

SECURICOR (1996) PLC

FINANCIAL STATEMENTS

for the year ended
30 September 1999

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Report of the directors

The directors have pleasure in presenting their annual report together with the audited accounts of Securicor (1996) plc and the consolidated accounts of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 30 September 1999. As far as possible, this report has been prepared as if the current Securicor plc, being the new holding company for the group consequent upon the Scheme of Arrangement in November 1999 (by which the group disposed of its shareholding in BT Cellnet), were identical to the former Securicor plc (which was renamed Securicor (1996) plc).

1) PRINCIPAL ACTIVITIES OF THE GROUP

Securicor plc and Securicor (1996) plc are parent companies with subsidiaries, associated undertakings and joint ventures.

The principal activities of the group, carried out both in the United Kingdom and internationally, include the transportation and care of cash and valuables; cash processing; security guards and patrols; custodial services; recruitment services; container transport, contract distribution and warehouse management, express parcels, freight haulage, document delivery; vehicle fleet services; mobile communications, including the provision of communications products; information systems and the supply and maintenance of communications systems networks.

2) GROUP RESULTS

The consolidated profit for the year and the appropriation thereof are shown in the consolidated profit and loss account on page 38.

Details of major business activities during the year, future developments and prospects of the group are contained in the Chairman's statement on pages 10 to 12, and in the Chief Executive's operating review on pages 13 to 17.

3) DIVIDENDS

The directors determined to pay the following net dividends for the year:

- Interim dividend of 0.48p per share paid by Securicor (1996) plc on 30 September 1999.
- First interim dividend of 0.65p per share payable by Securicor plc on 5 April 2000.

4) BUSINESS ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

In October 1998 Securicor Sicherheitsdienste GmbH & Co KG (Securicor Germany) purchased 100% of Sudwach GmbH & Co KG which provides guarding services in the south of Germany.

In March 1999 the sale to Deutsche Post of a 50% interest in Securicor's Distribution division was completed. The resultant joint venture company, called Securicor Omega Holdings Limited, owns all the UK and Irish trading companies within the Distribution division.

In April 1999 the Swiss security company, SIR Service d'Intervention Rapide SA, was sold.

In April 1999 Securicor Omega Logistics Limited acquired the Rosier group of companies, a UK distribution business.

In July 1999 Securicor (1996) plc and Securicor plc entered into an agreement to sell to British Telecommunications plc ("BT") the group's 40% shareholding in BT Cellnet Group Limited for £3.15 billion. The disposal, which was approved by shareholders on 18 October 1999, was effected by a Scheme of Arrangement which was described in a circular sent to shareholders on 22 September 1999. The transaction was completed in November 1999.

In August 1999 Securicor Communications Limited acquired 38.7% of the shares in the United States company, Securicor Wireless Inc (then known as Intek Diversified Corporation), being the balance of the shares which it did not already own.

In September 1999 Securicor Omega International Limited sold its air and sea-freight business.

In September 1999 Securicor Communications Limited's 45% shareholding in Telesciences Inc was converted into preferred shares which were then redeemed in December 1999.

5) CAPITAL

The authorised and issued share capital of Securicor (1996) plc at 30 September 1999 is set out on page 56 (note 19 to the accounts).

Shareholders are invited, under Resolutions 2 (a) and (b) set out in the notice of Annual General Meeting of Securicor plc, to grant the directors power to enable them to (i) allot shares up to the amount of the unissued capital of the company namely £9,259,065 in nominal value, and (ii) allot shares for cash (a) in connection with a rights or similar issue or (b) other than to existing shareholders, in the latter case such allotment being limited to 5% of the issued equity securities of the company, namely £1,537,047 in nominal value.

SHARE OPTION SCHEMES

(a) Executive Share Option Scheme

Options outstanding at 30 September 1999 in respect of Securicor (1996) plc were as follows:

- 229 options over a total of 4,083,320 ordinary shares at 245p per share, exercisable during 1999–2006.
- 2 options over a total of 16,380 ordinary shares at 267p per share, exercisable during 1999–2006.
- 217 options over a total of 1,958,320 ordinary shares at 280p per share, exercisable during 2000–2007.
- 239 options over a total of 1,068,460 ordinary shares at 441.5p per share, exercisable during 2001–2008.
- 23 options over a total of 356,340 ordinary shares at 489.25p per share, exercisable during 2001–2008.

The proceeds of the shares allotted under this scheme during the year amounted to £2.0m.

The Scheme of Arrangement in November 1999 gave option holders the right to choose between exercising their options over Securicor (1996) plc shares at the time of the Scheme's implementation and rolling over those options into replacement options over shares in Securicor plc. Details of options exercised between 1 October 1999 and 9 November 1999 and of the number of shares under replacement options are:

Option shares at 245p per share:	Exercised	=	3,897,150
	Rolled-over	=	186,170

Rolled-over options were converted into 13 options over a total of 761,183 ordinary shares in Securicor plc at 59.92p per share exercisable during 2000–2006.

Option shares at 267p per share:	Exercised	=	nil
	Rolled-over	=	16,380

Rolled-over options were converted into two options over a total of 66,972 ordinary shares in Securicor plc at 65.30p per share exercisable during 2000–2006.

Option shares at 280p per share:	Exercised	=	1,754,020
	Rolled-over	=	204,300

Rolled-over options were converted into 30 options over a total of 835,306 ordinary shares in Securicor plc at 68.48p per share exercisable during 2000–2007.

Option shares at 441.5p per share:	Exercised	=	912,920
	Rolled-over	=	155,540

Rolled-over options were converted into 41 options over a total of 635,934 ordinary shares in Securicor plc at 107.98p per share exercisable during 2001–2008.

Option shares at 489.25p per share:	Exercised	=	338,460
	Rolled-over	=	17,880

Rolled-over options were converted into one option over a total of 73,106 ordinary shares in Securicor plc at 119.66p per share exercisable during 2001–2002.

(b) Sharesave Scheme

Options outstanding at 30 September 1999 in respect of Securicor (1996) plc were as follows:

- 3,780 options over 4,486,203 ordinary shares at 196p per share exercisable during 1999–2000.
- 1,785 options over 1,328,254 ordinary shares at 224p per share, exercisable during 2000–2001.
- 2,418 options over 1,283,197 ordinary shares at 354p per share, exercisable during 2001–2002.

The proceeds of the shares allotted under this scheme during the year amounted to £1.3m.

The options at 196p per share matured on 1 October 1999. Options over a total of 4,214,575 ordinary shares were exercised between 1 October 1999 and 9 November 1999. The balance of shares under option representing 215,126 shares (after deducting lapsed options), was rolled over and converted into 126 options over a total of 879,534 ordinary shares in Securicor plc at 47.94p per share exercisable by 31 March 2000.

The options at 224p per share were (after deducting lapsed options) rolled over and converted into 1,696 options over a total of 5,196,108 ordinary shares in Securicor plc at 54.79p per share exercisable during 2000–2001.

Report of the directors

The options at 354p per share were (after deducting lapsed options) rolled over and converted into 2,277 options over a total of 4,947,817 ordinary shares in Securicor plc at 86.58p per share exercisable during 2001–2002.

All the above options are inclusive of those held by directors as set out on page 34.

6) RESEARCH AND DEVELOPMENT EXPENDITURE

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research expenditure, which is written off during the year in which it is incurred, amounted to £1.2m (1998: £1.7m). Development expenditure is dealt with in accordance with the accounting policy stated in paragraph 9 on page 42.

7) PAYMENT OF SUPPLIERS

It is the company's and the group's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, prompt payment is normally made to those suppliers meeting their obligations.

During the year to 30 September 1999 Securicor (1996) plc did not have any trade creditors.

At 30 September 1999 the consolidated trade creditors of the group represented 30 days of annual purchases.

8) ECONOMIC AND MONETARY UNION ("EMU")

Europe's single currency, the euro, was introduced for business-to-business use on 1 January 1999 in the 11 countries that are currently participating. Our companies which operate in these countries have implemented systems capable of recording transactions in euros so that they will be able to trade in euros at the conclusion of the transitional period on 31 December 2001. Throughout the group, euro-compatible systems have been developed where relevant.

The costs to date are not considered to be material.

9) YEAR 2000 COMPLIANCE

The group has completed a comprehensive Year 2000 compliance programme and to date no significant problems have arisen.

Costs to the group directly associated with Year 2000 compliance have been £5.1m.

10) ENVIRONMENT

Securicor recognises its obligation to minimise the environmental impact of its operations. It strives to be sympathetic to the environment in which it runs its businesses and to ensure that all subsidiaries comply with applicable environmental laws and standards.

11) EMPLOYEE INVOLVEMENT

The group keeps employees informed about current activities, progress and general matters of interest by various methods including:

- (a) the holding of regular regional and branch meetings;
- (b) the circulation on an individual basis of the group's bi-monthly in-house newsletter, 'Securicor News';
- (c) the production of newsletters, bulletins and similar items by various individual companies.

Disabled persons

The group's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities, and the retention and retraining of employees who become disabled.

12) POLITICAL AND CHARITABLE CONTRIBUTIONS

The group remains committed to support of charities, the community, job creation and training, local development, the arts, sport and music. Charitable contributions by the group during the year amounted to £191,000. In addition, staff raised in excess of £40,000 for NCH Action for Children, the group's nominated charity for 1999.

There were no political contributions.

13) SUBSTANTIAL HOLDINGS

The directors have been notified of the following substantial shareholdings in the ordinary capital of Securicor plc:

(i) Mercury Asset Management	62,119,873	(10.1%)
(ii) Putnam Investment Management	32,825,107	(5.3%)
(iii) Royal & Sun Alliance	30,896,965	(5.0%)
(iv) Threadneedle Investment Managers	30,195,723	(4.9%)

14) AUDITORS

A resolution to appoint Baker Tilly, chartered accountants, as auditors to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting of Securicor plc.

A resolution to re-appoint Baker Tilly, chartered accountants, as auditors to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting of Securicor (1996) plc which will be held prior to the Annual General Meeting of Securicor plc.

15) DIRECTORS

The directors, brief details of whom are contained on page 26, held office as directors of Securicor (1996) plc throughout the year, with the exception of Mr Cowden, whose appointment took effect in January 1999. The same directors were appointed to the board of Securicor plc, Messrs Griffiths and Shirtcliffe being appointed in July 1999 and the remaining directors in September 1999.

