

1673721

Reliance is an established market leader in the provision of contract security management, manpower and electronic surveillance services. We employ 4,700 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.





Brian Kingham

Chairman's statement

Results

Group turnover increased by 4% to £71m. Operating profits in the continuing business were up 29% to £2.7m. On a headline basis earnings per share increased 65% from 3.1p to 5.1p.

As I forecast in my December statement, these improved results reflect some easing of recession in our security manpower services business and the refocusing of our electronic surveillance operations where we disposed of our loss making intruder alarm division for £1.1m. This disposal will enable us to focus more fully on the growing commercial and industrial surveillance market which is complementary to our core business. The Board concluded that the resources necessary to bring the alarm activity to a level of profit we would regard as satisfactory were out of proportion to the benefits that the same effort would achieve elsewhere in the Group. In accordance with current accounting practice the goodwill of £2.5m previously written off has been charged to the profit and loss account. This has no impact on the Group's net assets.

Review of the Year

In December I reported difficult trading conditions as a result of the recession which, I am pleased to say, gave way to improvement in the second half. Although pressure on margins is a continuing feature, we have seen renewed growth in the market for security manpower services as well as electronic surveillance.

Throughout this recession we have continued to invest in IT systems, in developing greater effectiveness in our management processes, in our national network of operational offices, and in training and developing the skills of our people. Our advances in the application of total quality management techniques have reduced our operating costs, increased efficiency and streamlined our administrative processes. The new computerised scheduling and manpower management system announced in December has settled in well. This streamlining, going back over three years, has resulted in a shift of human resources from administrative functions to front line service activities concerned with adding value for employees and customers.

Whilst achieving greater efficiency, reflected last year in accomplishing British Standard 5750, we believe our indirect cost base, the administrative or overhead cost of supporting our operations, is now among the lowest in our industry. We enjoy considerable capacity to accommodate further increased sales volume.

Our approach to the development of the Group is characterised by a consistent and enduring emphasis on team work and on improving the elements of the business which offer customers greatest value and satisfaction. This consistency has enabled us to win an increasing market share and has earned us a strong sense of partnership with our customers. My earlier reports explained the innovative quality processes which we have worked with dedication to develop. We are now five years into a programme which will produce increasing benefits into the next century.

"Group turnover increased by 4% to £71m. Operating profits in the continuing business were up 29% to £2.7m. On a headline basis earnings per share increased 65% from 3.1p to 5.1p."

"Our approach to the development of the Group is characterised by a consistent and enduring emphasis on team work and on improving the elements of the business which offer customers greatest value and satisfaction."

Promoting a business culture which enables employees to give of their best and apply their fullest abilities and initiative is an endless journey and a Reliance core value. It is our consistency of approach with its uncompromising commitment to continuous improvement and innovation which will enable us to meet the best expectations of shareholders, customers and employees.

Our Market

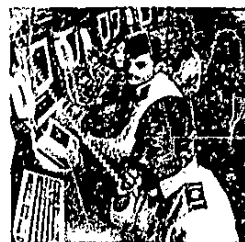
In common with other outsourced services, the contract security market is poised to resume growth as recession lifts. One authoritative survey this year drew attention to the market potential showing less than 50% of public companies having contracted out security and an "overwhelmingly positive" response of those who had. Respondents said the benefits from contracting out were freeing management time, reducing costs, increasing flexibility, reducing staff management problems and providing improved consistency of service. A government statement in March highlighted an extensive programme of outsourcing with an estimated market value of £2.3 billion. We have invested in creating a specialist management team to bid for public sector outsourcing contracts. This year we took on our first significant National Health Service contract valued at approximately £600,000 per annum. These developments are indicative of our changing market and serve to underline our confidence in its strong growth characteristics.

The Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) emanating from the European Commission are causing frustration and uncertainty to those wishing to contract out services. We have made representations to the Government and hope we may look forward to reform.

My report last year mentioned the unfavourable impact on Reliance of high unemployment which favours cut price, less well resourced and less quality aware competitors. Unemployment has now fallen in nine of the last twelve months and this welcome improvement will in time restore market conditions favouring the qualities in which Reliance has heavily invested. Throughout the recession our training commitment has increased and our wage levels were maintained significantly above the industry average so as to assure our customers of better calibre people and greater consistency and quality of service. Lower unemployment will highlight this strength and the unique value we give customers in the contract management component of our services.

Partnership with our Customers

Strong and enduring partnership with our customers is a key feature in the success of Reliance. We have recognised that our services are an important aspect of our customers' total product competitiveness. Yet cost effective and successful service provision is often difficult to measure. This year we have extended and refined the service level agreements which we pioneered in our industry, thus improving objective measurement of our performance. We have followed the principles of 'partnership sourcing' designed to help both supplier and customer to cut total costs, boost quality and react faster in getting things done. Working in partnership with our customers we



Computerised scheduling and manpower management system supporting operations

Chairman's statement continued

elevate relevant monitoring and continuous improvement to being a central part of day to day operational management; we more easily focus on changing needs and respond with innovative services delivered faster and more efficiently than the competition.

Our People

I welcome the opportunity to extend formally my warmest thanks and that of the Board to our employees for their excellent team work, dedication and enthusiasm. I applaud the work of our Consultative Groups representing one of the more visible aspects of the consistent effort devoted to internal communication and employee involvement in the management process.

Skills enhancement giving support to our core value of continuous improvement is of the highest priority. Our commitment to the City & Guilds Diploma and National Vocational Qualifications (NVQ's) has brought welcome reward this year, with a more than 50% rise in the number of employees working for these qualifications. We take pride in this dedication to enhancing skills and continuous learning. We carried out a development project with the Security Industry Training Organisation (SITO) creating a computer based training and assessment programme for security officer NVQ's. Further co-operative work in the development and improvement of these important qualifications will follow. Attracting and developing first class managers remains central to our success. Training, representing this year an average of four days a year for established Reliance managers along with a reward system which promotes and recognises achievement and customer care is continually re-examined and improved.

