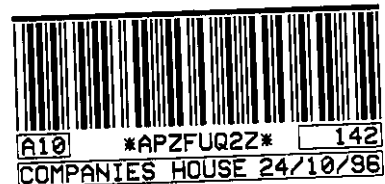


Chloride Security Distribution Limited
(formerly A & A Security Wholesalers
Limited)

Accounts 31 March 1996
together with directors' and auditors' reports

Registered number: 1803510



Directors' report

For the year ended 31 March 1996

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 March 1996.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 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 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 and business review

The principal activity of the company continues to be the sale of electronic security equipment.

The company made a retained loss for the year of £363,000 (11 months ended 31 March 1995 - loss of £43,000). Turnover declined in the year as a result of poor market demand in the sector.

On 30 September 1995 the company acquired the trade and net assets of Stop Shop Limited, a fellow group undertaking, engaged in the same business. On 31 December 1995 the name of the company was changed to Chloride Security Distribution Limited.

The directors expect the general level of activity to continue in the ensuing year.

Directors' report (continued)

Results and dividends

Results and recommended transfers to reserves are as follows:

	£'000
Retained profit, at 1 April 1995	154
Retained loss for the financial year	(363)
Goodwill written off on acquisition	(207)
Accumulated deficit, at 31 March 1996	<u>(416)</u>

The directors do not propose payment of a final dividend.

Directors and their interests

The directors who served during the year are as shown below:

J.J. Chadwick	Chairman
G.T. Whitehead	
I.A. Bray	
K.H. Hodgkinson	
T.J. Noys	
M.L. Vass	
S. Williams	
D.W. Howson	
S.G. Frew	(appointed 9 June 1995)
J. Cartwright	(appointed 31 December 1995)
R.S. Mottram	(appointed 31 December 1995)
D.J. Wright	(appointed 31 December 1995)
C.R. Clapham	(appointed 31 December 1995)
R. Orr	(resigned 9 June 1995)

The interests of the directors in the ordinary shares of the company and those of Chloride Group PLC, the ultimate parent company, according to the register kept under section 325 of the Companies Act 1985, are as shown in note 20 to the accounts.

The directors had no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 9 to the accounts.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Directors' report (continued)

Liability insurance for company officers

As permitted by the Companies Act 1985 (as amended), the company has purchased insurance cover for the directors against liabilities in relation to the company.

By order of the Board,


C.R. Clapham

Secretary

Abford House
15 Wilton Road
London
SW1V 1LT

8 August 1996

Auditors' report

Manchester

To the Shareholders of Chloride Security Distribution Limited (formerly A & A Security Wholesalers Limited):
We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 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 accounts and to report our opinion to you.

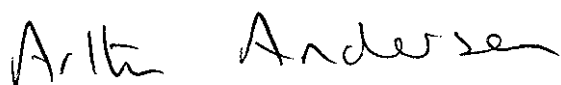
Basis of opinion

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 company's state of affairs at 31 March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

8 August 1996

Profit and loss account

	Notes	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Turnover	3		
Continuing operations		6,681	7,629
Acquisitions		1,118	-
		7,799	7,629
Cost of sales	4	(6,216)	(6,114)
Gross profit		1,583	1,515
Other operating expenses	4	(2,011)	(1,529)
Operating loss			
Continuing operations		(354)	(14)
Acquisitions		(74)	-
		(428)	(14)
Interest payable and similar charges	5	(92)	(59)
Loss on ordinary activities before taxation	6	(520)	(73)
Tax on loss on ordinary activities	8	157	30
Retained loss for the period		(363)	(43)

A statement of the movement on the profit and loss account is given in note 16. There are no recognised gains or losses other than the retained loss for the period.

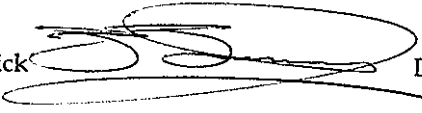
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 March 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	9	400	420
Current assets			
Stocks	10	1,539	951
Debtors	11	1,680	1,573
Cash at bank and in hand		-	3
		3,219	2,527
Creditors: Amounts falling due within one year	12	(3,770)	(2,490)
Net current (liabilities) assets		(551)	37
Total assets less current liabilities		(151)	457
Creditors: Amounts falling due after more than one year	13	(15)	(30)
Provisions for liabilities and charges	14	-	(23)
Net (liabilities) assets		(166)	404
Capital and reserves			
Called-up share capital	15	250	250
Profit and loss account	16	(416)	154
Equity shareholders' funds		(166)	404

Signed on behalf of the Board

J.J. Chadwick  Director

D.W. Howson  Director

8 August 1996

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 March 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Tangible fixed assets

Fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Long leasehold properties	2% per annum
Improvements to leasehold properties	Term of lease
Computer equipment	33% per annum
Fixtures and fittings	20% per annum
Motor vehicles	25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

c) Stocks

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

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Taxation

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

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 14.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Pension costs*

The company has defined benefits pension arrangements through a scheme operated by its ultimate parent company. Benefits are funded externally in accordance with actuarial advice. The levels of funding are adequate and appropriate in relation to requirements. In November 1995 an optional money purchase section (defined contribution) was introduced.