In accordance with the Articles of Association of Securicor plc, all the directors will retire at the Annual General Meeting of Securicor plc and, being eligible, offer themselves for election.

Lord Imbert, Sir Neil Macfarlane, Sir James Birrell and Messrs Howes and Kitchen resigned from the board of Securicor (1996) plc in December 1999. The remaining director retiring by rotation is Mr Shirtcliffe who, being eligible, will offer himself for re-election at the Annual General Meeting of Securicor (1996) plc.

The contract of service of Mr Wiggs is terminable at 12 months' notice. The contracts of service of Messrs Griffiths and Shirtcliffe expire on 30 September 2001 but will, with effect from 30 September 2000, be replaced by contracts terminable at 12 months' notice. Mr Cowden's contract of service expires in November 2001 but he has announced his intention to retire in December 2000.

Mr Patrick Howes, formerly an executive director of Securicor (1996) plc, became non-executive in October 1999. His contract of service expires in August 2001 when he will be 60. None of the other non-executive directors has a contract of service.

Details of directors' interests in the share capital of Securicor (1996) plc and Securicor plc and of the directors' emoluments are set out on pages 33 to 36.

None of the directors had a material interest in any contract significant to the business of the group during the financial year.

16) CORPORATE GOVERNANCE

The board subscribes to and complies with the Combined Code, being the principles of good governance and the code of best practice formulated by the Committee on Corporate Governance.

(A) Principles of Good Governance

The board comprises the non-executive Chairman, the Chief Executive, four other non-executive directors (all of whom except Mr Patrick Howes are considered by the board to be independent) and three other executive directors. It meets each month and additionally when necessary. At each monthly meeting it receives detailed reports from the Group Chief Executive and Group Finance Director and an operational report in respect of each of the company's trading divisions. Sir James Birrell is the senior independent director.

Recommendations on new appointments to the board are made by the Nomination Committee which is chaired by Sir James Birrell. The other members are Lord Imbert and Mr Roger Wiggs.

All directors submit themselves for re-election at least every three years.

The Remuneration Committee is chaired by Lord Imbert and the other members are Sir Neil Macfarlane and Mr Jonathan Kitchen. The committee determines the remuneration of the executive directors and of certain other senior executives. In setting the levels of remuneration, the committee uses the services of independent pay and benefit consultants.

A statement of the board's policy on executive directors' remuneration and details of the remuneration of each director are contained on page 33.

Report of the directors

The Group Chief Executive and the Group Finance Director hold regular meetings with individual institutional shareholders to discuss the group's strategy and operational performance, although price sensitive information is never divulged at these meetings. All the directors attend the Annual General Meeting and are available to answer questions, most of which are raised by private investors present at the meeting.

The Audit Committee meets a minimum of three times a year. It is composed of Sir James Birrell (Chairman), Sir Neil Macfarlane and Mr Jonathan Kitchen. Meetings are also attended by a senior representative from the group's auditors, the group's Director of Corporate Planning and Audit, the Group Finance Director and the Company Secretary. Amongst other matters, the committee considers the group's annual and interim financial statements and any questions raised by the auditors on the financial statements, financial systems and internal controls. The minutes of the committee's meetings are circulated to all directors.

The chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meeting of Securicor plc.

The board's report on internal controls is made in accordance with the guidance issued by the Ruttman Working Group in 1994 and is therefore restricted to internal financial controls. The directors are responsible for the group's system of internal financial controls which include financial and management reporting and control, and investment appraisal. Any such system can only provide reasonable, and not absolute, assurance against material mis-statement or loss. The adequacy, application and effectiveness of the system is reviewed by both the Audit Committee and the Corporate Planning and Audit department. Particular attention is paid to the safeguarding of assets against unauthorised use or dispossession, and the maintenance of proper accounting records, including the reliability of the financial information used within the business or for publication.

The key elements of internal financial control within the group are:

- clearly defined reporting lines and authorisation procedures;
- a comprehensive budgeting system for each business unit which is consolidated in an annual group budget approved by the board. Results are reported each month and compared to the budget and prior year. Revised forecasts are prepared regularly throughout the year. In addition, the board receives regular reports on cashflow and borrowing requirements and each subsidiary prepares and annually reviews a three year strategic business plan;
- well-defined procedures for the appraisal, approval, control and review of capital expenditure;
- a programme of regular reviews of business units and support functions co-ordinated by the Corporate Planning and Audit department which supports the directors in assessing the effectiveness of internal financial control.

The above procedures are set out in a comprehensive Finance Manual which is distributed to all subsidiaries within the group. Both internal and external auditors review compliance with this manual.

The risks associated with the group's varied activities are regularly reviewed by the board which considers major risks and evaluates their impact on the group. Policies and procedures are in place to deal with any matters which may be considered by the board to present significant exposure.

The company has introduced (a) a framework which enables business risks throughout the group to be evaluated, and (b) processes designed to ensure the effective assessment and management of risks. These processes are carried out under the guidance of a Risk Management Committee, the membership of which includes both the Group Chief Executive and the Group Finance Director.

The board's position regarding the Turnbull Guidance on internal control is described in the Financial Review on page 22.

(B) Code of Best Practice

The group complied throughout the year ended 30 September 1999 with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange.

17) REMUNERATION OF THE DIRECTORS

The key objective of the group's remuneration policy is to ensure that individual rewards and incentives are directly aligned with the performance of the group and the interests of its shareholders and that packages are provided which attract, retain and motivate directors to perform at the highest levels.

The executive directors participate in a performance related bonus scheme, payments under which are dependent on the attainment of defined profit targets of the group and which were, for the year under review, subject to a maximum of 40% of base salary. There is a threshold profit target below which no bonus payment is made. Once the threshold level has been achieved, the amount of bonus is then calculated by reference to a sliding scale.

	Salary and fees £	Benefits £	Performance* related bonus £	1999 total £	1998** total £
Chairman (non-executive)					
Sir Neil Macfarlane	118,041	—	—	118,041	110,043
Executive Directors					
D G Cowden (appointed 1.1.99)	131,966	7,153	—	139,119	—
N E Griffiths	204,249	9,247	78,000	291,496	187,313
P D Howes (non-executive from 1.10.99)	191,917	12,449	74,000	278,366	179,325
H W McKay (retired 6.4.99)	136,447	6,320	74,000	216,767	179,750
C C Shirtcliffe	224,638	12,302	86,000	322,940	209,188
R S W H Wiggs	360,082	15,449	138,000	513,531	326,634
Other Non-Executive Directors					
Sir James Birrell	30,876	—	—	30,876	29,083
R A Graves (retired 6.8.98)	—	—	—	—	35,486
Lord Imbert	30,876	—	—	30,876	29,083
J A Kitchen (appointed 5.2.98)	30,876	—	—	30,876	19,556

*The performance related bonuses were awarded by reference to the performance for the year ended 30 September 1998. The directors have been advised that no performance related bonuses will be payable in respect of the year ended 30 September 1999.

**No bonus was paid in 1998 in respect of the year ended 30 September 1997.

LONG-TERM INCENTIVE SCHEMES

Securicor plc has established two types of share option scheme, an executive share option scheme and a sharesave scheme. These schemes are, with minor modifications, identical to the schemes operated by Securicor (1996) plc. The board believes that share options granted to executive directors and other senior executives strengthen the alignment of their personal interests with those of the shareholders.

(a) Executive Share Option Scheme

This plan, which provides for the selective grant of options to Securicor executives, is in two parts: an Inland Revenue approved part and an unapproved part. Options are granted on a phased basis over time rather than in one large block and up to a maximum aggregate market value at the date of grant of four times the participant's annual remuneration. No options are granted at a discounted price. The Remuneration Committee has determined that the exercise of these options will not normally be permitted unless and until the group's earnings per share over a rolling three-year period have grown by at least 3% per annum above the growth in the Retail Prices Index.

(b) Sharesave Scheme

This savings-related scheme is open to all UK employees of the company and its subsidiaries with at least 12 months' service. Eligible employees may save up to £250 per month under a three-year sharesave contract and then apply the savings in the acquisition of new shares in the company. The option price is set at 80% of the market value at the date of grant.

Under both schemes, options will not normally be exercisable until the third anniversary of the date of grant. The limit on the number of ordinary shares which may be issued under both schemes until 30 April 2006 is 7.1% of the issued ordinary share capital of Securicor plc, with the limit for the executive share option scheme alone being 3.4%. These limits take into account options issued by Securicor (1996) plc since 30 April 1996 and either exercised or outstanding at the time of the Scheme of Arrangement in November 1999, being equivalent to approximately 2.9% of the issued share capital of that company and of which approximately 1.6% consisted of executive share options and 1.3% of sharesave options. Applying the limits of 7.1% and 3.4% referred to above means that, in the ten-year period from 30 April 1996, Securicor (1996) plc and Securicor plc will between them have been subject to a limit on the number of ordinary shares which may be issued under both schemes in any ten-year period of 10% of the issued ordinary share capital, with the limit for the executive share option scheme alone being 5%.

Report of the directors

DIRECTORS' SHARE OPTIONS (OVER SHARES OF SECURICOR (1996) PLC)

Option	At 30.9.98	Granted during year	Outstanding at 30.9.99	Option Price	Exercised Date	Exercised Number	Market value at exercise	Gain before tax £
D G Cowden	A	82,650	—	245p				
					8.11.99	24,480	614p	90,331
					9.11.99	58,170	612p	213,484
	B	40,640	—	280p	9.11.99	40,640	612p	134,925
	C	30,200	—	441.5p	9.11.99	30,200	612p	51,491
	E	9,948	—	196p	22.10.99	9,948	600p	40,190
N E Griffiths	A	138,770	—	245p				
					8.11.99	12,240	614p	45,166
					9.11.99	126,530	612p	464,365
	B	60,710	—	280p	9.11.99	60,710	612p	201,557
	D	—	39,850	489.25p	9.11.99	39,850	612p	48,916
	E	4,974	—	196p	1.10.99	4,974	591p	19,647
P D Howes	A	126,530	—	245p				
					8.11.99	12,240	614p	45,166
					9.11.99	114,290	612p	419,444
	B	55,350	—	280p	9.11.99	55,350	612p	183,762
	D	—	37,810	489.25p	9.11.99	37,810	612p	46,412
	E	4,974	—	196p	1.10.99	4,974	591p	19,647
C C Shirtcliffe	A	151,020	—	245p				
					8.11.99	12,240	614p	45,166
					9.11.99	138,780	612p	509,323
	B	66,070	—	280p	9.11.99	66,070	612p	219,352
	D	—	43,940	489.25p	9.11.99	43,940	612p	53,936
	E	4,974	—	196p	15.10.99	4,974	590p	19,598
R S W H Wiggs	A	236,730	—	245p				
					8.11.99	12,240	614p	45,166
					9.11.99	224,490	612p	823,878
	B	103,570	—	280p	9.11.99	103,570	612p	343,852
	D	—	70,510	489.25p	9.11.99	70,510	612p	86,551
	E	4,974	—	196p	22.10.99	4,974	600p	20,095

Option A = Executive Share Option Scheme, normally exercisable between June 1999 and June 2006.

