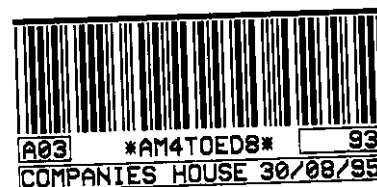


Reliance is an established market leader in the provision of contract security management, manpower and electronic surveillance services. We employ over 5,000 people from a network of offices throughout Great Britain.

We place the highest value on partnership with our customers and on innovative management practices which promote employee involvement, skills enhancement and accountability. Our business culture has as its basis the fundamental commitment to continuous improvement in every aspect of our work.

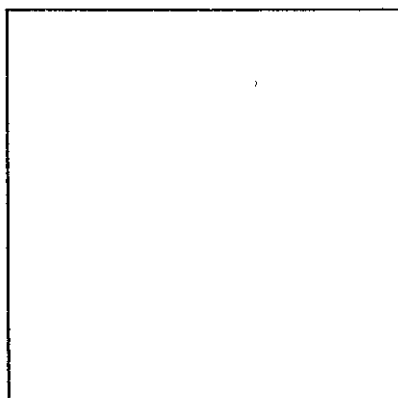
Our constant priority is anticipating our customers' needs and meeting them speedily and effectively. Our success has been built on long term partnerships with our customers in which we provide services and products of the highest quality and value.

- 2 Chairman's statement
- 6 Operational review
- 12 Board of directors
- 14 Directors and advisers
- 15 Directors' report
- 17 Directors' statement of responsibilities
- 18 Auditors' report on corporate governance
- 18 Auditors' report
- 19 Group profit and loss account
- 20 Group balance sheet
- 21 Balance sheet
- 22 Group cash flow statement
- 23 Statement of total recognised gains and losses
- 23 Note of historical cost profits and losses
- 23 Reconciliation of movements in shareholders' funds
- 24 Notes to the accounts
- 34 Notice of Annual General Meeting



- Reliance independently rated as the security company with the highest proportion of satisfied customers
- Reliance pioneered service level agreements in the security industry
- National quality standards ISO 9000 (BS 5750) assured
- Experienced security personnel enjoying above industry average wages
- National infrastructure of assessors and verifiers for National Vocational Qualifications
- Over 50% of employees have achieved City & Guilds or National Vocational Qualifications
- Added value through continuous improvement
- Local expertise supported by national infrastructure
- Reliance provides services to over 60% of the Times Top 100 companies

# Chairman's statement



## Results

Turnover for the year was £82m (1994: £69m) up 20% and operating profit was £4.0m (1994: £2.7m) up 49% compared to the continuing business last year. Headline earnings per share increased to 10.0p (1994: 5.1p). The directors are proposing a final dividend of 4.4p per share taking the total to 5.8p, an increase of 23%.

As I indicated at the half year, the significant rise in profits has resulted from increased turnover. The earlier investment in programmes to promote operating efficiencies and to add greater value for customers was also an influence.

## Review of the year

The trends I referred to in my half year statement have prevailed with improvement in the demand for contract security services. Whilst 'contracting out' in the private and public sectors has been a feature, we have been conscious of wider legislative, business management and social changes having a favourable impact on demand

for our services. Welcome growth in business from long established customers has also been evident.

We have continued to experience pressure on margins. Our response has been to redouble efforts to find better and more cost effective processes to meet the needs of our business whilst providing still greater customer appeal and satisfaction. Difficult market conditions have served as a constant reminder that our long term growth and success will be assured by being the "highest value" supplier in our market place. Further investment has been made in IT facilities which we expect will increasingly impact on the added value we offer our customers. We have benefited from the economies of scale I referred to in my statement last year and we will see further benefits in the year ahead.

The fall in unemployment in each month under review has been notable and whilst it has not affected market conditions so far, if sustained, it will cause significant favourable change. Lower levels of unemployment favour the greater emphasis which Reliance has traditionally placed on employee retention and on training and skills enhancement. Difficult recruitment conditions place Reliance at a powerful competitive advantage through higher wages than the British security industry average and because of our large national recruitment network.

## Increased market share

The significant rise in turnover this year brings with it an increase in our market share and has

enabled us to add to the resources directed to our local contract management support services to customers. Notable strengthening has taken place in Scotland, the North East of England and in Yorkshire as well as in some of our long established regions. In line with our strategy of providing highly responsive and fully resourced local services to our customers we have opened more operational offices. The completion of our present programme of openings will provide additional offices at Edinburgh, Middlesbrough, Sheffield, Hull, Manchester, Swindon, Oxford, Gloucester and Norfolk. These developments demonstrate powerfully our long established policy of placing maximum priority at the point of delivery of our services to customers.

#### **Management focus**

A focus of management attention this year has once again been in the area of customer care and finding new means to add value. Hand in hand with steps to develop those management processes which ensure a high degree of employee involvement we have once again reviewed our internal training programmes and added to their content and scope. Our need to respond to changing health and safety legislation on our customers is indicative of new demands and opportunities to add value. We constantly refine and improve our management approach and operational practices. Processes to facilitate constant measurement and review of progress, as well as deepening commitment to continuous improvement, characterise some of our priorities. We maintain a high degree of

emphasis on best practice and aim to innovate frequently, revisiting and measuring key areas of the business. In setting ourselves benchmarks we have looked to international best practice.

#### **Customer satisfaction**

A practical measure of our effectiveness this year, which has provided direction for our continuous improvement efforts, was an independent customer opinion survey. This gave reassurance in confirming our market leadership position and provided important insights on our relative strengths against competitors in our market. It provided a basis for adjustments in our management priorities and in our employee training programmes. Training and skills development are a constant management preoccupation which we approach in close partnership with our customers. Whilst we believe we direct an above average share of resources to training, the extent of this is, however, very clearly controlled by our customers in their budgeting decisions. There is growing customer acceptance, however, of the merits

"...our long term growth and success is assured by being the 'highest value' supplier in the market place..."

**Turnover up 20% to £82m**

"...In setting ourselves benchmarks we have looked to international best practice..."

**Above industry average wages**

"... Our vision for the future is one of extending our market leadership position..."

**Increased number of operational offices**

of spending on extra training, both in specialist tasks and in the provision of update and refresher training. Through our service level agreements, which we pioneered in the security industry, we have an accurate method of performance appraisal, a constant means of identifying changing customer requirements and training needs.

Our experience throughout the country of threats to security across a wide range of businesses and industries had enabled us to build up a highly specialist knowledge base. The retrieval and transference of this knowledge and the skills we develop as a result is a central feature in adding value for our customers.

#### **Public sector growth**

We propose to expand our long standing relationships with the public sector. As part of this we have continued to invest in participation in the government's market testing programme. Our work for the Lord Chancellor's department in the courts and for a host of national and local government establishments and agencies, including this year the Royal Parks Constabulary, has grown encouragingly.

We have increased investment in our specialist custodial and court services company, placing us in a strong position to win significant contracts due for tender by the Home Office this year.

#### **Electronic surveillance**

At the end of our last financial year I reported the sale of our intruder alarm business which has enabled us to concentrate on the development of our electronic surveillance activities, including the design, installation and maintenance of access control and closed circuit television systems for the commercial and industrial customer. We attracted a wide range of new customers this year; among them were installations for Oxford City Council, Gloucester Royal Hospital,

the Ministry of Defence, London Underground and Peugeot Talbot Motor Company. We expect our surveillance business to contribute to profits in the year ahead.

#### **Security industry regulation**

We support the call for government regulation of the private security industry and at the time of writing are studying the recommendations of the House of Commons Home Affairs Select Committee. We believe that regulation could help to ensure proper accountability from those sections of the industry which currently fail to subscribe to independent inspection and the codes of practice of the British Security Industry Association (BSIA). It could meet the reasonable concerns expressed by the police service to ensure the probity of those involved in this industry. We have worked with the BSIA in developing standards and look forward to playing our part in helping to create an appropriate regulatory framework.

