

RELIANCE INTEGRATED SERVICES LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
29 APRIL 2005

Company Registration Number 1878843



RELIANCE INTEGRATED SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

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RELIANCE INTEGRATED SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 29 APRIL 2005

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 29 April 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The directors are satisfied with the result for the year under review and with the future prospects for the business.

RESULTS AND DIVIDENDS

The trading results for the year, and the Company's financial position at the end of the year, are shown in the attached financial statements.

The directors have recommended the following dividends:

	2005 £	2004 £
Dividends proposed on ordinary shares	<u>1,500,000</u>	<u>-</u>

DIRECTORS

The directors who served the Company during the year, except as noted, were as follows:

B Nealon	
R Masters	(Resigned 30 October 2004)
S Davies	
R Jemson	
D Murray	(Appointed 7 June 2004)
S Rigby-Hall	(Resigned 7 June 2004)
L Fifield	(Appointed 21 March 2005; resigned 14 October 2005)

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:

	Number of ordinary shares held 2005	Number of ordinary shares held 2004
R Jemson	2,605	3,434

Share options

	At 1 May 2004 or appointment	Granted	Lapsed	At 29 April 2005 or resignation
B Nealon	13,922	-	-	13,922
R Masters	35,000	5,909	-	40,909
S Davies	-	3,636	-	3,636
R Jemson	11,500	4,045	-	15,545
D Murray	-	3,636	-	3,636
S Rigby-Hall	6,000	-	(6,000)	-

Except as noted, no directors had any interests in any other group companies.

RELIANCE INTEGRATED SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 29 APRIL 2005

POLICY ON THE PAYMENT OF CREDITORS

As a subsidiary of a listed company, the Company has subscribed to the CBI Prompt Payers Code and endeavours to ensure that its suppliers' agreed credit terms are complied with. The Company is currently seeking to settle its trade liabilities on average 30 days (2004: 30 days) from receipt of invoice.

DISABLED EMPLOYEES

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.

EMPLOYEE INVOLVEMENT

The future growth and success of the Company depends on the ability, attitudes and skills of its people. Providing the highest quality of services for our customers is greatly influenced by enabling our people to be more valuable. We lay great emphasis on, and invest in, excellence in management and the development of individual employees by training and successful communication. 'Investors in People' provides the core of our approach and affirms our belief in investing to enable our people to improve their knowledge and skills. There is a framework for continuously improving the performance of our business and making us more competitive through a planned approach to setting and communicating business objectives and developing our people to meet these objectives.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Signed by order of the directors on *22 December* 2005



J Simon LLB
Company Secretary

Boundary House
Cricketfield Road
Uxbridge
Middlesex
UB8 1QG

RELIANCE INTEGRATED SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES, INCLUDING ADOPTION OF GOING CONCERN BASIS

YEAR ENDED 29 APRIL 2005

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 at the end of the year and of the profit or loss for the year then ended. 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 and;
- state whether applicable accounting standards have been followed.

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. The directors are also responsible for safeguarding the assets of the Company, the system of internal controls and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

RELIANCE INTEGRATED SERVICES LIMITED

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

YEAR ENDED 29 APRIL 2005

We have audited the financial statements of Reliance Integrated Services Limited for the year ended 29 April 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. 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 THE DIRECTORS AND THE 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.

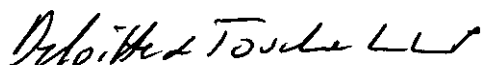
BASIS OF AUDIT OPINION

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 29 April 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

22 December 2005

RELIANCE INTEGRATED SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 29 APRIL 2005

	Note	2005 £	2004 £
TURNOVER	2	40,748,091	38,077,413
Cost of sales		<u>(36,881,276)</u>	<u>(37,998,214)</u>
GROSS PROFIT		3,866,815	79,199
Administrative expenses		<u>(3,677,129)</u>	<u>(3,772,850)</u>
OPERATING PROFIT/(LOSS)	3	189,686	(3,693,651)
Income from participating interests	6	1,421,000	882,000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,610,686	(2,811,651)
Tax on profit/(loss) on ordinary activities	7	<u>(58,440)</u>	<u>1,129,203</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR		1,552,246	(1,682,448)
Dividends proposed	8	<u>(1,500,000)</u>	<u>-</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO/(FROM) RESERVES	19	<u>52,246</u>	<u>(1,682,448)</u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the year as set out above and, therefore, no statement of total recognised gains and losses has been prepared.