Option B = Executive Share Option Scheme, normally exercisable between June 2000 and June 2007.

Option C = Executive Share Option Scheme, normally exercisable between June 2001 and June 2008.

Option D = Executive Share Option Scheme, normally exercisable between December 2001 and December 2008.

Option E = Sharesave Scheme, exercisable between October 1999 and March 2000.

Mr Cowden's share options included those held by his wife who is employed as a senior executive of the group.

All the above options were exercised between 1 October 1999 and 9 November 1999. The total gain from share options made by the directors under the Scheme of Arrangement relating to the disposal of the group's interest in BT Cellnet and from the maturity of the 1996 Sharesave issue is shown above.

The market price of the ordinary shares at 30 September 1999 was 599.5p (30 September 1998: 381.5p).

Grants under Securicor plc's share option scheme at a price of 164p per share were made to three of the executive directors on 21 December 1999 as follows:

N E Griffiths	135,000
C C Shirtcliffe	150,000
R S W H Wiggs	240,000

These options are exercisable between December 2002 and December 2009.

Mr Wiggs, who had options over 70,000 units of common stock of Intek Diversified Corporation (now Securicor Wireless Holdings Inc), waived his right to exercise those options. Had he exercised them, he would have realised a gross gain of US\$58,365.

DIRECTORS' INTERESTS IN SHARES OF SECURICOR (1996) PLC

(not including shares under option)

	At 30.9.99	At 30.9.98
J D Birrell	3,954	3,954
D G Cowden	4,871	4,871
N E Griffiths	5,255	6,255
P D Howes	14,652	19,652
P M Imbert	7,604	7,604
J A Kitchen	6,000	1,500
D N Macfarlane	7,000	5,954
C C Shirtcliffe	46,905	49,805
R S W H Wiggs	164,034	168,034

DIRECTORS' INTERESTS IN SHARES OF SECURICOR PLC ON 11 NOVEMBER 1999

(first day of listing)

	At 11.11.99
J D Birrell	3,954
D G Cowden	168,309
N E Griffiths	249,559
P D Howes	239,316
P M Imbert	7,604
J A Kitchen	6,000
D N Macfarlane	7,000
C C Shirtcliffe	312,909
R S W H Wiggs	579,818

All interests shown above are beneficial.

In December 1999, Mr Howes disposed of 50,000 shares and Sir Neil Macfarlane purchased 3,000 shares. In January 2000, Mr Howes disposed of 50,000 shares and Mr Shirtcliffe disposed of 75,000 shares.

No other changes in these holdings have taken place since 11 November 1999.

DIRECTORS' SERVICE CONTRACTS

(of more than 12 months' duration)

The contracts of service of Messrs Griffiths and Shirtcliffe expire on 30 September 2001 but will, with effect from 30 September 2000, be replaced by contracts terminable at 12 months' notice. Mr Cowden's contract of service expires in November 2001 but he has announced his intention to retire in December 2000. Mr Howes' contract of service expires in August 2001 when he will be 60.

Report of the directors

DIRECTORS' PENSION ENTITLEMENTS

The directors noted below participate in the non-contributory category of the group's final salary pension scheme.

The normal retirement age for the category is 60 and members achieve the maximum of 2/3rds of their final pensionable salary at normal retirement age after 20 years' service (10 years' service for those who joined the company prior to 17 March 1987). The pension of 2/3rds accrues uniformly between the date of joining the scheme and normal retirement age. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred beyond normal retirement age.

For death before normal retirement age a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable.

Post retirement pension increases are payable at the rate of 5% per annum in respect of pension earned up to 31 December 1994 and in line with the increase in the Retail Prices Index subject to a maximum of 5% in respect of pension earned after that date.

	Age at 30.9.99	Years of pensionable service at 30.9.99	Additional pension earned during the year ended 30.9.99 £000	Accrued entitlement at year end or date of appointment 30.9.99 £000 (Note 1)	30.9.98 £000 (Note 2)
D G Cowden	57	23	35	98	63
N E Griffiths	52	21	13	97	84
P D Howes	58	27	19	116	97
C C Shirtcliffe	55	22	17	120	103
R S W H Wiggs	60	24	37	233	196

1 The pension entitlement shown is that which would be paid at normal retirement age, based on service at 30.9.99.

2 The calculation includes inflation of 1.1%.

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15 Carshalton Road
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Surrey SM1 4LD



By order of the Board
N E Griffiths
Secretary
15 February 2000

Directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditors set out opposite, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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 and of the group and of the profit or loss of the group for that year. 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business for the foreseeable future.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the company and of the group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the auditors to the members of Securicor (1996) plc

We have audited the financial statements on pages 38 to 64 (including the additional disclosures on pages 33 to 36 relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention and the accounting policies set out on page 42.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 36, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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. We also report to you 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 31 and 32 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its internal controls.

Basis of audit 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 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 affairs of the company and the group at 30 September 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST
15 February 2000

Consolidated profit and loss account

		CONTINUING OPERATIONS	ACQUISITIONS	DISCONTINUED OPERATIONS		TOTAL	RESTATE TOTAL
		1999 £M	1999 £M	OTHER 1999 £M	BT CELLNET 1999 £M	1999 £M	1998 £M
FOR THE YEAR ENDED 30 SEPTEMBER 1999							
NOTES							
TURNOVER: group and share of joint ventures		1,129.2	10.8	6.0	-	1,146.0	1,222.6
Less: share of joint ventures' turnover:							
– Distribution (since 1 April 1999)		(154.5)	(5.3)	-	-	(159.8)	-
– Security		(27.1)	-	-	-	(27.1)	(28.0)
GROUP TURNOVER		947.6	5.5	6.0	-	959.1	1,194.6
Cost of sales		(702.3)	(4.4)	(3.5)	-	(710.2)	(883.2)
Gross profit		245.3	1.1	2.5	-	248.9	311.4
Net operating expenses		(207.0)	(1.0)	(2.5)	-	(210.5)	(272.3)
GROUP OPERATING PROFIT		38.3	0.1	-	-	38.4	39.1
Share of operating profit in joint ventures:							
– Distribution joint venture		3.8	0.4	-	-	4.2	-
– Security joint ventures		0.4	-	-	-	0.4	1.7
Share of operating profit in associates:							
– Other		4.0	-	(2.0)	-	2.0	(0.9)
– BT Cellnet		-	-	-	35.1	35.1	82.8
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST, EXCEPTIONAL ITEMS AND TAXATION		46.5	0.5	(2.0)	35.1	80.1	122.7
Exceptional items		57.4	-	(3.0)	-	54.4	(0.5)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		103.9	0.5	(5.0)	35.1	134.5	122.2
Net interest:							
– Other		(12.1)	-	-	-	(12.1)	(17.8)
– BT Cellnet		-	-	-	(20.5)	(20.5)	(18.3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		91.8	0.5	(5.0)	14.6	101.9	86.1
Taxation		(17.7)	-	-	(5.8)	(23.5)	(31.6)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		74.1	0.5	(5.0)	8.8	78.4	54.5
Minority interests						7.1	6.8
Dividends						(2.9)	(11.6)
RETAINED PROFIT						82.6	49.7
EARNINGS PER SHARE							
Basic						14.2p	10.2p
Fully diluted						14.1p	10.2p
Basic before exceptional items and discontinued operations of BT Cellnet						3.7p	2.7p
Fully diluted before exceptional items and discontinued operations of BT Cellnet						3.7p	2.7p

On 27 July 1999, Securicor announced that it had reached agreement to sell its 40% shareholding in Cellnet Group Limited (BT Cellnet) to British Telecommunications plc (BT) for £3.15 billion. The disposal was effected by a Scheme of Arrangement under which £3.02 billion was paid directly by BT to shareholders in the form of cash with a loan note alternative. The Scheme resulted in a reconstruction of the Securicor group, under which shareholders received shares on a one-for-one basis in a new holding company which adopted the Securicor plc name and which has been listed on the London Stock Exchange since 11 November 1999 under the business support services sector. This new company now owns Securicor's managed businesses and has retained the balance of the consideration payable by BT as development finance. The financial information set out above shows the consolidated results of the former Securicor plc (now renamed Securicor (1996) plc).

To illustrate the impact of the disposal of Securicor's interest in BT Cellnet and of the Scheme of Arrangement, information is also given by way of a pro forma consolidated profit and loss account and balance sheet. This is set out in the financial review on pages 19 and 20.

The financial information relating to the year ended 30 September 1999 consists of the consolidated results of Securicor (1996) plc and its subsidiaries, associates and joint ventures for that period.

Consolidated balance sheet

AT 30 SEPTEMBER 1999		RESTATED			
	NOTES	1999 £M	1999 £M	1998 £M	1998 £M
FIXED ASSETS					
Intangible assets	9		31.1		15.3
Tangible assets	10		116.6		210.2
Investments in joint ventures:					
– Share of gross assets		130.6		14.7	
– Share of gross liabilities		(84.5)		(7.3)	
	11		46.1		7.4
Investments in associated undertakings	11		200.0		178.5
			393.8		411.4
CURRENT ASSETS					
Stocks	12		18.1		25.5
Debtors	13		123.6		245.9
Bank and deposit balances	14		24.5		23.9
			166.2		295.3
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR					
Borrowings	14		37.3		41.9
Corporation tax			2.8		4.3
Proposed dividends			–		9.0
Other	17		113.9		197.1
			154.0		252.3
NET CURRENT ASSETS					
			12.2		43.0
TOTAL ASSETS LESS CURRENT LIABILITIES					
			406.0		454.4
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Borrowings	14		39.3		202.2
Other	17		–		0.3
			39.3		202.5
Provision for liabilities and charges	18		9.1		12.8
NET ASSETS					
	8		357.6		239.1
CAPITAL AND RESERVES					
Called up share capital	19		30.1		30.1
Reserves	20		327.2		207.1
Equity shareholders' funds			357.3		237.2
Equity minority interests	20		0.3		1.9
			357.6		239.1

NOTE

The parent company balance sheet and notes are on page 64.