Meanwhile, we will continue to submit our operations to regular independent inspection by the Inspectorate of the Security Industry and to frequent inspection under our ISO 9000 certification. We comply with British Standard 7499 for static guarding and mobile patrol activities. Our electronic surveillance systems are subject to inspection by the National Approval Council for Security Systems. The independence of these inspections underlines our long established commitment to accountability in our operations.

#### **Our people**

Our employees have once again demonstrated great team work, dedication and skill in providing the highest quality of service for our customers and in growing our business. I take this opportunity to thank them most warmly.

One noteworthy measure of our employees'



**Turnover**  
from continuing  
operations (£000's)



**Operating profit**  
from continuing  
operations (£000's)



**Earnings per share**  
Headline basis (pence)

commitment to continuous improvement and above average levels of skill is compellingly illustrated in Reliance holding the second largest number of National Vocational Qualifications (NVQ Level 2) for the whole of the security industry. A similar enthusiasm has been evident for City & Guilds diplomas. This year a highly visible endorsement of our belief in high standards of care for skills improvement was our formal commitment to working to the national standard Investors in People.

The demanding competitive conditions of recent years serve to remind us of the supreme importance of the many less obvious measures which our managers take every day to involve our employees and to help them become more valuable. Our quality systems, known within the company as 'the Reliance difference', are designed to provide a constant inspiration to genuine employee involvement and participation. Once again our formal employee opinion survey, enlarged this year to take account of the preparatory work for Investors in People, indicates further progress in our management response across a wide area of employee care and support. This renewal of management resolve in valuing and empowering our employees will be given still higher priority in the year ahead.

For the first time this year the majority of senior management appointments were made by internal promotions. We see this as a welcome reward for the above average expenditure of time and effort over the last few years in management development schemes. With the assistance of outside specialists we have developed assessment centre techniques which are proving highly reliable in management development and selection. Looking to the management needs of our anticipated growth over the next 10 years, we have sharply increased our graduate intake this year.

## Board

It was with deep sadness we received the news of the death of General Sir Victor FitzGeorge Balfour, who contributed so much to the development of the Group as a member of the Board between 1974 and 1992; we shall miss him very much.

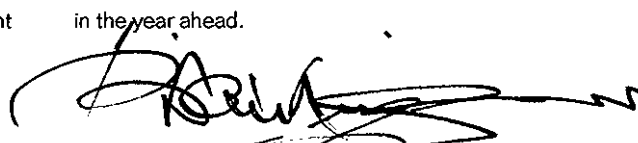
During the year we continued to strengthen the management team. John Curtis joined us as Managing Director of Reliance Security Services Ltd (RSSL) and David Cairns, previously our General Manager in the Midlands, was appointed to the Board of RSSL. Mark Radcliffe, on joining the board of Reliance Security Group PLC as a Non-executive Director, was replaced by Ian Fraser as Executive Chairman of RSSL.

## Dividend

The directors are proposing a final dividend of 4.4p to be paid on 3 October 1995. This brings the total dividend to 5.8p, an increase of 23% over last year.

## The future

Our development strategy of investment in our people, in world class management processes, in training, in continuous improvement and in customer care has been consistent and proved highly effective. We are one of the largest operators in our industry with established long term partnerships with our customers. Our market is once again experiencing growth. Our costs are well controlled with capacity to absorb increased volume. Our vision for the future is one of extending our market leadership position by increasing skills and adding more value for our customers. We look forward to sustained growth in the year ahead.

  
**Brian Kingham** Chairman

Buying security services is a critical issue. Our customers understand that it is important to look closely at the substance of a security supplier: their history, reputation, philosophy and the value that their abilities can bring them. Founded in 1973, Reliance has over 20 years of experience providing an excellent security service. Reliance is the supplier of choice for leading companies in the UK. The combination of a national network of centres and strong local management focus provides the ideal structure for delivering the highest value security service.

**ISO 9000**  
guarantees  
consistent  
national  
standards

## National standards of excellence

**S**upport services are a vital part of 'total product' competitiveness in all businesses today. The management need to re-engineer and outsource relies on the ability to successfully purchase services that were once routinely provided as part of the overhead. As with the development of good personnel practices, successful supplier relationships do not happen by chance – they develop in the context of long term partnerships of consistent care and service. The key contributor to a thriving service partnership is that both the supplier and the customer focus upon mutual competitive advantage. The contractor becomes an extension of the customer's management team, and the service provided reflects his character and business objectives.

National companies have to choose a supplier that provide benefits across the whole range of their operations while taking account of the specialist security needs at each location. The nominated supplier must have the standards and techniques in place to deliver a consistent service across all the company's locations. Externally verifiable quality standards such as ISO 9000 (BS 5750) provide

Area managers  
hold **regular**  
customer  
meetings

Locations  
linked by  
**RCC**

**17 sites in the UK**

Reliance provides fully resourced security teams for 17 locations across the UK. Staff are coordinated by their local contract managers and the Reliance Communications Centre (RCC). ISO 9000 (BS 5750) guarantees consistent service throughout the country for the following roles:

- Gatehouse and site security
- Reception
- Secretarial support
- Fire equipment maintenance
- First aid
- Courier services
- Post/mail room
- Machinery warm-up
- Alarm testing
- Computer recording
- Application of security procedures

a minimum benchmark – but quality must be part of the fabric of the nominated supplier. The measurement of supplier standards and the continuous improvement of service quality and productivity are essential components of a long term successful national partnership.

Reliance is a market leader in the provision of managed security services supplied through our national network of local centres. We adopt the concept of 'partnership sourcing' and our experienced management develop close working relationships that promote competitive advantage for us and our customers. Reliance pioneered service level agreements in the security industry, and use them to monitor performance and measure productivity objectively. Through regular management contact with customers and service quality surveys we are committed to delivering and monitoring service of a world class standard. As a result Reliance rates as the company with the highest proportion of satisfied customers in the industry and provides services to over 60% of the Times Top 100 companies.



The security of people, property and other business assets is receiving increased boardroom attention. A recent insurance company survey showing that 70% of boards had discussed security in the last six months indicates that the topic is attracting greater priority. Today's security contributes at many levels in the organisation and comprises much more than the provision of a person in a uniform. Security responsibilities are expanding to cover health and safety, first aid, reception and environmental management as well as the safety of people and property. The management of these key areas of contracted responsibility must meet the customer's best standards. To meet customer needs for new ideas, more flexibility, enhanced service and a higher level of expertise, the supplier must go beyond security; providing the essential back-up support and thus adding value to the customer.

A large security contract will make demands upon the full range of a supplier's skills. In customer opinion surveys a key issue is the quality of security service – which is invariably linked to the calibre of contract management. The 'front line' service managers must have access to local back-up services that combine with their activities to provide a professional contracted security service. This size of contract will require national quality standards as well as a wide range of experience, a company commitment to skills enhancement and the necessary investment in training. Strong local management must effectively control rescheduling of manpower during holidays, illness and peaks in security requirements. The balance between national efficiency and local effectiveness is required by customers who must themselves compete in national markets while maximising local strengths.

Reliance Security Officers provide services for over 4,500 employees and a large number of important visitors.

The security roles are complemented by:

- Support services on reception
- Bank messenger and loading bay duties
- Systems and vending machine management

In addition Reliance supplies standard security services including:

- High profile security officers
- Access control
- Car park management
- Confidential waste disposal

High profile security in public areas

The Reliance national network of local centres provides 24 hour back-up and support, as well as care and motivation for our employees working at customer sites. All Reliance locations are accredited to ISO 9000 (BS 5750) and offer the same high standards of security service. This combination of national standards and local management offers customers the service quality they demand as well as economies in their costs. With locations spread across the UK from Scotland to the south of England, every customer is supported by a centre that understands the local issues. Our experienced management teams ensure that Reliance meets the world class service standards required by our customers. The spread of knowledge and best management practice amongst centres combined with our quality improvement system generates local expertise based upon wide national experience.