RELIANCE INTEGRATED SERVICES LIMITED

BALANCE SHEET

AS AT 29 APRIL 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	9	219,262	420,027
Investments	10	30,049	49
		<u>249,311</u>	<u>420,076</u>
CURRENT ASSETS			
Stocks	11	337,408	349,851
Debtors: amounts due within one year	12	8,943,857	6,252,611
Debtors: amounts due after more than one year	12	188,303	146,673
Cash at bank and in hand		523,469	2,505,701
		<u>9,993,037</u>	<u>9,254,836</u>
LIABILITIES: Amounts falling due within one year	13	<u>(6,429,437)</u>	<u>(5,914,247)</u>
NET CURRENT ASSETS		<u>3,563,600</u>	<u>3,340,589</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,812,911</u>	<u>3,760,665</u>
CAPITAL AND RESERVES			
Called up equity share capital	18	3,006,000	3,006,000
Profit and loss account	19	806,911	754,665
EQUITY SHAREHOLDERS' FUNDS	19	<u>3,812,911</u>	<u>3,760,665</u>

These financial statements were approved by the directors on 22 December 2005 and are signed on their behalf by:



D Murray
Director

The notes on pages 9 to 15 form part of these financial statements.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom company law and accounting standards. The Company's financial statements present information about it as an individual undertaking and not about its group. The Company has taken advantage of the exemption granted by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts in the current year. The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's accounts this year and in the preceding year.

The financial year comprises the 52 or 53 weeks up to the Friday before or falling on the accounting reference date of 30 April.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of VAT.

Pensions

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

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be 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.

Deferred tax is calculated using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is calculated on a non-discounted basis.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over its expected useful life as follows:

Leasehold property	-	Term of lease
Furniture, fixtures & fittings	-	10 – 20% per annum
Other equipment	-	20 – 33% per annum

Where an asset is purchased specifically to fulfil the requirements of a particular contract, its carrying value is written down to residual value at the earlier of the end of the asset's useful life (as set out above) and the end date of the relevant contract. For this purpose, potential extensions to the relevant contract are ignored.

Investments

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

Stocks

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

Work in progress

Work in progress represents the materials used in maintenance contracts, which have been partly completed at the year-end.

Pre-contract costs

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.

Start-up costs

On certain large, long-term contracts for services, extending over a number of years, the Company incurs start-up costs in the period between contract award and the commencement of service delivery. Where such costs are not reimbursed at the outset, they are held on the Company's balance sheet and amortised over the life of the underlying contract. For this purpose, potential extensions to the relevant contract are ignored.

Investment income

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

2. TURNOVER

The turnover and profit/ (loss) before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

3. OPERATING PROFIT/ (LOSS)

Operating profit/ (loss) is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	205,000	153,909
Loss on disposal of fixed assets	70,509	-
Auditors' remuneration		
- as auditors	10,000	10,000
Rent of leasehold properties	31,092	31,092
Other operating leases and hire charges	<u>654,117</u>	<u>984,381</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff (including directors) employed by the Company during the financial year was:

	2005	2004
	No.	No.
Facilities management and other operational staff	1,305	1,297
Office staff and management	100	96
	<u>1,405</u>	<u>1,393</u>

The aggregate payroll costs (including directors) of the above were:

	2005	2004
	£	£
Wages and salaries	18,670,249	17,837,655
Social security costs	1,619,858	1,505,818
Other pension costs	326,866	272,901
	<u>20,616,973</u>	<u>19,616,374</u>

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Emoluments receivable	648,434	504,151
Value of Company pension contributions to money purchase schemes	40,243	33,432
Compensation payments for loss of office	-	37,500
	<u>688,677</u>	<u>575,083</u>

Emoluments of highest paid director:

	2005	2004
	£	£
Total emoluments (excluding pension contributions)	165,250	140,004
Value of Company pension contributions to money purchase schemes	5,833	10,320
	<u>171,083</u>	<u>150,324</u>

The number of directors who accrued benefits under Company pension schemes was as follows:

	2005	2004
	No.	No.
Money purchase schemes	<u>6</u>	<u>7</u>

6. INCOME FROM PARTICIPATING INTERESTS

	2005	2004
	£	£
Income from fixed asset investments	<u>1,421,000</u>	<u>882,000</u>

7. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004: 30%)	93,328	(1,097,254)
Under/(over) provision in prior year	7,693	(23,972)
Total current tax charge/(credit)	<u>101,021</u>	<u>(1,121,226)</u>
Deferred tax:		
Increase in deferred tax asset (note 12)	<u>(42,581)</u>	<u>(7,977)</u>
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>58,440</u>	<u>(1,129,203)</u>

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

7. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES *(continued)*

b) Factors affecting current tax charge/(credit)

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/ (loss) before tax are as follows:

	2005 £	2004 £
Profit/(loss) on ordinary activities before taxation	<u>1,610,686</u>	<u>(2,811,651)</u>
Tax on profit/ (loss) on ordinary activities at 30% rate of tax (2004: 30%)	483,206	(843,495)
Expenses not deductible for tax purposes	628	11,164
United Kingdom dividend income	(426,300)	(264,600)
Capital allowances in excess of depreciation	44,534	(323)
Other timing differences	(8,740)	-
Prior year items	7,693	(23,972)
Total current tax charge/(credit) (note 7(a))	<u>101,021</u>	<u>(1,121,226)</u>

8. DIVIDENDS

The following dividends have been proposed in respect of the year:

	2005 £	2004 £
Dividend proposed on ordinary shares	<u>1,500,000</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS

