<u>(158,460)</u>
		<u>£438,059</u>	<u>£274,874</u>

)
) Directors


RELIANCE SECURITY GROUP LIMITEDGROUP SOURCE AND APPLICATION OF FUNDS STATEMENT
for the year ended 5 APRIL 1986

	£	<u>1986</u>	£	£	<u>1985</u>	£
SOURCE OF FUNDS						
Profit on ordinary activities before taxation and extraordinary items			944,089			302,404
Extraordinary items			-			(149,000)
Items not involving movement of funds:						
Depreciation	276,457			255,074		
(Profit)/loss on sale of tangible fixed assets	(7,480)			52,977		
		268,977				308,051
Generated from operations		1,213,066				461,455
Funds from other sources:						
Proceeds of sale of tangible fixed assets		20,276				89,695
		1,233,342				551,150
APPLICATION OF FUNDS						
Taxation paid				30,847		
Purchase of tangible fixed assets	215,122			489,721		
		215,122				520,568
		£1,018,220				£30,582
WORKING CAPITAL						
Debtors		557,586				720,827
Creditors		(576,790)				(422,466)
Net liquid funds - Bank overdraft		(65,702)				(474,787)
- Cash in hand		1,103,126				207,008
		£1,018,220				£30,582

RELIANCE SECURITY GROUP LIMITEDNOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986

1. ACCOUNTING POLICIES

(a) Basis of consolidation

The group accounts as in previous years have been prepared under the historical cost convention, and include the accounts of subsidiaries listed in note 9. A separate profit and loss account dealing with the results of the company only has not been presented as permitted under section 228(7) of the Companies Act 1985.

(b) Depreciation

No depreciation is provided on freehold land. Leaseholds are written off by equal annual instalments over the life of each lease. Depreciation on other fixed assets is calculated to write off each item over its expected useful life by equal annual instalments. The expected useful lives are:-

	<u>Years</u>
Freehold buildings	50
Furniture, fixtures and fittings	5
Motor vehicles	4
Equipment	3-5

(c) Deferred taxation

Deferred taxation is provided on the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts except to the extent that the liability will not be payable in the foreseeable future.

(e) Goodwill

Goodwill arising on consolidation is written off as it arises.

2. TURNOVER

Turnover comprises the total amount receivable for services supplied net of VAT.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
After charging:-		
Directors' emoluments (see note 4)	64,244	43,233
Depreciation	276,457	255,074
Hire of plant and machinery	52,544	46,453
Rent on leased properties	142,706	138,547
Other operating lease and hire charges	268,732	268,796
Auditors' remuneration	18,350	25,400
Interest payable on bank and other borrowings repayable within five years	11,384	35,463
Accrual for additional income tax and national insurance of which £219,000 relates to previous years	300,000	-
After crediting:		
Interest receivable	56,377	6,517

RELIANCE SECURITY GROUP LIMITED

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

4. DIRECTORS AND EMPLOYEES

	<u>1986</u>	<u>1985</u>
	£	£
Directors' remuneration:		
Fees	2,500	2,500
Management remuneration	41,744	40,733
Pension contributions	<u>20,000</u>	<u>-</u>
	£64,244	£43,233
	=====	=====
Chairman's emoluments	<u>£41,744</u>	<u>£40,733</u>
	=====	=====
The emoluments of the other director were in the following range:		
£0 - £5,000	<u>1</u>	<u>1</u>
	=====	=====

Employees

The average number of persons employed by the group during the year was:-

	<u>1986</u>	<u>1985</u>
	Number	Number
Security and operational staff	1,808	1,502
Office staff and management	<u>254</u>	<u>206</u>
	2,062	1,708
	=====	=====
Their total remuneration was:	£	£
Wages and salaries	13,846,885	10,766,685
Social security costs	1,270,933	1,080,323
Other pension costs	<u>148,718</u>	<u>88,576</u>
	£15,266,536	£11,935,584
	=====	=====

The number of employees of the group whose emoluments exceeded £30,000 was:

	<u>1986</u>	<u>1985</u>
£30,001 - £35,000	3	-
£35,001 - £40,000	<u>1</u>	<u>-</u>
	=====	=====