More  
than just  
security

On site  
control  
room

entrance

Responsive  
front of house  
reception

public  
area

On site management

Access  
control for over  
4,500 staff  
at a number  
of locations

exit from

Successful supplier partnerships are built upon a joint commitment. A balanced and beneficial relationship is developed when customer investment and supplier expertise are both targeted to produce mutual benefits. Competitive advantage will go to those companies which maximise the full potential of both their own and their contractor's employees. In this process the main 'building block' of supplier quality is the standard and skill of the personnel delivering the service. Ongoing employee training is of the highest priority to ensure the contractor adds value to the core business, and investment in employee skills is the key component in delivering an effective and efficient security service.

The provision of security for a major operational site is a complex issue. As well as the current specific needs of the site there is likely to be an ongoing process of development and change as the business evolves. A constant necessity is to review the contract requirements and focus upon the best methods to meet them. It is essential that the security contractor focuses upon the results required and is flexible enough to adapt staff procedures and management practices to achieve the latest objectives. The contract manager is a crucial link in fostering regular operational reviews and refining the match between contract requirements and training needs. Our management contribution motivates and directs the security officers so that the joint investment in staff development increases the overall service productivity of the site.

The key challenge for Reliance in sustaining high standards of service puts training as one of the highest priorities. In partnership with our customers we make skills improvement part of our employees' daily work. For our customers this ongoing initiative is expressed through the quality culture based upon the concept of continuous improvement. Training is provided to match all the varied requirements of a contract from first aid and fire safety to reception skills or crisis management. As part of this ongoing training investment Reliance has established a national infrastructure of assessors and verifiers for National Vocational Qualifications and large numbers of employees attain the recognised qualifications of the manned security industry. Over 50% of Reliance Security Officers have registered and passed the City & Guilds diploma or National Vocational Qualifications.

Continuous  
**improvement**  
of service

Adding value  
through  
investment  
in skills

Observation and  
**risk** assessment

**Specialised**  
employees

Monitored regular  
**site patrols**

Reliance provides total security for NEC Semiconductors in Scotland. Our large security team, overseen by a dedicated on site manager, have undergone specific site training and carry out the following range of duties:

- Site patrol
- Security desk
- Clean room issues – static sensitive clothing/shoes
- Pass control – produce, issue and update
- Access control of all sub-contractors
- Personal searching of all staff
- Advice on all aspects relating to overall security

# Board of directors

The directors of the Group and the principal operating companies are set out in full on page 14.

**Brian Kingham** is Chairman and founder of the Group. He has successfully developed various service businesses and is Non-executive Chairman of a small private group with interests in radio communications and mechanical engineering.

**Ian Fraser** became Managing Director of Reliance Security Services Ltd (RSSL) in 1991 and Group Managing Director in January 1993. An Oxford chemistry graduate and Harvard MBA, he held appointments in sales, marketing and finance with Exxon Corporation both in the UK and USA. Prior to joining RSSL he was European Divisional Manager of Raychem Corporation responsible for operations, including manufacturing, in the UK and France.

**Stephen Martin** was appointed Marketing Director of RSSL in April 1994. He was formerly in the computer industry as Marketing Director of Oki Systems (UK). He has advised on strategic marketing as Managing Consultant with Frank Lynn & Associates and has an MBA from Cranfield.

**Christopher Norland** was appointed Non-executive Director of the group in 1980. He is Director of Corporate Finance of Rea Brothers Limited and also holds a number of other directorships of private and public companies.

**John Toop** has been Group Finance Director since 1988. He previously held financial directorships at Blue Arrow and Reliance Service Group Limited.

**David Cairns** joined RSSL in 1992 as General Manager at the company's Birmingham office. He was appointed to the RSSL Board in September 1994 and is responsible for overseeing operations in the North of England and Scotland. Previously he held a number of management posts with Schlumberger. He has a degree in mechanical engineering from the University of Belfast.

**James Macnamara** after graduating from Oxford, and serving with the Royal Scots Dragoon Guards, he qualified as a Chartered Accountant with Price Waterhouse. Two group finance directorships followed before joining RSSL in 1991 as Finance Director. As well as being Company Secretary, he is currently responsible for developing the Group's planning and IT.

Brian Kingham	Stephen Martin	David Cairns
Ian Fraser	John Toop	James Macnamara

**Jeremy Irwin** joined RSSL in 1984. He was appointed to the RSSL Board in 1989 as Southern Regional Director. In 1994 he was appointed Managing Director of Reliance Custodial Services. He served in the Army for 10 years during which time he acted as ADC to the Governor of Tasmania. He was subsequently Operations Manager for a large tour operator.

**Thomas McMicking** joined RSSL in 1986 and established the company in Wales. He was appointed to the RSSL Board in 1987 with responsibility for the Western Region and, later, London. He is now responsible for training and management development. He previously served in the Army, commanding The Black Watch and subsequently an active Brigade in Berlin. He was chief NATO planner in Northern Europe.

**Jonathan Levine** is a graduate of Leeds University and joined RSSL in 1986. He is responsible for operations in London and the South-East. He was previously Operations Manager for a leading computer company, prior to which he held management positions in retailing, including Marks & Spencer plc.

**Michael Macdonell** a graduate of Edinburgh University, joined the company from British Airways in 1990 as a General Manager and subsequently became Managing Director of Reliance Security Services (Scotland) Ltd. He was appointed to the RSSL Board in May 1994 when he also became Managing Director of Reliance Surveillance Systems Ltd.

**John Curtis** appointed Managing Director of RSSL in October 1994. Formerly Managing Director at Initial Supplies, a subsidiary of BET Plc, and at Pitney Bowes Plc. Prior to this, he held managerial positions at Rank Xerox. He has a degree from Manchester University and a Certificate in Education from Cambridge.

**Lord Lane of Horsell** was appointed to the Group Board in June 1992. He was formerly Senior Partner of Binder Hamlyn and Chairman of Brent Chemicals plc, and is Chairman of Nuffield Hospitals and a director of a number of other public companies.

**Mark Radcliffe** appointed Non-executive Director of RSG in 1995 having previously been Chairman of the RSSL Board since January 1993. He was formerly Deputy Director General of the Confederation of British Industry and a Director of TI Group Plc and is currently a Non-executive Director of the London Stock Exchange, the Securities and Futures Authority Ltd and a number of listed companies.

Jeremy Irwin	Jonathan Levine	John Curtis
Thomas McMicking	Michael Macdonell	Mark Radcliffe

# Directors and advisers

## Directors

### Reliance Security Group PLC

Company Number 1473721

Brian A C Kingham – Chairman\*†

Ian R Fraser – Managing Director

John F Toop FCA – Finance Director

Christopher C Norland FCA – Non-executive\*†

Lord Lane of Horsell FCA – Non-executive\*†

Mark H J Radcliffe – Non-executive (appointed 25 April 1995)\*†

James J Macnamara TD FCA – Secretary

### Reliance Security Services Limited

Company Number 1146486

Ian R Fraser – Chairman

John B Curtis – Managing Director (appointed 27 October 1994)

James J Macnamara TD FCA – Director

Brian A C Kingham – Director

Thomas N McMicking – Director

John F Toop FCA – Director

Jonathan S Levine – Director

Jeremy J Irwin – Director

Stephen J Martin – Director

Michael J A Macdonell – Director

David Cairns – Director (appointed 28 July 1994)

Mark H J Radcliffe – Director (resigned 25 April 1995)

J C Elias Pinto – Secretary

### Reliance Security Services (Scotland) Limited

Company Number SC114649

Ian R Fraser – Chairman

John F Toop FCA – Director

J C Elias Pinto – Secretary

### Reliance Security Shredding Limited

Company Number 1878843

Ian R Fraser – Chairman (appointed 1 May 1995)

Brian A C Kingham – Director

John F Toop FCA – Director

J C Elias Pinto – Secretary

\* Remuneration committee

† Audit committee

## Reliance Surveillance Systems Limited

Company Number 2025063

Ian R Fraser – Chairman

Michael J A Macdonell – Managing Director (appointed 11 November 1994)

James J Macnamara TD FCA – Director

John F Toop FCA – Director (appointed 11 November 1994)

J C Elias Pinto – Secretary

## Advisers

### Financial Advisers

Charterhouse Bank Limited

1 Paternoster Row, St Paul's, London EC4M 7DH

### Stockbrokers

Charterhouse Tilney Securities Limited

1 Paternoster Row, St Paul's, London EC4M 7DH

### Auditors

Binder Hamlyn

Chartered Accountants, Registered Auditors

20 Old Bailey, London EC4M 7BH

### Solicitors

Herbert Smith

Exchange House, Primrose Street, London EC2A 2HS

Lawrence Graham

190 Strand, London WC2R 1JN

Rakisons

27 Chancery Lane, London WC2A 1NF

### Bankers

National Westminster Bank PLC

Croydon Business Centre

National Westminster House

5 Sydenham Road, Croydon CR0 2EX

### Registrars

The Royal Bank of Scotland plc

Registrar's Department, PO Box 435

Owen House, 8 Bankhead Crossway North

Edinburgh EH11 4BR

### Registered Office

Surety House, 78-86 Brigstock Road

Thornton Heath, Surrey CR7 7JA

# Directors' report

for the year ended 5 May 1995

## Accounts

The directors present their report and the accounts for the year ended 5 May 1995.

