

**RELIANCE INTEGRATED SERVICES
LIMITED**

Report and Financial Statements

26 April 2002



**Deloitte & Touche
London**

RELIANCE INTEGRATED SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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RELIANCE INTEGRATED SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Pickard
P R Jones
H P Cooper
R Masters
M Diamond

SECRETARY

J Simon LLB

REGISTERED OFFICE

Boundary House
Cricketfield Road
Uxbridge
Middlesex
UB8 1QG

AUDITORS

Deloitte & Touche
Chartered Accountants
London

RELIANCE INTEGRATED SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 26 April 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity is the provision of facilities management services.

The directors are satisfied with the results for the period under review and look forward to continued growth.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6.

The directors do not recommend a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and to the date of this report are listed below:

P J Clarke	(resigned 27 September 2002)
P J Ford	(resigned 28 June 2002)
C Adcock	(appointed 27 May 2002, resigned 28 February 2003)
M J Pickard	(appointed 27 May 2002)
K Glennister	(appointed 27 May 2002, resigned 28 February 2003)
P R Jones	(appointed 27 May 2002)
G B Sherlock	(appointed 27 May 2002, resigned 28 February 2003)
H P Cooper	(appointed 27 May 2002)
R Masters	(appointed 7 October 2002)
M Diamond	(appointed 1 January 2003)
S Rigby-Hall	(appointed 1 April 2003)

None of the directors had any interest in the shares of the company at any time during the year.

The directors' interests in the ordinary 5p shares of the parent company, Reliance Security Group plc are as follows:

Share options

	At 27 April 2001	At 26 April 2002	Date of grant	Exercise price	Exercisable From	To
C Adcock	-	5,000	2 July 2001	680p	2 July 2005	2 July 2011
	-	3,000	3 July 2002	800p	3 July 2006	3 July 2012
M J Pickard	-	30,000	25 April 2002	775p	25 April 2007	25 April 2012
K Glennister	-	5,000	3 July 2002	800p	3 July 2006	3 July 2012
P R Jones	-	5,000	3 July 2002	800p	3 July 2006	3 July 2012
G B Sherlock	-	2,000	2 July 2001	680p	2 July 2005	2 July 2011
	-	3,000	3 July 2002	800p	3 July 2006	3 July 2012
H P Cooper	-	2,000	2 July 2001	680p	2 July 2005	2 July 2011
	-	3,000	3 July 2002	800p	3 July 2006	3 July 2012
R Masters	18,000	18,000	26 October 1998	200p	26 October 2001	25 October 2008
	10,000	10,000	15 July 1999	295p	15 July 2002	14 July 2009
	-	5,000	2 July 2001	680p	2 July 2005	1 July 2011
	-	5,000	3 July 2002	800p	3 July 2006	3 July 2012

DIRECTORS' REPORT

Shadow share options

P J Clarke has 1,800 shadow share options granted on 2 September 2000. These share options have an exercise price of 650p and are exercisable between 2 August 2003 and 1 August 2010.

R J Masters has 4,500 (2001: 4,500) shadow share options granted on 2 August 2000 at an exercise price of 650p which are exercisable between 2 August 2004 and 1 August 2010.

Under the shadow share scheme actual shares are not issued but rewards relating to the movement in share price are paid at the time of exercise.

The market value of the shares under option, as at 26 April 2002, was £7.75 per share.

EMPLOYMENT OF DISABLED PERSONS

It is the company'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 company, every effort is made to continue their employment by transfer to other duties and, if required, by the provision of appropriate training.

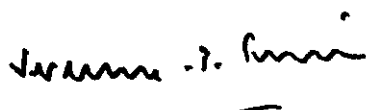
SUPPLIER PAYMENT POLICY

The company has subscribed to the CBI Prompt Payers Code and endeavours to ensure that it adheres to credit terms agreed with its suppliers. The company is currently seeking to settle its trade liabilities on average 30 days from receipt of invoice (2001: 30 days).