	Short Leasehold property £	Equipment, furniture, fixtures and fittings £	Total £
COST			
At 1 May 2004	63,718	820,225	883,943
Additions	-	74,744	74,744
Disposals	-	(277,605)	(277,605)
At 29 April 2005	<u>63,718</u>	<u>617,364</u>	<u>681,082</u>
DEPRECIATION			
At 1 May 2004	16,095	447,821	463,916
Charge for the year	8,355	196,645	205,000
Disposals	-	(207,096)	(207,096)
At 29 April 2005	<u>24,450</u>	<u>437,370</u>	<u>461,820</u>
NET BOOK VALUE			
At 29 April 2005	<u>39,268</u>	<u>179,994</u>	<u>219,262</u>
At 30 April 2004	<u>47,623</u>	<u>372,404</u>	<u>420,027</u>

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

10. INVESTMENTS

	Shares in associate £	Equity investment in participating interest £	Total £
COST			
At 1 May 2004	49	-	49
Addition – Bootle Accommodation Partnership Holding Limited	-	30,000	30,000
At 29 April 2005	49	30,000	30,049
NET BOOK VALUE			
At 29 April 2005	49	30,000	30,049
At 30 April 2004	49	-	49

		Shares Held	
	Principal activity	Country of registration or incorporation	Class %
Associate			
Monteray Limited	Facilities management	England and Wales	Ordinary 24.5
Other participating interest			
Bootle Accommodation Partnership Limited	Facilities management	England and Wales	Ordinary 16.67

11. STOCKS

	2005 £	2004 £
Work in progress	330,489	338,182
Consumables	6,919	11,669
	337,408	349,851

There is no material difference between the balance sheet value of stocks and their replacement cost.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

12. DEBTORS

Amounts due within one year:

	2005	2004
	£	£
Trade debtors	1,550,399	2,066,506
Amounts owed by group undertakings	5,167,769	631,293
Amounts owed by associates	2,038,194	1,489,570
Corporation tax repayable	-	710,078
Other debtors	21,594	768
Prepayments and accrued income	158,989	1,348,435
Deferred taxation	6,912	5,961
	<u>8,943,857</u>	<u>6,252,611</u>

Amounts due after more than one year:

	2005	2004
	£	£
Other debtors	146,673	146,673
Deferred taxation	41,630	-
	<u>188,303</u>	<u>146,673</u>

	2005	2004
	£	£
Deferred tax is recognised as follows:		
Amounts due within one year:		
- Short term timing differences	6,912	5,961
Amounts due after more than one year:		
- Deferred capital allowances	48,356	-
- Other timing differences	(6,726)	-
	<u>48,542</u>	<u>5,961</u>

The movement in the deferred taxation account during the year was:

	2005	2004
	£	£
Balance brought forward	5,961	(2,016)
Profit and loss account movement arising during the year (note 7a)	42,581	7,977
Balance carried forward	<u>48,542</u>	<u>5,961</u>

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

13. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	1,231,409	2,554,349
Corporation tax	46,664	-
Other taxation and social security	1,285,527	1,166,143
Other creditors	57,549	242,797
Accruals and deferred income	3,808,288	1,950,958
	<u>6,429,437</u>	<u>5,914,247</u>

14. PENSIONS

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. At the year-end contributions of £23,041 were outstanding (2004: £29,754).

15. COMMITMENTS UNDER OPERATING LEASES

At 29 April 2005 the Company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	130,611	-	17,496
Within 2 to 5 years	-	523,506	-	624,705
After more than 5 years	31,092	-	31,092	-
	<u>31,092</u>	<u>654,117</u>	<u>31,092</u>	<u>642,201</u>

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 29 April 2005 the aggregate amount of borrowings so guaranteed was £nil (2004: £nil).

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed by FRS8 "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Reliance Security Group plc.

RELIANCE INTEGRATED SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 29 APRIL 2005

18. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
5,000,000 Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>

Allotted, called up and fully paid:

	2005		2004	
	Number	£	Number	£
Ordinary shares of £1 each	<u>3,006,000</u>	<u>3,006,000</u>	<u>3,006,000</u>	<u>3,006,000</u>

19. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital	Profit and loss account	2005 Total	2004 Total
	£	£	£	£
At start of year	3,006,000	754,665	3,760,665	2,443,113
New equity share capital subscribed	-	-	-	3,000,000
Profit/(loss) for the financial year	-	1,552,246	1,552,246	(1,682,448)
Dividends	-	(1,500,000)	(1,500,000)	-
At end of year	<u>3,006,000</u>	<u>806,911</u>	<u>3,812,911</u>	<u>3,760,665</u>

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Reliance Security Group plc, incorporated in Great Britain and registered in England and Wales, is the immediate and ultimate parent company. The smallest and largest group in which the Company's results are consolidated is 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.

Brian Kingham, chairman and founder of the Group, has a beneficial interest in 70.2% of the issued share capital of Reliance Security Group plc and therefore holds a controlling interest in the Group.