## Activities

The principal activity of the group is the provision of security services to a wide range of customers in England, Scotland and Wales.

15

## Review and development of the business

A review of the business and its future development is given in the Chairman's statement on pages 2 to 5.

## Results

The results for the year are set out in the group profit and loss account on page 19.

## Dividends

In addition to the interim dividend of 1.4p (1994 – 1.1p), the directors recommend a final dividend of 4.4p (1994 – 3.6p). After charging the dividend, it is proposed to transfer £1,087,000 to reserves (1994 – £2,398,000 from reserves).

## Fixed assets

Changes in fixed assets during the year are set out in notes 10 and 11 to the accounts. Freehold properties have been included at valuation, on the basis of open market value for existing use as at 30 April 1993.

## Employees

The future growth and success of the group in the provision of security services depends on the quality of each individual customer contact established and maintained by our employees, whose performance therefore remains a fundamental and vital part of Reliance's business. We lay great emphasis on, and invest in, excellence in management and the development of individual employees by training and successful communication, so as to focus on the continuous improvement in the quality of our services to customers. Management is involved as closely as possible in the relationship with the customer, backed up by effective administration and sales support.

Our training programme is a well established feature of the group, covering our market-leading NVQ and City & Guilds courses, methodology of quality improvement, sales and negotiating skills and management development. This programme seeks to ensure individual development and that management and employees are continually updated on the progress of the company's service. We have also formally committed to working to the national standard Investors in People.

Regular meetings of the Consultative Group spread across the country, involving employees in decisions on employment conditions and working practices, ensure effective communication within the group, notwithstanding that our activities are nationwide. These meetings, coupled with periodic newsletters and surveys, ensure awareness of Reliance's aims and performance and provide objective feedback for policy-making decisions.

The group now has three share schemes in operation to give management and employees the opportunity and incentive to share in the rewards of business growth. In addition to the well-established Executive Share Option Scheme and Savings Related Share Option Scheme, the more recently established Executive Share Option Trust is now in operation, which has the advantage that it can acquire existing (as opposed to new) shares in the company, without the regulatory limitations attached to schemes relating to the issue of new shares.



### Employment of disabled persons

It is the group's policy to give full and fair consideration to the employment and development of disabled persons, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled while in the service of the group, every effort is made to continue their employment by transfer to other duties and, if required, by the provision of appropriate training.

### Directors

The directors of the company, all of whom apart from M H J Radcliffe (appointed on 25 April 1995) served throughout the year, are shown on page 14. Details of their interests in the company's share capital are set out in note 21 to the accounts. At the Annual General Meeting on 15 September 1995, M H J Radcliffe, who was appointed by the Board as a director, and Lord Lane of Horsell who is required to retire by rotation, are both to be proposed for re-appointment as directors. Neither has a service contract with the company or any member of the group.

### Donations

During the period, the company made no political donations but gave £885 (1994 – £130) to charitable organisations.

### Special business of the Annual General Meeting

At the Annual General Meeting to be held on 15 September 1995, three items of special business are to be considered:

#### (i) Authority to allot equity securities for cash

A special resolution will be proposed to authorise the directors to allot equity securities for cash (otherwise than pro rata to existing shareholdings) in connection with a rights issue which is made not strictly in accordance with section 89 of the Companies Act 1985 or otherwise up to a maximum aggregate nominal value of £56,412 (representing approximately 5 per cent of the ordinary share capital of the company currently in issue). This authority replaces the resolution passed at last year's Annual General Meeting and will expire at the conclusion of next year's Annual General Meeting or 15 months after the passing of the resolution (whichever is the earlier). The resolution will enable the directors, at their discretion, to allot a limited number of equity securities for cash and also provides the directors with greater flexibility to take advantage of business opportunities as they arise.

#### (ii) Authority to purchase own shares

A further special resolution will be proposed that the company itself be authorised to purchase up to 1,128,244 ordinary shares in the market, representing approximately 5 per cent of the current issued ordinary share capital of the company, at a price at not less than the nominal value of the ordinary shares and not more than 5 per cent above the average of the middle market quotation of the company's ordinary shares derived from the London Stock Exchange Daily Official List for the 10 business days before the purchase is made. The authority will be given for the period ending on the date of next year's Annual General Meeting or 15 months after the passing of the resolution (whichever is the earlier) and it is presently intended that a resolution for the renewal of such authority would be proposed at each succeeding Annual General Meeting. The directors have no present intention of making such purchases, but it is prudent to have this authority so as to be able to act at short notice if circumstances change.

#### (iii) Amendments to Share Option Schemes

The rules of the company's Savings-Related Share Option Scheme currently provide that invitations to participate must extend to all full-time employees, with only a discretion being vested in the Board to extend the benefits to part-time employees. Furthermore, the rules of the company's 1986 Executive Share Option Scheme and Executive Share Option Scheme (1994) permit only full-time employees to participate. Following Section 137 of the Finance Act 1995 coming into force on 5 May 1995, a resolution is to be proposed that the rules of the company's 1986 Executive Share Option Scheme, Savings-Related Share Option Scheme and Executive Share Option Scheme (1994) be amended to allow participation by part-time employees on the same basis as full-time employees.

### Corporate governance

The Board believes that it has in place measures to ensure that the company is in full compliance with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the Code) subject to the Audit Committee comprising two non-executive directors. Following the appointment of M H J Radcliffe as director on 25 April 1995, there are now three non-executive directors as recommended by the Code.

The guidance for directors on statements relating to internal financial control has standard application for accounting periods beginning on or after 1 January 1995. Accordingly, the directors intend to report in relation to paragraph 4.5 of the Code in the 1996 Annual Report.

In all other respects, the Board has complied with the Code throughout the financial year ended 5 May 1995.

After making due enquiries, the Board is satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the accounts.

Binder Hamlyn, the group's auditors, have reviewed the statement of compliance with the Code and the going concern basis for accounts preparation. Their opinion is set out on page 18.

#### **Tax status**

In the opinion of the directors, the company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

#### **Substantial shareholders**

In addition to the interest of Brian A C Kingham, the company has been notified of a beneficial interest in excess of 3 per cent of the ordinary shares of the company by F&C Nominees Limited which holds 4.1 per cent and Britel Fund Nominees Limited which holds 3.1 per cent.

#### **Auditors**

On 1 October 1994 our auditors, BDO Binder Hamlyn, joined the Arthur Andersen worldwide organisation and now practice in the name Binder Hamlyn. They have signed their audit report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.



This report was approved by the Board on 21 July 1995.

J J Macnamara Secretary, Surety House, 78-86 Brigstock Road, Thornton Heath, Surrey CR7 7JA

## Directors' statement of responsibilities

### **in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the group's profit or loss for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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' report on corporate governance

to Reliance Security Group PLC

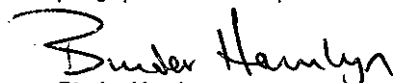
In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 16 and 17 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board.

The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the company's corporate governance procedures nor on the ability of the company to continue in operational existence.

**Opinion** With respect to the directors' statement on going concern on page 17, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 16 and 17 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.



