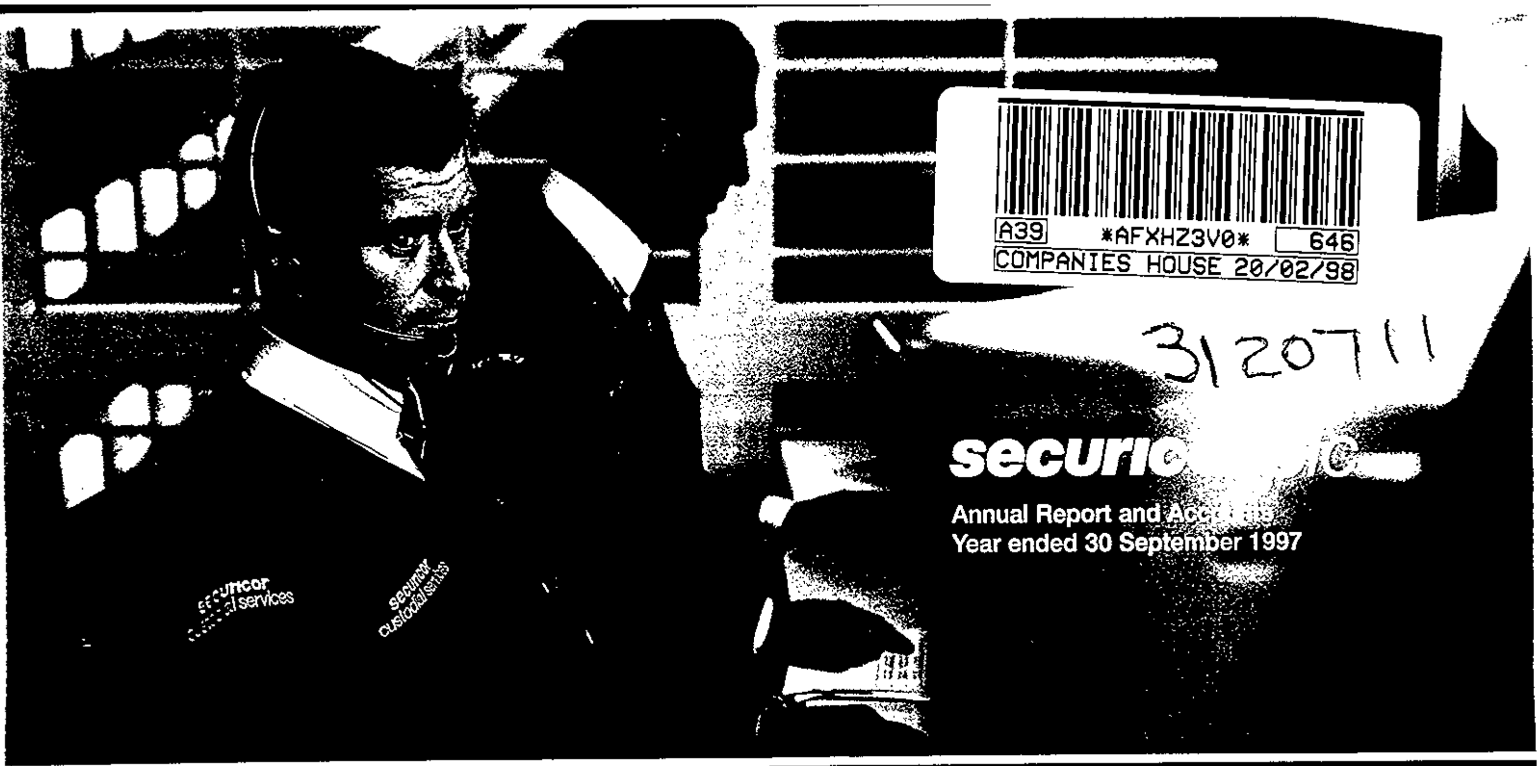
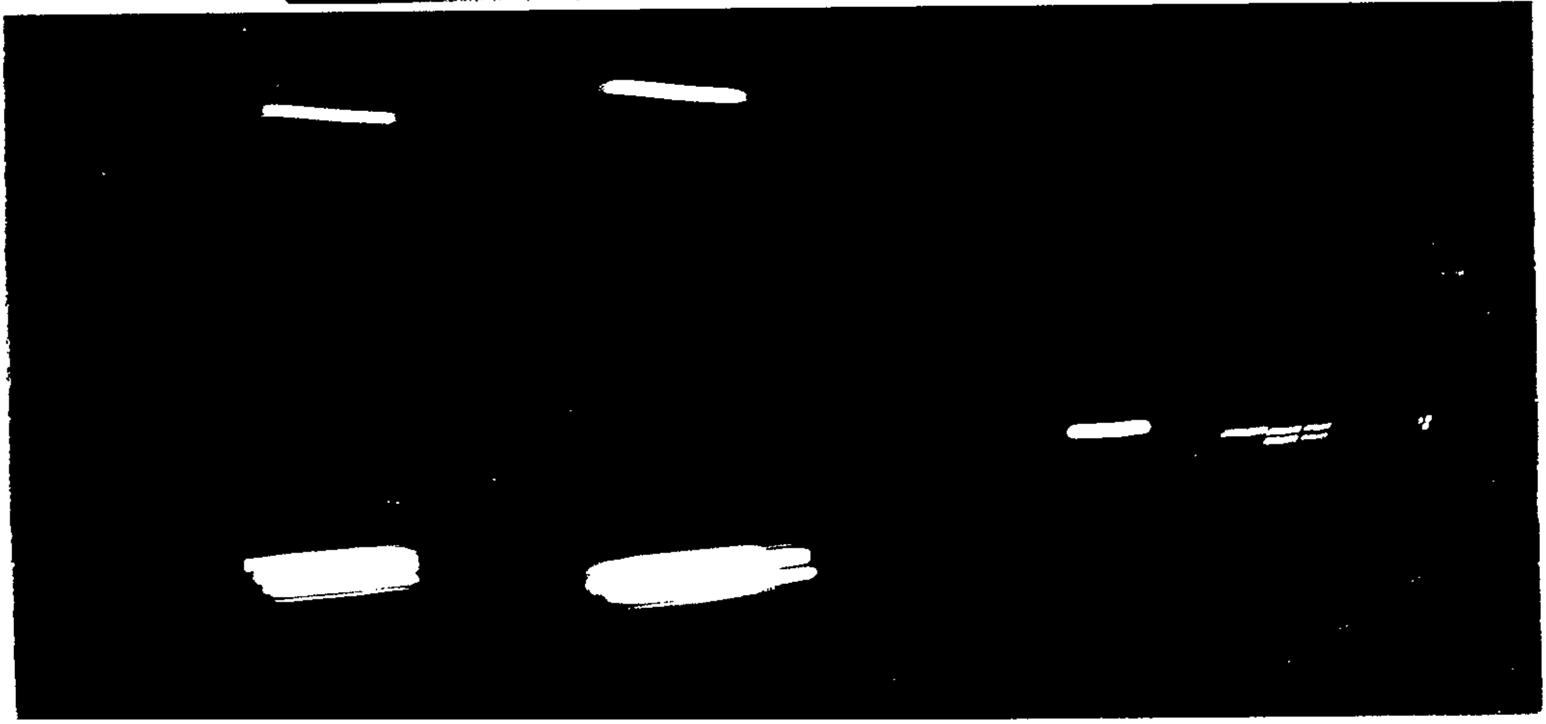
securicor plc