RELIANCE SECURITY GROUP LIMITED

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
U.K. Corporation tax at 40% (1985 - 45%)	555,949	32,000
Transfer (from)/to deferred taxation	<u>(136,543)</u>	<u>81,652</u>
	419,406	113,652
Adjustments in respect of previous years		
Corporation tax	92,119	-
Deferred taxation	<u>42,000</u>	<u>(94,263)</u>
	£553,525	£19,389
	<u> </u>	<u> </u>
6. EXTRAORDINARY LOSS	<u>1986</u>	<u>1985</u>
Extraordinary charges:		
Costs relating to the termination of activities of Intercept Reliance Security Limited	-	(£149,000)
	<u> </u>	<u> </u>
7. PROFIT FOR THE YEAR		

The group's profit for the year includes a profit of £163,185 attributable to the holding company which has been dealt with in its own accounts.

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

1. TANGIBLE FIXED ASSETS - GROUP

	Freehold land and buildings	Short leasehold land and buildings	Furniture, fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At 6 April 1985	699,007	486,562	566,884	130,978	1,883,431
Additions	-	9,931	178,314	26,877	215,122
Disposals	-	-	(18,315)	(62,468)	(80,783)
At 5 April 1986	699,007	496,493	726,883	95,387	2,017,770
Depreciation:					
At 6 April 1985	28,637	81,981	336,904	92,179	539,701
Provision for the year	21,838	92,222	136,232	26,165	276,457
Disposals	-	-	(12,881)	(55,106)	(67,987)
At 5 April 1986	50,475	174,203	460,255	63,238	748,171
Net book value:					
At 5 April 1986	£648,532	£322,290	£266,628	£32,149	£1,269,599
At 5 April 1985	£670,370	£404,581	£229,980	£38,799	£1,343,730

Capital expenditure authorised by the directors at 5 April 1986 but not provided for in accounts is as follows:

	1986	1985
	£	£
Contracted for	-	-
Not contracted for	312,750	63,650

The company has no capital expenditure commitments (1985 : nil).

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

8(b). TANGIBLE FIXED ASSETS - COMPANY

	Short leasehold land and buildings	Furniture fixtures and fittings	Total
	£	£	£
Cost:			
At 6 April 1985	106,945	24,490	131,435
Additions	-	8,028	8,028
Disposals	-	(5,523)	(5,523)
At 5 April 1986	106,945	26,995	133,940
Depreciation:			
At 6 April 1985	21,387	9,037	30,424
Provision for the year	51,451	6,256	57,707
Disposals	-	(3,062)	(3,062)
At 5 April 1986	72,838	12,231	85,069
Net book value:			
At 5 April 1986	£34,107	£14,764	£48,871
At 5 April 1985	£85,558	£15,453	£101,011

9. FIXED ASSET INVESTMENTS

Company

1985 and 1986

Shares in group companies

£1,430,087

The investment in group companies is after provisions of £249,900 (1985 - £249,900).

The company owns 100% of the ordinary share capital of the following subsidiaries which are incorporated in Great Britain.

Reliance Security Services Limited
Security Shredding Limited
Reliance Property Holdings Limited
Intercept Reliance Security Limited

Nature of
business
Security services
Security services
Property investment
Electronic security
services
Dormant

Movicrown Limited

RELIANCE SECURITY GROUP LIMITED

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

10. DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Trade debtors	2,245,618	1,664,652	-	-
Amounts owed by subsidiaries	-	-	1,746	1,916
Other debtors	531,500	641,134	34,650	30,025
Prepayments and accrued income	150,125	63,871	742	696
Dividend receivable	-	-	200,000	75,000
	<u>£2,927,243</u>	<u>£2,369,657</u>	<u>£237,138</u>	<u>£107,637</u>

Other debtors include amounts due after more than one year of £279,013 (1985 - £384,833).

11. CREDITORS (amounts falling due within one year)

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Bank overdrafts	573,481	507,779	-	-
Trade creditors	175,941	88,916	-	-
Amounts owed to subsidiaries	-	-	1,214,346	1,342,569
Other creditors	573,676	403,677	7,011	-
Corporation tax payable	884,713	236,645	14,247	-
Other taxes and social security	853,720	617,087	7,879	4,128
Accruals and deferred income	576,492	407,218	33,757	17,309
	<u>£3,638,023</u>	<u>£2,261,322</u>	<u>£1,277,240</u>	<u>£1,364,006</u>

The group has charged its freehold properties to secure the guarantees given to its bankers in respect of the bank overdrafts (See note 16).