Binder Hamlyn, Chartered Accountants, Registered Auditors, 20 Old Bailey, London EC4M 7BH. 21 July 1995

# Auditors' report

to the members of Reliance Security Group PLC

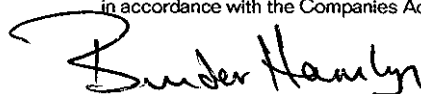
We have audited the financial statements on pages 19 to 33 which have been prepared on the basis of the accounting policies set out on page 24.

**Respective responsibilities of directors and auditors** As described on page 17, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 misstatements 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 affairs of the company and of the group as at 5 May 1995 and of the group's profit for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985



Binder Hamlyn, Chartered Accountants, Registered Auditors, 20 Old Bailey, London EC4M 7BH. 21 July 1995

# Group profit and loss account

as at 5 May 1995

		1995 53 weeks £000		1994 52 weeks £000	
	Notes		Continuing operations	Discontinued operations	Total
Turnover	2	82,495	68,964	1,661	70,625
Cost of sales		(65,382)	(54,368)	(1,358)	(55,726)
<b>Gross profit</b>		<b>17,113</b>	<b>14,596</b>	<b>303</b>	<b>14,899</b>
Administrative expenses		(13,074)	(11,894)	(809)	(12,703)
<b>Operating profit/(loss)</b>		<b>4,039</b>	<b>2,702</b>	<b>(506)</b>	<b>2,196</b>
Loss on sale of intruder alarm business	3	—	—	(2,491)	(2,491)
<b>Profit/(loss) on ordinary activities before interest</b>		<b>4,039</b>	<b>2,702</b>	<b>(2,997)</b>	<b>(295)</b>
Interest receivable		33			3
Interest payable	4	(409)			(536)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<b>3,663</b>			<b>(828)</b>
Tax on profit/(loss) on ordinary activities	6	(1,267)			(512)
<b>Profit/(loss) for the financial year</b>	7	<b>2,396</b>			<b>(1,340)</b>
Dividends	8	(1,309)			(1,058)
<b>Profit/(loss) for the year transferred to/(from) reserves</b>	18	<b>1,087</b>			<b>(2,398)</b>
<b>Earnings per share</b>	9	<b>10.6p</b>			<b>(6.0p)</b>
<b>Earnings per share (Headline Basis)</b>	9	<b>10.0p</b>			<b>5.1p</b>

Turnover and operating profit in 1995 relate to continuing operations.

# Group balance sheet

as at 5 May 1995

	Notes	1995 5 May £000	1994 29 April £000
<b>Fixed assets</b>			
Tangible assets	10(a)	6,765	8,674
Investments	11	150	—
		6,915	8,674
<b>Current assets</b>			
Stocks	12	529	743
Debtors	13	10,416	11,348
Cash at bank and in hand		4,941	16
		15,886	12,107
<b>Creditors: amounts falling due within one year</b>	14	(11,907)	(10,178)
<b>Net current assets</b>		3,979	1,929
<b>Total assets less current liabilities</b>		10,894	10,603
<b>Creditors: amounts falling due after more than one year</b>	15	(2,534)	(3,246)
<b>Provision for liabilities and charges</b>	16	(12)	(15)
<b>Net assets</b>		8,348	7,342
<b>Capital and reserves</b>			
Called up share capital	17	1,128	1,126
Share premium account	18	1,349	1,312
Revaluation reserve	18	1,376	1,531
Profit and loss account	18	4,495	3,373
<b>Equity shareholders' funds</b>		8,348	7,342

# Balance sheet

as at 5 May 1995

	Notes	1995 5 May £000	1994 29 April £000
<b>Fixed assets</b>			
Tangible assets	10(b)	10	12
Investments	11	1,586	1,927
		1,596	1,939
<b>Current assets</b>			
Debtors	13	6,206	5,653
Cash at bank and in hand		147	146
		6,353	5,799
<b>Creditors: amounts falling due within one year</b>	14	(2,105)	(2,142)
<b>Net current assets</b>		4,248	3,657
<b>Net assets</b>		5,844	5,596
<b>Capital and reserves</b>			
Called up share capital	17	1,128	1,126
Share premium account	18	1,349	1,312
Profit and loss account	18	3,367	3,158
<b>Equity shareholders' funds</b>		5,844	5,596

The financial statements on pages 19 to 33 were approved by the Board on 21 July 1995.

B A C Kingham Director

J Fubon Director

# Group cash flow statement

for the year ended 5 May 1995

	Notes	1995 53 weeks £000	1994 52 weeks £000
<b>Net cash inflow from operating activities</b>	22(a)	7,200	3,262
<b>Returns on investment and servicing of finance</b>			
Interest received		33	3
Interest paid		(412)	(529)
Dividends		(1,127)	(726)
<b>Net cash outflow from returns on investment and servicing of finance</b>		(1,506)	(1,252)
<b>Taxation</b>			
Corporation tax paid (including Advance Corporation Tax)		(249)	(396)
<b>Investing activities</b>			
Payments to acquire own shares for ESOP		(150)	—
Payments to acquire tangible fixed assets		(398)	(1,264)
Receipts from sales of tangible fixed assets		1,321	283
Net proceeds on sale of contracts		211	—
<b>Net cash inflow/(outflow) from investing activities</b>		984	(981)
<b>Net cash inflow before financing</b>		6,429	633
<b>Financing</b>			
Issue of ordinary share capital	22(d)	39	55
Loan repayments		(513)	(80)
Capital repayments on finance leases		(1,079)	(1,067)
<b>Net cash outflow from financing</b>		(1,553)	(1,092)
<b>Increase/(decrease) in cash and cash equivalents</b>	22(b)	4,876	(459)

# Statement of total recognised gains and losses

for the year ended 5 May 1995

	1995 53 weeks £000	1994 52 weeks £000
Profit/(loss) for the financial year	2,396	(1,340)
Valuation adjustment	(120)	—
<b>Total gains and losses recognised since last annual report</b>	<b>2,276</b>	<b>(1,340)</b>

23

# Note of historical cost profits and losses

for the year ended 5 May 1995

	1995 53 weeks £000	1994 52 weeks £000
Profit/(loss) on ordinary activities before taxation	3,663	(828)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	12	23
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>3,675</b>	<b>(805)</b>
<b>Historical cost profit/(loss) for the year retained after taxation and dividends</b>	<b>1,099</b>	<b>(2,375)</b>

# Reconciliation of movements in shareholders' funds

for the year ended 5 May 1995

	1995 53 weeks £000	1994 52 weeks £000
Profit/(loss) for the financial year	2,396	(1,340)
Dividends	(1,309)	(1,058)
	<b>1,087</b>	<b>(2,398)</b>
Other recognised gains and losses relating to the year	(120)	—
New share capital subscribed	39	55
Goodwill written back on disposal	—	2,491
<b>Net movement in shareholders' funds</b>	<b>1,006</b>	<b>148</b>
<b>Opening shareholders' funds</b>	<b>7,342</b>	<b>7,194</b>
<b>Closing shareholders' funds</b>	<b>8,348</b>	<b>7,342</b>



# Notes to the accounts

for the year ended 5 May 1995

## 1 Accounting policies

**Basis of preparation of the accounts** The group accounts which have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of land and buildings, incorporate the accounts of the company and its subsidiaries. The financial years of all group companies comprise 52 or 53 weeks made up to the Friday following the accounting reference date 30 April (previously made up to the Friday closest to the accounting reference date). A separate profit and loss account dealing with the results of the company has not been presented as permitted under section 230 of the Companies Act 1985.

**Tangible fixed assets** Freehold land and buildings are stated at valuation with subsequent additions at cost. Other tangible fixed assets are stated at their purchase price, together with any incidental expenses of other acquisitions.

Depreciation is calculated to write down the cost or valuation of tangible fixed assets using the straight line method to their estimated residual values over their expected useful economic lives at the following annual rates:

	%
Freehold buildings	2
Furniture, fixtures and fittings	10-20
Motor vehicles	20-25
Computer equipment	20
Other equipment	20-33

No depreciation is provided on freehold land. Leaseholds are written off by equal annual instalments over the life of each lease with the exception of one lease which is being written off over the length of the primary rental period of a sub-lease granted to a third party.