Public Interest in Private Security

Acknowledging the need for public accountability by the private sector security industry, we have worked for many years with the British Security Industry Association (BSIA) in the development and adoption of appropriate standards of operation. These standards have the backing of the Home Office, the Association of British Insurers and other interested parties. In addition, we submit ourselves regularly to detailed inspection by the Independent Inspectorate of the Security Industry (ISI). We are subject to regular inspection under British Standard 7499 and under the quality standard BS 5750. Our electronic surveillance installations are subject to NACOSS inspection and approval schemes. We contribute to the debate on the development of the industry co-operating with the Police Service and others concerned with crime prevention in ensuring public understanding. Our crime prevention publications this year with the Metropolitan Police, with Central Scotland Police, with Lancashire Constabulary and our participation in community activities such as Business Watch, and the 'Coalition Against Crime' serve to emphasise the powerful potential of a partnership approach to crime prevention. We have supported the BSIA call for government legislation to ensure the statutory application of appropriate operational standards and the integrity of those engaged in the industry.

"Skills enhancement giving support to our core value of continuous improvement is of the highest priority."

"Reliance is well resourced, enjoying a market leadership position and with a capacity to expand volume with little increase in indirect costs."

Electronic Surveillance

The refocused business complements our strong manpower services operations and enables us to provide customers with more comprehensive security solutions. Our town centre CCTV systems were installed this year for local authorities at Cheltenham and Bournemouth. These installations are illustrative of a large and growing market. Our Infinity retail intelligence system bringing together security, marketing and management controls for the first time was launched successfully and has attracted strong interest. Infinity complements our successful till monitoring systems for retailers.

Directors

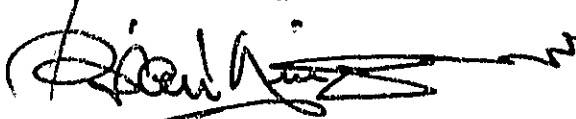
I record my grateful thanks and that of the Board to Ernest Hart, who retired this year as Personnel Director at Reliance Security Services Ltd (RSSL). We wish him every happiness in his retirement. Shortly after the year end Kevin Turnbull resigned as Regional Director for the North of England and we thank him for his valuable contribution to the RSSL Board. We welcomed Stephen Martin to the RSSL Board with special responsibility for marketing. On the sale of the intruder alarm business, John Connor resigned from the Board of Reliance Electronics Ltd. He is replaced by Mike Macdonell, our former Managing Director in Scotland, who also joins the Board of RSSL.

Dividend

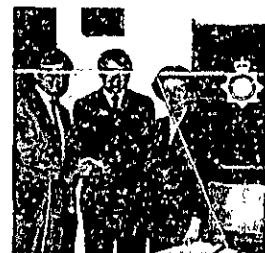
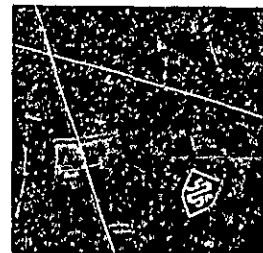
The directors are proposing a final dividend of 3.6p net per share to be paid on 4 October 1994. This brings the total dividend to 4.7p (1993: 4.5p), which indicates both your Board's intention to restore dividend cover and its confidence in the future.

The Future

The recession is slowly lifting and we expect the early signs of growth in our market to continue. Reliance is well resourced, enjoying a market leadership position and with a capacity to expand volume with little increase in indirect costs. We have grown our business during the recession and, far from reducing capacity during this period, we have continued to invest in all the elements of the business which provide competitive strength. We have added to the quality and customer appeal of our products and services. Large new markets are available to us in both the private and public sector. We are in a position not only to expand volume, but to increase market share. We look to the future with confidence.



Brian Kingham Chairman



Infinity retail intelligence system

Cheltenham Town Centre CCTV welcomed by the Worshipful the Mayor and Chief Constable

Contract management



Contract management, a central part of planning

Meeting customer needs for new ideas, more flexibility, better ways of doing things and a higher level of expertise - The Reliance contract management activity has the constant objective to imbue daily routine with a vitality and thoroughness which distinguishes us from competitors. The provision of 24 hour back-up and support, as well as care and motivation for our employees working at customer locations is a key element in the contract management component of our service. Contract management teams provide regular input to the formulation of security procedures, they meet training needs and provide regular monitoring of operational standards. The effective rescheduling of manpower during periods of holidays, illness and peaks in security requirements offers customers economies in their costs. Responding to change and providing immediate reaction to customer requirements are of the highest priority.

Increased board room attention to the subject of security and risk assessment, highlighted in one recent insurance industry survey showing 70% of respondents having had board reviews within six months, has brought new impetus and change to our management input. Separate opinion surveys show a majority of contract security users rating contract management in the top five most important factors.

We have sought to develop a renewed sense of importance for the cost saving potential of security activity. Addressing energy waste and loss of other resources is a constant focus. Developing add-on tasks which complement the security role is adopted as a means of adding value to what we do. The Reliance contract management team bring a wide experience of day to day security threats over a cross section of industrial and commercial locations. Changing threats to security and incidents across the country can be shared, and provide early warning of dangers. A wide body of contemporary experience is available from which to formulate appropriate risk minimisation measures.

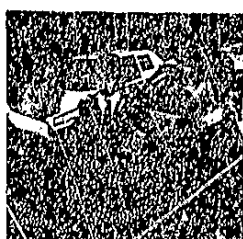
"The Reliance contract management activity has the constant objective to imbue daily routine with a vitality and thoroughness which distinguishes us from competitors."

