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securicor policy

Our mission is to place Securicor at the forefront of our chosen markets and to achieve significant market share through quality service and competitive pricing. We do this through experienced and skilled employees, through our reliability, integrity and customer care, and through our innovative application of technology. Our aim is consistently to achieve customer satisfaction, employee loyalty and increased shareholder value.

FINANCIAL HIGHLIGHTS

	1998 £m	1997 £m
Turnover – continuing operations	**1,179.2**	1,102.5
Profit on ordinary activities before tax	**83.5**	31.4
Earnings per share	**9.8p**	2.7p
Dividend per share	**1.93p**	1.74p

chairman's statement

Profit before tax for the year to 30 September 1998 increased to £83.5m from £31.4m in the previous year when results were adversely affected by a number of exceptional items. The directors will be recommending a final dividend of 1.5p per share, which, taken with the interim dividend of 0.43p per share paid in September, would represent an increase of 10.9% over the dividend for the previous year.

Sir Neil Macfarlane Chairman

chairman's statement

COMMENT

There was excellent profit growth in the Security division, with a particularly strong performance from the Cash Services business in the United Kingdom. In the Distribution division, Securicor Omega Express, which had already incurred heavy costs in establishing its Hatfield super-terminal, was affected by the slow-down in the United Kingdom retail sector during the second half of the year. The Communications division continued with the planned development of its systems integration business in the United Kingdom and of its linear modulation mobile radio business in the USA. Cellnet enjoyed a substantial increase in its subscriber base in the latter part of the year following its launch in the summer of new marketing initiatives, including a pre-pay tariff.

In November 1998, shortly after the end of the year under review, we announced that we had completed negotiations to form a joint venture with Deutsche Post AG, the German post office, under which we are to sell to Deutsche Post a 50% interest in our Distribution division for a price equivalent to £223.4m.

We had been aware for some time of the need to secure our future in tomorrow's pan-European parcels market. It would have been impossible for us to achieve this objective on our own; we had realised that it was essential to ally ourselves with one of the major parcels operators in Europe. Our aspirations coincided with Deutsche Post's ambition to build a leading pan-European parcels delivery network. Thus we became natural partners for each other.

The proposed joint venture won overwhelming support from shareholders at our Extraordinary General Meeting in November. We are now awaiting formal approval from the European competition authorities in Brussels in order to complete the transaction. Information about this joint venture appears on page 15.

In September, Securicor plc entered for the first time the FT-SE 100, the list of the top hundred companies in the United Kingdom by market capitalisation.

Over the last few years, we have closely followed the evolution of the debate on Corporate Governance which has now found its logical conclusion in the Combined Code. As you will see in the Report of the Directors, we have chosen to report on our own corporate governance performance against the standards of the Code, although it will not be obligatory for us to report in this way until our 1999 report.

I am pleased to report that Securicor Guarding was one of the first 20 companies to sign up to the Government's New Deal initiative, the objective of which is to move the long-term unemployed from Welfare to Work. By the year end, the company had recruited over 50 job seekers on a subsidised New Deal basis.

In 1998 Securicor staff throughout the United Kingdom together raised £90,000 for the Cancer Research Campaign – a superb achievement. In 1999 we will focus our fund-raising on NCH Action for Children.

SPECIAL TRIBUTES

During the year, Securicor made 94 awards to staff in the United Kingdom in recognition of acts of outstanding courage displayed by our security officers in the discharge of their duties. 14 employees received a Securicor Bravery Medal and 17 the Meritorious Conduct Medal. 15 awards were made to members of the public who gave assistance to our staff. We send our deepest sympathy to the families of Paul Kimuhu, George Kinuthia and Kaunda Mangera, all of whom were killed by criminals whilst carrying out their security duties in Kenya.

BOARD CHANGES

In August, Richard Graves retired as a non-executive director on reaching the age of 70. Richard joined the boards of our predecessor companies, Securicor Group plc and Security Services plc, in 1986 and retired from executive duties in 1991. Latterly, besides serving on the board, he was a member of the Audit Committee and the Remuneration Committee. Richard's contribution to the company was immense and I thank him most warmly for his loyal support over the last 12 years.

As I reported last year, Jonathan Kitchen joined the board as a non-executive director in February 1998, after retiring as a director of Lazard Brothers where he had served for 18 years.

Henry McKay, currently Executive Chairman of the Security division, will retire from the board in April 1999 when he will be 60.

In the meantime, I am very pleased to welcome to the board, with effect from January 1999, David Cowden, who as Chief Executive of the Security division will take full control of that division following Henry McKay's retirement.

FUTURE PROSPECTS

We look back on a year in which much groundwork was completed in building our businesses for the future. In particular, the joint venture with Deutsche Post underlines our commitment to a pan-European vision for parcels distribution.

Provided that there is no major economic downturn, either on a UK or a worldwide basis, we expect good progress in the current year.

chief executive's operating review

1998 was a year of significant achievement for the Securicor group. We had an excellent performance from Security. We established the most efficient Distribution terminal in the United Kingdom and, after some 18 months of negotiation, concluded agreement for a major joint venture with Deutsche Post. We won important contracts for our United Kingdom communications business and were successful in acquiring a complete range of new radio licences for Intek in the United States. All these developments have helped provide the group with a solid platform for the future.

Roger Wiggs Chief Executive

chief executive's operating review

SECURITY

The Security division increased its operating profit by 34% in the year.

Securicor Cash Services had an excellent year, benefiting from the investment made in technology-based procedures in all areas of its business and from the return to the marketplace of pricing normality.

Securicor Guarding consolidated its leading market position with the acquisition of several small, regionally-based, guarding companies. It expanded its operations within the retail and special event sectors and successfully launched Securicor Meterpoint – a joint-venture with Seeboard for meter-reading and related activities.

Securicor Custodial Services has secured a five-year extension, effective from July 1999, to its Metropolitan Court Escort and Custody Contract. Early teething problems in the company's 25 year operating contract at HM Prison Parc, Bridgend, have now been resolved and the prison is operating normally. The successful conclusion of trials for electronic monitoring of offenders – popularly referred to as 'tagging' – has led to Custodial Services being awarded a five-year contract for the North of England, the largest of the four national regions for tagging.

Securicor Recruitment Services more than doubled its prior year profit, assisted by a better mix of business between temporary and permanent placements and by the application of strict cost control.

The international operations, which account for just over 25% of the division's turnover, produced a substantial profit improvement from the previous year, despite the effects of the recession in Asia Pacific and adverse exchange rate variances in Africa. The Americas performed well and profits doubled in Europe, with losses in France being reduced for the second year running.

DISTRIBUTION

The deal with Deutsche Post represents exactly what we had been looking for in order to secure the future of our Distribution business. As soon as the transaction is completed we will be better able to play a full role in the rapidly expanding cross-border market between the United Kingdom and Ireland and the rest of Europe. Deutsche Post is a highly professional and ambitious organisation with which we are very much looking forward to working.

The Distribution division suffered a small decline in profitability compared with the previous year, due principally to two factors affecting Securicor Omega Express. Firstly, we found that we needed to keep four existing terminals open longer than we had expected after the opening of the new super-terminal at Hatfield. The cost in the year of the double running of Hatfield and the four terminals it replaced was just over £4m. However, Hatfield is now operating well and the four smaller terminals have been closed. Secondly, the slow-down in the retail sector in the second half of the year had an adverse impact on Omega Express' turnover and profit.

In July, we acquired Hays Express Services, an overnight parcels business with a well-established customer base operating in a similar sector to Securicor Omega Express.

All the other distribution businesses, being less exposed to the retail sector, performed well. Securicor Omega Logistics enjoyed a substantial increase in both turnover and profit, whilst both Securicor Omega Container Logistics and Securicor Omega International maintained their strong market positions despite the respective effects of difficult trading conditions in the maritime shipping market and the reduced demand for airfreight.

COMMUNICATIONS

In the United Kingdom, the former network operations of Datatrak (which now has over 20,000 subscribers) and TrakBak and the systems integration businesses of Dopra and Computer Services were combined within a single company, Securicor Information Systems. That company has now won each of the first four contracts to be awarded under the Home Office's NSPIS (National Strategy for Police Information Systems) project. These first four contracts cover Case Preparation, Custody, Crime, and Command and Control, with a combined potential turnover value of around £300m. Revenue from these contracts should start to come through in the summer of 1999.

In the United States, Intek Global Corporation – of which we own approximately 60% – grew the subscriber base on its RoameR One network from 800 in September 1997 to 10,500 in September 1998. Four separate businesses previously forming the Intek group in the United States were successfully merged into one centralised operation with headquarters in Kansas City. The company entered into technology licensing agreements with two leading radio manufacturers, Nokia of Finland and Kukjae of Korea, and signed an agreement in the USA with the National Rural Telecommunications Co-operative which is targeted to generate US$50m of sales over the next five years. In the recent radio spectrum auction run by the Federal Communications Commission, Intek succeeded in acquiring two national, seven regional and 172 local licences which will enable it to make significant efficiency improvements to its existing business whilst providing a multitude of additional services on a nationwide basis.

Axiom, the US supplier of billing, data collection and related telecommunications services, had a disappointing year. International sales were affected by the economic turmoil in Asia Pacific and the company also suffered delays in expected orders from new telecommunications markets in the USA. During the period our ownership reduced to 45%.

CELLNET

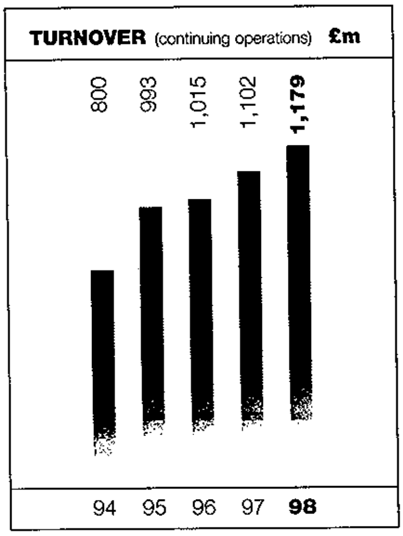
Cellnet's subscriber base grew in the year by 546,000, reaching 3.39 million at 30 September. The marketing and other costs associated with this sharp increase in subscribers had an adverse effect on Cellnet's profit in the year, which fell slightly by comparison with the previous year. By the calendar year end, the number of subscribers had grown to four million. A separate report on Cellnet appears on page 13.

financial review

OPERATING RESULTS

Group turnover for the year arising from continuing operations was £1,179.2m, an increase of 7% over the previous year. The operating results of the three divisions are commented upon in the Chief Executive's review on pages 4 and 5.

The interest charge rose from £33.1m to £36.1m, after restating the prior year's figure to include the group's share of associates' interest in accordance with the new reporting standard concerning associates and joint ventures (FRS 9). Profit before taxation was substantially higher than last year due to a reduction in the number of exceptional items and losses from discontinued activities.



EXCEPTIONAL ITEMS

The exceptional charge of £0.5m (1997: £16.8m) comprised:

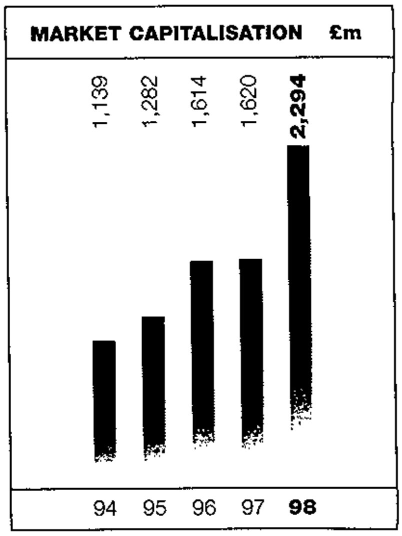
	Year ended 30.09.98	Year ended 30.09.97
Profits/(losses) on sale of operations	**15.4**	(16.8)
Fundamental reorganisation costs	**(15.9)**	–
Total exceptional items	**(0.5)**	(16.8)

ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

These have been accounted for in accordance with FRS 9 and comparative figures for last year have been restated accordingly. The group's share of the net assets has been included in investments on the balance sheet. The group's share of operating profit, interest and tax has been included in the consolidated profit and loss account under the relevant headings.

SHARE PRICE AND MARKET CAPITALISATION

Shareholder value has grown substantially in recent years occasioned both by the growth in our managed businesses and by the success of our investment in Cellnet. In particular the 42% increase in our share price over the last year is mainly attributable to the buoyancy of the cellular telephone market and confidence in the future prospects for Cellnet. The group's average market capitalisation over each of the last five years, restated to reflect the restructuring which took place in 1996, is as follows:



TAXATION

The effective overall tax rate was 37.8%. If the unrelieved losses of Intek and Axiom in the USA were excluded then the effective rate would be 30.3%.

Christopher Shirtcliffe Finance Director

financial review

DIVIDENDS

The dividend increase of 10.9% over the previous year again substantially exceeds the increase in inflation and reflects our policy of continued steady dividend growth. In the previous two years our dividends have increased by 17% and 12% respectively. The dividend is covered five times by attributable profit and is not materially affected by exceptional items and discontinued operations.

CASHFLOW

Our net cash inflow from operating activities decreased from £74.3m to £27.5m, occasioned mainly by the fall in creditors following the sale of our cellular services provider at the end of the last financial year. Cash received from operations sold during the year, net of the two acquisitions and deferred consideration payments, was £4.6m compared to £43.1m in the previous year. Capital expenditure and financial investment reduced from £69.2m to £43.8m, the change to contract hire leasing for our commercial vehicle fleet being the major factor in this reduction.

Cellnet invested heavily in the GSM digital network during the year in order to improve its coverage, quality and capacity. For this reason, and also because of the approach of the UMTS auction process, the Cellnet board felt it prudent not to recommend a dividend for the year ended 31 March 1998.

The total net cash outflow during the year has resulted in an increase of £37.9m in our net debt position at 30 September 1998.

FINANCING AND TREASURY ACTIVITIES

At the year end net debt was £220.2m which compared with our available borrowing facilities of £299m. The debt/equity ratio at 30 September 1998 increased to 89%. However, if our investment in Cellnet was reflected in our balance sheet at the value currently attributed to it by the marketplace and reflected in our share price, net gearing based on our market capitalisation at 30 September 1998 would drop below 10%.

Net interest paid during the year was covered three times by our profit on ordinary activities before interest, tax, exceptional items and discontinued operations.