**Deferred taxation** Deferred taxation is provided using the liability method in respect of timing differences except to the extent that a liability is not expected to crystallise in the foreseeable future.

**Goodwill** Goodwill arising on consolidation is written off directly to reserves.

**Leasing** Assets held under finance leases and lease purchase agreements are included in fixed assets and obligations under such agreements are included in creditors net of finance charges. Finance charges are written off to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on fixed interest contracts and to reflect the actual charge payable on other contracts.

**Pensions** The group operates a defined contribution plan for staff, the costs of which are recognised on the basis of contributions payable.

**Stocks** Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress comprises the labour, material and overhead elements of installations which have been partly completed at the year end.

## 2 Segment information

The directors consider that turnover and profit derived from activities other than security services are not material and therefore they are not separately disclosed. All turnover was earned within the United Kingdom.

## 3 Loss on sale of intruder alarm business

The exceptional loss in 1994 of £2,491,000 relates to goodwill (previously written off to reserves) which was written off on the sale of the intruder alarm business completed on 6 May 1994.

**4 Profit/(loss) on ordinary activities before taxation**

	1995 53 weeks	1994 52 weeks
	£000	£000
After charging/(crediting):		
Depreciation of assets held under finance leases and lease purchase agreements	832	846
Depreciation of other assets	875	1,022
Hire of plant and machinery	331	468
Rent of properties	351	327
Other operating leases and hire charges	96	85
Auditors' remuneration		
– as auditors	32	46
– other	36	66
(Profit)/loss on disposal of fixed assets	(13)	6
Profit on disposal of contracts	(125)	–
Interest payable:		
On bank and other borrowings		
– repayable within five years	175	212
– repayable in more than five years	–	12
Finance charges payable on finance leases and lease purchase agreements	234	312
	409	536

**5 Directors and employees**

	1995 53 weeks	1994 52 weeks
	£000	£000
Directors' remuneration:		
Fees	10	10
Management remuneration	244	199
Performance related bonus	3	20
Pension contributions	22	18
	279	247
Chairman's emoluments	50	–
Highest paid director	124	144

The criteria for performance related bonus include the achievement of profit and operational objectives. The highest paid director's remuneration did not include a performance related bonus (1994: £20,000). The company's pension contributions in respect of the highest paid director were £16,000 (1994: £12,000).

Directors' emoluments, excluding pension contributions, were in the following ranges:

	1995 Number	1994 Number
£0 – £5,000	1	1
£5,001 – £10,000	1	1
£10,001 – £15,000	1	1
£50,000 – £55,000	1	–
£60,001 – £65,000	–	1
£65,001 – £70,000	1	–
£125,00 – £130,000	1	–
£140,001 – £145,000	–	1

Details of directors' share options are given in note 21.

**5 Directors and employees continued**

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

	1995 Number	1994 Number
Security and operational staff	4,788	4,065
Office staff and management	345	410
	<b>5,133</b>	<b>4,475</b>

	1995 53 weeks £000	1994 52 weeks £000
Their total remuneration was:		
Wages and salaries	56,420	51,156
Social security costs	5,128	4,920
Other pension costs	647	625
	<b>62,195</b>	<b>56,701</b>

**Defined contribution scheme** The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. No contributions were payable to the fund at the year end (1994: nil).

**6 Tax on profit/(loss) on ordinary activities**

	1995 53 weeks £000	1994 52 weeks £000
UK corporation tax at 33% (1994: 33%)	1,372	539
Transfer from deferred tax	(4)	(11)
	<b>1,368</b>	<b>528</b>
Adjustments in respect of previous years:		
Corporation tax	(101)	(15)
Deferred tax	—	(1)
	<b>1,267</b>	<b>512</b>

**7 Profit/(loss) on ordinary activities**

The group's profit on ordinary activities after taxation for the period includes a profit of £1,518,000 (1994: £1,090,000) attributable to the holding company which has been dealt with in its own accounts.

**8 Dividends**

	1995 53 weeks £000	1994 52 weeks £000
Interim: paid 1.4p (1994: 1.1p) per share	316	247
Final: proposed 4.4p (1994: 3.6p) per share	993	811
	<b>1,309</b>	<b>1,058</b>

## 9 Earnings per share

Earnings per share have been calculated on the profit on ordinary activities after taxation of £2,396,000 (1994: £1,340,000 loss) and the weighted average number of shares in issue during the period of 22,538,893 (1994: 22,460,051). Headline earnings per share have been calculated following the ILMR guidelines on the profit on ordinary activities after taxation but excluding profits on disposals of fixed assets and contracts and in 1994 the loss on disposal of the intruder alarm business. These can be reconciled as follows:

	1995 53 weeks £000	1995 53 weeks Pence	1994 52 weeks £000	1994 52 weeks Pence
Profit/(loss) on ordinary activities after taxation	2,396	10.6	(1,340)	(6.0)
Loss on disposal of intruder alarm business	—	—	2,491	11.1
(Profit)/loss on disposal of fixed assets	(13)	—	6	—
Profit on disposal of contracts	(125)	(0.6)	—	—
	2,258	10.0	1,157	5.1

## 10(a) Tangible fixed assets

Group	Freehold land and buildings £000	Short leasehold land and buildings £000	Equipment, furniture, fixtures and fittings £000	Equipment on contract hire £000	Motor vehicles £000	Total £000
Cost or valuation:						
At 30 April 1994	3,156	834	6,403	1,422	3,173	14,988
Additions	—	55	343	—	825	1,223
Disposals	—	(26)	(217)	(1,422)	(789)	(2,454)
Valuation adjustment	(150)	—	—	—	—	(150)
<b>At 5 May 1995</b>	<b>3,006</b>	<b>863</b>	<b>6,529</b>	<b>—</b>	<b>3,209</b>	<b>13,607</b>
Depreciation:						
At 30 April 1994	71	572	3,833	480	1,358	6,314
Charge for the year	40	68	843	—	756	1,707
Disposals	—	(12)	(121)	(480)	(536)	(1,149)
Valuation adjustment	(30)	—	—	—	—	(30)
<b>At 5 May 1995</b>	<b>81</b>	<b>628</b>	<b>4,555</b>	<b>—</b>	<b>1,578</b>	<b>6,842</b>
Net book value:						
<b>At 5 May 1995</b>	<b>2,925</b>	<b>235</b>	<b>1,974</b>	<b>—</b>	<b>1,631</b>	<b>6,765</b>
At 30 April 1994	3,085	262	2,570	942	1,815	8,674

All motor vehicles were held under lease purchase agreements. The value of assets which were fully depreciated at 5 May 1995 was £2,483,000 (1994: £2,007,000) which includes £47,714 held under finance leases. Equipment on contract hire consisted of intruder alarm installations which were sold on 6 May 1994. The freehold properties were valued by independent firms of Chartered Surveyors as at 30 April 1993 on the basis of open market value for existing use. The value of land included in freehold land and buildings was £993,000 (1994: £993,000).

**10(a) Tangible fixed assets continued**

If land and buildings were stated at historic cost their book value would be as follows:

	Freehold land and buildings £000
Cost:	1,967
Depreciation:	(418)
Net book value:	1,549

Capital expenditure authorised by the directors at 5 May 1995 but not provided for in the accounts is as follows:

	1995 £000	1994 £000
Contracted for	172	251
Not contracted for	209	429

**10(b) Tangible fixed assets**

Company	Short leasehold land and buildings £000	Equipment, furniture, fixtures and fittings £000	Total £000
Cost:			
At 30 April 1994	107	68	175
Additions	—	3	3
<b>At 5 May 1995</b>	<b>107</b>	<b>71</b>	<b>178</b>
Depreciation:			
At 30 April 1994	107	56	163
Charge for the year	—	5	5
<b>At 5 May 1995</b>	<b>107</b>	<b>61</b>	<b>168</b>
Net book value:			
<b>At 5 May 1995</b>	<b>—</b>	<b>10</b>	<b>10</b>
At 30 April 1994	—	12	12

At 5 May 1995 no capital expenditure (1994: nil) had been authorised by the directors.