Approved by the board on 15 February 2000

ROGER WIGGS

CHRISTOPHER SHIRTCLIFFE

Directors



Consolidated cash flow statement

FOR THE YEAR ENDED 30 SEPTEMBER 1999	1999 £M	1999 £M	1998 £M	1998 £M
NET CASH FLOW FROM OPERATING ACTIVITIES (see note 26(a))		55.5		27.5
DIVIDENDS FROM ASSOCIATES AND JOINT VENTURES		1.3		0.4
NET CASH FLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE (see note 26(b))		(8.0)		(14.4)
TAXATION		(13.5)		(4.4)
NET CASH FLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT (see note 26(b))		(45.8)		(43.8)
NET CASH FLOW FROM ACQUISITIONS AND DISPOSALS (see note 26(b))		187.4		4.6
EQUITY DIVIDENDS PAID		(11.9)		(10.7)
CASH FLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		165.0		(40.8)
MANAGEMENT OF LIQUID RESOURCES (see note 26(b))		-		22.3
FINANCING:				
- Share issue	3.3		3.4	
- Decrease in loans	(163.9)		(4.6)	
- Capital element of finance lease rental payments	(0.9)		(1.0)	
NET CASH FLOW FROM FINANCING (see note 26(b))		(161.5)		(2.2)
INCREASE/(DECREASE) IN CASH IN THE YEAR		3.5		(20.7)
Note: Payments and outflows are denoted in brackets.				
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (see note 26(c))				
Increase/(decrease) in cash in the year	3.5		(20.7)	
Cash flow from decrease in debt and lease financing	164.8		5.6	
Cash flow from decrease in liquid resources	-		(22.3)	
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		168.3		(37.4)
Profit on sale of investments		-		0.3
New finance leases		(0.2)		(0.8)
Movement in net debt in the year		168.1		(37.9)
Net debt at 1 October 1998		(220.2)		(182.3)
NET DEBT AT 30 SEPTEMBER 1999		(52.1)		(220.2)

Statement of total recognised gains and losses

	1999 £M	1998* £M
Profit on ordinary activities after taxation and minority interests	85.5	61.3
Translation differences on foreign currency net investments (see note 20)	(2.4)	(3.3)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	83.1	58.0
Prior year adjustment (see note 21)	(8.9)	—
TOTAL RECOGNISED GAINS	74.2	58.0

Note of historical cost profits and losses

There is no material difference between the reported profit shown on page 38 and the profit for the year restated on an historical cost basis.

Reconciliation of movement in shareholders' funds

	1999 £M	1998* £M
Profit on ordinary activities after taxation and minority interests	85.5	61.3
Dividends	(2.9)	(11.6)
Retained earnings	82.6	49.7
Translation differences on foreign currency net investments (see note 20)	(2.4)	(3.3)
Proceeds of share capital issued	3.3	3.4
Write-back of goodwill on disposals previously written off (see note 20)	37.2	1.6
Release of revaluation reserve on disposals	—	(3.5)
Goodwill on acquisitions deducted from reserves	(0.6)	(25.0)
Net increase in shareholders' funds	120.1	22.9
Shareholders' funds at 1 October 1998	237.2	214.3
SHAREHOLDERS' FUNDS AT 30 SEPTEMBER 1999	357.3	237.2

*Restated as explained in note 21.

Statement of accounting policies

1 Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, including FRS12 'Provisions, Contingent Liabilities and Contingent Assets', which was issued by the Accounting Standards Board in September 1998. Adoption of FRS12 has necessitated the restatement of comparative data.

The significant accounting policies are described below.

2 Accounting convention

The financial statements are prepared under the historical cost convention.

3 Basis of consolidation

The consolidated accounts incorporate the accounts of Securicor (1996) plc, its subsidiary undertakings and the group's share of the results and net assets of its associates and joint ventures for the year ended 30 September 1999.

4 Associated undertakings

Associated undertakings are entities in which a member of the group holds a long-term minority equity interest, but over which it is in a position to exert a significant influence. The accounts include the relevant proportion of the results of associated undertakings based on the last audited accounts and subsequent management accounts where year ends are not coterminous. The group's former principal associated undertaking with a different accounting date is Cellnet Group Limited whose year end is 31 March.

In the consolidated balance sheet the investments in associated undertakings are shown as the group's share of underlying net assets under the heading 'Investments in associated undertakings'.

5 Joint ventures

Joint ventures are entities in which a member of the group holds a long-term interest and shares control under a contractual agreement. The accounts include the group's share of results based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheet the share of gross assets and gross liabilities is shown.

6 Accounting for acquisitions and disposals

The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. On the acquisition of subsidiary undertakings or businesses, the acquisition cost is allocated against the fair value of net assets acquired, after adjustments to bring accounting policies into line with those of the group.

7 Group turnover

Turnover represents sales, excluding value added tax, by group companies to external customers.

8 Depreciation

Depreciation is calculated to write off the cost or valuation of the assets to their estimated residual values by equal annual instalments over their expected economic life. No depreciation is provided on freehold or long leasehold land. Details of depreciation rates are disclosed in note 10 to the consolidated accounts.

9 Research and development expenditure

Research expenditure is written off in the year in which it is incurred. United Kingdom development expenditure represents expenditure mainly of a revenue nature in establishing new services and products of the group. Overseas development expenditure represents expenditure on acquiring radio licences in the USA. Other than the aforementioned, all other research and development expenditure is written off during the year in which it is incurred.

Development expenditure is amortised over periods of up to fifteen years commencing in the year after that in which it has been incurred or when the project is revenue producing.

Directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any permanent diminution in value.

10 Stocks

Stocks are valued at the lower of cost and net realisable value on bases consistent with previous years. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present condition and location and includes appropriate overheads.

11 Deferred taxation

Provision is made for deferred taxation at known rates of tax on the excess of the book value of those assets qualifying for taxation allowances over their written down value for tax purposes, except when the tax benefit can be expected with reasonable probability to be retained for the foreseeable future.

12 Overseas currencies

Profits and losses and assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange adjustments, including those arising on consolidation and on United Kingdom borrowings arranged to finance overseas investments, have been transferred to reserves as disclosed in note 20 to the consolidated accounts.

13 Goodwill and amortisation

Following the introduction of FRS10, the group has changed its accounting policy for goodwill with effect from 1 October 1998. Goodwill,

being the excess of the cost of an acquisition over the fair value attributed to the net tangible assets at acquisition, is now capitalised and is amortised over its useful economic life which is expected not to exceed twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions made on or before 30 September 1998 was charged directly to reserves. The profit or loss on disposal or closure of a business includes any attributable goodwill previously charged to reserves.

14 Provisions

FRS12 was adopted with effect from 1 October 1998. Due to the adoption of this FRS, the comparatives have been restated to reflect the new requirements regarding recognition of provisions.

15 Leases

Assets held under finance leases are included as tangible fixed assets at their capital value and depreciated over the shorter of the lease term and their useful economic life. The capital element of future rentals is included within creditors and finance charges are allocated to accounting periods over the period of the lease.

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred and future rental obligations are disclosed in note 24 to the consolidated accounts.

16 Pensions

The group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The principal scheme is of a defined benefit structure. The regular cost of providing benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members.

A contracted-in money purchase scheme was established in 1996 and is the main scheme for new employees.

17 Financial instruments

The financial instruments utilised by the group are interest rate swaps and forward exchange contracts. These instruments are held to manage the interest rate exposure of borrowings and currency exposures arising from trading transactions. Interest differentials arising from derivatives are recognised by adjusting net interest payable. Gains or losses on forward contracts are recognised in the profit and loss account at the same time as the transaction.

Notes to the consolidated accounts

1 SEGMENTAL ANALYSIS OF RESULTS

(a) Business sector analysis

	1999			1998		
	TOTAL £M	INTERSEGMENT £M	SALES TO THIRD PARTIES £M	TOTAL £M	INTERSEGMENT £M	SALES TO THIRD PARTIES £M
TURNOVER						
Security	591.4	(5.4)	586.0	552.5	(6.3)	546.2
Distribution	639.5	(7.3)	632.2	602.7	(23.7)	579.0
Communications	58.0	(3.5)	54.5	49.4	(8.2)	41.2
CONTINUING OPERATIONS	1,288.9	(16.2)	1,272.7	1,204.6	(38.2)	1,166.4
Discontinued operations	6.0	–	6.0	28.2	–	28.2
	1,294.9	(16.2)	1,278.7	1,232.8	(38.2)	1,194.6
Less: Distribution joint venture turnover from 1 April 1999	(319.6)	–	(319.6)	–	–	–
	975.3	(16.2)	959.1	1,232.8	(38.2)	1,194.6

	1999		1998	
	TOTAL £M	INTERSEGMENT £M	TOTAL £M	INTERSEGMENT £M
PROFIT BEFORE INTEREST AND TAXATION				
Security				
Distribution	21.6	45.1	34.6	
Less: 50% attributable to Deutsche Post from 1 April 1999	(3.6)			
		18.0	25.4	
Communications		(16.1)	(17.8)	
CONTINUING OPERATIONS		47.0	42.2	
Discontinued operations (non-BT Cellnet)		(2.0)	(2.3)	
Exceptional items		54.4	(0.5)	
		99.4	39.4	
Discontinued operations – BT Cellnet		35.1	82.8	
		134.5	122.2	

(b) Geographical analysis

	1999			1998		
	TOTAL £M	INTERSEGMENT £M	SALES TO THIRD PARTIES £M	TOTAL £M	INTERSEGMENT £M	SALES TO THIRD PARTIES £M
TURNOVER						
United Kingdom	1,105.0	(15.9)	1,089.1	1,036.0	(38.0)	998.0
Rest of Europe	144.1	(0.3)	143.8	137.5	(0.2)	137.3
Africa	18.9	–	18.9	18.9	–	18.9
United States of America	16.7	–	16.7	8.8	–	8.8
Asia and rest of world	4.2	–	4.2	3.4	–	3.4
CONTINUING OPERATIONS	1,288.9	(16.2)	1,272.7	1,204.6	(38.2)	1,166.4
Discontinued operations	6.0	–	6.0	28.2	–	28.2
	1,294.9	(16.2)	1,278.7	1,232.8	(38.2)	1,194.6
Less: Distribution joint venture turnover from 1 April 1999	(319.6)	–	(319.6)	–	–	–
	975.3	(16.2)	959.1	1,232.8	(38.2)	1,194.6

The turnover from discontinued operations (non-BT Cellnet) for 1999 was in Europe (1998: United Kingdom £15.4m and Europe £12.8m). Distribution joint venture turnover from 1 April 1999: United Kingdom £311.4m and Europe £8.2m.