The Group Treasury department adopts minimum risk strategies.

BALANCE SHEET

During the year the group acquired the Hays express parcels and Scruttons guarding businesses. Goodwill arising on acquisitions totalling £25.0m has been written off against reserves.

Intangible assets have increased by £4.8m. This is due mainly to the acquisition of 220MHz spectrum licences by Intek in the USA. Tangible assets decreased by £34.9m due principally to the sale of the hotel businesses. The increase in investments reflects the group's share of Cellnet's retained earnings during the year.

POST BALANCE SHEET EVENT

At the EGM held on 19 November 1998 shareholders approved 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 is payable in cash and £23.4m is payable by the assumption by Deutsche Post of 50% of the joint venture's debt of £46.7m.

It is expected that Securicor will show an exceptional profit on the transaction of approximately £120m in the year ended 30 September 1999. The proceeds of £223.4m will virtually eliminate our borrowings and, coupled with the increased equity from the profit on sale, substantially reduce our debt/equity ratio. The group's borrowing facilities will need to be renegotiated on completion of the transaction (which is now conditional only on EU competition clearance) or by 30 April 1999 if completion has not occurred by this date. The directors are confident that such renegotiation will be successful.

GOING CONCERN

Having regard to the matters referred to in this financial review and to current trading prospects, the directors consider that the group has adequate resources to continue in operational existence for the foreseeable future. The going concern basis has thus again been adopted in preparing the accounts.

group operating structure

securicor

1998 results

Turnover	**£549.1m**
Operating profit	**£33.5m**
Number of employees	**43,472**

Divisional companies

- Securicor Cash Services
- Securicor Guarding
- Securicor Custodial Services
- Securicor Recruitment Services

Overseas operations

Barbados, Costa Rica, Dominican Republic, Dubai, France, Germany, Guernsey, Guyana, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Jamaica, Jersey, Kenya, Kuwait, Luxembourg, Macau, Malawi, Malaysia, Netherlands, Switzerland, Taiwan, Thailand, Trinidad, Turkey, USA, Venezuela, Zambia

securicor *distribution*

1998 results

Turnover	**£588.9m**
Operating profit	**£24.3m**
Number of employees	**12,027**

Divisional companies

- Securicor Omega Express
- Securicor Omega International
- Securicor Omega Container Logistics
- Securicor Omega Logistics
- Securicor Vehicle Services
- Securicor Fuelserv
- Securicor Rentmaster

Overseas operations

Belgium, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Kenya, Luxembourg, Malaysia, Netherlands

securicor *communications*

1998 results

Turnover	**£41.2m**
Operating loss	**£21.6m**
Number of employees	**945**

Divisional companies

- Securicor Information Systems
- Intek Global Corporation (60%)
- Axiom (45%)

Overseas operations

Netherlands, USA

Cellnet – *40% equity investment*

The business

securicor security

"There was excellent profit growth in the Security division with a particularly strong performance from the Cash Services business in the United Kingdom." SIR NEIL MACFARLANE

SECURICOR CASH SERVICES

With a market share of almost 60%, Securicor Cash Services operates the leading cash collection, processing and delivery services in the UK. Serving over 80% of the major UK retailers as well as every major bank and building society, the company transports £280 billion each year and plays a vital role in the UK economy.

The company has the largest nationwide secure transit network. It operates a fleet of over 1,800 vehicles and employs some 7,000 staff at 60 branches throughout the UK.

SECURICOR GUARDING

Combining the strengths and resources of a national company with the personalised services of a network of local offices, Securicor Guarding is one of the UK's leading manned guarding companies.

Some 95% of our 8,000 employees are directly involved in the delivery of customer services through contracted or temporary manned guarding or the provision of mobile patrols, key-holding and alarm response.

SECURICOR CUSTODIAL SERVICES

Providing a range of activities on behalf of Her Majesty's Government, including prisoner escorting and court custody services in the London Metropolitan area, Securicor Custodial Services is also part of a consortium which was awarded the contract to design, construct, manage and finance HM Prison Parc in Bridgend, South Wales – the largest PFI prison in the UK.
The 800 bed Category B prison opened in November 1997 and accommodates a mix of prisoners including remand and convicted adults and young offenders. Securicor Custodial Services operates the prison under a 25 year contract.

From January 1999, under the Home Detention Curfew scheme, selected short-term prisoners in England and Wales will spend up to the last two months of their sentence in the community, under a Curfew Order enforced by electronic monitoring. Securicor Custodial Services has been selected by the Home Office as preferred contractor to operate this scheme across the North of England.

SECURICOR RECRUITMENT SERVICES

One of the UK's top ten general recruitment agencies, Securicor Recruitment Services supplies the office, industrial and technical markets with permanent, temporary and contract staff. The company has set up a highly successful psychometric testing team and has more than doubled the number of on-site staffing services contracts which it manages.

securicor distribution

"The deal with Deutsche Post represents exactly what we had been looking for in order to secure the future of our Distribution business." ROGER WIGGS

SECURICOR OMEGA EXPRESS

The UK's leading business to business parcel carrier offers a range of same day, next day and international express delivery services. With some 9,500 personnel and a fleet of 5,000 vehicles, it delivers two million consignments every week. The company operates a large scale data delivery service on behalf of the banks and building societies and has a significant market share in the book, music, video, electronics, hi-tech and healthcare industries.

SECURICOR OMEGA INTERNATIONAL

Specialising in the worldwide distribution of heavyweight freight via road, air and sea, Securicor Omega International is one of the leading International Air Transport Association forwarders.

It offers an implant management service under which a team of employees is permanently located on a customer site, providing full-time assistance to the freight or shipping manager, or even taking on the job in its entirety.

SECURICOR OMEGA CONTAINER LOGISTICS

Market leader in the UK container transport industry, the company offers value-added logistics management and container distribution solutions to the maritime shipping and distribution sectors. The company also specialises in bulk logistics, providing tank container and dry bulk container transport throughout the UK. It is one of the most flexible, technology-driven organisations in the distribution industry.

SECURICOR OMEGA LOGISTICS

The company is one of the UK's top supply chain management specialists, involved in dedicated and shared user distribution and warehousing.

The company's 'hands-on' management style has enabled it to develop and maintain long-term relationships with customers across a wide range of industry sectors. Operating in the areas of network distribution, warehouse management and total integrated logistics, the company supports a customer's entire supply chain from raw materials collection through to recycling.

SECURICOR VEHICLE SERVICES

Securicor Vehicle Services manages some 10,000 vehicles and trailers, including most of the group's UK fleet and approximately 1,700 vehicles for other customers. The company is completing the replacement of the entire Securicor Omega fleet, resulting in the average vehicle age being less than two years and making it one of the youngest commercial fleets in the UK.

SECURICOR FUELSERV

Through a network of 400 locations, transport operators can deposit their own fuel stock and use Securicor Fuelserv's infrastructure to obtain their bulk purchased fuel.

Securicor Tyreserv, part of Securicor Fuelserv, specialises in providing an integrated tyre management service to 13,000 commercial vehicles.

SECURICOR RENTMASTER

The company provides contract hire of commercial vehicles together with a full vehicle management service.

securicor communications

"The Communications division continued with the planned development of its systems integration business in the United Kingdom and of its linear modulation mobile radio business in the USA." SIR NEIL MACFARLANE

SECURICOR INFORMATION SYSTEMS

The businesses previously carried on by Securicor Computer Services, Securicor Datatrak, Securicor Dopra and Securicor TrakBak have been combined under a single company called Securicor Information Systems. The company is a leading provider of technology solutions, working closely with the emergency services and supplying vehicle positioning and mobile data asset management to the commercial sector.

The core of the business is systems integration and the company is the leading supplier of integrated communications to the police and fire authorities.

The Datatrak system, which combines positioning information with two-way mobile data communications, has over 20,000 subscribers.

INTEK GLOBAL CORPORATION

Intek, primarily based in the USA, operates advanced wireless voice and data communications systems and develops, manufactures, distributes and licenses wireless communications technology and products. The company's products use linear modulation technology which provides up to a six-fold increase in radio spectrum capacity.

Typical customers of Intek are businesses which operate mobile fleets, such as courier services, taxi operators, utilities and public safety agencies.

AXIOM

Another US-based company, Axiom, supplies billing data collection and processing, fraud management and traffic management systems to telecommunications providers worldwide. Securicor's ownership has now reduced to 45%.

Cellnet

The agreement between Securicor and British Telecom was established in January 1984. Securicor owns 40% of Cellnet, with British Telecom owning the remaining 60%. Cellnet today is one of four networks in the United Kingdom providing cellular telecommunication services. It has over four million subscribers.

At 30 September 1998 Cellnet had 3.4 million subscribers, having added 546,000 net connections over the preceding 12 months. By 31 December 1998, the number of subscribers had increased to over four million, 658,000 net connections having been added in the last quarter of the calendar year.

Heavy investment continued in the company's GSM network. Cellnet became the first UK mobile phone network to achieve 99% population coverage. Network capacity was doubled and the number of roaming destinations increased to 85 countries. The network now has over 3,000 cellsites. Additionally, the introduction of state-of-the-art technology has helped to improve network quality levels, making mobile phone calls clearer and sharper. A new billing system has also been successfully implemented.

In July, Cellnet launched its ground-breaking fair deal programme – First – which features a series of industry-first initiatives in mobile phone contracts and charges. Over one million Cellnet customers have registered for the programme, the majority of them committing to staying with Cellnet in return for loyalty discounts on airtime charges.

Cellnet also entered the mobile phone 'pre-pay' market in July 1998 with the launch of Easylife, the most advanced pre-pay scheme in the UK. This was followed by the launch of 'U' in October 1998, a pre-pay scheme aimed specifically at the youth market. Both Easylife and 'U' have been instrumental in the growth of the United Kingdom mobile phone market and have helped Cellnet achieve its record levels of customer connections.

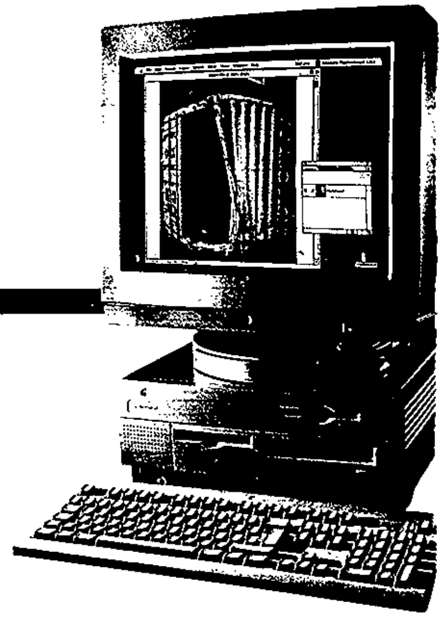
The combination of Cellnet's pre-pay schemes and First has enabled Cellnet to significantly improve its market share, which was 27% of new subscribers for the quarter ended 30 September compared with 14% for the previous quarter.

In the second half of the year, the company's key business performance measures all showed improvements compared to the same period last year. Customer usage rose by 20% from 96 minutes per month to 114 minutes per month. Annualised average revenue per customer increased from £376 to £385 and customer churn came down from 31.6% to 28.5%.

With a network that offers unbeatable coverage and a range of unique products and services, Cellnet will continue to play a leading role in the United Kingdom mobile phone market.

The diversity of our operations and markets requires constant development to the business. This is achieved through advanced training of our specialised staff and through the application of new technology and working processes. Securicor has been at the forefront of a number of business innovations which have helped the group maintain market leadership in many of the sectors in which it operates.

our developments

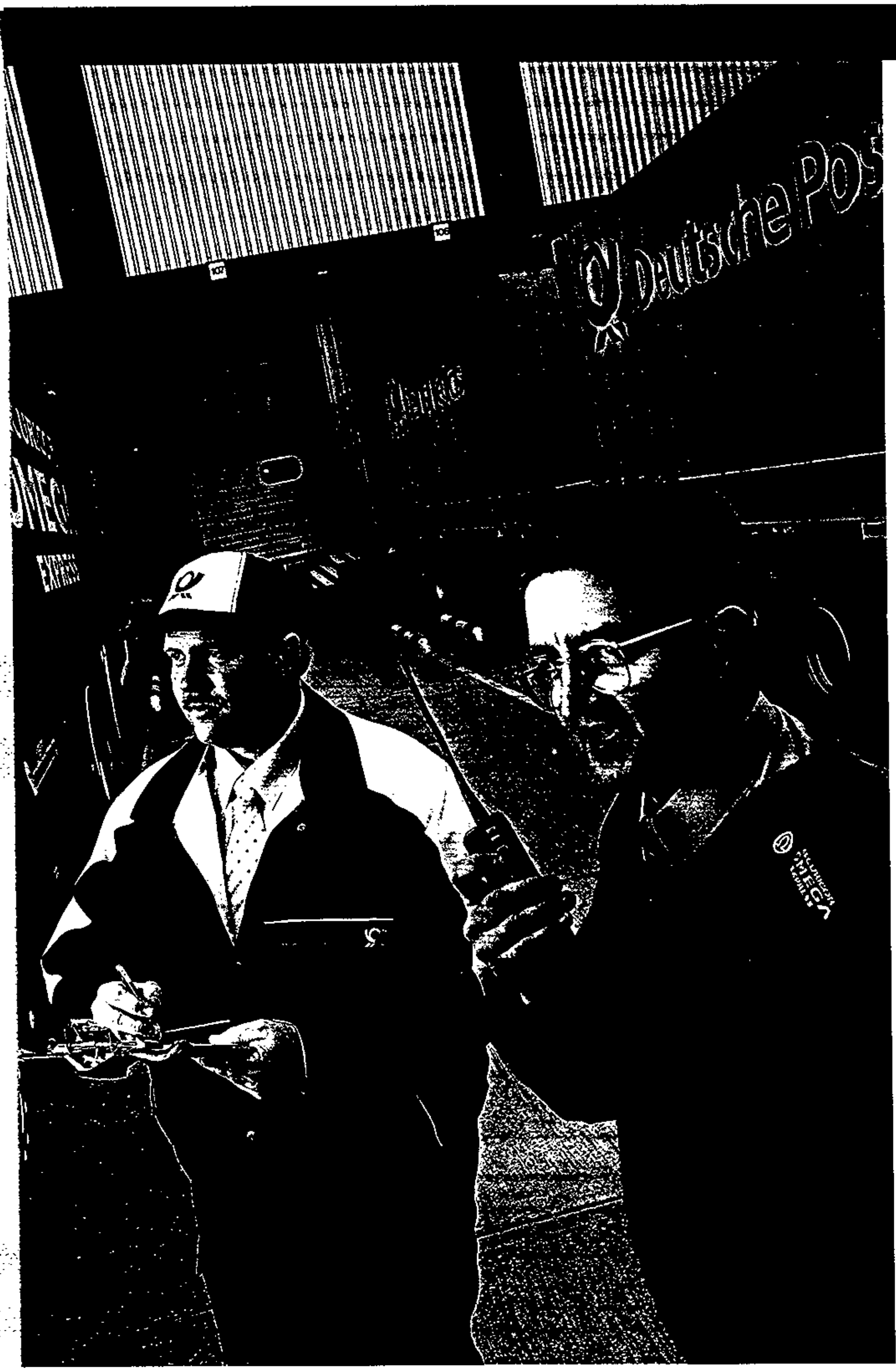


SECURICOR FUELSERV

All diesel dispensed through Securicor Fuelserv's principal site in Felixstowe will be ultra low sulphur emitting 'city diesel'. Not only will this mean less harmful vehicle emissions, but it also has lower levels of aromatics, a major cause of respiratory problems.