"Responding to change and providing immediate contract management reaction to customer requirements are of the highest priority."

Luton Arndale Centre



Enduring partnerships



Cooperation with Police in
business watch

Good relationships do not happen by chance - The success of Reliance rests possibly most of all on long term relationships of trust with our customers. Good relationships do not happen by chance but are the result of consistent thoughtfulness and care over a long period of time. We work exceptionally hard to associate ourselves closely and seamlessly with the business aims and objectives of our customers. As well as providing services of the highest professional standard our work must reflect the character and personality of our customer's business. Our partnership approach enables us to be a natural extension of our customer's management team. We never forget that business relationships must add to mutual competitive advantage; our customer's interests are our interests.

The need for a set of techniques to manage service relationships becomes greater all the time. Successful services may be hard to measure. Often, they are the despair of purchasing professionals. Yet productive service relationships are increasingly important. Service is a vital part of 'total product' competitiveness even in manufacturing companies. The trend towards downsizing and outsourcing relies on the ability successfully to buy services - from catering to information technology - which were once routinely provided as part of overhead.

We adopt the concept of 'partnership sourcing' and the techniques which promote competitive advantage for us and our customers through closer working relationships. Through these techniques we commit to world class quality standards, to relevant monitoring and to continuous improvement. The service level agreements which we pioneered in the security industry provide a basis for objective monitoring and measurement of performance.

"We work exceptionally hard to associate ourselves closely and seamlessly with the business aims and objectives of our customers."

"We adopt the concept of 'partnership sourcing' and the techniques which promote competitive advantage for us and our customers through closer working relationships."

AA

12HH



Skills enhancement



A consistent input to training.

We recognise the potentially powerful opportunity to earn the support of our customers in improving skills - With continuous improvement established as a Reliance core value we place the highest priority on training. As well as actively encouraging employees in taking City & Guilds diplomas we have worked to extend the content and scope of National Vocational Qualifications (NVQ's) for security officers. This year we have undertaken a project with the Security Industry Training Organisation (SITO) creating a computer based training and assessment programme for Security Officer NVQ's.

A consistent input to training is provided by the Reliance contract management teams. Regular operations reviews with our customers help to highlight changing requirements and the resultant training needs. Where appropriate quality improvement teams are established which provide a high degree of accountability, as well as innovation and a natural sense of continuous improvement. The work of these teams adds immeasurably to the job satisfaction of employees and encourages excellent customer relationships.

In partnership with our customers we make skills improvement part of the daily work of our employees. We recognise the powerful opportunity to earn the relevant support of our customers in the process of skills enhancement. Additional training tailored to specific customer needs is a growing feature of our work. In addition to our on and off the job in-house training provision we benefit from specialist training through the St John Ambulance, Red Cross, Fire Prevention Association and the Loss Prevention Council.

"Where appropriate quality improvement teams are established which provide a high degree of accountability, as well as innovation and a natural sense of continuous improvement."

"Additional training tailored to specific customer needs is a growing feature of our work."



Directors



Ian Fraser



John Toop

Mark Radcliffe



Jeremy Irwin



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 engineering.

Ian Fraser - became Managing Director of Reliance Security Services Limited (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. Most recently, he was European divisional manager of Raychem Corporation responsible for operations, including manufacturing, in the UK and France.

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

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.

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

James Macnamara - was appointed Finance Director of RSSL in 1991 and is Secretary of the Group. An Oxford graduate, after qualifying as a Chartered Accountant with Price Waterhouse, he was Group Finance Director of a quoted service industry group.

Mark Radcliffe - was appointed non-executive Chairman of RSSL in 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, SFA and a number of other listed companies.

James Macnamara



Michael Macdonell



Thomas McMicking



Stephen Martin



Jonathan Levine

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.

Jeremy Irwin - joined RSSL in 1984. His responsibility covers operations in the South-West of England and Wales and government contracts. Prior to joining the company he was an Operations Manager in the travel industry.

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

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.

Michael Macdonell - a graduate of Edinburgh he joined the company from British Airways in 1990 as a General Manager and subsequently became Managing Director of Reliance Security Services in Scotland. He was appointed to the RSSL Board in May 1994 when he also became Managing Director of Reliance Electronics Limited.

John Mulkern CBE - was appointed a non-executive Director of Reliance Aviation Security Limited in 1992. He was Managing Director of British Airports Authority 1977-1987. He is a non-executive Director of Luton Airport and chairman of Manchester Handling Limited.



Thomas McMicking



Stephen Martin



Michael Macdonell



Jonathan Levine

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.

Jeremy Irwin - joined RSSL in 1984. His responsibility covers operations in the South-West of England and Wales and government contracts. Prior to joining the company he was an Operations Manager in the travel industry.

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

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.

Michael Macdonell - a graduate of Edinburgh he joined the company from British Airways in 1990 as a General Manager and subsequently became Managing Director of Reliance Security Services in Scotland. He was appointed to the RSSL Board in May 1994 when he also became Managing Director of Reliance Electronics Limited.

John Mulkern CBE - was appointed a non-executive Director of Reliance Aviation Security Limited in 1992. He was Managing Director of British Airports Authority 1977-1987. He is a non executive Director of Luton Airport and chairman of Manchester Handling Limited.