Annual Report and Accounts
Year ended 30 September 1997





Contents

Policy and Financial Highlights

Securicor Policy

to give

- value for money
- first class quality service

Through

- experienced and skilled human resources
- reliability, integrity and customer care
- innovative application of technology

- employee loyalty
- customer satisfaction
- shareholder value

Financial Highlights

	1997 £m	1996 £m
Turnover	1,353.6	1,255.1
Profit before interest and tax (before exceptional items and discontinued operations)	118.1	126.2
Interest	(16.7)	(13.5)
Profit before tax (before exceptional items and discontinued operations)	101.4	112.7
Exceptional items and discontinued operations	(70.0)	(5.3)
Profit before tax	31.4	107.4
Dividend per share (pence)	1.74p	1.558p

Chairman's Statement

Results
Group operating profits for the year to 30 September 1997 before exceptional items and discontinued operations amounted to £118.1m compared with £126.2m for the previous year. Profit before tax, after deducting exceptional items and losses from discontinued businesses totalling £70.0m in aggregate, amounted to £31.4m, compared with £107.4m for the previous year. Operating profits from our 40% stake in Cellnet increased from £76.6m to £79.0m.

Dividend
The directors will be recommending a final dividend of 1.35p per share, which, taken with the interim dividend of 0.39p per share paid in September, would represent an increase of 11.7% over the dividend for the previous year.

Comment
Our results for the year were complicated by a large number of exceptional items, the effect of which was that our declared profit before tax was much lower than the previous year. It was in fact a year of considerable progress, in which we restructured both our business and management organisation and disposed of two loss-making businesses, Securicor Cellular Services and Securicor 3net.

The exceptional items, which arose chiefly within the Communications division, are explained in detail in the Financial Review on pages 6 to 9 and in the segmental analysis of results in the Notes to the Consolidated Accounts on page 41.

Securicor Cellular Services had for many years operated as a service provider for the Cellnet network. In the years immediately preceding the year under review it had been profitable. But in the last year it was adversely affected by a combination of factors - higher rates of disconnection following the growth in retail subscribers in prior years, the cost of migrating subscribers from the original analogue system to the newer digital one, and lower levels of payment from Cellnet reflecting price competition between the cellular network operators. The bulk of the company's subscribers were sold to Cellnet which, in a contemporaneous transaction, acquired the consumer and small business subscribers of BT Mobile. This concentration of cellular service provision within Cellnet, in which we own a 40% stake, will bring considerable benefit to its network.