SECURICOR OMEGA CONTAINER LOGISTICS

Securicor Omega Container Logistics offers a unique container damage service to shipping lines via the internet. Using advanced digital cameras, detailed images of damage can be recorded as a container enters the port. This has the dual benefit of providing instant visual evidence of container damage, thus enabling equipment to be recycled faster, and of giving clear evidence of damage in support of a claim recovery. Customers can receive pictures of damaged containers by fax or on the internet.

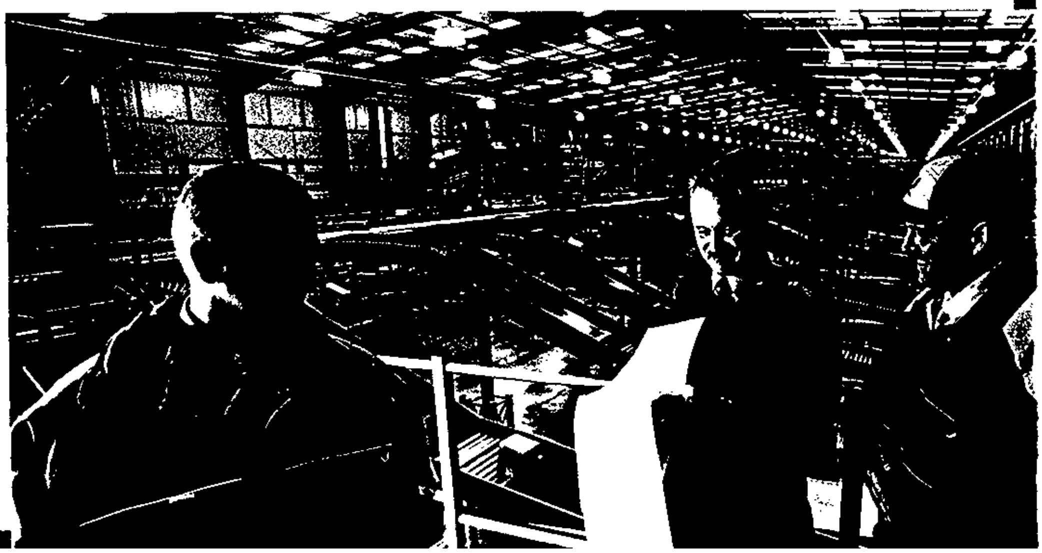


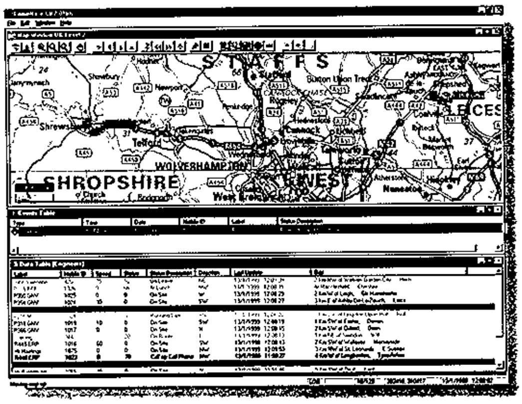
SECURICOR DISTRIBUTION'S JOINT VENTURE WITH DEUTSCHE POST

Securicor's joint venture agreement with Deutsche Post, Europe's largest postal enterprise, was signed on 1 November 1998.

The transaction, which represents a key step for Securicor in the the development of its distribution activities, involves:

- the sale to Deutsche Post of a 50% interest in Securicor's Distribution division for a price equivalent to £223.4m (£200m in cash);
- Securicor Distribution will in future be the carrier for substantially all United Kingdom and Ireland destined business traffic originating throughout Deutsche Post's European network extending to 19 European countries;
- the joint venture will be positioned to become a market leader in the rapidly expanding cross-border market between the United Kingdom and Ireland and the rest of Europe;
- the joint venture will offer its United Kingdom and Irish customers a competitive parcels delivery service achieving consistently high standards in Germany and in each of the other major European markets.





SECURICOR INFORMATION SYSTEMS

Securicor Information Systems' Datatrak technology is making a vital contribution to the management of telecommunications company DeTeWe's nationwide field engineering force. DeTeWe's service commitment levels to its 13,000 strong customer base have to be honoured within strict contractual timescales. The Datatrak system enables DeTeWe's Call Centre Help Desk to locate the nearest engineer with the appropriate skill and to dispatch him to the call site. The Datatrak screen also shows the location of the nearest DeTeWe logistics supply van when an engineer requires a vital component or spare part at short notice.

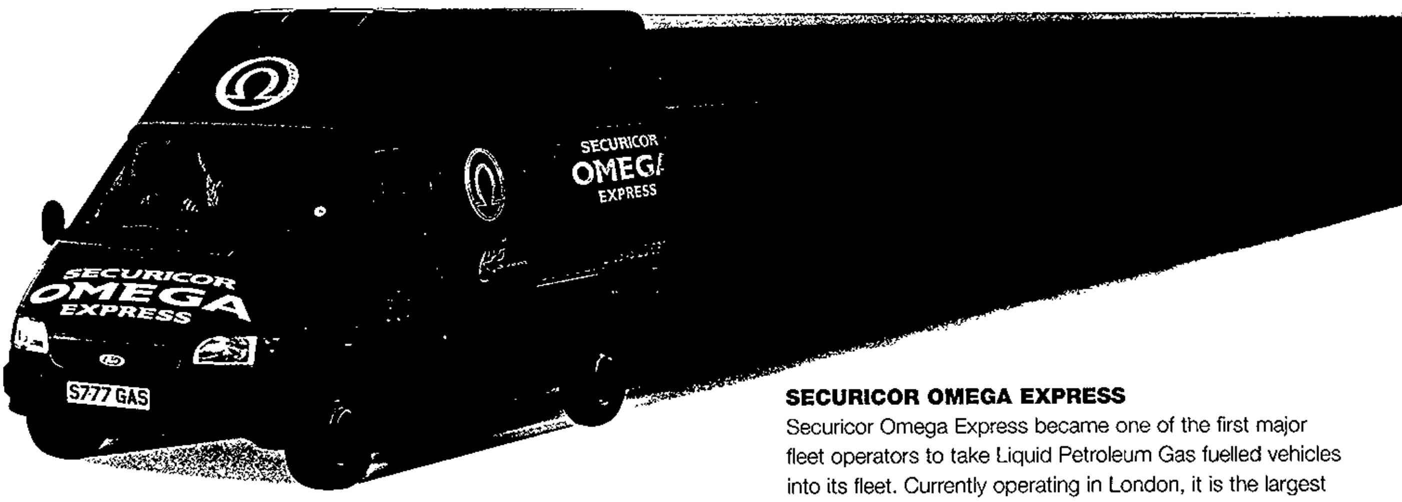
SECURICOR CUSTODIAL SERVICES

The combination of reliable technology and professional staff has meant that the pilot schemes for electronic monitoring (or 'tagging') have proved an outstanding success for Securicor Custodial Services. Once a court has made a Curfew Order, trained monitoring officers attend the offender's house to install the monitoring equipment, which comprises a small radio transmitter tag attached to the offender's ankle or wrist and a Home Monitoring Unit which is connected to a telephone line within the house. Signals relayed from the tag indicate whether the offender has remained within the confines of the Curfew Order.

SECURICOR GUARDING

A national meter-reading company has been launched by Securicor (and Seeboard. Called Meterpoint, this joint venture will be responsibl reading gas and electricity meters throughout the UK. Meterpoint co the core strengths of the companies involved – Securicor Guarding's operation, which enables the services to be managed locally through nationwide network of branches, and Seeboard's experience in the r reading business and the provision of meter-reading equipment.

SECURICOR CASH SERVICES
In order to discourage attacks on our cash-in-transit crews, we are investing in a new generation of smokebox technology which will prevent access to the contents of boxes being carried between the Securicor vehicle and the customer's premises. If an attacker tries to snatch or penetrate the smokebox, it will activate automatically, releasing smoke and dye which instantly render the cash inside unusable.



SECURICOR OMEGA EXPRESS
Securicor Omega Express became one of the first major fleet operators to take Liquid Petroleum Gas fuelled vehicles into its fleet. Currently operating in London, it is the largest fleet of its kind to be used daily within a UK urban centre. The company has received the Westminster City Council Green Pennant award for being eco-friendly.

As specialists in the provision of business services, we know that such services can only be provided through the dedication, hard work and loyalty of our employees. Our roots lie in security, and the qualities of trustworthiness and reliability needed for such an industry are evident in all that we do. Where appropriate, our employees are vetted and security screened, and we ensure that they are all given the relevant induction and ongoing training necessary for their particular role.

As an equal opportunities employer, we have a mix of employees reflecting the working population of the areas in which we operate.

our people

SECURICOR INFORMATION SYSTEMS

In 1994 the Home Office launched an initiative called the National Strategy for Police Information Systems (NSPIS) which identified 38 applications which were common to every Police Force in the country. The NSPIS programme will provide one version of each application for the use of all Police Forces. The first four key applications identified were Command and Control, Case Preparation, Custody and Crime. Recognising the long-term business potential, Securicor Information Systems assembled a 'dream team' to bid for these projects, but with crucial support from many others within the organisation.
The result: the company has won all four contracts. It is now preparing to roll out systems nationally, starting later this year.

SECURICOR OMEGA LOGISTICS

Lorries operated by Securicor Omega Logistics carry a 'Well Driven?' sticker with an 0800 number. At Securicor we are committed to ensuring that all our drivers act in a professional, courteous and safe manner. Feedback from the 'Well Driven?' campaign helps us identify further training needs. A number of complimentary calls were received from members of the public about Lorraine Kew's driving. Leading the way in driver comfort, Securicor Omega Logistics has introduced air-conditioned cabs to its growing fleet of vehicles. When all existing vehicles have been replaced, it will be the largest air-conditioned fleet in the industry – an attraction to new recruits in an industry where drivers are always at a premium.

SECURICOR CUSTODIAL SERVICES

Prison Custody Officers recruited by Securicor Custodial Services are rigorously vetted and screened in order to obtain Home Office certification. All uniformed staff undertake a comprehensive training course designed to meet the requirements of the Home Office. Throughout their careers at Securicor, all officers receive refresher and update training to ensure they are kept abreast of new developments and best practice.

SECURICOR CASH SERVICES

Securicor Cash Services introduced a standards campaign which will not only monitor delivery of service and reinforce the corporate image, but will also assist the company's employees. Under the banner 'Raising the Standard', the project will look at all operational areas, including branch facilities, training and uniforms. Raising the standard within the organisation will in turn enhance customer services.

SECURICOR GUARDING

The annual Guard of the Year competition held by Securicor Guarding enables each of its operating areas to nominate security officers who have been singled out for excellence. The final of the competition takes place each year in October. This year's winner was Jim MacDougall from Bellshill, Glasgow, who carries out guarding duties at Salvesen Food Logistics.

Securicor is a major player in the global market, with businesses operating in over 30 countries around the world. Key to our success has been the policy of transferring proven technology and operating procedures, the quality of our management and staff and the relationships we enjoy with major customers, many of whom also operate in a global environment.

We aim to satisfy our customers' needs by providing a consistently high level of service and by offering solutions tailored to local requirements.

global business

USA

Securicor New Century, established in 1997, gave Securicor Custodial Services the opportunity to enter into new markets in the USA. Committed to the operation of high quality facilities offering flexible and effective solutions, the company decided to focus on juvenile detention centres.

The company's first contract was for a 104 bed juvenile facility in Marion County for the Florida Department of Juvenile Justice. The facility accommodates male youths between the ages of 13 and 21 whose average stay is nine to 12 months. The emphasis is on rehabilitation within a safe and secure environment.

Earlier this year, Securicor New Century was selected as the preferred provider to manage and operate a new secure, residential commitment programme for moderate risk youths. Located in Avon Park, Florida, the 38 acre campus has 144 beds.

VENEZUELA

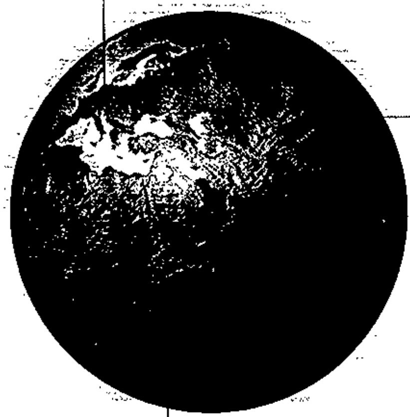
Vicasa Securicor specialises in the provision of guarding and cash services and is the third largest security company in Venezuela. The company has recently introduced a track and trace bar-coding system which, as well as providing the control needed for an increasing number of cash containers, will supply all the information required to invoice customers.

The first of four cash processing centres was opened in Caracas, offering customers a range of services which include pre-validation of money from bank branches, full screening of bank notes and cash processing. To encourage banks to outsource this type of work, the centre provides enclosed cubicles to enable banks to bring in their own staff and use Vicasa Securicor's premises.