Notes to the consolidated accounts

1 SEGMENTAL ANALYSIS OF RESULTS (continued)

(b) Geographical analysis (continued)

	1999 £M	1998 £M
PROFIT BEFORE INTEREST AND TAXATION		
United Kingdom	50.5	43.8
Europe	4.6	2.7
Africa	2.0	2.7
United States of America	(11.2)	(9.6)
Asia and rest of world	1.1	2.6
CONTINUING OPERATIONS	47.0	42.2
Discontinued operations (non-BT Cellnet)	(2.0)	(2.3)
Exceptional items	54.4	(0.5)
Operations excluding BT Cellnet	99.4	39.4
Discontinued operations – BT Cellnet	35.1	82.8
	134.5	122.2

The results of discontinued operations (non-BT Cellnet) for 1999 arose in the United States of America (1998: United Kingdom £1.1m, Europe £0.4m and the United States of America £(3.8)m). BT Cellnet results are wholly attributable to the United Kingdom.

(c) The results of the business sectors include turnover and profit before interest and taxation of subsidiaries and businesses acquired in the year, as follows:

BUSINESS SECTOR	SUBSIDIARY ACQUIRED £M	TURNOVER £M	PROFIT BEFORE TAX £M
Security	Sudwach GmbH & Co KG (acquired October 1998)	5.5	0.1

2 NET INTEREST

	1999		1998	
	£M	£M	£M	£M
Interest receivable (group)		1.6		1.3
Interest payable (group)				
– Loans and overdrafts, wholly repayable within five years:				
Repayable by instalments	(0.3)		(0.5)	
Repayable other than by instalments	(9.1)		(16.8)	
Interest on finance leases	(0.1)		(0.2)	
		(9.5)		(17.5)
Interest payable (joint ventures)		(0.9)		–
Interest payable (associates excluding BT Cellnet)		(3.3)		(1.6)
Continuing operations		(12.1)		(17.8)
Discontinued operations – BT Cellnet		(20.5)		(18.3)
		(32.6)		(36.1)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

(a) Operating profit has been arrived at after taking account of:

	1999			1998		
	COST OF SALES £M	ADMINISTRATION EXPENSES £M	DISTRIBUTION EXPENSES £M	COST OF SALES £M	ADMINISTRATION EXPENSES £M	DISTRIBUTION EXPENSES £M
Continuing operations	702.3	202.3	4.7	868.7	256.8	7.0
Acquisitions	4.4	1.0	–	6.5	2.2	–
	706.7	203.3	4.7	875.2	259.0	7.0
Discontinued operations	3.5	2.5	–	8.0	5.2	1.1

(b) Profit on ordinary activities before interest and taxation has been arrived at after taking account of:

	1999 £M	1998 £M
Auditors' remuneration:		
– Audit	0.6	0.7
– Other services	0.1	0.1
Depreciation of tangible fixed assets:		
– Owned assets	29.2	39.1
– Leased assets	0.6	0.1
Amortisation	1.3	6.8
Research expenditure	1.2	1.7
Operating lease rentals payable:		
– Plant, machinery and vehicles	25.5	35.0
– Other including properties	20.8	31.0
Operating lease rentals receivable:		
– Plant and machinery	(0.9)	(0.4)
Investment income (listed)	–	(0.5)
Loss/(profit) on disposal of assets:		
– Properties	–	0.1
– Other tangible fixed assets	1.4	2.7
– Investments	–	(0.3)

In addition to the amounts shown above, the auditors received fees of £0.5m relating to the acquisition and disposal of subsidiaries and businesses during the year.

(c) Exceptional items

	1999 £M	1998 £M
CONTINUING OPERATIONS		
Profit on sale of 50% of the Distribution division to Deutsche Post	121.8	–
In the Communications division, costs of fundamental reorganisations, restructuring and the write-off of goodwill arising on the acquisition of a minority interest	(64.4)	(15.9)
	57.4	(15.9)
DISCONTINUED OPERATIONS		
Loss on sale of associated undertaking Telesciences Inc.	(2.4)	–
Write-back of provision made in 1997 on sale of the business of Securicor Cellular Services Limited	0.3	8.2
Other net (loss)/profit on sale/closure of business	(0.9)	7.2
	(3.0)	15.4
	54.4	(0.5)

Notes to the consolidated accounts

4 STAFF COSTS AND EMPLOYEES

(a) Staff costs:

	1999 £M	1998 £M
Staff costs, including directors' emoluments:		
Wages and salaries	466.9	542.1
Social security costs	47.0	52.3
Pension costs	9.8	13.8
	523.7	608.2

The staff costs for 1999 are lower than those for 1998 because the Distribution division has been included only up to 31 March 1999 when it ceased to be wholly owned by the group and became a joint venture.

(b) Number of employees:

	NUMBER OF EMPLOYEES	
	1999	1998
The average weekly number of employees of the group during the year was:		
BUSINESS SECTOR ANALYSIS		
Security	45,001	43,407
Communications	811	945
CONTINUING OPERATIONS	45,812	44,352
Discontinued operations	144	577
	45,956	44,929
GEOGRAPHICAL ANALYSIS		
United Kingdom	19,208	18,156
Rest of Europe	7,529	7,057
Africa	18,105	18,265
United States of America	355	265
Asia and rest of world	615	609
CONTINUING OPERATIONS	45,812	44,352
Discontinued operations		
United Kingdom	-	410
Rest of Europe	144	167
	45,956	44,929

The average weekly number of employees for the Distribution division was 12,732 (1998: 11,925). This number has not been included above because the division ceased to be wholly owned by the group from 1 April 1999.

(c) Pension arrangements:

The group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The principal scheme, which operates in the United Kingdom, is of a defined benefit structure. The costs of this scheme amounted in the year to £11.305m (1998: £12.639m). The pension costs are assessed on the advice of independent qualified actuaries using the projected unit credit method. The assets of the schemes are held in separate trustee administered funds.

The latest actuarial valuation was made on 5 April 1997. The assumptions which have the most significant effect on the results of the valuation are the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the long-term rates of return on investments would be 2% higher than the rate of annual salary increase and would vary between 4% and 4.5% higher than the rate of pension increases.

At the date of the valuation the market value of the assets was £402.3m and the actuarial value of the assets was sufficient to cover the actuarial value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The group's current contribution rate is expected to cover the funds' present and future commitments for the foreseeable future.

The pension schemes are operated for the benefit of the employees of Securicor (1996) plc and its subsidiaries.

4 STAFF COSTS AND EMPLOYEES (continued)

(d) Emoluments of the directors of Securicor (1996) plc:

	1999 £000	1998 £000
As executives:		
– Executive services	1,762	1,082
– Pension scheme contributions	146	131
As directors:		
– Fees	211	223
Total directors' emoluments	2,119	1,436

The remuneration of the highest paid director was £513,531 (1998: £326,634) excluding employer's pension contributions of £43,450.

For further details regarding directors' remuneration, see the Report of the Directors on pages 33 to 36.

5 TAXATION

	1999 £M	1998 £M
Group:		
UK corporation tax at 30.5% (1998: 31%)	14.1	10.0
Deferred tax (see note 18)	–	(0.4)
Overseas tax	2.3	2.0
	16.4	11.6
Adjustments for previous years:		
UK corporation tax	(0.4)	0.5
Overseas tax	0.1	(0.1)
	16.1	12.0
Joint ventures:		
UK corporation tax	1.1	–
Overseas tax	0.4	0.3
Associated undertakings:		
Overseas tax	0.1	0.1
Operations excluding BT Cellnet	17.7	12.4
BT Cellnet – UK corporation tax	5.8	19.2
	23.5	31.6

Included in the 1998 tax charge is a £0.2m credit relating to exceptional items. The 1999 exceptional items have a nil tax charge.

6 DIVIDENDS

	1999 £M	1998 £M
Ordinary shares:		
Interim (paid) 0.48p (0.43p)	2.9	2.6
Final (proposed) nil (1.50p)	–	9.0
	2.9	11.6

Following the Scheme of Arrangement described earlier, no final dividend in respect of Securicor (1996) plc is payable. However, Securicor plc will pay a first interim dividend of £4.0m in lieu of the final dividend for the year to 30 September 1999 which would otherwise have been paid by Securicor (1996) plc.