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 Noriand *FCA Non-executive*
Lord Lane of Horsell *FCA Non-executive*
James J Macnamara TD *FCA Secretary*

Reliance Security Services Limited
Company Number 1146486

Mark H J Radcliffe *Chairman*
Ian R Fraser *Managing Director*
James J Macnamara TD *FCA Finance Director*
Brian A C Kingham *Director*
Thomas N McMicking *Director*
John F Toop *FCA Director*
Jonathan S Levine *Director*
Jeremy J Irwin *Director*
Michael Webster *Director (resigned 25 July 1994)*
Stephen J Martin *Director (appointed 28 April 1994)*
Michael J A Macdonell *Director (appointed 26 May 1994)*
Kevin H B Turnbull *Director (resigned 27 June 1994)*
J C Elias Pinto *Secretary*

Reliance Security Services (Scotland) Limited
Company Number SC114649

Ian R Fraser *Chairman*
John F Toop *FCA Director (appointed 29 April 1994)*
Kevin H B Turnbull *Director (resigned 27 June 1994)*
J C Elias Pinto *Secretary*

Reliance Aviation Security Limited
Company Number 2055725

Jonathan S Levine *Managing Director*
Ian R Fraser *Director*
John F Toop *FCA Director*
John Mulkern *CBE Non-executive*
J C Elias Pinto *Secretary*

Reliance Security Shredding Limited
Company Number 1878843

Brian A C Kingham *Director*
John F Toop *FCA Director*
J C Elias Pinto *Secretary*

Reliance Electronics Limited
Company Number 2432586

Michael J A Macdonell *Managing Director (appointed 29 April 1994)*
Ian R Fraser *Director (appointed 17 September 1993)*
John F Toop *FCA Director*
Barry W Fielder *Director*
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

BDO Binder Hamlyn
Chartered Accountants
20 Old Bailey, London EC4M 7BH

Solicitors

Herbert Smith
Exchange House, Primrose Street
London EC2A 2HS
Berwin Leighton
Adelaide House, London Bridge
London EC4R 9HA

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

Report of the directors for the year ended 29 April 1994

Accounts

The directors present their report and accounts for the year ended 29 April 1994.

Activities

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

Review and Development of the Business

A review of the business and its future development is given in the Chairman's Statement.

Results

The results for the year are set out in the group profit and loss account on page 18.

Dividends

In addition to the interim dividend of 1.1p (1993 - 1.1p) the directors recommend a final dividend of 3.6p (1993 - 3.4p). After charging the dividend it is proposed to transfer £2,398,000 from reserves (1993 - £57,000 to reserves).

Fixed Assets

Changes in fixed assets during the period are set out in notes 10(a) and 10(b) 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.

Post Balance Sheet Event

On 6 May 1994, the sale of the intruder alarm installation and maintenance activities of Reliance Electronics Limited was completed for a cash consideration totalling £1.1 million which was received in May. In accordance with the requirements of FRS3 this activity has been treated as discontinued.

Employees

Across the whole range of security services our reputation depends on each individual customer contact. The performance of every employee is therefore critical to our success and future growth. Using the talents of our employees and developing them to the full is thus a vital part of our business. Our approach is based on excellence in management, individual empowerment, investment in training, two-way communication and participation in the resulting growth.

A key to this process is the involvement of management as close as possible to the point of delivery of the service; we continue our programme of focusing administration and sales as well as operational management at this critical interface. Equally important is the empowerment of each individual to work systematically for continuous improvement of the business.

These processes are reinforced by an extensive company-wide training programme to ensure that individual development keeps pace with the progress of our service. This now covers every level from our market-leading NVQ and City and Guilds courses, training in the methodology of quality improvement, sales and negotiating skills and a programme of management development.

With staff working in small groups spread about the country, effective two-way communication is vital. Involvement in decisions on employment conditions and working practices comes through regular Consultative Group meetings, while periodic surveys ensure a flow of objective feedback for policy decision making. In addition, a number of newsletters form the core of a formal "awareness" programme.

It is our aim to match commitment to business growth with the opportunity to share in its rewards. To this end we have two well-established share option schemes, one savings-related and one executive share option scheme. As a service business, however, with a relatively large number of managers compared to our market capitalisation, we are severely constrained by the regulatory limits on 'new' shares which can be offered under these schemes. The directors have therefore put in place an executive share option trust with the intention that this will acquire existing shares (outwith the limits on 'new' share options) to ensure that key managers are given appropriate incentives.

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 whilst in the service of the company, every effort is made to continue their employment by transfer to other duties and, if required, by the provision of such training as is appropriate.

Directors

The directors of the company, all of whom 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 financial statements. JF Toop retires by rotation and is proposed for re-appointment at the Annual General Meeting on 9 September 1994; he has a service contract which is terminable on six months notice by the company.

Donations

During the period the company made no political donations but gave £130 (1993 - £225) to charitable organisations.

Disapplication of Pre-emption Rights

At the Annual General Meeting held on 16 September 1993, the pre-emption rights contained in Section 89 of the Companies Act 1985 were disappplied until the earlier of this year's Annual General Meeting or 16 December 1994 in respect of allotment of shares pursuant to a rights issue not strictly in accordance with Section 89 (to give the directors discretion in relation to fractional entitlements and other legal and practical problems) and any allotment of shares for cash up to a maximum of £56,122 nominal of share capital (representing 5 per cent of the issued share capital of the company). A resolution in similar terms (except that the disapplication will expire at the earlier of the Annual General Meeting to be held in 1995 or 9 December 1995) is again to be proposed.

Corporate Governance

The Board currently comprises the Chairman, two executive and two non-executive directors as detailed on page 14.

The Code of Best Practice of the Cadbury Committee was reviewed by the Board in December 1992 and fully implemented at the start of the current financial year. The audit, nominations and remuneration committees consist of the Chairman and non-executive directors, with other directors and the auditors in attendance when required.

The Code recommends that the audit committee should comprise at least three non-executive directors. The Board believe that two non-executive directors is a sufficient number to ensure compliance with the spirit of Cadbury; other than in respect of this, and the two aspects of the Code (internal control and going concern) which cannot be implemented until the necessary guidance has been issued, the Company has complied with the Code throughout the year ended 29 April 1994.