GERMANY

ASD Securicor is a market leader in the German integrated security industry. Its services include guarding, alarm monitoring and response, mobile patrols, key-holding and CCTV monitoring.

The company has recently introduced Genesis – a fully computerised control system which combines alarm monitoring and response with invoicing. With Genesis, ASD Securicor's six monitoring stations will now be connected, giving each of them a back-up in case of emergency. A new dimension of service quality will be introduced with e-mail and the internet used as a means of communicating with customers.



HONG KONG

Securicor's presence in Hong Kong is the result of a merger between the security arm of Jardine Pacific and Securicor's previous security operations there. The major services offered include cash-in-transit, automated teller machine and cash processing services; and guarding, including port, hotel and utilities security, and Gurkha premium guarding services.

KENYA

Our presence in Kenya dates back over 30 years. Securicor Kenya is one of the country's largest private organisations, employing more than 9,300 staff, the majority working on guarding assignments. As market leader, the company also offers alarm installation, monitoring and response services and is the only company in Kenya to use armoured vehicles on a nationwide basis for cash services.

In addition to the range of security services, the Kenyan operation has seen a growth in its distribution business and has recently opened major sorting hubs in Nairobi and Mombasa.

With over 300 locations throughout the UK, Securicor works with the community through both national and local projects; for example carrying relief aid to Bulgaria and Romania and providing training and work places under the Government's New Deal initiative. Besides 1998's major fundraising for the Cancer Research Campaign, Securicor employees were involved in numerous other money-raising activities for charitable and community projects. Additionally, the Securicor Charitable Trust made money donations to a wide variety of charities.

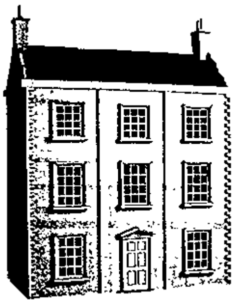
our community

CANCER RESEARCH CAMPAIGN

Securicor sponsors the Securicor Challengers Trophy (Europe's premier inter-business, outdoor, team-building event). Securicor staff undertook to raise money for the event's nominated charity, the Cancer Research Campaign. Employees around the UK organised events ranging from sponsored runs and charity dances to car boot sales and raffles. A total of £90,000 was raised by Securicor staff in under a year.

SECURICOR OMEGA EXPRESS

Hertfordshire schools were challenged by Securicor Omega Express to enter an art competition depicting the company's distribution centre in Hatfield. A total of 183 pictures were received from pupils whose ages ranged from five to 16. The winning pictures for each age group were ultimately selected by the art critic for 'The Times' newspaper, Richard Cork.



SECURICOR CUSTODIAL SERVICES

HM Prison Parc is designed to meet the custodial requirements of the local area and forms an integral part of the community. Securicor Custodial Services works closely with local providers to manage the complex supply of services needed. The local college provides education and vocational training whilst the local NHS Trust attends to prisoners' health needs.

The 800 prisoners participate in over 300,000 hours of organised work activity, ranging from component production for a local harness manufacturer to skilled lathe work for other local companies. The first of a series of charity commitments has begun, with prisoners constructing dolls houses for NCH Action for Children and for local Bridgend organisations.

financial calendar and corporate addresses

Results Announcements
Final results – mid December
Interim results – mid June

Dividend Payments
Interim paid – 30 September 1998
Final payable – 5 April 1999

Annual Report
Published – February 1999

Annual General Meeting
18 March 1999

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Auditors
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Chartered Accountants
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Financial Dynamics
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Stockbrokers
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12 Tokenhouse Yard
London EC2R 7AN

BT Alex.Brown International
135 Bishopsgate
London EC2M 3XT

Merchant Bankers
Lazard Brothers & Co., Ltd
21 Moorfields
London EC2P 2HT

board of directors

Sir Neil Macfarlane 62.
Chairman. Appointed to boards of Securicor Group plc and Security Services plc in 1993. A former Member of Parliament and Government Minister, now Chairman of Associated Nursing Services plc and non-executive director of RMC plc and Bradford and Bingley Building Society. Also a trustee of the England and Wales Cricket Foundation.

Roger Wiggs 59.
Group Chief Executive. A solicitor, he was appointed Director for Overseas Operations of Securicor Limited in 1974 and subsequently Managing Director of Securicor International Limited. In 1977 was appointed to the boards of Securicor Group plc and Security Services plc, and elected Deputy Group Chief Executive in 1985 and Group Chief Executive in 1988. Director of Cellnet Group Limited. Non-executive director of The Crown Agents Foundation.

Christopher Shirtcliffe FCA 54.
Group Finance Director. Joined the group's overseas operations in France in 1975. Became International Finance Director in 1980. Was appointed to the boards of Security Services plc in 1985 and Securicor Group plc as Group Finance Director in 1986. Director of Cellnet Group Limited.

Henry McKay 59.
Chairman, Security division. Joined group in 1968 and became Managi
Director of Securicor Limited in 198
Was appointed to the boards of Security Services plc in 1984 and Securicor Group plc in 1986. Will retire from the board in April 19

Jonathan Kitchen 59.
Appointed to the board in 1998. After previous positions within Midland Bank, Phillips & Drew and Samuel Montagu, joined Lazard Brothers in 1979. Appointed director in 1981 with executive responsibilities within corporate finance division. Retired from Lazards in January 1998. Non-executive director of The 600 Group plc.

Pat Howes 57.
Chairman, Distribution division. Joined the group in 1969. Appointed General Manager of the parcels operation in 1983. Was appointed to the boards of Security Services plc in 1991 and Securicor Group plc in 1992.

Nigel Griffiths LLB 52.
Company Secretary and Group Legal Director. Joined the group's French company in 1973. A solicitor, was appointed Company Secretary of Securicor Group plc and Security Services plc in 1989 and to the boards of those companies in March 1990.

Sir James Birrell FCA 65.
Appointed to boards of Securicor Group plc and Security Services p
in 1993. Joined the Halifax Buildin
Society in 1968 and retired, as Ch
Executive, in 1993. Member of the
Building Societies Commission fro
January 1994. Non-executive dire
of Wesleyan Assurance Society.

David Cowden 57.
Appointed to the board in January 1999. Joined the group in 1969. Appointed Personnel Director of Securicor Limited in 1987 and Managing Director of Securicor Guarding in 1991. Became Chief Executive of Security division in 1998.

Sir Peter Imbert QPM JP (Life Peer) 65.
Appointed to boards of Securicor Group plc and Security Services plc in 1993. Joined Metropolitan Police in 1953 and, after holding various senior appointments in the Police Force, served as Commissioner of the Metropolitan Police between 1987 and 1993. Non-executive director of Camelot Group plc and non-executive chairman of Retainagroup Limited. Appointed in 1998 as Her Majesty's Lord Lieutenant of Greater London.

All the director
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for the group

report of the directors

The directors have pleasure in presenting their annual report together with the audited accounts of the company and of the group for the year ended 30 September 1998.

1) PRINCIPAL ACTIVITIES OF THE GROUP

Securicor plc is a parent company 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 integration 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 34.

Details of major business activities during the year, future developments and prospects of the group are contained in the Chairman's Statement on pages 2 and 3, and in the Chief Executive's Operating Review on pages 4 and 5.

3) DIVIDENDS

The directors have declared or now propose the following net dividends for the year:

- Interim dividend of 0.43p per share paid on 30 September 1998.
- Final dividend of 1.50p per share payable on 5 April 1999.

4) BUSINESS ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

In October 1997 Securicor Computer Services Limited sold its Televault business.

In January 1998 Securicor Omega Office Services Limited was sold.

In January 1998 Securicor Vehicle Services Limited sold its 50% shareholding in Eurotruck Contracts Limited.

In March 1998 the three hotels owned by Securicor Hotels Limited, the Richmond Hill and the Richmond Gate in Surrey, and the Hylands in Coventry, were sold.

In April 1998 Securicor Guarding Limited purchased the security business of Executive Security (Yorkshire) Services Limited.

In May 1998 Securicor Guarding Services Limited purchased 100% of Scruttons Security Limited, a guarding company.

In May 1998 Axiom Inc purchased 100% of San Diego-based Innovative Data Technology, a supplier of billing mediation systems. Part of the consideration was satisfied through the issue of Axiom shares and, as a result of the transaction, Securicor's holding in Axiom reduced from 54% to 45%.

In July 1998 the business of Securicor Telecoms Limited was sold.

In July 1998 Securicor Omega Express Limited purchased Hays Express Services, an overnight parcels business.

In September 1998 Securicor Guarding Services Limited purchased 100% of Great Western Security Limited, a guarding company.

In November 1998 the company announced the completion of negotiations to form a joint venture with Deutsche Post AG involving the sale to Deutsche Post of a 50% interest in Securicor's Distribution division. The transaction was approved by the company's shareholders at an Extraordinary General Meeting held on 19 November 1998 and is now subject only to formal approval from the European competition authorities in Brussels.

5) CAPITAL

The authorised and issued share capital of the company at 30 September 1998 is set out on page 51 (note 19 to the accounts).

Shareholders are invited, under Resolution 2 set out in the notice of Annual General Meeting, to renew the directors' power to enable them to allot shares for cash (a) in connection with a rights 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 £1,503,400 in nominal value.

SHARE OPTION SCHEMES
Options outstanding at 30 September 1998 were as follows:

(a) Company Share Option Plan

303 options over a total of 4,914,670 ordinary shares at 245p per share, exercisable during 1999-2006.

3 options over a total of 24,520 ordinary shares at 267p per share, exercisable during 1999-2006.

269 options over a total of 2,163,250 ordinary shares at 280p per share, exercisable during 2000-2007.

261 options over a total of 1,166,720 ordinary shares at 441.5p per share, exercisable during 2001-2008.

The proceeds of the shares allotted under this scheme during the year amount to £2,909,670.

(b) Sharesave Scheme

4,195 options over 4,943,007 ordinary shares at 196p per share, exercisable during 1999-2000.

2,042 options over 1,523,257 ordinary shares at 224p per share, exercisable during 2000-2001.

2,674 options over 1,425,604 ordinary shares at 354p per share, exercisable during 2001-2002.

The proceeds of the shares allotted under this scheme during the year amount to £447,482.

These options are inclusive of those held by directors as set out on page 30.

6) MARKET VALUE OF INTERESTS IN LAND AND BUILDINGS
The directors are of the opinion that the current aggregate value of group properties is not less than the amount at which they are shown in the accounts.

7) 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 is written off during the year in which it is incurred. Development expenditure is dealt with in accordance with the accounting policy stated in paragraph 9 on page 38.

8) 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 1998 the parent company did not have any trade creditors.

At 30 September 1998 the consolidated trade creditors of the group represented 30 days of annual purchases.

9) ECONOMIC AND MONETARY UNION ("EMU")
The introduction of the single European currency within the context of EMU will affect the group, particularly those companies which operate in countries committed to the introduction of the new currency. Implementation plans are being developed where relevant, and the strategic and operational implications of EMU are reviewed regularly by the board. Associated costs are not likely to be material.

10) YEAR 2000 COMPLIANCE
The company has implemented a comprehensive Year 2000 compliance programme with the objective of having all business critical systems compliant by the middle of 1999.

The relevant systems have been inspected and plans drawn up for compliance action to be taken. This action includes adequate testing of systems. Progress is being closely monitored, with monthly reports being submitted to the Group Chief Executive.

The company also monitors the business risk of key customers and suppliers not being Year 2000 compliant. Contingency plans are being developed to cover any residual risk of business interruption as a result of the century change.

Costs to the group directly associated with Year 2000 compliance are estimated at £3.5m.

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 use of video recorders and monitors as an enhanced means of corporate communication and training which involves the active participation of employees at branch level;

(c) the circulation on an individual basis of the group's bi-monthly in-house newsletter, 'Securicor News';

(d) 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 the support of charities, the community, job creation and training, local development, the arts, sport and music. Charitable contributions during the year amounted to £124,000.

There were no political contributions.

13) TAXATION STATUS

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

14) SUBSTANTIAL HOLDINGS

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

(i)	CGU	23,643,992 (3.9%)
(ii)	Standard Life	22,194,855 (3.7%)
(iii)	Scottish Widows	18,016,506 (3.0%)

15) AUDITORS

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.

16) DIRECTORS

The directors, brief details of whom are contained on page 24, have, with the exception of Messrs Jonathan Kitchen and David Cowden, whose appointments took effect in February 1998 and January 1999 respectively, held office throughout the year.

The directors retiring by rotation are Sir Neil Macfarlane, and Messrs Nigel Griffiths and Roger Wiggs who, being eligible, offer themselves for re-election. Mr Cowden retires in accordance with the Articles of Association and, being eligible, offers himself for election. The contract of service of Mr Griffiths is terminable at two years' notice. Mr Griffiths has been advised that he will be given notice on 30 September 1999 to terminate his present contract of service which will be replaced with effect from 30 September 2000 with a contract terminable at one year's notice. The contract of service of Mr Wiggs will terminate on 10 June 1999 when he attains the age of 60. Mr Wiggs has agreed to continue in office thereafter with a new contract of service terminable at one year's notice. Sir Neil Macfarlane does not have a contract of service. The contract of service of Mr Cowden will expire in November 2001 when he attains the age of 60.

Mr Richard Graves retired from the board in August 1998.

Mr Henry McKay has announced his intention to retire from the board in April 1999 when he attains the age of 60.

Details of directors' interests in the share capital of the company and of the directors' emoluments are set out on pages 29 to 32.

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

17) CORPORATE GOVERNANCE

The company 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. Although reporting in terms of the Combined Code is only mandatory in respect of accounting periods ending on or after 31 December 1998, the company has elected to make its compliance statement in the spirit of the Combined Code. However, in view of the absence of appropriate guidance to directors for the review of the effectiveness of the group's system of internal control, the report below only relates to internal financial controls.

(A) Principles of Good Governance

The board comprises the non-executive Chairman, the Chief Executive, three other non-executive directors (all of whom are independent) and five other executive directors (one of whom will be retiring in April 1999). It meets each month and additionally when necessary. At each monthly meeting it receives a detailed financial report from the Group Finance Director and an operational report in respect of each of the company's trading divisions.

The board has nominated Sir James Birrell as the senior independent director.

Recommendations on new appointments to the board are made by the Nominations Committee which now comprises Sir James Birrell, Sir Peter Imbert and Mr Roger Wiggs.