Notes to the consolidated accounts

7 EARNINGS PER SHARE

	1999 £m	1998 £m
BASIC		
Profit after taxation	78.4	54.5
Minority interests	7.1	6.8
Profit attributable to shareholders	85.5	61.3
Weighted average number of shares outstanding	602.0m	600.5m
Basic earnings per share	14.2p	10.2p
FULLY DILUTED		
Adjusted earnings:		
Profit attributable to shareholders	85.5	61.3
Interest on future issues net of tax	1.0	—
Adjusted attributable profit	86.5	61.3
Weighted average number of shares in issue (including both share issues to date plus the estimated effect of future issues under group's sharesave scheme)	614.3m	603.6m
Fully diluted earnings per share	14.1p	10.2p
BASIC BEFORE EXCEPTIONAL ITEMS AND DISCONTINUED OPERATIONS OF BT CELLNET		
Profit attributable to shareholders	85.5	61.3
Exceptional items net of tax	(54.4)	0.3
BT Cellnet earnings	(8.8)	(45.3)
Adjusted attributable profit	22.3	16.3
Weighted average number of shares outstanding	602.0m	600.5m
Basic earnings per share before exceptional items and discontinued operations of BT Cellnet	3.7p	2.7p
FULLY DILUTED BEFORE EXCEPTIONAL ITEMS AND DISCONTINUED OPERATIONS OF BT CELLNET		
Fully diluted adjusted attributable profit above	86.5	61.3
Exceptional items net of tax	(54.4)	0.3
BT Cellnet earnings	(8.8)	(45.3)
Adjusted attributable profit	23.3	16.3
Weighted average number of shares outstanding	614.3m	603.6m
Since a diluted earnings per share on this basis is increased, the dilution effect is ignored		
Fully diluted earnings per share before exceptional items and discontinued operations of BT Cellnet	3.7p	2.7p

8 NET ASSETS

Segmental analysis of capital employed

	1999			1998		
	SHARE OF CAPITAL EMPLOYED OF JOINT VENTURES AND ASSOCIATED UNDERTAKINGS		TOTAL CAPITAL EMPLOYED	SHARE OF CAPITAL EMPLOYED OF JOINT VENTURES AND ASSOCIATED UNDERTAKINGS		TOTAL CAPITAL EMPLOYED
	£M	£M		£M	£M	£M
BUSINESS SECTOR						
Security	110.1	16.7	126.8	105.9	17.3	123.2
Distribution	–	39.8	39.8	119.3	–	119.3
Communications	46.3	2.3	48.6	46.1	2.6	48.7
	156.4	58.8	215.2	271.3	19.9	291.2
Discontinued operations – Other	(0.8)	–	(0.8)	1.1	3.7	4.8
Discontinued operations – BT Cellnet	–	187.3	187.3	–	162.3	162.3
NET OPERATING ASSETS	155.6	246.1	401.7	272.4	185.9	458.3
Deferred consideration			–			(2.3)
Tax, dividends and other corporate items			8.0			3.3
			409.7			459.3
Net debt			(52.1)			(220.2)
TOTAL NET ASSETS			357.6			239.1
GEOGRAPHICAL ANALYSIS						
United Kingdom	127.8	45.2	173.0	219.8	6.5	226.3
Rest of Europe	17.3	5.9	23.2	18.5	4.5	23.0
Africa	5.6	–	5.6	5.6	–	5.6
United States of America	4.9	–	4.9	26.7	–	26.7
Asia and rest of world	0.8	7.7	8.5	0.7	8.9	9.6
	156.4	58.8	215.2	271.3	19.9	291.2
Discontinued operations – Other	(0.8)	–	(0.8)	1.1	3.7	4.8
Discontinued operations – BT Cellnet (United Kingdom)	–	187.3	187.3	–	162.3	162.3
NET OPERATING ASSETS	155.6	246.1	401.7	272.4	185.9	458.3

The net operating (liabilities)/assets of discontinued operations (non-BT Cellnet) arise in the United Kingdom £(0.6)m and the Rest of Europe £(0.2)m (1998: United Kingdom £1.9m, Rest of Europe £(0.8)m and the United States of America £3.7m).

NOTE

Share of capital employed of associated undertakings represents shares at cost, loans and the group's share of post-acquisition reserves (see note 11).

Notes to the consolidated accounts

9 INTANGIBLE FIXED ASSETS

	GOODWILL £M	DEVELOPMENT EXPENDITURE £M	TOTAL £M
COST			
At 1 October 1998	–	20.6	20.6
Additions	3.7	18.8	22.5
Written off	–	(8.9)	(8.9)
Translation adjustments	0.2	(0.5)	(0.3)
At 30 September 1999	3.9	30.0	33.9
AMORTISATION			
At 1 October 1998	–	5.3	5.3
Provision for the year	0.2	1.1	1.3
Written off	–	(3.8)	(3.8)
At 30 September 1999	0.2	2.6	2.8
NET BOOK VALUE			
AT 30 SEPTEMBER 1999	3.7	27.4	31.1
At 30 September 1998	–	15.3	15.3

10 TANGIBLE FIXED ASSETS

	LAND AND BUILDINGS £M	EQUIPMENT AND VEHICLES £M	EQUIPMENT HELD FOR OPERATING LEASES £M	TOTAL £M
COST OR VALUATION				
At 1 October 1998	109.8	249.2	1.6	360.6
Additions at cost	3.9	27.6	1.2	32.7
Acquisition of subsidiaries	–	0.3	–	0.3
Disposals	(47.6)	(133.6)	(0.2)	(181.4)
Translation adjustments	(0.4)	(1.5)	0.1	(1.8)
At 30 September 1999	65.7	142.0	2.7	210.4
DEPRECIATION				
At 1 October 1998	19.8	130.4	0.2	150.4
Provision for the year	2.1	27.1	0.6	29.8
Disposals	(9.4)	(76.2)	–	(85.6)
Translation adjustments	(0.1)	(0.7)	–	(0.8)
At 30 September 1999	12.4	80.6	0.8	93.8
NET BOOK VALUE				
AT 30 SEPTEMBER 1999	53.3	61.4	1.9	116.6
At 30 September 1998	90.0	118.8	1.4	210.2

NOTES

(a) Equipment held under finance leases and included above:

Net book value	£0.6m (1998: £1.7m)
Accumulated depreciation	£0.5m (1998: £1.3m)
Provision for the year	£0.1m (1998: £0.1m)

10 TANGIBLE FIXED ASSETS (continued)

(b) Land and buildings

	1999 £M	1998 £M
(i) The amount shown at cost or valuation includes the following:		
At cost	64.7	108.8
At valuation in 1986 or prior	1.0	1.0
	65.7	109.8
(ii) The net book value of land and buildings comprises:		
Freeholds	39.4	64.6
Long leaseholds (50 years and over)	8.4	12.9
Short leaseholds (under 50 years)	5.5	12.5
	53.3	90.0

(c) Depreciation rates

The following table shows the annual rates of depreciation. Depreciation is calculated on a straight line basis:

Freehold and long leasehold buildings	up to 2%
Short leaseholds (under 50 years)	over the life of the lease
Equipment	10% – 25%
Motor vehicles	10% – 33.33%

11 INVESTMENTS

	ASSOCIATED UNDERTAKINGS £M	JOINT VENTURES £M	TOTAL £M
SHARES AT COST			
At 1 October 1998	5.7	1.7	7.4
Translation adjustments	0.1	(0.2)	(0.1)
At 30 September 1999	5.8	1.5	7.3
LOANS AT COST			
At 1 October 1998	9.1	–	9.1
Additions	16.5	–	16.5
At 30 September 1999	25.6	–	25.6
SHARE OF POST ACQUISITION RESERVES			
At 1 October 1998	163.7	5.7	169.4
Retained profits for year	6.9	0.4	7.3
Transfer from subsidiary undertaking	–	38.1	38.1
Disposals	(1.8)	–	(1.8)
Translation adjustments	(0.2)	0.4	0.2
At 30 September 1999	168.6	44.6	213.2
TOTAL INVESTMENTS			
AT 30 SEPTEMBER 1999	200.0	46.1	246.1
At 30 September 1998	178.5	7.4	185.9

Notes to the consolidated accounts

11 INVESTMENTS (continued)

Associates: group share of results and net assets

The group had a 40% interest in BT Cellnet. Due to its former significance to the group, its share of the results and the share of the net assets relating to BT Cellnet are shown separately below:

	1999			1998		
	BT CELLNET £M	OTHER ASSOCIATES £M	TOTAL ASSOCIATES £M	BT CELLNET £M	OTHER ASSOCIATES £M	TOTAL ASSOCIATES £M
Share of turnover	776.2	30.1	806.3	585.7	44.2	629.9
Share of profit before tax	14.6	(1.3)	13.3	64.5	(2.5)	62.0
Share of taxation	(5.8)	(0.1)	(5.9)	(19.2)	(0.1)	(19.3)
Share of profit after taxation	8.8	(1.4)	7.4	45.3	(2.6)	42.7
SHARE OF ASSETS						
Fixed assets	616.4	35.0	651.4	462.0	37.5	499.5
Current assets	127.6	9.0	136.6	114.4	14.8	129.2
Share of gross assets	744.0	44.0	788.0	576.4	52.3	628.7
SHARE OF LIABILITIES						
Liabilities due within one year	361.6	8.6	370.2	312.5	10.6	323.1
Liabilities due after more than one year	211.2	32.2	243.4	101.6	34.6	136.2
Less loans from group companies	572.8 (16.1)	40.8 (9.5)	613.6 (25.6)	414.1 —	45.2 (9.1)	459.3 (9.1)
Group share of gross liabilities	556.7	31.3	588.0	414.1	36.1	450.2
Share of net assets	187.3	12.7	200.0	162.3	16.2	178.5

Joint ventures: group share of results and net assets

On 31 March 1999, the group disposed of a 50% interest in its Distribution division to Deutsche Post. Its share of results since that date and its net assets are shown below together with the aggregate of other joint ventures.

	1999			1998		
	DISTRIBUTION JOINT VENTURE £M	OTHER JOINT VENTURES £M	TOTAL JOINT VENTURES £M	DISTRIBUTION JOINT VENTURE £M	OTHER JOINT VENTURES £M	TOTAL JOINT VENTURES £M
Share of turnover*	159.8	27.1	186.9	—	28	28
Share of profit before tax*	2.8	(0.2)	2.6	—	1.7	1.7
Share of taxation*	(1.1)	(0.4)	(1.5)	—	(0.3)	(0.3)
Share of profit after taxation*	1.7	(0.6)	1.1	—	1.4	1.4
SHARE OF ASSETS						
Fixed assets	44.1	4.2	48.3	—	3.8	3.8
Current assets	73.5	8.7	82.2	—	10.9	10.9
Share of gross assets	117.6	12.9	130.5	—	14.7	14.7
SHARE OF LIABILITIES						
Liabilities due within one year	77.8	6.6	84.4	—	7.3	7.3
Share of gross liabilities	77.8	6.6	84.4	—	7.3	7.3
Share of net assets	39.8	6.3	46.1	—	7.4	7.4

*For the Distribution joint venture the results are from 1 April 1999.

12 STOCKS

	1999 £M	1998 £M
Raw materials	5.1	8.4
Work in progress	6.9	4.2
Finished goods including consumables	6.1	12.9
	18.1	25.5

The replacement cost of stocks approximates to the value stated in the accounts.