The amount charged to the profit and loss account in respect of the defined benefit pension arrangements is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost together with the company's actual contributions payable in respect of employee's contributing to the money purchase section. The regular cost of accrued defined benefits is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working lives of scheme members. Further information in respect of pensions is given in note 18c to the accounts.

f) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business.

g) *Leases*

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year and future commitments is given in note 18b.

h) *Purchased goodwill*

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Purchased goodwill arising on the acquisition of the trade and net assets of an acquired business is written off immediately against reserves.

Notes to accounts (continued)

2 Acquisition of trade and net assets

On 30 September 1995 the company acquired the trade and net assets of Stop Shop Limited, a fellow group undertaking. The consideration comprised a £250,000 loan which remains unsettled at 31 March 1996. The net assets acquired of £43,000 are detailed below and the purchased goodwill arising on the acquisition of £207,000 has been written off directly to reserves.

	Book and fair value £'000
Fixed assets	97
Current assets	
Stocks	426
Debtors	62
Total assets	<u>585</u>
Creditors	
Obligations under finance leases	(19)
Bank overdraft	(115)
Trade creditors	(340)
Accruals	(68)
Total liabilities	<u>(542)</u>
Net assets	<u>43</u>
Satisfied by:	
Loan	(250)
Purchased goodwill arising	<u>(207)</u>

3 Segment information

Turnover arose entirely from the principal activity of the company which was carried out in the United Kingdom.

Notes to accounts (continued)

4 Cost of sales, gross profit and other operating expenses

	Year ended 31 March 1996			11 months ended 31 March 1995
	Continuing operations £'000	Acquisitions £'000	Total £'000	Continuing operations £'000
Cost of sales	5,338	878	6,216	6,114
Gross profit	1,343	240	1,583	1,515
Distribution costs	1,002	225	1,227	333
Administrative expenses	545	89	634	1,196
Management charge	150	-	150	-
Other operating expenses	1,697	314	2,011	1,529

5 Interest payable and similar charges

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
On bank overdrafts		
- repayable within five years, not by instalments	72	41
Finance leases repayable within five years, by instalments	20	18
	<u>92</u>	<u>59</u>

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	125	18
- held under finance leases and hire purchase contracts	41	113
Hire of plant and machinery under operating leases	2	2
Other operating lease rentals	135	99
Auditors' remuneration		
- audit services	12	9
- non-audit services	-	-
Staff costs (see note 7)	<u>797</u>	<u>737</u>

Notes to accounts (continued)

7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Employee costs during the period amounted to:		
Wages and salaries	728	654
Social security costs	65	72
Other pension costs (see note 18c)	4	11
	<u>797</u>	<u>737</u>

The average number of persons employed by the company during the period was as follows:

	Year ended 31 March 1996 Number employed	11 months ended 31 March 1995 Number employed
Sales	56	41
Management and administration	13	10
	<u>69</u>	<u>51</u>

Directors' remuneration in respect of directors of the company was as follows:

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Emoluments (including pension contributions)	88	94
Compensation for loss of office		
- paid by the company	-	12

Notes to accounts (continued)

7 Staff costs (continued)

The directors' remuneration shown above (excluding pension contributions) included:

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Chairman	-	3
Highest paid director	28	61

Directors received emoluments (excluding pension contributions) in the following ranges:

	Year ended 31 March 1996 Number	11 months ended 31 March 1995 Number
£ Nil - £ 5,000	10	8
£ 10,001 - £ 15,000	2	-
£ 20,001 - £ 25,000	1	1
£ 25,001 - £ 30,000	1	-
£ 60,001 - £ 65,000	-	1

8 Tax on loss on ordinary activities

The tax credit is based on the loss for the period and comprises:

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Corporation tax at 33 % (1995 - 33%)	(146)	(19)
Group relief surrendered free of charge	-	1
Deferred taxation arising from:		
- capital allowances	(23)	-
	(169)	(18)
Adjustment of current taxation in respect of prior years	12	(12)
	(157)	(30)