**11 Investments**

	Group £000	1995 Company £000	Group £000	1994 Company £000
Investments comprise:				
Subsidiary undertakings (11a)	—	1,436	—	1,927
Own shares (11b)	150	150	—	—
	<b>150</b>	<b>1,586</b>	<b>—</b>	<b>1,927</b>

# 11(a) Investments in subsidiary undertakings

Shares in subsidiary undertakings

	£000
Cost:	
At 30 April 1994 and 5 May 1995	2,599
Provisions:	
At 30 April 1994	672
Provision made in year	491
<b>At 5 May 1995</b>	<b>1,163</b>
<b>Net book value at 5 May 1995</b>	<b>1,436</b>
At 30 April 1994	1,927

At 5 May 1995 the company owned 100% of the ordinary share capital of the following principal subsidiaries which are registered in England and Wales, with the exception of Reliance Security Services (Scotland) Limited which is registered in Scotland.

	Nature of business
Reliance Security Services Limited	Security services
Reliance Security Services (Scotland) Limited	Security services
Reliance Security Shredding Limited	Security services
Reliance Surveillance Systems Limited	Security services
Reliance Property Holdings Limited	Property holding

11(b) Own shares comprise 100,000 ordinary shares of the company with a market value on 5 May 1995 of £146,000. They are held in an Executive Share Option Trust ('ESOP') (see note 17).

## 12 Stocks

	Group 1995 £000	Group 1994 £000
Security equipment	180	402
Work in progress	349	341
	<b>529</b>	<b>743</b>

## 13 Debtors

	Group £000	1995 Company £000	Group £000	1994 Company £000
Trade debtors	7,492	—	9,599	—
Amounts owed by subsidiary undertakings	—	5,292	—	5,140
Other debtors	105	3	180	5
Prepayments and accrued income	2,258	663	1,103	305
Corporation tax recoverable	—	—	5	—
Advance corporation tax	561	248	461	203
	<b>10,416</b>	<b>6,206</b>	<b>11,348</b>	<b>5,653</b>

Amounts owed by subsidiary undertakings are after provisions of £249,000 (1994: £392,000). Advance corporation tax of £248,000 (1994: £250,000) is recoverable after more than one year.

**14 Creditors: amounts falling due within one year**

	Group £000	1995 Company £000	Group £000	1994 Company £000
Bank loans	—	—	80	—
Bank overdrafts	—	—	105	—
Bank overdraft – ESOP	154	154	—	—
Finance lease and hire purchase obligations	786	—	761	—
Trade creditors	1,045	—	1,348	—
Amounts owed to subsidiary undertakings	—	486	—	922
Other creditors	867	2	1,590	3
Corporation tax payable	1,427	—	371	9
Advance corporation tax	581	248	521	203
Other taxes and social security	3,799	19	3,321	11
Accruals and deferred income	2,255	203	1,270	183
Proposed final dividend	993	993	811	811
	<b>11,907</b>	<b>2,105</b>	<b>10,178</b>	<b>2,142</b>

**15 Creditors: amounts falling due after more than one year**

	Group 1995 £000	Group 1994 £000
Bank loans	1,500	1,933
Obligations under finance leases and hire purchase contracts	1,034	1,313
	<b>2,534</b>	<b>3,246</b>

The bank loan of £1,500,000 bears interest at 1.5% over the National Westminster Bank base rate and is repayable in July 1996. The remaining £433,000 outstanding at 29 April 1994 was repaid during the year.

The obligations under finance leases and hire purchase contracts are repayable as follows:

Within one year	786	761
One to two years	568	673
Two to five years	464	637
Over five years	2	3
Less: within one year	(786)	(761)
	<b>1,034</b>	<b>1,313</b>

**16 Provisions for liabilities and charges**

	Group 1995 £000	Group 1994 £000
Deferred taxation: potential and fully provided		
Short term timing differences	33	37
Advance corporation tax	(21)	(22)
	<b>12</b>	<b>15</b>
At 30 April 1994	15	16
Transferred to profit and loss account	(4)	(12)
Advance corporation tax	1	11
<b>At 5 May 1995</b>	<b>12</b>	<b>15</b>

The group has not provided £61,000 (1994: £127,000) in respect of corporation tax which would arise if the revalued freehold properties were to be sold at their restated values.

# 17 Called up share capital

	1995 £000	1994 £000
<b>Authorised</b> 29,800,000 ordinary shares of 5p each	<b>1,490</b>	<b>1,490</b>
<b>Allotted and fully paid</b> 22,564,876 ordinary shares of 5p each (1994: 22,523,934)	<b>1,128</b>	<b>1,126</b>

The holders of 40,942 share options exercised their options during the year and were duly allotted 40,942 ordinary shares of 5p each, having a nominal value of £2,047.10. The exercise prices were between 60p and 117p. The market price of the shares at 5 May 1995 was 146p and the range during the year was 110p to 158p, and the total cash consideration received from the share allotment was £39,000.

Options to subscribe for shares granted to employees and outstanding at 5 May 1995 are as follows:

<b>Executive share option scheme</b>	<b>Option number</b>	<b>Subscription price</b>
14 January 1987	18,000	31p
7 August 1987	64,000	122p
25 February 1991	146,000	80p
18 February 1992	97,000	117p
27 January 1994	123,000	105p
4 January 1995	58,000	144p
	<b>506,000</b>	

These options can be exercised between the third and tenth anniversary of the grant. During the year the company issued 61,000 options, 34,000 were exercised and 3,000 lapsed.

<b>Savings-related share option scheme</b>	<b>Option number</b>	<b>Subscription price</b>
3 August 1992	105,950	113p

These options can be exercised within six months of the completion of the savings contract (five or seven years). During the year the company did not issue any options, 6,942 were exercised and 42,638 lapsed.

Options to purchase shares granted to employees and outstanding at 5 May 1995 are as follows:

<b>Executive share option scheme (1994)</b>	<b>Option number</b>	<b>Subscription price</b>
19 December 1994	89,000	150p

These options can be exercised between the third and tenth anniversary of the grant. During the year the company issued 95,000 options and 6,000 lapsed.

At 5 May 1995, 100,000 ordinary shares of the company were held in an independently managed ESOP, formed during 1994 to purchase shares in the company for use in connection with the executive share option scheme (1994). As at the same date, the company had guaranteed loans totalling £154,000 to the trust to enable them to fund the purchase of these shares. All finance costs and administrative expenses connected with these loans are written off to the profit and loss account as they arise.

The shares are included in investments in note 11 and related borrowings in creditors in note 14.

Following the year end, on 11 July 1995 the ESOP purchased a further 100,000 ordinary shares at 157p per share.



18 Reserves	Share premium account	Revaluation reserve	Profit and loss account
Group	£000	£000	£000
At 30 April 1994	1,312	1,531	3,373
Property valuation adjustment	—	(120)	—
Depreciation on revaluation surplus	—	(35)	35
Shares issued net of expenses	37	—	—
Profit for the year	—	—	1,087
<b>At 5 May 1995</b>	<b>1,349</b>	<b>1,376</b>	<b>4,495</b>

	Share premium account	Profit and loss account
Company	£000	£000
At 30 April 1994	1,312	3,158
Premium on shares	37	—
Profit for the year	—	209
<b>At 5 May 1995</b>	<b>1,349</b>	<b>3,367</b>

The cumulative total of goodwill written off to reserves is £1,251,000 (1994: £1,251,000).

### 19 Contingent liabilities

**Group** At 5 May 1995 performance guarantees arising in the ordinary course of business amounting to £135,000 were outstanding (1994: £648,000).

**Company** Interlocking guarantees have been given to its bank by the company and its subsidiaries. At 5 May 1995 advances subject to these guarantees amounted to £1,500,000 (1994: £2,013,000).

