

**RELIANCE SECURITY SHREDDING
LIMITED**

ANNUAL REPORT AND

ACCOUNTS

for the year ended 2 May 1997

Company number 1878843



DIRECTORS' REPORT
for the year ended 2 May 1997

FINANCIAL STATEMENTS

The directors present their report and accounts for the year ended 2 May 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts 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.

PRINCIPAL ACTIVITY

The principal activity of the company is the secure collection, transport and destruction of confidential material.

REVIEW AND DEVELOPMENT OF THE BUSINESS

The directors are satisfied with the results for the year in the face of stiff competition and are confident of improving upon the result in the forthcoming year.

RESULTS

The results for the year are set out in the profit and loss account on page 5.

DIVIDENDS

The directors do not recommend the payment of a dividend (1996: £Nil).

DIRECTORS' REPORT
for the year ended 2 May 1997

DIRECTORS

The directors who served during the year were:

IR Fraser - Chairman
JM Gorman

EMPLOYEES

The directors attach the highest priority to achieving excellent communications between people employed in the company. The aim is to ensure the close identity of employees with the needs of the business and its customers. Employment conditions are reviewed on a regular basis and individual employees are in daily contact with the General Manager. The company operates a policy of equal opportunity for all its employees.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

IR Fraser is a director of the parent company, Reliance Security Group plc, and his interests in that company are disclosed in that company's accounts. No director held any interest in the shares of the company.

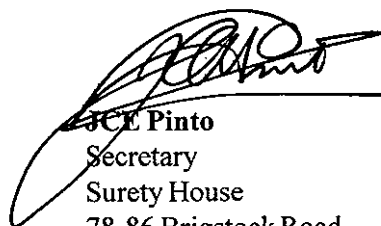
SUPPLIER PAYMENT POLICY

The company has subscribed to the CBI Prompt Payers Code and is seeking to settle its trade liabilities on 30 days from receipt of invoice.

AUDITORS

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 14 November 1997



JCE Pinto
Secretary
Surety House
78-86 Brigstock Road
Thornton Heath
Croydon
Surrey CR7 7JA

AUDITORS' REPORT

to the members of Reliance Security Shredding Limited

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention basis and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 2 May 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Chartered Accountants
Registered Auditors
London**

14 November 1997.

RELIANCE SECURITY SHREDDING LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 2 May 1997

	Notes	1997	1996
		£	£
Turnover	2	597,315	756,223
Cost of sales		(352,978)	(345,133)
Gross profit		244,337	411,090
Administrative expenses		(228,241)	(259,698)
Operating profit		16,096	151,392
Interest payable		(1,022)	(2,376)
Profit on ordinary activities before taxation	3	15,074	149,016
Tax on profit on ordinary activities	5	(2,622)	(123,497)
Profit on ordinary activities after taxation transferred to reserves	11	12,452	25,519

Turnover and operating profit are derived from continuing activities. There were no recognised gains or losses other than those shown in the profit and loss account.

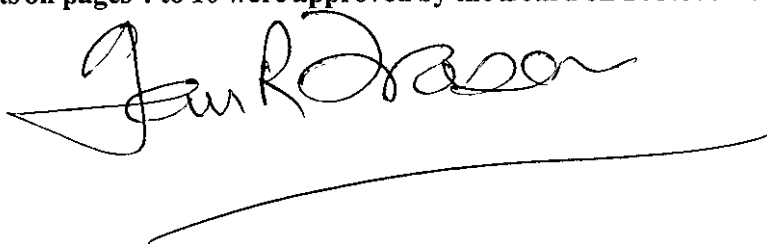
RELIANCE SECURITY SHREDDING LIMITED

BALANCE SHEET as at 2 May 1997

	Notes	1997	1996
		£	£
Fixed Assets			
Tangible assets	6	102,119	136,784
Current Assets			
Debtors	7	166,403	122,893
Cash at bank and in hand		51,107	120,008
		217,510	242,901
Creditors: amounts falling due within one year	8	(206,282)	(274,052)
Net current assets/(liabilities)		11,228	(31,151)
Total assets less current liabilities		113,347	105,633
Provisions For Liabilities And Charges	9	(12,224)	(16,962)
Net assets		101,123	88,671
Capital and Reserves			
Called up share capital	10	6,000	6,000
Profit and loss account	11	95,123	82,671
Equity shareholders' funds	12	101,123	88,671

The accounts on pages 4 to 10 were approved by the Board on 14 November 1997.

IR Fraser
Director



RELIANCE SECURITY SHREDDING LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

A summary of the principal accounting policies all of which have been applied consistently throughout the year are set out below:

Basis of preparation of the accounts

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial year comprises the 52 or 53 weeks to the Friday following the accounting reference date, 30 April.

Tangible fixed assets

Assets are stated at the lower of cost or valuation, net of depreciation applied.

Depreciation on other tangible fixed assets is calculated to write off each item over its expected useful life by equal annual instalments. The expected useful lives are:

Leasehold land and buildings	- Life of lease
Specialist Shredding Equipment	- 10 years
Furniture and fittings	- 5 to 10 years
Equipment	- 3 to 5 years
Motor vehicles	- 3 years

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.