The company's auditors, BDO Binder Hamlyn, have reviewed the directors' statement above. They are satisfied that the statement appropriately reflects the company's compliance with those paragraphs of the Code which the London Stock Exchange has specified for their review.

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 Smaller Companies PLC which holds 4.1 per cent and Britel Fund Nominees Limited which holds 3.0 per cent.

Auditors

A resolution to re-appoint BDO Binder Hamlyn as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board on 29 July 1994.

J J Macnamara Secretary

Surety House, 78-86 Briggstock Road, Thornton Heath, Surrey CR7 7JA

Group profit and loss account for the year ended 29 April 1994

		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		1994	1994	1994	1993	1993	1993
	Notes	£000	£000	£000	£000	£000	£000
Turnover	2	68,964	1,661	70,625	66,297	1,766	68,063
Cost of sales		(54,368)	(1,358)	(55,726)	(51,056)	(1,421)	(52,477)
Gross Profit		14,596	303	14,899	15,241	345	15,586
Administrative expenses		(11,894)	(609)	(12,703)	(13,140)	(915)	(14,055)
Operating Profit/(Loss)		2,702	(506)	2,196	2,101	(570)	1,531
Loss on sale of intruder alarm business	3	-	(2,491)	(2,491)	-	-	-
Profit/(Loss) on Ordinary Activities before Interest		2,702	(2,997)	(295)	2,101	(570)	1,531
Interest receivable				3			12
Interest payable	4			(536)			(434)
Profit/(Loss) on Ordinary Activities before Taxation	4			(828)			1,109
Tax on profit/(loss) on ordinary activities	6			(512)			(326)
Profit/(Loss) on Ordinary Activities after Taxation	7			(1,340)			783
Dividends	8			(1,058)			(726)
Profit/(Loss) for the Year transferred to/(from) Reserves	18			(2,398)			57
Earnings per Share	9			(6.0)p			3.5p
Earnings per Share (Headline Basis)	9			5.1p			3.1p

Group balance sheet as at 29 April 1994

		1994	1993
		29 April	30 April
	Notes	£000	£000
Fixed Assets			
Tangible assets	10(a)	8,674	8,239
Current Assets			
Stock	12	743	715
Debtors	13	11,348	9,075
Cash at bank and in hand		16	370
		12,107	10,160
Creditors (amounts falling due within one year)	14	(10,178)	(8,060)
Net Current Assets		1,929	2,100
Total Assets Less Current Liabilities		10,603	10,339
Creditors (amounts falling due after more than one year)	15	(3,246)	(3,129)
Provisions for Liabilities and Charges	16	(15)	(16)
Net Assets		7,342	7,194
Capital and Reserves			
Called up share capital	17	1,126	1,122
Share premium account	18	1,312	1,261
Revaluation reserve	18	1,531	1,531
Profit and loss account	18	3,373	3,280
		7,342	7,194

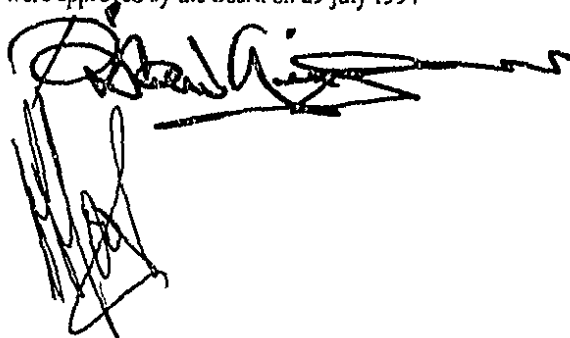
Balance sheet as at 29 April 1994

		1994	1993
		29 April	30 April
	Notes	£000	£000
Fixed Assets			
Tangible assets	10(b)	12	17
Investments in subsidiaries	11	1,927	1,927
		<u>1,939</u>	<u>1,944</u>
Current Assets			
Debtors	13	5,653	5,046
Cash at bank and in hand		146	65
		<u>5,799</u>	<u>5,111</u>
Creditors (amounts falling due within one year)	14	(2,142)	(1,546)
Net Current Assets		<u>3,657</u>	<u>3,565</u>
Net Assets		<u>5,596</u>	<u>5,509</u>
Capital and Reserves			
Called up share capital	17	1,128	1,122
Share premium account	18	1,912	1,261
Profit and loss account	18	3,158	3,126
		<u>5,598</u>	<u>5,509</u>

The accounts on pages 18 to 31 were approved by the Board on 29 July 1994

BAC Kingham Director

J F Toop Director



Group cash flow statement for the year ended 29 April 1994

	1994	1993
Notes	£000	£000
Net Cash Inflow from Operating Activities	22(a) 3,262	2,051
Returns on Investments and Servicing of Finance		
Interest received	3	12
Interest paid	(529)	(434)
Dividends	(726)	(1,014)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(1,252)	(1,436)
Taxation		
Corporation tax paid (including Advance Corporation Tax)	(396)	(839)
Investing Activities		
Payments to acquire tangible fixed assets	(1,264)	(980)
Receipts from sales of tangible fixed assets	283	486
Net Cash Outflow from Investing Activities	(981)	(494)
Net Cash Inflow/(Outflow) before Financing	633	(718)
Financing		
Issue of ordinary share capital	22(d) 55	11
Loan finance received	-	1,500
Loan repayments	(80)	(74)
Capital repayments on finance leases	(1,067)	(1,396)
Net Cash Inflow/(Outflow) from Financing	(1,092)	41
Decrease in Cash and Cash Equivalents	22(b) (459)	(677)

Statement of total recognised gains and losses for the year ended 29 April 1994

	1994	1993
	£000	£000
Profit/(Loss) for the financial year	(1,340)	783
Unrealised loss on revaluation of properties	-	(172)
Total gains and losses recognised since last annual report	(1,340)	611