AUDITORS

Arthur Andersen resigned as auditors to the company and Deloitte & Touche were appointed to fill the casual vacancy. The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Approved by the Board of Directors
and signed on behalf of the Board



J Simon LLB
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RELIANCE INTEGRATED SERVICES LIMITED

We have audited the financial statements of Reliance Integrated Services Limited for the year ended 26 April 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 26 April 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

10 April 2003

RELIANCE INTEGRATED SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 26 April 2002

	Note	2002 £	Restated 2001 £
TURNOVER	2	28,933,164	6,314,812
Cost of sales		(25,987,326)	(4,201,178)
GROSS PROFIT		2,945,838	1,613,634
Administrative expenses		(2,018,881)	(981,669)
OPERATING PROFIT		926,957	631,965
Income from fixed asset investments		1,364,610	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,291,567	631,965
Tax on profit on ordinary activities	6	(282,655)	(193,898)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		2,008,912	438,067
Retained profit/(loss) brought forward		320,017	(118,050)
RETAINED PROFIT CARRIED FORWARD		2,328,929	320,017

The restatement of the prior year's results relates to the adoption of FRS 19 "Deferred Tax" and the early adoption of UITF 34 "Pre-Contract Costs" as disclosed in note 5.

All amounts relate to continuing activities.

RELIANCE INTEGRATED SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 26 April 2002

	2002 £	Restated 2001 £
Profit for the financial year	2,008,912	438,067
Total recognised gains relating to the period	2,008,912	438,067
Cumulative effect of prior period adjustments	(318,532)	-
Total gains recognised since last financial statements	1,690,380	438,067

The restatement of the prior year's results relates to the adoption of FRS 19 "Deferred Tax" and the early adoption of UITF 34 "Pre-Contract Costs" as disclosed in note 5.

RELIANCE INTEGRATED SERVICES LIMITED

BALANCE SHEET

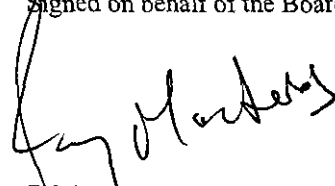
26 April 2002

	Note	2002 £	Restated 2001 £
FIXED ASSETS			
Tangible assets	7	276,112	254,972
Investments	8	49	49
		<u>276,161</u>	<u>255,021</u>
CURRENT ASSETS			
Stocks	9	5,972	19,054
Debtors	10	4,504,453	3,006,567
Cash at bank and in hand		2,492,300	-
		<u>7,002,725</u>	<u>3,025,621</u>
CREDITORS: amounts falling due within one year	11	<u>(4,943,957)</u>	<u>(2,951,093)</u>
NET CURRENT ASSETS		<u>2,058,768</u>	<u>74,528</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,334,929</u>	<u>329,549</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	6	-	(3,532)
Net assets		<u>2,334,929</u>	<u>326,017</u>
CAPITAL AND RESERVES			
Share capital	13	6,000	6,000
Profit and loss account		<u>2,328,929</u>	<u>320,017</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>2,334,929</u>	<u>326,017</u>

The restatement of the prior year's results relates to the adoption of FRS 19 "Deferred Tax" and the early adoption of UITF 34 "Pre-Contract Costs" as disclosed in note 5.

These financial statements were approved by the Board of Directors on 10 April 2003

Signed on behalf of the Board of Directors



R Masters
Director

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. Except for the policy for deferred taxation, which has been changed to comply with FRS 19 "Deferred Tax" and the policy on bid costs which has changed to comply with UITF 34 "Pre-Contract Costs" the accounting policies have been consistently applied throughout the year and the preceding year.

Basis of accounting

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

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 cash flow statement.

Turnover

Turnover comprises the total receivable for services supplied net of Value Added Tax.

Investment income

Investment income comprises dividends and interest and is accounted for on a receivable basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Leasehold land and buildings	Life of lease
Furniture, fixtures and fittings, and equipment	10 years

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the weighted average for the period.

The company has adopted FRS 19 *Deferred tax* in the current accounting period. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Contribution to pension funds

The company operates a defined contribution plan for all staff, the costs of which are recognised as they fall due for payment.

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

1. ACCOUNTING POLICIES (continued)

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 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.