13 DEBTORS

	1999 £M	1998 £M
Trade debtors	91.7	195.2
Amounts owed by joint ventures and associated undertakings	5.0	3.3
Other debtors	15.9	25.9
Prepayments and accrued income	11.0	21.5
	123.6	245.9

Included in prepayments is £0.8m (1998: £0.5m) falling due after one year.

14 BORROWINGS

	1999 £M	1998 £M
LONG-TERM BORROWINGS		
Secured	0.4	1.5
Unsecured	38.4	199.7
Finance leases	1.1	1.8
Less: repayable within one year	(0.6)	(0.8)
TOTAL LONG-TERM BORROWINGS	39.3	202.2
SHORT-TERM BORROWINGS		
Bank overdraft (unsecured)	36.5	39.4
Secured loans	0.1	1.6
Unsecured loans	0.1	0.1
Short-term element of finance leases	0.6	0.8
TOTAL SHORT-TERM BORROWINGS	37.3	41.9
TOTAL BORROWINGS	76.6	244.1
Bank and deposit balances	(24.5)	(23.9)
NET BORROWINGS	52.1	220.2

Notes to the consolidated accounts

14 BORROWINGS (continued)

	1999 £m	1998 £m
The payment profile of long-term borrowings is noted below.		
Repayable within one to two years		
Secured	0.2	0.8
Unsecured	0.4	154.7
Obligations under hire purchase and finance leases	0.2	0.6
Repayable within two to five years		
Secured	0.2	0.4
Unsecured	38.0	45.0
Obligations under hire purchase and finance leases	0.3	0.4
Not wholly repayable within five years		
Secured	—	0.3
	39.3	202.2

Secured loans, at market rates of interest, are secured on property and other assets of the group, and are mainly repayable by monthly instalments during 2000–2002.

Unsecured loans, at market rates of interest, include £38m drawn down under bilateral revolving credit facilities repayable 2001–2002 or earlier at the option of the borrower. The aggregate amount of these facilities at 30 September 1999 was £80m. Following receipt of the development finance arising in connection with the disposal of BT Cellnet, these facilities were reduced to £20m.

15 FINANCIAL INSTRUMENTS

Financial liabilities

	TOTAL £m	FLOATING RATE FINANCIAL LIABILITIES £m	FIXED RATE FINANCIAL LIABILITIES £m
Sterling	67.1	56.1	11.0
Europe	6.7	6.7	—
US dollar	2.5	2.5	—
Other	0.3	0.3	—
	76.6	65.6	11.0

The floating rate financial liabilities include bank borrowings fixed in advance by reference to the applicable bank reference rate for periods of one month.

The figures shown take into account interest rate swaps used to manage interest rate risk.

Fixed rate financial liabilities

CURRENCY	WEIGHTED AVERAGE INTEREST RATE %	WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED YEARS
Sterling	7.14	2.25

15 FINANCIAL INSTRUMENTS (continued)**Undrawn committed facilities**

	£M
Repayable within one to two years	20.0
Repayable within two to five years	22.0
	42.0

Fair value of financial assets and liabilities

Set out below is a year end comparison of fair and book values of all the group's financial instruments by category. Fair values were determined by market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	BOOK VALUE £M	FAIR VALUE £M
Cash deposits	24.5	24.5
Short-term borrowings and current portion of long-term debt	(39.3)	(39.3)
Long-term borrowings	(37.3)	(37.3)
Interest rate swap	—	(0.2)
	(52.1)	(52.3)

16 LISTED INVESTMENTS

	1999 £M	1998 £M
UK listed investments, at cost	—	—
Market value	—	0.2

17 CREDITORS

	1999 £M	1998 £M
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade creditors	20.4	71.9
Amounts owed to joint ventures and associated undertakings	3.6	0.4
Other taxation and social security costs	25.2	33.7
Other creditors	8.0	25.0
Deferred consideration	—	2.1
Accruals and deferred income	56.7	64.0
	113.9	197.1
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:		
Other creditors	—	0.1
Deferred consideration	—	0.2
	—	0.3

Notes to the consolidated accounts

18 PROVISION FOR LIABILITIES AND CHARGES

	ONEROUS PROPERTY CONTRACTS £M	WARRANTY COSTS £M	TOTAL £M
At 1 October 1998 (as reported)	—	0.2	0.2
Prior year adjustment (see note 21)	12.0	—	12.0
Transfer from creditors	0.6	—	0.6
At 1 October 1998 (restated)	12.6	0.2	12.8
Profit and loss account	0.3	—	0.3
Transfer to associated undertaking	(1.2)	—	(1.2)
Expended in year	(2.7)	(0.1)	(2.8)
AT 30 SEPTEMBER 1999	9.0	0.1	9.1

Within the onerous property contracts provision, the group has provided against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. Amounts have been reclassified from creditors to provisions and prior period figures have been restated (see note 21). The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties.

The warranty costs provision represents £0.1m in respect of anticipated costs under contracts established by Securicor Information Systems.

Although the majority of provisions should be realised within five years, the exact timing is unclear.

Deferred taxation

There is no deferred tax provision in the financial statements.

The amount of deferred taxation in respect of accelerated capital allowances and other timing differences calculated by the liability method and for which no provision is made in these accounts is £1.2m (1998: £2.2m).

19 SHARE CAPITAL

	1999		1998	
	AUTHORISED £	ISSUED £	AUTHORISED £	ISSUED £
SECURICOR (1996) PLC				
Ordinary shares of 5p each (fully paid)	40,000,000	30,135,226	40,000,000	30,068,000
				NOMINAL VALUE £M
Ordinary shares in issue				
At 1 October 1998			601,360,000	30.1
Shares issued during the year on exercise of options:				
Executive Scheme			875,641	—
Sharesave Scheme			468,879	—
AT 30 SEPTEMBER 1999			602,704,520	30.1

20 RESERVES

	PROFIT & LOSS ACCOUNT £M	SHARE PREMIUM £M	MERGER RESERVE £M	TOTAL £M
At 1 October 1998 (as reported)	111.6	3.6	100.8	216.0
Prior year adjustment (see note 21)	(8.9)	—	—	(8.9)
At 1 October 1998 (restated)	102.7	3.6	100.8	207.1
Retained earnings	82.6	—	—	82.6
Goodwill on acquisitions deducted from reserves	(0.6)	—	—	(0.6)
Write-back of goodwill on disposals previously written off	37.2	—	—	37.2
Share premium on issue	—	4.3	—	4.3
Cost of Securicor QUEST	(1.0)	—	—	(1.0)
Translation adjustments	(2.4)	—	—	(2.4)
AT 30 SEPTEMBER 1999	218.5	7.9	100.8	327.2

Goodwill of £199.1m arising on acquisitions since 1989 has been written off to reserves up to 30 September 1999 (1998: £235.7m).
Goodwill prior to 1989 is not material.

Equity minority interests

The minority interests relate to Securicor Barbados Limited, Securicor Guyana Inc and Securicor New Century LLC.

21 PRIOR YEAR ADJUSTMENT

As a result of the new accounting standard FRS12 – 'Provisions, Contingent Liabilities and Contingent Assets' being adopted with effect from 1 October 1998, the group has made prudent provision against estimated future liabilities for all onerous property contracts which relate to leased properties sub-let at a shortfall and for long-term idle properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties. Prior period figures have been restated to incorporate this new accounting policy and, therefore, the opening balances for the current year have been restated as follows:

	£M	£M
CORPORATION TAX FALLING DUE WITHIN ONE YEAR:		
As reported		7.4
Prior year adjustment (FRS12)		(3.1)
As restated		4.3
OTHER CREDITORS FALLING DUE WITHIN ONE YEAR:		
As reported		197.7
Transfer to provisions (FRS12)		(0.6)
As restated		197.1
PROVISIONS:		
As reported		0.2
Prior year adjustment (FRS12)		12.0
Transfer from creditors (FRS12)		0.6
As restated		12.8
PROFIT AND LOSS RESERVE:		
As reported		111.6
Prior year adjustments:		
Provision for onerous property contracts (FRS12)	(12.0)	
Tax relief on FRS12 provision	3.1	
	(8.9)	
As restated		102.7
PROFIT AND LOSS ACCOUNT:		
Retained earnings as reported		47.1
Release of prior provision for onerous property contracts		2.6
As restated		49.7

Notes to the consolidated accounts

22 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES

(a) Acquisitions

	SUDWACH GMBH & CO KG NET ASSETS ACQUIRED £M	PURCHASED GOODWILL - OTHER £M	TOTAL FAIR VALUE OF ASSETS ACQUIRED £M
Fixed assets – tangible	0.3	–	0.3
Debtors	0.3	–	0.3
Creditors falling due within one year	(0.5)	–	(0.5)
Total assets	0.1	–	0.1
Cash consideration	(2.7)	–	(2.7)
Consolidated goodwill	2.6	–	2.6
Purchased goodwill – other	–	1.1	1.1
CAPITALISED GOODWILL (see note 9)	2.6	1.1	3.7

The net assets acquired from Sudwach equated to the fair value of those assets.

(b) Disposals

	SALE OF 50% OF DISTRIBUTION DIVISION NET ASSETS DISPOSED £M	SIR SERVICE D'INTERVENTION RAPIDE SA NET ASSETS DISPOSED £M
Fixed assets – tangible	(83.7)	(0.3)
Stocks	(10.5)	–
Debtors	(129.5)	(0.6)
Creditors falling due within one year	108.0	2.3
Net assets disposed of	(115.7)	1.4
Net sale proceeds received	240.5	1.4
Accrual for return of proceeds resulting from agreed net asset deficiency	(6.9)	–
Other costs	(2.4)	–
Transfer of assets to joint venture investments (see note 11)	38.1	–
Write-back of goodwill previously written off through reserves	(31.8)	(2.8)
Consolidated profit on disposal	121.8	–

In November 1998, the group announced the formation of a joint venture with Deutsche Post, involving the sale of a 50% interest in Securicor's Distribution division for £223.4m, of which £200m was payable in cash and £23.3m by the assumption by Deutsche Post of 50% of the joint venture's debt of £46.7m. The sale was completed on 31 March 1999 following approval of the European Commission.

Telesciences Inc., which was 45% owned, was sold during the year for £2.3m and resulted in a loss on disposal of £2.4m after having written back £2.6m of goodwill previously written off through reserves.

23 CONTINGENT LIABILITIES

Contingent liabilities exist in respect of agreements entered into in the normal course of business.