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

The Remuneration Committee is now chaired by Sir Peter 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 company's policy on executive directors' remuneration and details of the remuneration of each director are contained on page 29.

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

The directors are responsible for the group's system of internal financial control which includes 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 maintenance of proper accounting records and the reliability of the financial information used within the business or for publication;
- the safeguarding of assets against unauthorised use or dispossession.

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

- 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 carried out 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 which comprises the Chief Executive, the Group Finance Director, the Company Secretary and the Director of Corporate Planning and Audit.

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 company'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 company'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.

(B) Code of Best Practice

Save as set out below, the company complied throughout the accounting period with the Code provisions set out in Section 1 of the Combined Code. With effect from December 1998, the company complies with all the Code provisions.

Those Code provisions with which the company did not comply throughout the accounting period were:

A.2.1

Whilst the posts of chairman and chief executive have always been separate, the company had not nominated a senior independent director. That position is now filled by Sir James Birrell.

A.5.1

Sir Neil Macfarlane chaired the Nominations Committee but the other two members of the committee were executive directors. The Nominations Committee now comprises two non-executive directors (Sir James Birrell and Sir Peter Imbert) together with the Group Chief Executive.

18) REMUNERATION OF THE DIRECTORS

The key objective of the company'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 (excluding Cellnet) 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 £	**1998 total £**	1997 total £
Chairman (Non-executive)					
Sir Neil Macfarlane	110,043	–	–	**110,043**	105,788
Executive Directors					
N E Griffiths	181,665	5,648	–	**187,313**	211,405
E A Hough (resigned 26.8.97)	–	–	–	–	568,546**
P D Howes	167,578	11,747	–	**179,325**	201,819
H W McKay	167,578	12,172	–	**179,750**	202,414
C C Shirtcliffe	197,725	11,463	–	**209,188**	237,868
R S W H Wiggs	311,865	14,769	–	**326,634**	369,998
Other Non-Executive Directors					
Sir James Birrell	29,083	–	–	**29,083**	27,958
R A Graves (retired 6.8.98)	31,533	3,953	–	**35,486**	33,997
Sir Peter Imbert	29,083	–	–	**29,083**	27,958
J A Kitchen (appointed 5.2.98)	19,556	–	–	**19,556**	–

* No performance related bonuses were awarded by reference to the performance for the year ended 30 September 1997.

** Including compensation for loss of office and termination of Service Agreement.

Further grants under the company's share option plan at a price of 489.25p were made to four of the Executive Directors on 17 December 1998 as follows:

N E Griffiths	39,850
P D Howes	37,810
C C Shirtcliffe	43,940
R S W H Wiggs	70,510

These options are exercisable between December 2001 and December 2008.

None of the Executive Directors has exercised options under these schemes.

Mr Wiggs, who is a director of Intek Global Corporation, has an option over 20,000 units of Intek common stock exercisable at a price of US$1.688 between 30 October 1998 and 30 October 2007, and over 25,000 units of Intek common stock exercisable at a price of US$2.50 between 12 March 1998 and 12 March 2008. The market price of Intek common stock at 30 September 1998 was US$1.938.

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

DIRECTORS' INTERESTS IN SHARES OF SECURICOR PLC

(not including shares under option)

	At 30.9.98	At 30.9.97
J D Birrell	**3,954**	3,954
D G Cowden	**4,871**	4,871
N E Griffiths	**6,255**	6,255
P D Howes	**19,652**	19,652
P M Imbert	**7,604**	7,604
J A Kitchen	**1,500**	–
D N Macfarlane	**5,954**	5,454
H W McKay	**35,812**	40,812
C C Shirtcliffe	**49,805**	75,677
R S W H Wiggs	**168,034**	168,034

All interests shown above are beneficial.

In December 1998, Messrs Howes, McKay, Shirtcliffe and Wiggs disposed of 2,000, 3,700, 2,900 and 4,000 shares respectively. In January 1999, Messrs Griffiths and McKay disposed of 1,000 and 25,000 shares respectively.

No other changes in these holdings have taken place since 30 September 1998.

DIRECTORS' SERVICE CONTRACTS

The Executive Directors currently have service contracts with rolling two-year notice periods, except for Mr Cowden whose contract has a three-year notice period. However, Mr Cowden's contract will expire in November 2001 when he attains the age of 60.

Mr McKay's contract of service will terminate in April 1999 when he attains the age of 60.

Messrs Griffiths and Shirtcliffe have been advised that they will be given notice on 30 September 1999 to terminate their present contracts of service and that these contracts will be replaced with effect from September 2000 with contracts terminable at one year's notice. Mr Howes will be 58 in August 1999 and his contract will terminate automatically in August 2001 when he attains the age of 60.

The contract of service of Mr Wiggs will terminate on 10 June 1999 when he attains the age of 60. Mr Wiggs has agreed to continue in office thereafter with a new contract of service terminable at one year's notice.

The board accepts the desirability of reducing notice periods to no more than one year and has taken steps towards achieving this objective.

DIRECTORS' PENSION ENTITLEMENTS

The Executive Directors 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).

report of the auditors to the members of Securicor plc

We have audited the financial statements on pages 34 to 59. We have also examined the amounts disclosed relating to directors' remuneration and share options set out in the Report of the Directors on pages 29 to 32.

Respective responsibilities of directors and auditors

As described on the opposite page, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 group'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 mis-statement, 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 of the group at 30 September 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 28 to 32 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on pages 28 and 29 and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements on pages 28 to 32 appropriately reflect the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Baker Tilly

Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST
8 February 1999

consolidated balance sheet

At 30 September 1998

	Notes	1998 £m	1998 £m	1997 £m	1997 £m
Fixed assets					
Intangible assets	9		**15.3**		10.5
Tangible assets	10		**210.2**		245.1
Investments in joint ventures:					
– Shares of gross assets		**14.7**		14.1	
– Shares of gross liabilities		**(7.3)**		(7.1)	
	11		**7.4**		7.0
Investment in associated undertakings	11		**178.5**		131.2
			411.4		393.8
Current assets					
Stocks	12		**25.5**		29.1
Debtors	13		**245.9**		266.4
Bank and deposit balances			**23.9**		37.3
Listed investments	14		**–**		22.0
			295.3		354.8
Creditors – amounts falling due within one year					
Bank overdrafts and short-term loans	15		**41.1**		33.3
Corporation tax			**7.4**		–
Proposed dividends			**9.0**		8.1
Other	16		**198.5**		242.0
			256.0		283.4
Net current assets			**39.3**		71.4
Total assets less current liabilities			**450.7**		465.2
Creditors – amounts falling due after more than one year					
Loans	17		**202.2**		207.2
Other	16		**0.3**		0.9
			202.5		208.1
Provision for liabilities and charges	18		**0.2**		14.6
Net assets	8		**248.0**		242.5
Capital and reserves					
Called up share capital	19		**30.1**		30.0
Reserves	20		**216.0**		195.8
Equity shareholders' funds			**246.1**		225.8
Equity minority interests	20		**1.9**		16.7
			248.0		242.5

Note: The parent company balance sheet and notes are on page 59.
Approved by the board on 8 February 1999

Roger Wiggs
Christopher Shirtcliffe } Directors

LONG-TERM INCENTIVE SCHEMES

The company operates two types of share option scheme, a company share option plan (formerly known as an executive share option scheme) and a sharesave scheme. These schemes, originally launched in June 1996, were re-established in similar terms in November 1998 with Security Services plc replacing Securicor Group plc as grantor. 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) Company Share Option Plan

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 (excluding earnings attributable to Cellnet) over a rolling three-year period have grown by at least 2% 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 in any ten-year period is 10% of the issued ordinary share capital of the company with the limit for the company share option plan alone being 5%.

DIRECTORS' SHARE OPTIONS

	Option	At 30.9.97	Granted during year	**Outstanding at 30.9.98**	Option Price
D G Cowden	A	82,650	–	**82,650**	245p
	B	40,640	–	**40,640**	280p
	C	–	30,200	**30,200**	441.5p
	D	9,948	–	**9,948**	196p
N E Griffiths	A	138,770	–	**138,770**	245p
	B	60,710	–	**60,710**	280p
	D	4,974	–	**4,974**	196p
P D Howes	A	126,530	–	**126,530**	245p
	B	55,350	–	**55,350**	280p
	D	4,974	–	**4,974**	196p
H W McKay	A	126,530	–	**126,530**	245p
	B	55,350	–	**55,350**	280p
	D	4,974	–	**4,974**	196p
C C Shirtcliffe	A	151,020	–	**151,020**	245p
	B	66,070	–	**66,070**	280p
	D	4,974	–	**4,974**	196p
R S W H Wiggs	A	236,730	–	**236,730**	245p
	B	103,570	–	**103,570**	280p
	D	4,974	–	**4,974**	196p

Option A = Company Share Option Plan, exercisable between June 1999 and June 2006.
Option B = Company Share Option Plan, exercisable between June 2000 and June 2007.
Option C = Company Share Option Plan, exercisable between June 2001 and June 2008.
Option D = Sharesave Scheme, exercisable between October 1999 and March 2000.

The market price of the ordinary shares at 30 September 1998 was 381.5p.

statement of total recognised gains and losses

	1998 £m	1997 £m
Profit on ordinary activities after taxation and minority interests	**58.7**	16.4
Translation differences on foreign currency net investments (see note 20)	**(3.3)**	(6.5)
Total recognised gains relating to the year	**55.4**	9.9

note of historical cost profits and losses

There is no material difference between the reported profit shown on page 34 and the profit for the year restated on an historical cost basis.

reconciliation of movement in shareholders' funds

	1998 £m	1997 £m
Profit on ordinary activities after taxation and minority interests	**58.7**	16.4
Dividends	**(11.6)**	(10.4)
Retained earnings	**47.1**	6.0
Translation differences on foreign currency net investments (see note 20)	**(3.3)**	(6.5)
Proceeds of share capital issued	**3.4**	–
Write-back of goodwill on disposals previously written off (see note 20)	**1.6**	11.4
Release of revaluation reserve on disposals (see note 20)	**(3.5)**	–
Goodwill on acquisitions deducted from reserves (see note 21(a))	**(25.0)**	(93.3)
Net increase/(decrease) in shareholders' funds	**20.3**	(82.4)
Shareholders' funds at 1 October 1997	**225.8**	308.2
Shareholders' funds at 30 September 1998	**246.1**	225.8

report of the directors

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.

For death before retirement 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.

DIRECTORS' PENSION ENTITLEMENTS

	Age at 30.9.98	Years of pensionable service at 30.9.98	Additional pension earned during the year ended 30.9.98 £000	Accrued entitlement at year end or date of appointment 30.9.98 £000 (Note 1)	30.9.97 £000 (Note 2)
D G Cowden	56	22	12	**62**	50
N E Griffiths	51	20	4	**83**	79
P D Howes	57	26	3	**96**	93
H W McKay	59	28	4	**105**	101
C C Shirtcliffe	54	21	4	**101**	97
R S W H Wiggs	59	23	8	**194**	186

1 The pension entitlement shown is that which would be paid at normal retirement age, based on service at 30.9.98.

2 The calculation includes inflation of 3.2%.

Sutton Park House
15 Carshalton Road
Sutton
Surrey SM1 4LD

By order of the Board
N E Griffiths
Secretary
8 February 1999

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 at any time 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.

notes to the consolidated accounts

1 SEGMENTAL ANALYSIS OF RESULTS

(a) Business sector analysis

	1998 Total £m	**1998 Intersegment £m**	**1998 Sales to third parties £m**	1997 Total £m	1997 Intersegment £m	1997 Sales to third parties £m
Turnover						
Security	**555.4**	**(6.3)**	**549.1**	504.0	(6.6)	497.4
Distribution	**612.6**	**(23.7)**	**588.9**	563.5	(29.8)	533.7
Communications	**49.4**	**(8.2)**	**41.2**	80.2	(8.8)	71.4
Continuing operations	**1,217.4**	**(38.2)**	**1,179.2**	1,147.7	(45.2)	1,102.5
Discontinued operations	**15.4**	**–**	**15.4**	255.8	(4.7)	251.1
	1,232.8	**(38.2)**	**1,194.6**	1,403.5	(49.9)	1,353.6

	1998 £m	1997 £m
Profit before interest and taxation		
Security	**33.5**	25.0
Distribution	**24.3**	28.8
Communications	**(21.6)**	(16.7)
Cellnet – ongoing operations	**86.8**	95.2
Continuing operations	**123.0**	132.3
Discontinued operations	**1.1**	(30.2)
	124.1	102.1
Cellnet Force provision*	**–**	(20.8)
Cellnet Millennium costs	**(4.0)**	–
Exceptional items	**(0.5)**	(16.8)
	119.6	64.5

The former segment of Insurance and Hotels has been reallocated. Hotels are included within discontinued businesses whilst the results of Insurance, due to their immateriality, have been allocated across the ongoing business segments.

* In 1997, a £20.8m provision was included in the group's 40% share of Cellnet. This provision was made to reduce the carrying value of costs incurred in relation to a billing and customer care project (described as Project Force).