Note of historical cost profits and losses for the year ended 29 April 1994

	1994	1993
	£000	£000
Profit/(Loss) on ordinary activities before taxation	(828)	1,109
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	23	24
Historical cost profit/(loss) on ordinary activities before taxation	(805)	1,133
Historical cost profit/(loss) for the year retained after taxation and dividends	(2,375)	81

Reconciliation of movements in shareholders funds for the year ended 29 April 1994

	1994	1993
	£000	£000
Profit/(Loss) for the financial year	(1,340)	783
Dividends	(1,058)	(726)
	(2,398)	57
Other recognised gains and losses relating to the year	-	(172)
New share capital subscribed	55	11
Goodwill written back on disposal	2,491	-
Net addition to shareholders funds	148	(104)
Opening shareholders funds	7,194	7,298
Closing shareholders funds	7,342	7,194

Notes to the accounts for the year ended 29 April 1994

1. Accounting Policies

(a) Basis of Preparation of the Accounts

The group accounts, which as in previous years 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. Administrative expenses for 1993 have been restated to include £352,000 re-organisation costs treated as an exceptional item on the face of the profit and loss account prior to the introduction of FRS3. The financial years of all group companies comprise either 52 or 53 weeks made up to the Friday closest to the accounting reference date, 30 April. 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.

(b) Tangible Fixed Assets

Cost - Equipment on contract hire, which remains the property of the group and is recoverable, is capitalised on the basis of the estimated labour, material and direct overhead costs of installation. Other tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Depreciation - Depreciation is calculated to write down the cost 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
Equipment on contract hire	10
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 sublease granted to a third party.

(c) Deferred Taxation

Deferred taxation is provided using the liability method in respect of timing differences to the extent that a liability is expected to crystallise in the foreseeable future.

(d) Goodwill

Goodwill arising on consolidation is written off directly to reserves.

(e) Leasing

Assets held under finance lease 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 others.

(f) Pensions

The group operates defined contribution plans for staff, the costs of which are recognised on the basis of contributions payable.

(g) Stock

Stock and work in progress are stated at the lower of cost and net realisable value. Work in progress comprises the labour and material element of installations which have been partly completed at the period 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 cost 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.

Notes to the accounts continued

4. Profit/Loss on Ordinary Activities Before Taxation

	1994 £000	1993 £000
After charging:		
Depreciation of assets held under finance leases and lease purchase agreements	846	818
Depreciation of other assets	1,022	874
Hire of plant and machinery	468	388
Rent on leased properties	327	351
Other operating leases and hire charges	85	58
Auditors' remuneration		
- as auditors	46	48
- other	66	77
Interest payable:		
On bank and other borrowings		
- repayable within five years	212	165
- repayable in more than five years	12	17
Finance charges payable on finance leases and lease purchase agreements	312	252
	536	434

5. Directors and Employees

	1994 £000	1993 £000
Directors' remuneration:		
Fees	10	11
Management remuneration	199	152
Performance related bonus	20	-
Pension contributions	18	12
Compensation for loss of office	-	36
	247	211
Chairman's emoluments	-	-
Highest paid director	144	80

The highest paid director's remuneration included a performance related bonus of £20,000. Performance criteria include the achievement of profit and operational objectives. The company's pension contributions in respect of the highest paid director were £12,000.

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

	1994	1993
£0 - £5,000	1	4
£5,001 - £10,000	1	-
£10,001 - £15,000	1	2
£15,001 - £20,000	1	-
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-

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

Employees

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

	1994 Number	1993 Number
Security and operational staff	4,085	4,141
Office staff and management	410	471
	4,475	4,612

5. Directors and Employees continued

	1994 £000	1993 £000
Their total remuneration was:		
Wages and salaries	51,158	50,367
Social security costs	4,920	4,854
Other pension costs	625	580
	56,701	55,801

Defined contribution schemes

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. No contributions were payable to the fund at the year end (1993: nil).

6. Tax on Profit/Loss on Ordinary Activities

	1994 £000	1993 £000
UK corporation tax at 33% (1993: 33%)	539	359
Transfer from deferred tax	(11)	(17)
	528	342
Adjustments in respect of previous years:		
Corporation tax	(15)	(12)
Deferred tax	(1)	(4)
	512	326

7. Profit/Loss on Ordinary Activities After Taxation

The Group's loss on ordinary activities after taxation for the period includes a profit of £1,090,000 (1993: £1,031,000) attributable to the holding company which has been dealt with in its own accounts.

8. Dividends

	1994 £000	1993 £000
Interim: paid 1.1p (1993: 1.1p) per share	247	247
Final: proposed 3.6p (1993: 3.4p) per share	811	479
	1,058	726

In 1993 the chairman and members of the Board waived 50% of their entitlement to the final dividend, reducing the total payable by £284,000.

9. Earnings per Share

Earnings per share have been calculated on the loss on ordinary activities after tax of £1,340,000 (1993: £783,000 profit) and the weighted average number of shares in issue during the period of 22,460,051 (1993: 22,445,761). Headline earnings per share have been calculated following the IIMR guidelines on the profit on ordinary activities after tax but excluding the loss on disposal of the intruder alarm business. These can be reconciled as follows:

	1994 £000	1994 Pence	1993 £000	1993 Pence
Profit/(Loss) on ordinary activities after tax	(1,340)	(6.0)	783	3.5
Loss on disposal of intruder alarm business	2,491	11.1	-	-
Profit/(Loss) on disposal of fixed assets	6	-	(88)	(0.4)
	1,157	5.1	695	3.1

Notes to the accounts *continued*

10(a). *Tangible Fixed Assets*

	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
Group:						
Cost or valuation:						
At 1 May 1993	3,156	805	5,362	1,273	2,821	13,417
Additions	—	36	1,123	149	1,284	2,592
Disposals	—	(7)	(82)	—	(932)	(1,021)
At 29 April 1994	3,156	834	6,403	1,422	3,173	14,988
Depreciation:						
At 1 May 1993	—	511	3,066	332	1,269	5,178
Charge for the year	71	65	849	148	735	1,868
Disposals	—	(4)	(82)	—	(646)	(732)
At 29 April 1994	71	572	3,833	480	1,358	6,314
Net book value:						
At 29 April 1994	3,085	262	2,570	942	1,815	8,674
At 30 April 1993	3,156	294	2,296	941	1,552	8,239

The net book value of equipment, furniture, fixtures and fittings includes £196,000 in respect of assets held under finance leases, after charging £111,000 depreciation during the year. All motor vehicles were held under lease purchase agreements.