12. CREDITORS (amounts falling due after more than one year)

	<u>Group</u>	
	<u>1986</u>	<u>1985</u>
Other creditors	<u>£236,887</u>	<u>£323,028</u>

RELIANCE SECURITY GROUP LIMITED

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

12. CREDITORS (amounts falling due after more than one year) (continued)

The balance on other creditors comprises amounts payable to lessors under finance leases as follows:-

	<u>1986</u> £	<u>1985</u> £
Within one year	86,141	86,141
One to 2 years	86,141	86,141
2 to 3 years	86,141	86,141
3 to 4 years	64,605	86,141
4 to 5 years	-	64,605
Less: Within one year (note 11)	<u>(86,141)</u>	<u>(86,141)</u>
	<u>£236,887</u>	<u>£323,028</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1986</u> £	<u>1985</u> £
GROUP		
Deferred taxation (see below)	76,057	170,600
Other provisions (see below)	<u>750,000</u>	<u>750,000</u>
	<u>£826,057</u>	<u>£920,600</u>

	<u>Potential</u>	
	<u>1986</u> £	<u>1985</u> £
Deferred taxation		
Group:		
Short term timing differences	(112,000)	-
Accelerated capital allowances	213,159	271,600
Loss relief	<u>(25,102)</u>	<u>(101,000)</u>
	<u>£76,057</u>	<u>£170,600</u>
Company:		
Accelerated capital allowances	<u>£3,040</u>	<u>£3,600</u>
	<u>1986</u>	<u>1985</u>
Group		
Other provisions	<u>£750,000</u>	<u>£750,000</u>

Provision has been made for taxation relating to loss relief claimed in previous years arising from losses incurred by a film partnership. This relief may not now be available as a result of a decision by the Special Commissioners.

RELIANCE SECURITY GROUP LIMITEDNOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

14. CALLED UP SHARE CAPITAL

Authorised:
500,000 Ordinary shares of 1p each

Allotted and fully paid:
433,532 Ordinary shares of 1p each

1985 and
1986£5,000£4,335

15. RESERVES - GROUP

	Share premium account £	Reserve on consoli- dation £	Profit and loss account £
At 5 April 1985	428,999	14,245	20,563
Profit for the year	-	-	390,564
At 5 April 1986	<u>£428,999</u>	<u>£14,245</u>	<u>£411,127</u>

RESERVES - COMPANY

	Share premium account £	Profit and loss account £
At 5 April 1985	428,999	(158,460)
Profit for the year	-	163,185
At 5 April 1986	<u>£428,999</u>	<u>£4,725</u>

16. CONTINGENT LIABILITIES

Interlocking guarantees have been given to the bank by the company and its fellow subsidiaries. At 5 April 1986 the advances subject to these guarantees totalled some £573,000 (1985 - £508,000).

RELIANCE SECURITY GROUP LIMITED

NOTES TO THE ACCOUNTS
for the year ended 5 APRIL 1986
(continued)

17. OPERATING LEASES

Payments committed to be made in the year ending 5 April 1987 in respect of operating leases are as follows:

	<u>Leasehold properties</u>	<u>Motor vehicles</u>
	£	£
Within 1 year	20,224	12,863
Between 2 and 5 years	37,000	197,434
After more than 5 years	<u>60,170</u>	<u>-</u>
	<u>£117,794</u>	<u>£210,297</u>

18. DIRECTORS' INTERESTS IN CONTRACTS

- (a) Included in other creditors are amounts owing by subsidiaries to Mr. B.A. Kingham and Mr. C.C. Norland of £244,271 and £14,014 respectively. Of these amounts £237,260 due to Mr. Kingham and the whole of the amount due to Mr. Norland arose prior to the acquisition of the relevant subsidiary company. These amounts have subsequently been repaid.
- (b) Included in debtors is £16,928 due from companies in which a director, Mr. B.A. Kingham, has a material interest.
- (c) On 17 April 1985 the company made an unsecured loan to Mr. Kingham of £332,500. The loan was repaid on 23 July 1986 and carried interest at commercial rates.

19. APPROVAL OF ACCOUNTS

These accounts were approved at a directors' meeting held on 17 October 1986.