(b) Geographical analysis

	1998 Total £m	**1998 Intersegment £m**	**1998 Sales to third parties £m**	1997 Total £m	1997 Intersegment £m	1997 Sales to third parties £m
Turnover						
United Kingdom	**1,036.0**	**(38.0)**	**998.0**	955.7	(45.0)	910.7
Rest of Europe	**150.3**	**(0.2)**	**150.1**	138.1	(0.2)	137.9
Africa	**18.9**	**–**	**18.9**	19.6	–	19.6
United States of America	**8.8**	**–**	**8.8**	30.8	–	30.8
Asia and rest of world	**3.4**	**–**	**3.4**	3.5	–	3.5
Continuing operations	**1,217.4**	**(38.2)**	**1,179.2**	1,147.7	(45.2)	1,102.5
Discontinued operations						
United Kingdom	**15.4**	**–**	**15.4**	253.0	(4.7)	248.3
Africa	**–**	**–**	**–**	0.7	–	0.7
United States of America	**–**	**–**	**–**	0.8	–	0.8
Asia and rest of world	**–**	**–**	**–**	1.3	–	1.3
Total discontinued	**15.4**	**–**	**15.4**	255.8	(4.7)	251.1
	1,232.8	**(38.2)**	**1,194.6**	1,403.5	(49.9)	1,353.6

consolidated profit and loss account

For the year ended 30 September 1998

	Notes	Continuing operations £m	Continuing operations Acquisitions £m	Discontinued operations £m	Total 1998 £m	1997 £m
Turnover: group and share of joint ventures		**1,198.0**	**9.2**	**15.4**	**1,222.6**	1,384.0
Less: share of joint ventures' turnover		**(28.0)**	**-**	**-**	**(28.0)**	(30.4)
Group turnover	1	**1,170.0**	**9.2**	**15.4**	**1,194.6**	1,353.6
Cost of sales	3	**(868.7)**	**(6.5)**	**(8.0)**	**(883.2)**	(950.2)
Gross profit		**301.3**	**2.7**	**7.4**	**311.4**	403.4
Net operating expenses	3	**(266.4)**	**(2.2)**	**(6.3)**	**(274.9)**	(400.1)
Group operating profit		**34.9**	**0.5**	**1.1**	**36.5**	3.3
Share of operating profit in						
Joint ventures		**1.7**	**-**	**-**	**1.7**	2.6
Associates						
– Cellnet – Ongoing operations		**86.8**	**-**	**-**	**86.8**	95.2
– Force provision		**-**	**-**	**-**	**-**	(20.8)
– Millennium costs		**(4.0)**	**-**	**-**	**(4.0)**	–
– Other associates		**(0.9)**	**-**	**-**	**(0.9)**	1.0
Exceptional items	3	**(15.9)**	**-**	**15.4**	**(0.5)**	(16.8)
Profit before interest and taxation	1	**102.6**	**0.5**	**16.5**	**119.6**	64.5
Interest receivable (group)					**1.3**	2.3
Interest payable						
– Group	2				**(17.5)**	(19.0)
– Joint ventures					**-**	(0.2)
– Associated undertakings					**(19.9)**	(16.2)
Profit on ordinary activities before taxation	3				**83.5**	31.4
Taxation	5				**(31.6)**	(20.5)
Profit on ordinary activities after taxation					**51.9**	10.9
Minority interests					**6.8**	5.5
Dividends	6				**(11.6)**	(10.4)
Retained profit	20				**47.1**	6.0
Earnings per ordinary share	7				**9.8p**	2.7p

2 INTEREST PAYABLE

	1998 £m	1997 £m
Group		
Loans and overdrafts, wholly repayable within five years		
– Repayable by instalments	**0.5**	–
– Repayable other than by instalments	**16.8**	18.8
Interest on finance leases	**0.2**	0.2
	17.5	19.0

3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

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

	1998			1997		
	Cost of sales £m	**Administration expenses £m**	**Distribution expenses £m**	Cost of sales £m	Administration expenses £m	Distribution expenses £m
Continuing operations	**868.7**	**259.4**	**7.0**	793.1	261.8	10.0
Acquisitions	**6.5**	**2.2**	**–**	17.9	8.9	0.9
	875.2	**261.6**	**7.0**	811.0	270.7	10.9
Discontinued operations	**8.0**	**5.2**	**1.1**	139.2	117.9	0.6

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

	1998 £m	1997 £m
Auditors' remuneration:		
– Audit	**0.7**	0.6
– Other services	**0.1**	0.2
Depreciation of tangible fixed assets:		
– Owned assets	**39.1**	44.9
– Leased assets	**0.1**	0.1
Amortisation of development expenditure	**6.8**	4.3
Research and development expenditure	**1.7**	2.2
Operating lease rentals payable:		
– Plant, machinery and vehicles	**35.0**	27.2
– Other including properties	**31.0**	28.0
Operating lease rentals receivable:		
– Plant and machinery	**(0.4)**	(0.6)
Investment income (listed)	**(0.5)**	(1.9)
Loss/(profit) on disposal of assets:		
– Properties	**0.1**	(0.5)
– Other tangible fixed assets	**2.7**	(2.7)
– Investments	**(0.3)**	(0.3)

In addition to the amounts shown above, the auditors received fees of £0.1m relating to the acquisition and disposal of subsidiaries and businesses during the year.

consolidated cash flow statement

For the year ended 30 September 1998	£m	1998 £m	£m	1997 £m
Net cash flow from operating activities (see note 25(a))		**27.5**		74.3
Dividends from associates and joint ventures		**0.4**		1.3
Net cash flow from returns on investments and servicing of finance (see note 25(b))		**(14.4)**		(17.3)
Taxation		**(4.4)**		(10.2)
Net cash flow from capital expenditure and financial investment (see note 25(b))		**(43.8)**		(69.2)
Net cash flow from acquisitions and disposals (see note 25(b))		**4.6**		43.1
Equity dividends paid		**(10.7)**		(9.5)
Cash flow before use of liquid resources and financing		**(40.8)**		12.5
Management of liquid resources (see note 25(b))		**22.3**		9.2
Financing				
Share issue	**3.4**		–	
Decrease in loans	**(4.6)**		(12.1)	
Capital element of finance lease rental payments	**(1.0)**		(2.3)	
Net cash flow from financing (see note 25(b))		**(2.2)**		(14.4)
(Decrease)/increase in cash in the year		**(20.7)**		7.3

Note: Payments and outflows are denoted in brackets.

Reconciliation of net cash flow to movement in net debt (see note 25(c))	£m	1998 £m	£m	1997 £m
(Decrease)/increase in cash in the year	**(20.7)**		7.3	
Cash flow from decrease in debt and lease financing	**5.6**		14.4	
Cash flow from decrease in liquid resources	**(22.3)**		(9.2)	
Change in net debt resulting from cash flows		**(37.4)**		12.5
Loans and finance leases acquired with subsidiary		**-**		(0.2)
Profit on sale of investments		**0.3**		0.3
New finance leases		**(0.8)**		(1.2)
Movement in net debt in the year		**(37.9)**		11.4
Net debt at 1 October 1997		**(182.3)**		(193.7)
Net debt at 30 September 1998		**(220.2)**		(182.3)

4 STAFF COSTS AND EMPLOYEES (continued)
(b) Number of employees (continued)

	Number of employees 1998	1997
Geographical Analysis		
Continuing operations		
United Kingdom	**29,737**	29,018
Rest of Europe	**7,568**	7,398
Africa	**18,265**	18,293
United States of America	**265**	311
Asia and rest of world	**609**	631
	56,444	55,651
Discontinued operations		
United Kingdom	**410**	1,085
Africa	**-**	117
Asia and rest of world	**-**	35
	56,854	56,888

(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 £12.639m (1997: £13.913m). 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 plc and its subsidiaries.

(d) Emoluments of the directors of Securicor plc:

	1998 £000	1997 £000
As executives:		
– Executive services	**1,082**	1,410
– Pension scheme contributions	**131**	140
– Compensation for loss of office (note below)	**-**	382
As directors:		
– Fees	**223**	196
Total directors' emoluments	**1,436**	2,128

The remuneration of the highest paid director was £326,634 (1997: £369,998 (excluding the director who received compensation for loss of office)), excluding employer's pension contributions of £39,737.

For further details regarding directors' remuneration, see the Report of the Directors on pages 29 to 32.

statement of accounting policies

1 Basis of Accounting
The financial statements have been prepared in accordance with applicable accounting standards, including FRS 9 "Associates and Joint Ventures", which was issued by the Accounting Standards Board in November 1997. Adoption of FRS 9 has necessitated the restatement of comparative data.

The particular 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 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 1998.

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 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 Investment 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 of 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 a period 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 (note 20 to the consolidated accounts).

13 Goodwill
Goodwill arising on consolidation and purchased goodwill are written off to reserves in the year of acquisition.

14 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 23 to the consolidated accounts.

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

8 NET ASSETS

Segmental analysis of capital employed

	£m	Share of capital employed of associated undertakings and joint ventures £m	1998 Total capital employed £m	£m	Share of capital employed of associated undertakings and joint ventures £m	1997 Total capital employed £m
Business sector						
Security	**105.6**	**17.3**	**122.9**	93.0	15.1	108.1
Distribution	**118.8**	**-**	**118.8**	126.3	0.5	126.8
Communications	**46.1**	**6.3**	**52.4**	63.1	2.8	65.9
	270.5	**23.6**	**294.1**	282.4	18.4	300.8
Cellnet	**-**	**162.3**	**162.3**	–	119.8	119.8
Discontinued operations	**1.9**	**-**	**1.9**	(11.5)	–	(11.5)
Net operating assets	**272.4**	**185.9**	**458.3**	270.9	138.2	409.1
Deferred consideration			**(2.3)**			(2.2)
Tax, dividends and other corporate items			**12.2**			17.9
			468.2			424.8
Net debt			**(220.2)**			(182.3)
Total net assets			**248.0**			242.5
Geographical analysis						
United Kingdom	**219.8**	**6.5**	**226.3**	227.5	5.2	232.7
Rest of Europe	**17.7**	**4.5**	**22.2**	18.2	4.8	23.0
Africa	**5.6**	**-**	**5.6**	5.4	–	5.4
United States of America	**26.7**	**3.7**	**30.4**	30.7	–	30.7
Asia and rest of world	**0.7**	**8.9**	**9.6**	0.6	8.4	9.0
	270.5	**23.6**	**294.1**	282.4	18.4	300.8
Cellnet (United Kingdom)	**-**	**162.3**	**162.3**	–	119.8	119.8
Discontinued operations (United Kingdom)	**1.9**	**-**	**1.9**	(11.5)	–	(11.5)
Net operating assets	**272.4**	**185.9**	**458.3**	270.9	138.2	409.1

Notes:

1. Share of capital employed of associated undertakings represents shares at cost, loans and the group's share of post-acquisition reserves (see note 11).
2. The 1997 assets have been restated firstly to reflect a £24.1m transfer of vehicles from Distribution to Security and secondly to reallocate net debt relating to vehicle leasing and insurance operations.

1 SEGMENTAL ANALYSIS OF RESULTS (continued)

(b) Geographical analysis (continued)

	1998 £m	1997 £m
Profit before interest and taxation		
United Kingdom	**128.8**	132.0
Rest of Europe	**2.3**	1.3
Africa	**2.7**	2.1
United States of America	**(13.4)**	(6.2)
Asia and rest of world	**2.6**	3.1
Continuing operations	**123.0**	132.3
Discontinued operations		
United Kingdom	**1.1**	(28.1)
Africa	**-**	(0.3)
United States of America	**-**	(0.3)
Asia and rest of world	**-**	(1.5)
	124.1	102.1
Cellnet Force provision	**-**	(20.8)
Cellnet Millennium costs	**(4.0)**	-
Exceptional items	**(0.5)**	(16.8)
Total	**119.6**	64.5

The analysis of both turnover and profit is based on the location of the company in which sales have been made. An analysis of turnover to third parties by destination is not materially different from turnover by location of the company.

The analysis of turnover above excludes the group's share of joint ventures' turnover as shown on the consolidated profit and loss account on page 34, which relates solely to the Security segment in Asia and the rest of the world.

(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	Turnover £m	Profit before tax £m
Security	Scruttons Security Limited (acquired 29 May 1998)	3.8	0.3

Business sector	Business acquired	Turnover £m	Profit before tax £m
Distribution	Hays Express Services (acquired 3 July 1998)	5.4	0.1

10 TANGIBLE FIXED ASSETS (continued)

(b) Land and buildings

	1998 £m	1997 £m
(i) The amount shown at cost or valuation includes the following:		
At cost	**108.8**	111.9
At valuation in 1986 or prior	**1.0**	1.0
At valuation in 1992	**-**	10.3
	109.8	123.2
(ii) The net book value of land and buildings comprises:		
Freeholds	**64.6**	82.4
Long leaseholds (50 years and over)	**12.9**	12.0
Short leaseholds (under 50 years)	**12.5**	10.3
	90.0	104.7

(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 1997	6.4	1.6	8.0
Additions	–	0.2	0.2
Disposals	(0.7)	–	(0.7)
Translation adjustments	–	(0.1)	(0.1)
At 30 September 1998	5.7	1.7	7.4
Loans at cost			
At 1 October 1997	7.8	–	7.8
Additions	1.3	–	1.3
At 30 September 1998	9.1	–	9.1
Share of post-acquisition reserves			
At 1 October 1997	117.0	5.4	122.4
Retained profits for year	42.4	1.3	43.7
Goodwill written off	(3.7)	–	(3.7)
Transfer from subsidiary undertaking	8.4	–	8.4
Disposals	0.1	–	0.1
Translation adjustments	(0.5)	(1.0)	(1.5)
At 30 September 1998	163.7	5.7	169.4
Total investments			
At 30 September 1998	**178.5**	**7.4**	**185.9**
At 30 September 1997	131.2	7.0	138.2

3 PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION (continued)

(c) Exceptional items

	1998 £m	1997 £m
Continuing operations		
Costs of fundamental reorganisations and restructuring in the Distribution and Communications divisions	**(15.9)**	–
Profit on divestment of an interest in Axiom Inc	**–**	8.8
Loss on sale of fixed assets	**–**	(0.8)
	(15.9)	8.0
Discontinued operations		
Write-back of provision made in 1997 on sale of the business of Securicor Cellular Services Limited	**8.2**	(17.6)
Loss on sale of the business of Securicor Telecoms Limited	**(3.5)**	–
Profit on sale of Securicor Omega Office Services Limited	**2.3**	–
Profit on sale of the business and related hotel properties of Securicor Hotels Limited	**9.1**	–
Loss on sale of the Securicor 3net group of companies	**(0.9)**	(5.8)
Profit on sale of Eurotruck Contracts Limited	**0.3**	–
Closure of UK monitoring services	**–**	(1.0)
Other net loss on sale/closure of business	**(0.1)**	(0.4)
	15.4	(24.8)
Total	**(0.5)**	(16.8)

4 STAFF COSTS AND EMPLOYEES

(a) Staff costs:

	1998 £m	1997 £m
Staff costs, including directors' emoluments:		
Wages and salaries	**542.1**	524.0
Social security costs	**52.3**	48.5
Pension costs	**13.8**	14.7
	608.2	587.2

(b) Number of employees:

	Number of employees 1998	1997
The average weekly number of employees of the group during the year was:		
Business Sector Analysis		
Security	**43,472**	42,471
Distribution	**12,027**	12,181
Communications	**945**	999
Continuing operations	**56,444**	55,651
Discontinued operations	**410**	1,237
	56,854	56,888

13 DEBTORS

	1998 £m	1997 £m
Trade debtors	**195.2**	193.4
Amounts owed by associated undertakings	**3.3**	2.5
Other debtors	**25.9**	34.1
Prepayments and accrued income	**21.5**	36.4
	245.9	266.4

Included in prepayments is £0.5m (1997: £2.3m) falling due after one year.