The value of assets which were fully depreciated at 29 April 1994 was £2,007,000.

Equipment on contract hire consists 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 (1993: £993,000).

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	(390)
Net book value	1,577

Capital expenditure authorised by the directors at 29 April 1994 but not provided for in the accounts is as follows:

	1994 £000	1993 £000
Contracted for	251	—
Not contracted for	429	326

10(b). Tangible Fixed Assets continued

	Short leasehold land and buildings £000	Equipment, furniture, fixtures and fittings £000	Total £000
Company:			
Cost:			
At 1 May 1993 and 29 April 1994	107	68	175
Depreciation:			
At 1 May 1993	107	51	158
Charge for the year	—	5	5
At 29 April 1994	107	56	163
Net book value:			
At 29 April 1994	—	12	12
At 30 April 1993	—	17	17

At 29 April 1994 no capital expenditure (1993: nil) had been authorised by the directors.

11. Investments in Subsidiary Undertakings

	1994 £000	1993 £000
Cost	2,599	2,599
Provisions	(672)	(672)
Net book value	1,927	1,927

At 29 April 1994 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 Aviation Security Limited	Security services
Reliance Security Services (Scotland) Limited	Security services
Reliance Electronics Limited	Security services
Reliance Security Shredding Limited	Security services
Reliance Property Holdings Limited	Property holding

12. Stock

	Group 1994 £000	Group 1993 £000
Security equipment	402	459
Work in progress	341	256
	743	715

Notes to the accounts continued

13. Debtors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Trade debtors	9,599	7,515	-	-
Amounts owed by subsidiary undertakings	-	-	5,140	4,535
Other debtors	180	118	5	3
Prepayments and accrued income	1,103	1,000	305	32
Corporation tax recoverable	5	-	-	-
Advance corporation tax	461	442	203	476
	<u>11,348</u>	<u>9,075</u>	<u>5,653</u>	<u>5,046</u>

Amounts owed by subsidiary undertakings are after provisions of £143,000 (1993: £143,000). Advance corporation tax of £250,000 (1993: £194,000) is recoverable after more than one year.

14. Creditors (amounts falling due within one year)

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Bank loans	80	80	-	-
Bank overdrafts	105	-	-	-
Trade creditors	1,348	922	-	-
Amounts owed to subsidiary undertakings	-	-	922	672
Other creditors	1,590	686	3	5
Corporation tax payable	371	530	9	-
Advance corporation tax	521	221	203	221
Other taxes and social security	3,321	3,097	11	10
Accruals and deferred income	1,270	1,348	183	159
Finance lease and hire purchase obligations	761	697	-	-
Dividends payable	811	479	811	479
	<u>10,178</u>	<u>8,060</u>	<u>2,142</u>	<u>1,546</u>

15. Creditors (amounts falling due after more than one year)

	Group 1994 £000	Group 1993 £000
Bank loans	1,933	2,013
Obligations under finance leases and hire purchase contracts	1,313	1,116
	<u>3,246</u>	<u>3,129</u>

Of the bank loans, £1,500,000 bears interest at 1½% over the National Westminster Bank base rate and is repayable in April 1996. The remainder bears interest at 2% over the National Westminster Bank base rate and is repayable by instalments as follows:

	Group 1994 £000	Group 1993 £000
Within 1 year	80	80
1 to 2 years	80	80
2 to 5 years	240	240
Over 5 years	113	193
Less: within 1 year	(80)	(80)
	<u>433</u>	<u>513</u>

15. Creditors (amounts falling due after more than one year) continued

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

	Group 1994 £000	Group 1993 £000
Within 1 year	761	697
1 to 2 years	673	578
2 to 5 years	637	535
Over 5 years	3	3
Less: within 1 year	(761)	(697)
	<u>1,313</u>	<u>1,116</u>

16. Provisions for Liabilities and Charges

	Group 1994 £000	Group 1993 £000
Deferred taxation: potential and fully provided		
Short term timing differences	37	—
Accelerated capital allowances	—	49
Advance corporation tax	(22)	(33)
	<u>15</u>	<u>16</u>
At 1 May 1993	16	17
Transferred to profit and loss account	(12)	(21)
Advance corporation tax	11	20
At 29 April 1994	<u>15</u>	<u>16</u>

The Group has not provided £127,000 (1993: £136,000) 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

	1994 £000	1993 £000
Authorised:		
29,800,000 ordinary shares of 5p each	<u>1,490</u>	<u>1,490</u>
Allotted and fully paid:		
22,523,934 ordinary shares of 5p each (1993: 22,448,924)	<u>1,126</u>	<u>1,122</u>

Options to subscribe for shares granted to employees and outstanding at 29 April 1994 are as follows:
Executive Share Option Scheme

Date	Option number	Subscription price
14 January 1987	18,000	31p
7 August 1987	64,000	122p
25 February 1991	146,000	80p
18 February 1992	117,000	117p
27 January 1994	137,000	105p
	<u>482,000</u>	

These options can be exercised between the third and tenth anniversary of the grant. During the year the company issued 142,000 options, 26,000 were exercised and 92,000 lapsed.