Pensions

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

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 rate of charge on the balance of capital repayments outstanding. All other leases are treated as operating leases, with rentals being charged evenly over the term of the lease.

RELIANCE SECURITY SHREDDING LIMITED

NOTES TO THE ACCOUNTS

Cash flow statement

A cash flow statement has not been prepared as the company has taken advantage of the exemption under FRS 1(revised), available to wholly owned subsidiaries of a company whose consolidated accounts include a consolidated cash flow statement.

Turnover

Turnover comprises the total amount receivable net of VAT for services supplied and for sales of waste paper.

2 TURNOVER

Turnover arises from the company's principle activity and is derived solely from within the UK.

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997	1996
	is stated after charging:	£	£
	Depreciation	34,665	41,938
	Rent on leased properties	42,500	42,500
	Auditors' remuneration	2,000	2,000
	Loss on sale of fixed assets	-	654

4 DIRECTORS AND EMPLOYEES

Directors

The Chairman received no remuneration in the year under review (1996: £Nil), the remaining director received remuneration excluding pension contributions of £47,633 (1996: £Nil)

Employees

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

	Number	Number
Security staff	13	13
Office staff and management	5	5
	18	18

	£	£
Their total remuneration was:		
Wages and salaries	247,794	240,566
Social security cost	23,369	23,349
Pension costs	8,281	10,059
	279,444	273,974

RELIANCE SECURITY SHREDDING LIMITED

NOTES TO THE ACCOUNTS

5	TAXATION	1997	1996
		£	£
	UK Corporation tax at 25% (1996: 25%)	7,360	131,004
	Amount receivable for group relief	-	(3,638)
	Transfer from deferred taxation (Note 9)	(4,738)	(3,869)
		2,622	123,497

6	TANGIBLE FIXED ASSETS	Plant and machinery £	Short leasehold land and buildings £	Equipment, furniture, fixtures and fittings £	Total £
	Cost				
	At 3 May 1996 and 2 May 1997	234,934	60,363	92,278	387,575
	Depreciation				
	3 May 1996	130,862	48,182	71,747	250,791
	Charge for the year	19,453	7,572	7,640	34,665
	2 May 1997	150,315	55,754	79,387	285,456
	Net book value				
	2 May 1997	84,619	4,609	12,891	102,119
	3 May 1996	104,072	12,181	20,531	136,784

There was no capital expenditure contracted for but not provided at 2 May 1997, (1996: £Nil).

7	DEBTORS	1997	1996
		£	£
	Trade debtors	82,395	102,478
	Amounts owed by fellow subsidiary undertakings	61,270	-
	Prepayments and accrued income	22,738	20,415
		166,403	122,893

RELIANCE SECURITY SHREDDING LIMITED

NOTES TO THE ACCOUNTS

8	CREDITORS: amounts falling due within one year	1997	1996
		£	£
	Trade creditors	35,103	17,395
	Amounts owed to fellow subsidiary undertakings	129,059	186,815
	Other creditors	10,612	14,721
	Corporation tax payable	7,396	10,684
	Other taxes and social security	17,518	23,858
	Accruals and deferred income	6,594	20,579
		206,282	274,052
9	PROVISIONS FOR LIABILITIES AND CHARGES	1997	1996
		£	£
	Deferred taxation		
	Potential and fully provided		
	Accelerated capital allowances	12,224	16,962
	At 3 May 1996	16,962	20,831
	Transferred to profit and loss account (Note 5)	(4,738)	(3,869)
	At 2 May 1997	12,224	16,962
10	CALLED UP SHARE CAPITAL		
	Authorised, allotted and fully paid	1997	1996
		£	£
	6,000 ordinary shares of £1 each	6,000	6,000
11	RESERVES		
	Profit and loss account		£
	At 3 May 1996		82,671
	Profit for the year		12,452
	At 2 May 1997		95,123

RELIANCE SECURITY SHREDDING LIMITED

NOTES TO THE ACCOUNTS

12	RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS	1997 £	1996 £
	Profit for the year	12,452	25,519
	Equity shareholders' funds at 3 May 1996	88,671	63,152
	Equity shareholders' funds at 2 May 1997	101,123	88,671

13 OPERATING LEASES

Payments committed to be made in the year ending 2 May 1997 in respect of operating leases are as follows:

	Leasehold properties £	Motor vehicles £
Leases expiring		
Within one year	-	16,668
Between two and five years	-	18,672
After more than five years	42,500	-
	42,500	35,340

14 CONTINGENT LIABILITIES

Interlocking guarantees have been given to the group's bankers by the company and its fellow subsidiaries. At 2 May 1997 advances of £852,000 were subject to these guarantees (1996: £1,573,000).

15 ULTIMATE PARENT COMPANY

Reliance Security Group plc, registered in England and Wales, is the ultimate parent company. Copies of the parent company's accounts are available from the registered office.

16 RELATED PARTY TRANSACTIONS

The Company, as a wholly owned subsidiary, has taken advantage of the exemption under FRS 8 - Related Party Transactions. Full disclosure of these transactions are included in the group accounts.