14 LISTED INVESTMENTS

	1998 £m	1997 £m
UK listed investments, at cost	**-**	22.0
Market value	**0.2**	22.3

15 BANK OVERDRAFTS AND SHORT-TERM LOANS

	1998 £m	1997 £m
Bank overdrafts (unsecured)	**39.4**	32.1
Secured loans	**1.6**	1.1
Unsecured loans	**0.1**	0.1
	41.1	33.3

16 CREDITORS

	1998 £m	1997 £m
Amounts falling due within one year:		
Obligations under hire purchase and finance leases	**0.8**	1.1
Trade creditors	**71.9**	71.7
Amounts owed to associated undertakings	**0.4**	32.5
Other taxation and social security costs	**33.7**	34.6
Other creditors	**25.6**	31.5
Deferred consideration	**2.1**	1.5
Accruals and deferred income	**64.0**	69.1
	198.5	242.0
Amounts falling due after more than one year:		
Other creditors	**0.1**	0.1
Deferred consideration	**0.2**	0.7
Accruals and deferred income	**-**	0.1
	0.3	0.9

5 TAXATION

	1998 £m	1997 £m
Group:		
UK corporation tax at 31% (1997: 32%)	**10.0**	(0.6)
Deferred tax (see note 18)	**(0.4)**	–
Overseas tax	**2.0**	2.5
	11.6	1.9
Adjustments for previous years:		
UK corporation tax	**0.5**	(1.6)
Overseas tax	**(0.1)**	–
	12.0	0.3
Joint ventures:		
Overseas tax	**0.3**	0:6
Associated undertakings:		
UK corporation tax	**19.2**	19.3
Overseas tax	**0.1**	0.3
	31.6	20.5

Included in the 1998 tax charge is a £0.2m credit relating to exceptional items (see note 3(c)) (1997: £1.8m tax charge).

6 DIVIDENDS

	1998 £m	1997 £m
Ordinary shares:		
Interim (paid) 0.43p (0.39p)	**2.6**	2.3
Final (proposed) 1.50p (1.35p)	**9.0**	8.1
	11.6	10.4

7 EARNINGS PER SHARE

	1998 £m	1997 £m
Profit on ordinary activities after taxation	**51.9**	10.9
Minority interests	**6.8**	5.5
Profit attributable to shareholders	**58.7**	16.4
Average number of shares in issue	**600.5m**	600.0m
Earnings per share	**9.8p**	2.7p

Exercise in full of all outstanding share options would not result in any material dilution of earnings per share.

19 SHARE CAPITAL

	1998 Authorised £	1998 Issued £	1997 Authorised £	1997 Issued £
Securicor plc				
Ordinary shares of 5p each (fully paid)	**40,000,000**	**30,068,000**	40,000,000	30,000,106

20 RESERVES

	Revaluation reserve £m	Profit & loss account £m	Share premium £m	Merger reserve £m	Total £m
At 1 October 1997	3.6	91.4	–	100.8	195.8
Retained earnings	–	47.1	–	–	47.1
Goodwill (see note 21)	–	(25.0)	–	–	(25.0)
Write-back of goodwill on disposals previously written off	–	1.6	–	–	1.6
Share premium on issue	–	–	3.3	–	3.3
Release of revaluation reserve on disposal	(3.5)	–	–	–	(3.5)
Transfers	(0.1)	0.1	–	–	–
Translation adjustments	–	(3.3)	–	–	(3.3)
At 30 September 1998	**–**	**111.9**	**3.3**	**100.8**	**216.0**

Goodwill of £235.7m arising on acquisitions since 1989 has been written off to reserves up to 30 September 1998 (1997: £212.3m).

Equity minority interests

The minority interests principally relate to Intek Global Corporation (40%).

21 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND BUSINESSES

(a) Acquisitions

	Scruttons Security Limited			Great Western Security Limited		
	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	0.2	–	0.2	0.6	–	0.6
Cash	–	–	–	0.3	–	0.3
Stock	0.1	(0.1)	–	–	–	–
Debtors	2.1	–	2.1	0.7	–	0.7
Bank overdrafts	–	–	–	(0.3)	–	(0.3)
Creditors falling due within one year	(1.7)	(0.3)	(2.0)	(1.1)	–	(1.1)
	0.7	(0.4)	0.3	0.2	–	0.2
Cash consideration			(5.4)			(0.1)
Deferred consideration			–			(1.5)
Consolidated goodwill			(5.1)			(1.4)

9 INTANGIBLE FIXED ASSETS

	£m
Development expenditure	
Cost	
At 1 October 1997	18.6
Additions	11.6
Written off	(9.5)
Translation adjustments	(0.1)
At 30 September 1998	20.6
Amortisation	
At 1 October 1997	8.1
Provision for the year	6.8
Written off	(9.5)
Translation adjustments	(0.1)
At 30 September 1998	5.3
Net book value	
At 30 September 1998	**15.3**
At 30 September 1997	10.5

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 1997	123.2	282.3	3.3	408.8
Additions at cost	6.3	37.1	2.0	45.4
Acquisition of subsidiaries	0.4	0.7	–	1.1
Disposals	(20.0)	(66.5)	(4.9)	(91.4)
Translation adjustments	(0.1)	(4.4)	1.2	(3.3)
At 30 September 1998	109.8	249.2	1.6	360.6
Depreciation				
At 1 October 1997	18.5	144.3	0.9	163.7
Provision for the year	2.8	35.8	0.6	39.2
Acquisition of subsidiaries	–	0.3	–	0.3
Disposals	(1.7)	(50.2)	(2.6)	(54.5)
Translation adjustments	0.2	0.2	1.3	1.7
At 30 September 1998	19.8	130.4	0.2	150.4
Net book value				
At 30 September 1998	**90.0**	**118.8**	**1.4**	**210.2**
At 30 September 1997	104.7	138.0	2.4	245.1

Notes:

(a) Equipment held under finance leases and included above

Net book value	£1.7m (1997: £1.5m)
Accumulated depreciation	£1.3m (1997: £1.2m)
Provision for the year	£0.1m (1997: £0.1m)

21 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND BUSINESSES (continued)

(b) Disposals

	Securicor Omega Office Services Limited	Securicor Telecoms*	Securicor Hotels**
	Net assets disposed £m	Net assets disposed £m	Net assets disposed £m
Fixed assets – tangible	(0.4)	(0.3)	(20.7)
Fixed assets – intangible	–	(0.4)	–
Stock	–	(3.0)	–
Debtors	(1.6)	(2.9)	–
Creditors falling due within one year	1.7	1.0	–
Net assets disposed of	(0.3)	(5.6)	(20.7)
Sale proceeds received	2.9	1.6	26.4
Deferred sale proceeds	–	2.4	–
Costs of sale	(0.3)	(0.1)	(0.1)
Release of revaluation reserve on disposal	–	–	3.5
Write-back of goodwill previously written off through reserves	–	(1.8)	–
Consolidated profit/(loss) on disposal	2.3	(3.5)	9.1

* The business of Securicor Telecoms Limited was sold for a consideration of £4.0m.

** The business and related hotel properties of Securicor Hotels Limited were sold for a consideration of £26.4m.

Two associated undertakings were also sold during the year. The 50% interest in Eurotruck Contracts Limited was sold for £0.6m and resulted in a profit on disposal of £0.3m. The 49% interest in H & R Eurotrans BV was sold for £0.2m and resulted in a profit on disposal of £0.1m.

22 CONTINGENT LIABILITIES

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

23 OPERATING LEASE COMMITMENTS

	1998		1997	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Commitments at 30 September 1998 on operating leases which expire:				
within one year	**1.9**	**8.6**	2.7	4.0
between one and two years	**1.4**	**9.5**	0.5	2.4
between two and five years	**3.2**	**17.7**	3.8	20.3
after more than five years	**29.9**	**1.3**	31.6	0.7
	36.4	**37.1**	38.6	27.4

24 CAPITAL COMMITMENTS

	1998 £m	1997 £m
Contracted	**1.0**	0.8

11 INVESTMENTS (continued)

Associates: group share of results and net assets

The group has a 40% interest in Cellnet Group Limited. Due to their significance to the group, the share of the results and the share of the net assets relating to Cellnet are shown separately below:

	Cellnet Group Limited £m	**Other associates £m**	**1998 Total associates £m**	Cellnet Group Limited £m	Other associates £m	1997 Total associates £m
Share of turnover	**585.7**	**44.2**	**629.9**	533.8	27.4	561.2
Share of profit before tax	**64.5**	**(2.5)**	**62.0**	58.2	1.4	59.6
Share of taxation	**(19.2)**	**(0.1)**	**(19.3)**	(19.3)	(0.3)	(19.6)
Share of profit after taxation	**45.3**	**(2.6)**	**42.7**	38.9	1.1	40.0
Share of assets						
Fixed assets	**462.0**	**37.5**	**499.5**	377.6	34.1	411.7
Current assets	**114.4**	**14.8**	**129.2**	82.7	7.9	90.6
Share of gross assets	**576.4**	**52.3**	**628.7**	460.3	42.0	502.3
Share of liabilities						
Liabilities due within one year	**312.5**	**10.6**	**323.1**	219.3	7.7	227.0
Liabilities due after more than one year	**101.6**	**34.6**	**136.2**	121.2	30.7	151.9
	414.1	**45.2**	**459.3**	340.5	38.4	378.9
Less: loans from group companies	**–**	**(9.1)**	**(9.1)**	–	(7.8)	(7.8)
Group share of gross liabilities	**414.1**	**36.1**	**450.2**	340.5	30.6	371.1
Share of net assets	**162.3**	**16.2**	**178.5**	119.8	11.4	131.2

12 STOCKS

	1998 £m	1997 £m
Raw materials and consumables	**8.4**	10.8
Work in progress	**4.2**	4.6
Finished goods and goods for re-sale	**12.9**	13.7
	25.5	29.1

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

25 NOTES TO THE CASH FLOW STATEMENT (continued)

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

	£m	1998 £m	£m	1997 £m
Management of liquid resources				
Purchase of investments		**-**		(41.5)
Sale of investments		**22.3**		50.7
Net cash inflow from management of liquid resources		**22.3**		9.2
Financing				
Share issue		**3.4**		–
Decrease in loans	**(4.6)**		(12.1)	
Capital element of finance lease rental payments	**(1.0)**		(2.3)	
		(5.6)		(14.4)
Net cash outflow from financing		**(2.2)**		(14.4)

(c) Analysis of net debt

	1997 £m	Cash flow £m	Other non-cash changes £m	1998 £m
Cash in hand and at bank	37.3	(13.4)		**23.9**
Overdrafts	(32.1)	(7.3)		**(39.4)**
		(20.7)		
Debt due after more than one year	(206.3)	5.1		**(201.2)**
Debt due within one year	(1.2)	(0.5)		**(1.7)**
Finance leases	(2.0)	1.0	(0.8)	**(1.8)**
		(15.1)		
Listed investments	22.0	(22.3)	0.3	**-**
Total	(182.3)	(37.4)	(0.5)	**(220.2)**

(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 £0.8m.

(e) Acquisition of subsidiaries

	Scruttons Security Limited Net assets acquired £m	Great Western Security Limited Net assets acquired £m	Total net assets of subsidiaries acquired £m
Fixed assets – tangible	0.2	0.6	0.8
Debtors	2.1	0.7	2.8
Creditors falling due within one year	(2.0)	(1.1)	(3.1)
	0.3	0.2	0.5
Goodwill (see note 21)	5.1	1.4	6.5
Total Cost	**5.4**	**1.6**	**7.0**
Less: amounts due under deferred purchase consideration	–	(1.5)	(1.5)
Cash outflow (excluding net cash) in respect of purchase of subsidiary undertakings	**5.4**	**0.1**	**5.5**
Net cash	–	0.3	0.3
Cash outflow (including net cash) in respect of purchase of subsidiary undertakings	**5.4**	**0.4**	**5.8**

The subsidiary undertakings acquired during the year contributed £0.3m to the group's net operating cash flows, and did not pay or utilise any other cash flows.

17 LOANS

	1998 £m	1997 £m
Secured	**1.5**	0.2
Unsecured	**199.7**	206.1
Obligations under hire purchase and finance leases	**1.0**	0.9
	202.2	207.2
Repayable within one to two years		
Secured	**0.8**	0.1
Unsecured	**154.7**	0.3
Obligations under hire purchase and finance leases	**0.6**	0.4
Repayable within two to five years		
Secured	**0.4**	0.1
Unsecured	**45.0**	205.6
Obligations under hire purchase and finance leases	**0.4**	0.5
Not wholly repayable within five years		
Secured	**0.3**	–
Unsecured	**–**	0.2
	202.2	207.2

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 1998-2002.

Unsecured loans, at market rates of interest, are mainly repayable in 2000 or earlier at the option of the borrower. At the balance sheet date, a £198m drawdown on a series of bilateral revolving credit facilities has been included in the above analysis. These facilities were in the aggregate sum of £299m at 30 September 1998 and are to be rearranged following completion of the joint venture with Deutsche Post as described in note 27 and in the Financial Review on page 7.