### 20 Operating leases

Payments committed to be made by the group in the year ending 3 May 1996 in respect of operating leases are as follows:

	Leasehold properties £000	Motor vehicles £000
Leases expiring:		
Within one year	69	38
Between two and five years	101	—
After more than five years	253	—
	<b>423</b>	<b>38</b>

21 Directors	Shareholdings 5 May 1995	Shareholdings 29 April 1994
<b>Interests in share capital</b>		
B A C Kingham	16,541,280	16,641,280
I R Fraser	30,000	20,000
J F Toop	40,000	—
C C Norland	40,000	40,000
C C Norland (non-beneficial)	4,000	4,000
Lord Lane of Horsell	10,000	10,000
M H J Radcliffe (at date of appointment)	3,000	—

## 21 Directors continued

The following directors also had share options

	Options 5 May 1995	Options 30 April 1994	Earliest date from which exercisable	Latest expiry date	Weighted average exercise price
I R Fraser	201,320	201,320	1994	1998	113p
J F Toop	51,320	81,320	1994	2005	93p

During the year, 10,000 options were issued to directors. J F Toop exercised 40,000 options at a price of 63p, the market price on that date and at 5 May 1995 was 146p.

BACKingham's interests in the shares of the company include 3,486,000 ordinary shares held by trusts in which he has a beneficial interest and I R Fraser's include 24,808 shares held in PEPs in which he has a beneficial interest.

The company's register of directors' interests contains full details of directors' shareholdings and options to subscribe.

**Interests in contracts** No director had a material interest in transactions with the group.

## 22 Cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities	1995 £000	1994 £000	
Operating profit	4,039	2,196	
Depreciation charges	1,707	1,868	
(Profit)/loss on sale of tangible fixed assets	(13)	6	
Profit on sale of contracts	(125)	—	
Increase/(decrease) in stocks	214	(28)	
Increase/(decrease) in debtors	934	(2,249)	
Increase in creditors	444	1,469	
<b>Net cash inflow from operating activities</b>	<b>7,200</b>	<b>3,262</b>	
(b) Analysis of changes in cash and cash equivalents during the year			
Balance at 30 April 1994	(89)	370	
Net cash inflow/(outflow)	4,876	(459)	
<b>Balance at 5 May 1995</b>	<b>4,787</b>	<b>(89)</b>	
(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet			
	1995 £000	1994 £000	
Cash at bank and in hand	4,941	16	
Bank overdrafts	(154)	(105)	
	4,787	(89)	
(d) Analysis of changes in financing	Share capital and premium £000	Loans £000	Finance leases £000
Balance at 30 April 1994	2,438	2,013	2,074
Issue of ordinary share capital	39	—	—
Loan repayments	—	(513)	—
Inception of finance lease contracts (non-cash items)	—	—	825
Capital repayments on finance leases	—	—	(1,079)
<b>Balance at 5 May 1995</b>	<b>2,477</b>	<b>1,500</b>	<b>1,820</b>

# Notice of Annual General Meeting

## Reliance Security Group PLC

Notice is hereby given that the fifteenth Annual General Meeting of the company will be held at 12 noon on Friday, 15 September 1995 at the Court Room, Glaziers Hall, 9 Montague Close, London Bridge, SE1 9DD for the following purposes:

### As ordinary business

- 1 To receive the Audited Accounts of the company for the year ended 5 May 1995 together with the directors' report.
- 2 To declare a final dividend.
- 3 To re-appoint as a director Lord Lane of Horsell who retires by rotation under Article 89 of the Articles of Association and who, being eligible, offers himself for re-appointment.
- 4 To re-appoint as a director Mark Hugh Joseph Radcliffe who, having been appointed by the directors, retires under Article 95 of the Articles of Association and who, being eligible, offers himself for re-appointment.
- 5 To re-appoint Binder Hamlyn as auditors and to authorise the directors to fix their remuneration.

### As special business

To consider and, if thought fit, pass Resolutions 6 and 7 as special resolutions and Resolution 8 as an ordinary resolution.

- 6 That the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) of the company for cash pursuant to the general authority conferred on the directors pursuant to resolution 8 passed at the Annual General Meeting of the company held on 14 September 1992 as if section 89(1) of that Act did not apply to such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with or pursuant to an offer of equity securities by way of rights, open offer or otherwise to the holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of such shares or in accordance with the rights attached thereto, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory or any other matter; and
  - (b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £56,412;

and such power shall (unless renewed, varied or revoked by the company) expire on the date of the Annual General Meeting of the company to be held in 1996 or fifteen months after the date of the passing of this resolution (whichever is the earlier), but so that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 7 That the company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163(3) of the Companies Act 1985) on the London Stock Exchange of ordinary shares of 5p each ("ordinary shares") in the capital of the company provided that:
  - (a) the maximum aggregate number of shares authorised to be purchased is 1,128,244 ordinary shares;

- (b) the minimum price which shall be paid for the ordinary shares is 5p for each share, and the maximum price (exclusive of expenses) which may be paid for such shares is 5 per cent above the average middle market quotations derived from USM Appendix to the London Stock Exchange Daily Official List (or such other section or Appendix to such List as is appropriate for the market on which the ordinary shares of the company are then dealt in or traded on) for the 10 business days before the purchase is made;
- (c) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the date of the Annual General Meeting of the company to be held in 1996 or fifteen months after the date of passing of this resolution (whichever is the earlier); and
- (d) the company may, before such expiry, make a contract to purchase its own shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of such a contract.
8. That the rules of the company's 1986 Executive Share Option Scheme, Savings-Related Share Option Scheme and Executive Share Option Scheme (1994) be amended as follows:
- (a) the definition of "Eligible Employee" in rule 1 of the rules of the Reliance Security Group PLC 1986 Executive Share Option Scheme be amended by the deletion of paragraph (a) of that Rule and the substitution of the following paragraph (a) in its place:
- "(a) is a director of a Participating Company on terms which require him to devote at least 25 hours a week (excluding meal breaks) to his duties or is an employee of a Participating Company; and";
- (b) the definition of "Eligible Employee" in rule 1.1 of the rules of the Reliance Security Group PLC Savings-Related Share Option Scheme be amended by the deletion of:
- the words "normally devotes to his duties 24 hours or more per week,";
  - the word "such" between the words "pursuant to Rule 2.1 been" and "a director or employee"; and
  - the words "and any other director or employee of any Participating Company nominated by the Board to be an Eligible Employee"; and
- (c) the rules of the Reliance Security Group PLC Executive Share Option Scheme (1994) be amended by:
- the deletion of the existing definition of "Eligible Employee" in rule 1.1 and the substitution of the following definition of "Eligible Employee" in its place:
- "'Eligible Employee'
- at the Date of Grant, a full-time director or an employee of a Participating Company, who is not bound to retire within the period of 2 years after that Date of Grant and who is not precluded by the provisions of paragraph 8 of Schedule 9 to the Taxes Act from participating in the Scheme;" and
- the deletion of the definition of "full-time employment" in rule 1.1 and the substitution of the following definition of "full-time" in its place:
- "'full-time'
- in relation to a director, a director who is employed to work for substantially the whole of his time and for at least 25 hours per week (excluding any meal breaks) for one or more companies within the Group;"

#### Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not also be a member of the company. A form of proxy is enclosed.
- 2 The form of proxy, if used, and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of authority must be lodged with the company's registrars, The Royal Bank of Scotland plc, Registrar's Department, P.O. Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EX11 0HG not later than 48 hours before the Meeting is due to commence.
- 3 Completing and returning a form of proxy will not preclude a member from attending in person at the Meeting and voting should he/she wish to do so.
- 4 In the case of a corporation, the form of proxy must be executed under its common seal or the hand of an officer or attorney duly authorised.
- 5 There will be available for inspection at the company's registered office between the hours of 9.00 am and 5.30 pm from the date of this notice until the date of the Meeting (Saturdays, Sundays and public holidays excluded) and at the place of the Meeting from 11.00 am until the conclusion of the Meeting:
  - (a) copies (or a memorandum in writing) of all contracts of service of the directors with the company or with any of its subsidiaries; and
  - (b) the register of directors' interests maintained under section 325 Companies Act 1985.

*J J Macnamara*

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