2. TURNOVER

Turnover is derived solely from within the UK from the company's principal activity.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	117,914	62,694
Loss on disposal of fixed assets	1,790	9,078
Operating leases:		
- plant and equipment	708,881	196,949
- land and buildings	31,092	31,752
Auditors' remuneration	6,000	6,000

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

4. DIRECTORS AND EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2002 £	2001 £
Wages and salaries	12,656,701	3,075,286
Social security costs	982,589	264,610
Other pension costs	127,235	55,827
	<u>13,766,525</u>	<u>3,395,723</u>

The average monthly number of employees, including directors, during the period was as follows:

	2002 Number	2001 Number
Office staff and management	90	21
Security and operational staff	841	257
	<u>931</u>	<u>278</u>

Directors' emoluments

	2002 £	2001 £
Aggregate emoluments (including benefits in kind)	232,384	279,845
Directors' pension contributions under defined contribution schemes	-	8,850
	<u>232,384</u>	<u>288,695</u>
Number of directors in money purchase pension schemes	-	2

Highest paid director

	2002 £	2001 £
Aggregate emoluments (including benefits in kind)	<u>137,385</u>	<u>72,840</u>

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. No contributions were outstanding to the scheme at the year end (2001 – £nil).

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

5. PRIOR YEAR ADJUSTMENT

The Company's policy for accounting for deferred tax has been revised to comply with FRS 19 "Deferred Tax". Previously deferred tax assets were not recognised. Deferred tax assets are now recognised to the extent that, on the basis of available evidence, it is regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted. The effects of the change in policy are:

	2002 £	2001 £
Profit and loss account		
Decrease/(increase) in tax charge	16,318	(898)
Balance sheet		
Recognition of deferred tax asset/(liability)	12,786	(3,532)

The Company's policy for accounting for bid costs was not separately disclosed, but accounting practice was to defer these costs to the extent that recovery within the contract was reasonably assured. The Company has revised its policy to comply with UITF 34 "Pre-Contracts Costs". The revised policy is that the Company expenses all pre-contract costs except for certain directly attributable costs which, when it is virtually certain that a contract will be awarded, are capitalised and written off over the life of the contract. Costs incurred prior to the date when a contract award is virtually certain are not subsequently reinstated. The effects of the change in policy are:

	2002 £	2001 £
Profit and loss account		
Decrease/(increase) in administrative expenses	70,000	50,000
Decrease in current year tax charge	(21,000)	(15,000)
Increase in profit for the financial year	49,000	35,000
Balance sheet		
Decrease in other debtors	(380,000)	(450,000)
Reduction in provision for taxation	114,000	135,000
Decrease in net assets	(266,000)	(315,000)

The cumulative effect of the prior year adjustments is:

	2002 £	2001 £
Profit and loss account		
Increase in administrative expenses	70,000	50,000
(Increase) in current year tax charge	(4,682)	(15,898)
Increase/(decrease) in profit for the financial year	65,318	34,102
Balance sheet		
Decrease in other debtors	(380,000)	(450,000)
Recognition of deferred tax asset/(liability)	12,786	(3,532)
Reduction in provision for taxation	114,000	135,000
Decrease in net assets	(253,214)	(318,532)

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

6. TAXATION

	2002	Restated 2001
	£	£
UK corporation tax at 30% (2001: 30%)	302,000	193,000
Deferred tax charge	(16,318)	898
Prior periods:		
UK corporation tax	(3,027)	-
	<u>282,655</u>	<u>193,898</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax are as follows:

	2002	Restated 2001
	£	£
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001: 30%)	687,470	189,590
Effects of:		
Expenses not deductible for tax purposes	23,913	3,410
United Kingdom dividend income	(409,383)	-
Current tax charge for period	<u>302,000</u>	<u>193,000</u>

Deferred taxation

	£
Liability at 28 April 2001 (restated) – accelerated capital allowances	3,532
Credited to profit and loss account in the period	(16,318)
Asset at 26 April 2002 – decelerated capital allowances	<u>(12,786)</u>

The deferred tax debtor of £12,786 is disclosed in note 10.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