18 PROVISION FOR LIABILITIES AND CHARGES

	£m
Deferred taxation	
At 1 October 1997	0.4
Profit and loss account	(0.4)
At 30 September 1998	–
Other provisions	
At 1 October 1997	14.2
Profit and loss account	(8.1)
Expended in year	(5.9)
At 30 September 1998	0.2
Total provisions for liabilities and charges At 30 September 1998	**0.2**
At 30 September 1997	14.6

Deferred taxation

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 £2.2m (1997: £2.4m).

notes to the consolidated accounts

28 PRINCIPAL SUBSIDIARIES, ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1999
Subsidiary undertakings		
Security		
Securicor Custodial Services Limited	100	United Kingdom
Securicor Guarding Services Limited	100	United Kingdom
Securicor Cash Services Limited	100	United Kingdom
Securicor C.I.T. Limited	100	United Kingdom
Securicor Security Services Limited	100	United Kingdom
Securicor (Americas) Limited	100	United Kingdom
Securicor Recruitment Services Limited	100	United Kingdom
Securicor (Zambia) Limited	100	Zambia
SIR Service d'Intervention Rapide SA	76	Switzerland
Securicor (Malawi) Limited	100	Malawi
Securicor Luxembourg SA	100	Luxembourg
Securicor Kenya Limited	100	Kenya
Securicor Jersey Limited	100	Jersey
Securicor Isle of Man Limited	100	Isle of Man
Securicor Security Services Ireland Limited	100	Ireland
Securicor Hungary Kft	100	Hungary
Securicor Guyana Inc	51	Guyana
Securicor Guernsey Limited	100	Guernsey
ASD Securicor Sicherheitsdienste GmbH	100	Germany
Securicor Investissements SA	100	France
Securicor Telesurveillance SA	100	France
Securicor Valeurs SA	100	France
Securicor Barbados Limited	51	Barbados
Securicor New Century LLC	87	USA
Distribution		
Securicor Omega Container Logistics Limited	100	United Kingdom
Securicor Omega International Limited	100	United Kingdom
Securicor Distribution Services Limited	100	United Kingdom
Securicor Omega Express Limited	100	United Kingdom
Securicor Omega Logistics Limited	100	United Kingdom
Eccleston Vehicle Leasing Limited	100	United Kingdom
Securicor Fuelserv Limited	100	United Kingdom
Securicor Rentmaster Limited	100	United Kingdom
Securicor Vehicle Services Limited	100	United Kingdom
Securicor Omega Express BV	100	Netherlands
Securicor Express Services Sarl	100	Luxembourg
Securicor Omega Express Ireland Limited	100	Ireland
Securicor Omega Express GmbH	100	Germany
SEI Spedition GmbH	100	Germany
Securicor Omega Express Sarl	100	France
Securicor Omega Express NV	100	Belgium

21 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND BUSINESSES (continued)

(a) Acquisitions (continued)

Hays Express Services*

	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	1.7	–	1.7
Debtors	4.6	–	4.6
Creditors falling due within one year	(2.6)	–	(2.6)
	3.7	–	3.7
Cash consideration			(16.3)
Purchased goodwill			(12.6)

* The trade and certain assets and liabilities of the Hays Express Services division of Hays Commercial Services Limited.

Total

	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	2.5	–	2.5
Cash	0.3	–	0.3
Stock	0.1	(0.1)	–
Debtors	7.4	–	7.4
Bank overdraft	(0.3)	–	(0.3)
Creditors falling due within one year	(5.4)	(0.3)	(5.7)
Total assets	4.6	(0.4)	4.2
Cash consideration			(21.8)
Deferred consideration			(1.5)
Goodwill (consolidated £6.5m, purchased £12.6m)			(19.1)
Share of goodwill written off from associated undertakings			(3.7)
Adjustment to prior period consolidated goodwill			(0.2)
Purchased goodwill – other			(2.0)
Total goodwill on acquisitions			**(25.0)**

The fair value adjustment to stock relates to a write-off of uniform stock in line with group policy. The adjustment to creditors is a provision for restructuring to which Scruttons was already committed at the time of acquisition.

parent company balance sheet

At 30 September 1998	Notes	1998 £m	1997 £m
Fixed assets			
Investments	(a)	**30.0**	30.0
		30.0	30.0
Current assets			
Debtors	(b)	**18.6**	18.2
Corporation tax		**0.7**	0.5
		19.3	18.7
Creditors – amounts falling due within one year			
Proposed dividends		**9.0**	8.1
Other – amount owed to subsidiary undertaking		**0.4**	3.4
		9.4	11.5
Net current assets		**9.9**	7.2
Total assets less current liabilities		**39.9**	37.2
Net assets		**39.9**	37.2
Capital and reserves			
Called up share capital	19	**30.1**	30.0
Reserves	(c)	**9.8**	7.2
Equity shareholders' funds		**39.9**	37.2

Approved by the board on 8 February 1999

Roger Wiggs
Christopher Shirtcliffe } Directors

NOTES TO THE PARENT COMPANY BALANCE SHEET

(a) Investments

	1998 £m
Subsidiary undertakings	
Shares at cost	
At 30 September 1998 and 30 September 1997	**30.0**

(b) Debtors

	1998 £m	1997 £m
Amount due from subsidiary undertaking – dividend	**18.2**	18.2
Other debtors	**0.4**	–
	18.6	18.2

(c) Reserves

	Profit & loss account £m	Share premium £m	Total £m
At 1 October 1997	7.2	–	7.2
Retained earnings	(0.7)	–	(0.7)
Share premium on issue	–	3.3	3.3
At 30 September 1998	**6.5**	**3.3**	**9.8**

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 £10.9m.

(d) Contingent liabilities

There are no contingent liabilities.

25 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash flows

	1998 £m	1997 £m
Operating profit/(loss) after exceptional items	**36.0**	(13.5)
Loss/(profit) on disposal of fixed assets and investments	**2.5**	(3.5)
(Profit)/loss on sale of subsidiary undertakings	**(2.3)**	5.8
(Profit) on sale of associated undertakings	**(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**	–
Loss on sale of the business of Securicor Cellular Services Limited	**–**	17.6
Profit on divestment of an interest in Axiom Inc	**–**	(8.8)
Other exceptionals	**8.8**	2.2
Depreciation	**39.2**	45.0
Amortisation of development expenditure	**2.7**	4.3
(Increase)/decrease in stocks	**(4.3)**	4.3
Decrease in debtors	**11.5**	39.3
Decrease in creditors falling due within one year	**(54.7)**	(12.7)
Decrease in creditors falling due after more than one year	**(0.1)**	(5.7)
Decrease in provisions	**(5.8)**	–
	27.5	74.3

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

	£m	1998 £m	£m	1997 £m
Return on investments and servicing of finance				
Interest received	**1.1**		2.3	
Interest paid	**(15.5)**		(19.6)	
Net cash outflow from returns on investments and servicing of finance		**(14.4)**		(17.3)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(43.1)**		(77.6)	
Purchase of intangible fixed assets	**(11.6)**		(4.0)	
Sale of tangible fixed assets	**10.9**		12.4	
Net cash outflow from capital expenditure and financial investment		**(43.8)**		(69.2)
Acquisitions and disposals				
Purchase of subsidiary undertakings (note 25(e))		**(5.8)**		(8.3)
Net cash acquired with subsidiary undertakings and related disposal		**0.3**		1.3
Purchase of minority interest		**–**		(1.0)
Deferred consideration		**(1.6)**		(12.5)
Sale of subsidiary undertaking (note 25(f))		**2.9**		8.9
Sale of associated undertakings		**0.8**		–
Sale of the hotel businesses and related assets		**26.4**		–
Sale of Telecoms business		**1.6**		–
Purchase of goodwill and related assets		**(18.5)**		(1.2)
Increased investment from minorities		**–**		0.2
Increased investment in joint ventures		**(0.2)**		–
Sale of the business of Securicor Cellular Services Limited		**–**		40.3
Partial divestment of an interest in Axiom Inc		**–**		20.0
Loans to associated undertakings		**(1.3)**		(4.6)
Net cash inflow from acquisitions and disposals		**4.6**		43.1

ten year financial summary

£m	**1998**	1997	1996	1995	1994	1993	1992	1991	1990	1989
Turnover	**1,195**	1,354	1,255	1,031	800	637	584	565	532	502
Profit before taxation	**83.5**	31.4	107.4	99.4	80.6	63.0	47.3	29.0	45.3	38.2
Profit attributable to shareholders	**58.7**	16.4	57.0	41.3	35.2	28.4	18.7	12.1	17.6	14.6
Profit retained	**47.1**	6.0	47.7	33.3	29.4	23.4	14.3	8.2	14.1	12.0
Fixed assets	**411.4**	393.8	403.4	353.6	276.1	241.8	224.7	206.2	184.7	135.7
Net assets	**248.0**	242.5	308.4	279.3	291.5	256.4	226.1	214.6	202.7	179.8
Earnings per ordinary share (pence)	**9.8**	2.7	11.6	10.7	9.0	7.3	4.5	3.7	4.7	3.4
Dividends per ordinary share (pence)	**1.93**	1.74	1.558	1.332	1.130	0.980	0.867	0.660	0.590	0.424
Return on net assets (%)	**34**	13	35	35	27	24	21	14	22	21
Net debt (cash) (£m)	**220.2**	182.3	193.7	125.1	19.6	14.5	13.9	(3.0)	(11.4)	(43.2)
Net debt (cash)/equity (%)	**89**	75	63	44	7	6	6	(1)	(6)	(24)

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25 NOTES TO THE CASH FLOW STATEMENT (continued)

(f) Disposal of subsidiary

	Securicor Omega Office Services Limited £m
Fixed assets – tangible	0.4
Debtors	1.6
Creditors falling due within one year	(1.7)
	0.3
Profit on disposal	2.3
Costs of sale	0.3
Cash inflow in respect of sale of subsidiary undertaking	**2.9**

26 RELATED PARTY TRANSACTIONS

Transactions with joint ventures and associated undertakings

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

	1998 Total £m
Transactions	
Turnover	10.2
Cost of sales	1.2
Dividends received	0.4
Balances	
Debtors	
– Loans	9.1
– Other debtors	3.3
Creditors	
– Other creditors	0.4

Transactions with other related parties

During the year, Intek Global Corporation, in which the group has a 60% interest, sold its UK-based land mobile radio distribution and maintenance trade and assets to Securicor Information Systems Limited, a 100% subsidiary undertaking of the group, for £5.0m.

During the year ended 30 September 1998, the UK-based business of Intek Global Corporation sold products to fellow Securicor subsidiary undertakings totalling £1.9m.

Details of associated undertakings are shown in note 28.

27 POST BALANCE SHEET EVENT

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 is payable in cash and £23.4m by the assumption by Deutsche Post of 50% of the joint venture's debt of £46.7m.

It is expected that the group will show an exceptional profit on the transaction of approximately £120m for the year ended 30 September 1999. On completion the proceeds of £223.4m will virtually eliminate current net indebtedness and, coupled with the resulting increased equity from the profit on sale, the debt/equity ratio will substantially reduce. The sale is conditional upon the approval of the European Commission.

There are no anticipated material tax implications arising from this transaction.

28 PRINCIPAL SUBSIDIARIES, ASSOCIATED UNDERTAKINGS AND JOINT VENTURES (continued)

	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1999
Communications		
Securicor Communications Limited	100	United Kingdom
Securicor Information Systems Limited	100	United Kingdom
Intek Global Corporation (incorporating Securicor Electronics Limited)	60	USA
Holding Companies		
Securicor Group Limited (held directly by Securicor plc)	100	United Kingdom
Security Services plc	100	United Kingdom
Securicor International Limited	100	United Kingdom
Securicor Holdings BV	100	Netherlands
Securicor International BV	100	Netherlands
Securicor International Holdings SA	100	France
Securicor Holdings SAS	100	France

Associated undertakings and joint ventures

	Issued capital	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1999
Security			
Bridgend Custodial Services Limited	£250,000	40	United Kingdom
JS Holdings Limited – incorporated	US$3,000	50	British Virgin Islands
– operational			Hong Kong, Indonesia Macau, Malaysia Taiwan and Thailand
Securicor Trinidad Limited	TT$3,500,000	33	Trinidad & Tobago
Al Mulla Security Services Co WLL	KD50,000	49	Kuwait
Geldnet BV	NLG6,000,000	25	Netherlands
VNV Securicor Alarmcentrale v.o.f.	Partnership	33	Netherlands
Vigilantes Caracas Vicasa SA (Venezuela)	VB025,000	23	Venezuela
Securicor Segura SA (Costa Rica)	CRC51,818,000	50	Costa Rica
Securicor Transportadora de Valores SA (Dominican Republic)	DP8,500,000	50	Dominican Republic
Securicor Jamaica Limited	JA$30,000,000	33	Jamaica
Communications			
Cellnet Group Limited	£10,000,000	40	United Kingdom
Axiom Inc	US$7,791,971	45	USA
Securicor Datatrak Europe BV	NLG12,741,000	30	Netherlands
Securicor Datatrak Nederland BV	NLG11,400,000	30	Netherlands

Note: All material holdings are in ordinary shares.

notice of meeting

Notice is hereby given that the third Annual General Meeting of Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 18 March 1999 at 11.00am.

1 For the purpose of transacting the following Ordinary Business:

(a) To receive and consider the reports of the directors and the financial statements for the year ended 30 September 1998, together with the report of the auditors.

(b) To confirm payment of the interim dividend and to declare a final dividend.

(c) To re-elect the directors who retire by rotation:
Sir Neil Macfarlane (member of Remuneration Committee)
Mr Nigel Griffiths
Mr Roger Wiggs

(d) To elect the director appointed since the last Annual General Meeting:
Mr David Cowden

(e) To re-appoint Baker Tilly as auditors of the company and to authorise the directors to fix their remuneration.

2 For the purpose of transacting the following Special Business:

As a Special Resolution:

"That equity securities, as defined in Section 94 of the Companies Act 1985, may be allotted for cash as if Section 89(1) of that Act did not apply to such allotments provided that this power is limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them (but notwithstanding that by reason of such exclusions as the directors may deem necessary or expedient to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise, the equity securities to be issued are not offered to all such shareholders in proportion to the number of ordinary shares held by each of them on the relevant record date); and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) for cash to any person or persons of equity securities up to a maximum aggregate nominal amount of £1,503,400 (which represents approximately 5% of the company's issued ordinary share capital).

The power conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the company or 18 May 2000, whichever comes first, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

By Order of the Board
N E Griffiths
Secretary

Sutton Park House
15 Carshalton Road
Sutton, Surrey
SM1 4LD

8 February 1999

Notes

(a) Every member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend and vote thereat instead of him/her and such proxy need not be a member. Forms appointing proxies must be deposited at the office of the Registrars by 11.00am on 16 March 1999.

(b) Subject to the recommendation as to the payment of the final dividend being adopted at the Annual General Meeting, such dividend will be payable on 5 April 1999 to the holders registered at close of business on 5 March 1999.

(c) In accordance with the requirements of the London Stock Exchange, copies of the directors' service contracts will be available for inspection at the registered office from the date of the above notice until the date of the meeting and at the place of the meeting from 15 minutes prior to until close of the meeting.