24 OPERATING LEASE COMMITMENTS

	1999		1998	
	LAND AND BUILDINGS £M	OTHER £M	LAND AND BUILDINGS £M	OTHER £M
Commitments at 30 September 1999 on operating leases which expire:				
Within one year	1.5	1.9	1.9	8.6
Between one and two years	1.0	0.8	1.4	9.5
Between two and five years	1.0	0.7	3.2	17.7
After more than five years	3.5	0.3	29.9	1.3
	7.0	3.7	36.4	37.1

25 CAPITAL COMMITMENTS

	1999 £M	1998 £M
Contracted	0.9	1.0

26 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	1999 £M	RESTATED 1998 £M
Operating profit after exceptional items	94.0	38.6
Loss on disposal of fixed assets and investments	1.4	2.5
Profit on sale of subsidiary undertakings	(121.8)	(2.3)
Loss/(profit) on sale of associated undertakings	2.4	(0.4)
Profit on sale of the business and related hotel properties of Securicor Hotels Limited	-	(9.1)
Loss on sale of the business of Securicor Telecoms Limited	-	3.5
Write-off of the goodwill arising on the acquisition of Securicor Wireless (formerly Intek) minority interests and provisions relating to its reorganisation	62.7	-
Other exceptionals	1.1	8.8
Depreciation	29.8	39.2
Amortisation	1.3	2.7
Increase in stocks	(9.6)	(4.3)
(Increase)/decrease in debtors	(4.5)	11.5
Increase/(decrease) in creditors falling due within one year	2.4	(54.7)
Decrease in creditors falling due after more than one year	-	(0.1)
Decrease in provisions	(3.7)	(8.4)
	55.5	27.5

Notes to the consolidated accounts

26 NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of cash flow headings netted in the cash flow statement

	1999		1998	
	£M	£M	£M	£M
RETURN ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	2.0		1.1	
Interest paid	(10.0)		(15.5)	
Net cash outflow from returns on investments and servicing of finance		(8.0)		(14.4)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets	(32.4)		(43.1)	
Purchase of intangible fixed assets	(18.8)		(11.6)	
Sale of tangible fixed assets	5.4		10.9	
Net cash outflow from capital expenditure and financial investment		(45.8)		(43.8)
ACQUISITIONS AND DISPOSALS				
Purchase of subsidiary undertakings (note 26(e))		(2.7)		(5.8)
Net cash acquired with subsidiary undertakings and related disposal		-		0.3
Purchase of minority interest		(32.8)		-
Deferred consideration		(1.9)		(1.6)
Sale of subsidiary undertakings (note 26(f))		1.4		2.9
Sale of 50% of the Distribution division to Deutsche Post net of costs		240.5		-
Sale of associated undertakings		-		0.8
Sale of hotel businesses and related assets		-		26.4
Sale of Securicor Telecoms' business		-		1.6
Purchase of goodwill and related assets		(0.6)		(18.5)
Increased investment in joint ventures		-		(0.2)
Increased investment in associated undertakings		(16.5)		-
Loans to associated undertakings		-		(1.3)
Net cash inflow from acquisitions and disposals		187.4		4.6
MANAGEMENT OF LIQUID RESOURCES				
Sale of investments		-		22.3
Net cash inflow from management of liquid resources		-		22.3
FINANCING				
Share issue		3.3		3.4
Decrease in loans	(163.9)		(4.6)	
Capital element of finance lease rental payments	(0.9)		(1.0)	
		(164.8)		(5.6)
Net cash outflow from financing		(161.5)		(2.2)

26 NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Analysis of net debt

	1998 £M	CASH FLOW £M	OTHER NON-CASH CHANGES £M	1999 £M
Cash in hand and at bank	23.9	0.6		24.5
Overdrafts	(39.4)	2.9		(36.5)
		3.5		
Debt due after more than one year	(201.2)	162.4		(38.8)
Debt due within one year	(1.7)	1.5		(0.2)
Finance leases	(1.8)	0.9	(0.2)	(1.1)
Total	(220.2)	168.3	(0.2)	(52.1)

(d) Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £0.2m.

(e) Acquisition of subsidiaries

	SUDWACH GMBH & CO KG NET ASSETS ACQUIRED £M
Fixed assets – tangible	0.3
Debtors	0.3
Creditors falling due within one year	(0.5)
	0.1
Goodwill (see note 22)	2.6
CASH OUTFLOW (EXCLUDING NET CASH) IN RESPECT OF PURCHASE OF SUBSIDIARY UNDERTAKINGS	2.7
Net cash acquired	—
CASH OUTFLOW (INCLUDING NET CASH) IN RESPECT OF PURCHASE OF SUBSIDIARY UNDERTAKINGS	2.7

The subsidiary undertaking acquired during the year contributed £0.1m to the group's net operating cash flows and did not pay or utilise any other cash flows.

(f) Disposal of subsidiaries

	SIR SERVICE D'INTERVENTION RAPIDE SA £M
Fixed assets – tangible	0.3
Debtors	0.6
Creditors falling due within one year	(2.3)
	(1.4)
Profit on disposal before goodwill write-back of £2.8m	2.8
CASH INFLOW IN RESPECT OF DISPOSAL OF SUBSIDIARY UNDERTAKINGS	1.4

Notes to the consolidated accounts

27 RELATED PARTY TRANSACTIONS

Transactions with joint ventures and associated undertakings

All transactions with joint ventures and associated undertakings are in the normal course of business. Details of transactions and balances with these related parties are set out below:

		1999 TOTAL £M
TRANSACTIONS		
Turnover		30.9
Cost of sales		6.4
Dividends received		1.3
BALANCES		
Debtors		
– Loans		25.6
– Other debtors		5.0
Creditors		
– Other creditors		3.6
There are no transactions with other related parties.		

Details of principal joint ventures and associated undertakings are shown in note 29.

28 POST BALANCE SHEET EVENT

In July 1999 Securicor (1996) plc and Securicor plc entered into an agreement to sell to British Telecommunications plc the group's 40% shareholding in BT Cellnet for £3.15 billion. The disposal, which was approved by shareholders on 18 October 1999, was effected by a Scheme of Arrangement which was described in a circular sent to shareholders on 22 September 1999. The transaction was completed in November 1999.

29 SIGNIFICANT INVESTMENTS

The businesses set out below are those which are part of the Securicor group at 30 September 1999 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. Except as otherwise stated, the country of incorporation is England, the operations are within the United Kingdom, the shares are in equity share capital and the businesses are wholly owned.

ISSUED CAPITAL

SECURITY

SUBSIDIARY UNDERTAKINGS

Securicor Cash Services Limited
Securicor Custodial Services Limited
Securicor Guarding Limited
Securicor Investissements SA (France)
Securicor Kenya Limited (Kenya)
Securicor Luxembourg SA (Luxembourg)
Securicor (Malawi) Limited (Malawi)
Securicor Recruitment Services Limited
Securicor Security Services Ireland Limited (Ireland)
Securicor Sicherheitsdienste GmbH & Co KG (Germany)
Securicor (Zambia) Limited (Zambia)

ASSOCIATED UNDERTAKINGS

Bridgend Custodial Services Limited (40% owned)	£250,000
Geldnet BV (Netherlands) (25% owned)	NLG6,000,000

JOINT VENTURES

JS Holdings Limited	
Incorporated (British Virgin Islands) (50% owned)	
Operational (Hong Kong, Malaysia and Thailand)	US\$3,000

DISTRIBUTION

JOINT VENTURE

The group's principal joint venture since 1 April 1999 has been a 50% interest in Securicor Omega Holdings Limited, the principal subsidiaries of which (all 100% owned) are noted below:

Securicor Fuelserv Limited
Securicor Omega Container Logistics Limited
Securicor Omega Express Limited
Securicor Omega Express Ireland Limited
Securicor Omega International Limited
Securicor Omega Logistics Limited
Securicor Vehicle Services Limited

COMMUNICATIONS

SUBSIDIARY UNDERTAKINGS

Securicor Information Systems Limited
Securicor Wireless Holdings Inc. (formerly Intek Global Corporation) (United States of America)

HOLDING COMPANIES



Securicor Communications Limited
Securicor Holdings BV (Netherlands)
Securicor International BV (Netherlands)
Securicor International Holdings SA (France)
Securicor International Limited
Securicor Security Services Limited
Security Services plc

Parent company balance sheet

AT 30 SEPTEMBER 1999	NOTES	1999 £M	1998 £M
FIXED ASSETS			
Investments	(a)	30.0	30.0
		30.0	30.0
CURRENT ASSETS			
Debtors	(b)	3,239.5	18.6
Corporation tax		1.0	0.7
Bank balance		0.1	—
		3,240.6	19.3
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR			
Proposed dividends		—	9.0
Other – amount owed to subsidiary undertaking		—	0.3
		—	9.3
NET CURRENT ASSETS		3,240.6	10.0
TOTAL ASSETS LESS CURRENT LIABILITIES		3,270.6	40.0
NET ASSETS		3,270.6	40.0
CAPITAL AND RESERVES			
Called up share capital	19	30.1	30.1
Reserves	(c)	3,240.5	9.9
EQUITY SHAREHOLDERS' FUNDS		3,270.6	40.0

Approved by the board on 15 February 2000

ROGER WIGGS }
CHRISTOPHER SHIRTCLIFFE } Directors

NOTES TO THE PARENT COMPANY BALANCE SHEET

(a) Investments

	1999 £M
SUBSIDIARY UNDERTAKINGS	
SHARES AT COST	
AT 30 SEPTEMBER 1999 AND 30 SEPTEMBER 1998	30.0

(b) Debtors

	1999 £M	1998 £M
Amount due from subsidiary undertaking – dividend	—	18.6
Amounts owed by group undertakings	89.5	—
Dividend in specie owed by group undertaking	3,150.0	—
	3,239.5	18.6

(c) Reserves

	PROFIT & LOSS ACCOUNT £M	SHARE PREMIUM £M	TOTAL £M
At 1 October 1998	6.3	3.6	9.9
Retained earnings	3,226.3	—	3,226.3
Share premium on issue of shares	—	4.3	4.3
AT 30 SEPTEMBER 1999	3,232.6	7.9	3,240.5

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial year attributable to shareholders was £3,229.2m.

(d) Contingent liabilities

There are no contingent liabilities.