7. TANGIBLE FIXED ASSETS

	Leasehold land and buildings £	Equipment furniture fixtures and fittings £	Total £
Cost			
At 28 April 2001	13,645	318,147	331,792
Additions	-	140,844	140,844
Disposals	-	(2,929)	(2,929)
At 26 April 2002	13,645	456,062	469,707
Depreciation			
At 28 April 2001	-	76,820	76,820
Charge for the year	-	117,914	117,914
Disposals	-	(1,139)	(1,139)
At 26 April 2002	-	193,595	193,595
Net book value			
At 26 April 2002	13,645	262,467	276,112
At 27 April 2001	13,645	241,327	254,972

8. FIXED ASSET INVESTMENTS

	Shares in associates £
Cost	
At 28 April 2001	49
At 26 April 2002	49
Net book value	
At 26 April 2002	49
At 27 April 2001	49

Company	Country of registration or incorporation	Shares held Class	%
Monteray Limited	England	Ordinary	24.5

9. STOCKS

	2002 £	2001 £
Security equipment	5,972	19,054

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

10. DEBTORS

	2002	Restated 2001
	£	£
Trade debtors	786,633	404,770
Amounts owed by associated undertakings	1,966,545	2,392,941
Corporation tax recoverable	-	17,500
Other debtors	488,549	6,955
Deferred Taxation	12,786	-
Prepayments and accrued income	1,249,940	184,401
	<u>4,504,453</u>	<u>3,006,567</u>

Included in the above are amounts falling due after more than one year as follows:

Other debtors	<u>15,000</u>	<u>-</u>
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11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	Restated 2001
	£	£
Bank loans and overdrafts	-	483,091
Trade creditors	1,163,624	700,626
Amounts owed to parent undertaking	176,590	63,033
Corporation tax payable	169,120	-
Other taxes and social security	1,212,352	596,502
Other creditors	205,978	4,277
Accruals and deferred income	2,016,293	1,103,564
	<u>4,943,957</u>	<u>2,951,093</u>

12. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Within one year	-	-	6,534	16,797
Between two and five years	-	-	108,087	13,475
After five years	31,092	31,980	-	40,051
	<u>31,092</u>	<u>31,980</u>	<u>114,621</u>	<u>70,323</u>

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

13. SHARE CAPITAL

	2002	2001
	£	£
Authorised		
Equity shares		
6,000 Ordinary shares of £1 each	6,000	6,000
	<u>6,000</u>	<u>6,000</u>
Allotted, called up and fully paid		
Equity shares		
6,000 Ordinary shares of £1 each	6,000	6,000
	<u>6,000</u>	<u>6,000</u>

14. RESERVES

	2002	Restated
	£	2001
		£
Opening as previously stated	638,549	234,584
Prior year adjustment	(318,532)	(352,634)
	<u>320,017</u>	<u>(118,050)</u>
As restated	320,017	(118,050)
Profit on ordinary activities after taxation	2,008,912	438,067
	<u>2,328,929</u>	<u>320,017</u>
Closing	2,328,929	320,017

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	Restated
	£	2001
		£
Profit for the financial year	2,008,932	438,067
	<u>2,008,932</u>	<u>438,067</u>
Opening shareholders' funds		
As previously stated	644,549	240,584
Prior period adjustment	(318,532)	(352,634)
	<u>326,017</u>	<u>(112,050)</u>
As restated	326,017	(112,050)
Closing shareholders' funds	2,334,929	326,017

16. CONTINGENT LIABILITIES

The Company has given interlocking guarantees to the Group's principal bank in respect of amounts borrowed from that bank. As at 26 April 2002 the aggregate amount of borrowings so guaranteed was £3,276,000 (2001: £3,473,000).

17. ULTIMATE PARENT COMPANY

Reliance Security Group plc, registered in England and Wales, is the immediate parent company and the ultimate parent company. The smallest and largest group in which the company's results are consolidated is the Reliance Security Group plc. Copies of the parent company's accounts are available from the registered office at Boundary House, Cricketfield Road, Uxbridge, Middlesex, UB8 1QG.

NOTES TO THE ACCOUNTS

Year ended 26 April 2002

18. RELATED PARTIES

The company has taken advantage of the exemption allowed by FRS 8 "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Reliance Security Group plc.