Notes to the accounts continued

17. Called Up Share Capital continued Savings-Related Share Option Scheme

Date	Option number	Subscription price
7 August 1987	1,592	£10p
24 February 1988	6,942	60p
3 August 1992	146,996	£13p
	155,530	

These options can be exercised within six months of the completion of the savings contract (five or seven years). During the year 49,010 options were exercised and 41,464 lapsed.

Numbers of options and subscription prices have been adjusted where necessary to take account of a one for one capitalisation issue on 21 September 1992.

18. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
Group:			
At 1 May 1993	1,261	1,531	3,280
Shares issued net of expenses	51	-	-
Goodwill written back	-	-	2,491
Loss for the year	-	-	(2,398)
At 29 April 1994	1,312	1,531	3,373
Company:			
At 1 May 1993	1,261	-	3,126
Shares issued net of expenses	51	-	-
Profit for the year	-	-	32
At 29 April 1994	1,312	-	3,158

In accordance with the requirements of UITF Abstract 3, £2,491,000 of goodwill previously written off to reserves relating to the intruder alarm business has been written back prior to being written off through the profit and loss account. Following this, the cumulative total of goodwill written off to reserves is £1,251,000 (1993: £3,742,000).

19. Contingent Liabilities

Interlocking guarantees have been given to its bank by the company and its subsidiaries. At 29 April 1994 advances subject to these guarantees amounted to £2,013,000 (1993: £2,093,000).

20. Operating Leases

Payments committed to be made by the Group in the year ending 28 April 1995 in respect of operating leases are as follows:

	Leasehold properties £000	Motor vehicles £000
Leases expiring:		
Within one year	27	1
Between two and five years	69	42
After more than five years	292	-
	388	43

21. Directors

Interests in Share Capital

	Shareholdings 1994 29 April	Shareholdings 1993 30 April	Options 1994 29 April	Options 1993 30 April
B A C Kingham	16,641,280	16,641,280	-	-
I R Fraser	20,000	-	201,320	201,320
J F Toop	-	-	81,320	81,320
C C Norland	40,000	40,000	-	-
C C Norland (non-beneficial)	4,000	4,000	-	-
Lord Lane of Horsell	10,000	10,000	-	-

B A C Kingham'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 15,298 shares held in PEP's in which he has a beneficial interest.

Since the balance sheet date, I R Fraser has bought a further 10,000 shares; there have been no other changes in the holdings of the directors.

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

	1994 £000	1993 £000
Operating profit	2,196	1,531
Depreciation charges	1,868	1,692
(Profit)/Loss on sale of tangible fixed assets	6	(88)
Increase in stocks	(28)	(155)
Increase in debtors	(2,249)	(1,514)
Increase in creditors	1,469	585
Net cash inflow from operating activities	3,262	2,051

(b) Analysis of changes in cash and cash equivalents during the year

Balance at 1 May 1993	370	1,047
Net cash outflow	(459)	(677)
Balance at 29 April 1994	(89)	370

(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994 £000	1993 £000	Change in year
Cash at bank and in hand	16	370	(354)
Bank overdrafts	(105)	-	(105)
	(89)	370	(459)

(d) Analysis of changes in financing

	Share capital and premium £000	Loans £000	Finance leases £000
Balance at 1 May 1993	2,383	2,093	1,813
Issue of ordinary share capital	55	-	-
Loan repayments	-	(80)	-
Inception of finance lease contracts	-	-	1,328
Capital repayments on finance leases	-	-	(1,067)
Balance at 29 April 1994	2,438	2,013	2,074

Notice of annual general meeting

Notice is hereby given that the fourteenth Annual General Meeting of the company will be held at 12 noon on Friday 9 September 1994 at the Court Room, Glaziers Hall, 9 Montague Close, London Bridge, SE1 9DD for the following purposes:

As Ordinary Business

1. To adopt the Report of the Directors and the Audited Accounts of the company for the year ended 29 April 1994.
2. To declare a final dividend.
3. To re-appoint as a director John Frank Toop who retires by rotation under Article 89 of the Articles of Association and who, being eligible, offers himself for re-appointment. (Mr Toop's contractual notice period is six months).
4. To re-appoint BDO Binder Hamlyn as auditors and to authorise the directors to fix their remuneration.

As Special Business

To consider and, if thought fit, pass Resolution 5 as a Special Resolution.

5. That the directors be given power, pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) for cash, pursuant to Resolution 8 passed at the Annual General Meeting of the company held on 14 September 1992, as if Section 89(1) of the Act did not apply to the allotment, provided:
 - a. the power hereby conferred is limited to the allotment of equity securities:
 - i. in connection with a rights issue in favour of the holders of equity securities in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in overseas territories or by virtue of the requirements of any regulatory body or stock exchange, or any other matter; and
 - ii. (otherwise than pursuant to sub-paragraph (a)(i) above) of up to an aggregate nominal value of £56,310 (representing 5 per cent of the issued share capital of the company); and
 - b. the power hereby granted will expire at the conclusion of the Annual General Meeting of the company to be held in 1995 or 15 months following the passing of this resolution (whichever shall first occur), except that the company may make an offer or agreement before its expiry which would or might require equity securities to be allotted after its expiry and the directors may allot equity securities in pursuance of the offer or agreement notwithstanding its expiry.

By Order of the Board



J J Macnamara Secretary

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

29 July 1994

Notes

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the company. The instrument appointing a proxy must reach The Royal Bank of Scotland plc, Registrar's Department, PO Box 457, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG no later than forty-eight hours before the meeting is due to commence.
2. A form of proxy is enclosed.
3. 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 on the date of the meeting from 11.00 am until the conclusion of the meeting, copies (or a memorandum in writing) of all contracts of service of the directors with the company, or with any of its subsidiaries.