Notes to accounts (continued)

9 Tangible fixed assets

a) The following are included in the net book value of tangible fixed assets:

	31 March 1996 £'000	31 March 1995 £'000
Long leasehold properties	39	40
Improvements to leasehold properties	57	45
Computer equipment	71	53
Fixtures and fittings	87	46
Motor vehicles	146	236
Net tangible fixed assets	<u>400</u>	<u>420</u>

b) The movement in the year was as follows:

	Long leasehold properties £'000	Improvements to leasehold properties £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
Beginning of year	42	85	144	123	374	768
Additions	-	-	64	27	12	103
Transfers	-	31	2	36	28	97
Disposals	-	(15)	(1)	(4)	(109)	(129)
End of year	<u>42</u>	<u>101</u>	<u>209</u>	<u>182</u>	<u>305</u>	<u>839</u>
Depreciation						
Beginning of year	2	40	91	77	138	348
Charge	1	10	47	20	88	166
Disposals	-	(6)	-	(2)	(67)	(75)
End of year	<u>3</u>	<u>44</u>	<u>138</u>	<u>95</u>	<u>159</u>	<u>439</u>
Net book value						
Beginning of year	<u>40</u>	<u>45</u>	<u>53</u>	<u>46</u>	<u>236</u>	<u>420</u>
End of year	<u>39</u>	<u>57</u>	<u>71</u>	<u>87</u>	<u>146</u>	<u>400</u>
Leased assets included in the above:						
Net book value						
Beginning of year	-	-	51	-	190	241
End of year	-	-	2	-	101	103

Notes to accounts (continued)

10 Stocks

The following are included in the net book value of stocks:

	31 March 1996 £'000	31 March 1995 £'000
Finished goods and goods for resale	<u>1,539</u>	<u>951</u>

11 Debtors

The following are included in the net book value of debtors falling due within one year:

	31 March 1996 £'000	31 March 1995 £'000
Trade debtors	1,400	1,464
Amounts due from other group undertakings	44	-
Corporation tax recoverable	161	18
Prepayments and accrued income	<u>75</u>	<u>91</u>
	<u>1,680</u>	<u>1,573</u>

12 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	31 March 1996 £'000	31 March 1995 £'000
Obligations under finance leases and hire purchase contracts	38	124
Bank overdrafts	1,057	692
Trade creditors	1,591	1,280
Amounts owed to other group undertakings	988	298
Other creditors		
- VAT	28	32
- social security and PAYE	23	19
Accruals and deferred income	<u>45</u>	<u>45</u>
	<u>3,770</u>	<u>2,490</u>

The fixed and floating charge over the company's assets to secure drawings under its bank overdraft facilities was released on 15 March 1996.

Notes to accounts (continued)

13 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	31 March 1996 £'000	31 March 1995 £'000
Obligations under finance leases and hire purchase contracts		
- due within 2-5 years	<u>15</u>	<u>30</u>

14 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation. Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the liability will crystallise.

Deferred taxation provided in the accounts is as follows:

	31 March 1996 £'000	31 March 1995 £'000
Excess of tax allowances over depreciation	<u>-</u>	<u>23</u>

The movement on deferred taxation is as follows:

	Year ended 31 March 1996 £'000
Beginning of year	23
Credited to profit and loss account	(23)
End of year	<u>-</u>

There is an unprovided deferred tax asset at the end of the year of £16,000 (1995 - £Nil) with respect to fixed asset timing differences.

Notes to accounts (continued)

15 Called-up share capital

	31 March 1996 £'000	31 March 1995 £'000
<i>Authorised</i>		
500,000 (1995 - 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
<i>Allotted, called-up and fully-paid</i>		
250,000 (1995 - 250,000) ordinary shares of £1 each	<u>250</u>	<u>250</u>

16 Reserves

The movement on the profit and loss account during the year was as follows:

	£'000
Beginning of year	154
Retained loss for the year	(363)
Goodwill written off on acquisition of trade and net assets of Stop Shop Limited	<u>(207)</u>
End of year	<u>(416)</u>

17 Reconciliation of movements in shareholders' funds

	Year ended 31 March 1996 £'000	11 months ended 31 March 1995 £'000
Retained loss for the period	(363)	(43)
Goodwill written off	<u>(207)</u>	<u>-</u>
Net reduction to shareholders' funds	(570)	(43)
Opening shareholders' funds	<u>404</u>	<u>447</u>
Closing shareholders' funds	<u>(166)</u>	<u>404</u>

Of the closing shareholders' funds, £Nil are regarded as distributable (1995 - £154,000).

Notes to accounts (continued)

18 Guarantees and other financial commitments

a) Capital commitments

The company had no capital commitments at the end of the year (1995 - £Nil).

b) Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental for the year ended 31 March 1996 was £2,000 (11 months ended 31 March 1995 - £2,000). The lease agreements provide that the company will pay all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the company leases certain land and buildings on short-term operating leases. The rental on these leases in the year ended 31 March 1996 was £135,000 (11 months ended 31 March 1995 - £99,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties. Operating lease commitments of Stop Shop Limited were transferred to the company on 30 September 1995 on transfer of the trade (see note 2).

The minimum annual rentals under the foregoing leases are as follows:

	Property £'000	Plant and machinery £'000
31 March 1996		
Operating leases which expire		
- within 1 year	9	-
- within 2-5 years	38	2
- after 5 years	104	-
	<u>151</u>	<u>2</u>
31 March 1995		
Operating leases which expire		
- within 1 year	9	-
- within 2-5 years	7	2
- after 5 years	94	-
	<u>110</u>	<u>2</u>

Notes to accounts (continued)

18 Guarantees and other financial commitments (continued)

c) *Pension arrangements*

The pension charge for the year in respect of defined contribution schemes was £4,000 (11 months ended 31 March 1995 - £11,000) representing the contributions payable to such schemes.

In the year ended 31 March 1996, the company was a member of the Chloride (U.K.) Pension Scheme, a defined benefit scheme. The most recent actuarial valuation of the scheme was as at 1 April 1995 which showed surplus over liabilities. The company's results for the year include a credit in respect of the estimated amount attributable to the company in respect of the surplus being recognised in the profit and loss account in accordance with Statement of Standard Accounting Practice No 24. In the period ended 31 March 1995 the company was not a member of this scheme.

The effect of this policy on the company's profit and loss account was that the normal pension cost for the year of £38,000 was reduced to £Nil.

The assumptions which have the most significant effect on the results of the 1 April 1995 valuation are those relating to the rates of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 2% per annum higher than the rate of annual salary increase, 5% per annum higher than the rate at which present and future pensions would increase and 5% per annum higher than the annual growth rate of dividend income. Further information on the company's pension scheme are provided within the consolidated accounts of Chloride Group PLC.

No accrued or prepaid pension costs are recognised in the company's balance sheet.

d) *Contingent liabilities*

The company and certain fellow group undertakings in the UK are parties to a cross-guarantee in respect of certain bank facilities. The directors do not anticipate that a loss to the company will arise from these arrangements.

19 Cash flow statement

As permitted by Financial Reporting Standard No. 1, the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Chloride Group PLC, which has produced a group cash flow statement in its accounts.

Notes to accounts (continued)

20 Directors' interests

The directors who held office at 31 March 1996 had the following interests in the ordinary shares of Chloride Group PLC, the ultimate parent company:

	At 31 March 1996		At 31 March 1995	
	Number of ordinary shares	Options to subscribe for ordinary shares (No. of shares)	Number of ordinary shares	Options to subscribe for ordinary shares (No. of shares)
I.A. Bray	-	227,326	-	197,326
J.J. Chadwick	3,580,884	75,000	3,580,884	-
D.W. Howson	-	45,000	-	-
T.J. Noys	-	163,663	-	133,663
G.T. Whitehead	459,116	75,000	459,116	-
S. Williams	-	163,663	-	133,663
J. Cartwright	-	45,000	*-	*45,000
R.S. Mottram	-	30,000	*-	*30,000
C.R. Clapham	-	71,831	*-	*71,831
S.G. Frew	-	30,000	*-	*-

The interests of K.H. Hodgkinson, M.L. Vass and D.J. Wright, being also directors of Chloride Group PLC, are disclosed in the accounts of that company. All directors' interests are beneficially held.

The interests asterisked are as at the date of appointment.

21 Financial support

The ultimate parent company has expressed its present intention to provide financial support to the company for at least the next 12 months, provided that the company remains a wholly owned subsidiary of the ultimate parent company. Such financial support, if any, will be given solely for the benefit of the directors and the ultimate parent company's present intention to provide financial support is not intended to be, nor should it be, relied upon by third parties.

22 Ultimate parent company

The company is a subsidiary undertaking of Chloride Group PLC, registered in England and Wales.

The largest and smallest group of which the company is a member and for which group accounts are drawn up is that headed by Chloride Group PLC, whose principal place of business is at Abford House, 15 Wilton Road, London, SW1V 1LT.