Securicor 3net, which specialises in integrated digital communications technology, was sold to Teltrend Inc of Illinois, USA, in September.

It would be easy to overlook the strong performances achieved by our Security and Distribution divisions. The businesses in these divisions have responded positively to our challenge to achieve substantial improvement in their profitability. This was up 27% in aggregate due to a combination of improved operational efficiency from the introduction of new technology and the healthy economic climate. Both divisions continue to do well and are showing formidable competitive strength.

During the year, Securicor Vehicle Services, Fuelserv and Rentmaster were transferred to the Distribution division. Securicor Recruitment Services was transferred to the Security division. As a result, the Business Services division ceased to exist.

We announced the intended sale of two more businesses, Securicor Hotels and Securicor Telecoms, and we are currently in negotiations for their disposal. Unlike Cellular Services and 3net, these businesses are not loss-making but we do not regard them as core to the future development of our main business divisions.

In December 1996 we merged Securicor Radiocoms, a specialist in narrowband radio technology, with two US radio businesses, Intek and Midland International. A report on Intek appears on page 23.

Board Changes
In August, Ed Hough resigned from the board and, by mutual agreement, left the group.

I am delighted to be able to welcome Jonathan Kitchen, who was appointed as a non-executive board member this month. Jonathan retired at the beginning of the year as a director of Lazard Brothers where he had served for the past 18 years.

Future Prospects
We have made a good start to the current period. We believe that the Security and Distribution businesses will continue to grow healthily and we will concentrate on improving their profit margins. Within our

more focused Communications division, we see Intek as a strong investment for the future.

Special Tributes

During the year, Securicor made 104 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. 17 employees received a Securicor Bravery Medal and 16 the Meritorious Conduct Medal. 17 awards were made to members of the public who gave assistance to our staff.

Indeed, every day of the year, our security division staff throughout the world, confronted all too frequently by determined criminals, carry out their duties with great courage and commitment.

We send our deepest sympathy to the family of Peter Mutinda who was killed by criminals in Kenya whilst responding to an alarm activation.

Neil Macfarlane

Sir Neil Macfarlane Chairman

Chief Executive's Operating Review

Security
Securicor Cash Services had a much improved performance. In the previous year it had lost customers to its main competitor which had reduced prices to unrealistic levels. However, the company recovered many of those customers and introduced a successful price increase programme. New computerised technology enabled the company to benefit from cost efficiencies.

Securicor Guarding increased its profits and grew its turnover to just over £100m. The company gained a number of major new customers, with business advancing particularly well in the retail sector.

Securicor Custodial Services began its 25-year operating contract at HM Prison Parc in Bridgend in November 1997. Its American subsidiary, Securicor New Century, won its first custodial contract, the operation of a 104-bed juvenile high security establishment in Florida.

Securicor Recruitment Services, which now forms part of the Security division, improved its profits by 25% and substantially increased its turnover.

International results showed an upturn on the previous year. Results in Europe were good except in France, although effective management action there reduced losses from the prèvious year's level. There was a steady performance in Africa and in the Americas and a satisfactory result overall from Asia Pacific.

Distribution
Securicor Omega Express increased operating profit by over 15% in the year. The super-terminal at Hatfield opened in September. Eventually capable of handling 36,000 parcels an hour, Hatfield will lead to greater operational efficiency and enable us to close five smaller terminals. A new service - Diamond - was introduced, guaranteeing delivery by 10.00 am next morning.

Parcel volumes continued to grow on the European network. The Republic of Ireland enjoyed an exceptionally good year, both for domestic and international traffic.

Securicor Omega Logistics acquired John Miller Transport in May, thereby extending logistics coverage into Scotland and the Republic of Ireland. The company gained several major new customers and opened a state-of-the-art warehouse in Huntingdon. With difficult trading conditions in the shipping market, Securicor Omega Container Logistics was less profitable than in the previous period, although the company maintained its market leadership. Securicor Omega International had a successful year, winning major new contracts.

Communications
In the United Kingdom, the division now consists of Securicor Datatrak (including TrakBak), Securicor Dopra and Securicor Telecoms. Negotiations are in hand for the disposal of Telecoms.

Securicor Datatrak grew its subscriber base to over 16,000 but continued in loss due to development costs in its international activities. Securicor Dopra focused its efforts on securing contracts for NSPIS (National Strategy for Police Information Systems). It has recently been awarded the Case Preparation Project which, with a potential turnover value over five years of around £65m, is the first of five NSPIS contracts to be awarded.

In the United States, the division consists of two NASDAQ-quoted companies, Intek Diversified Corporation in which Securicor's current interest is 62%, and Axiom Inc (the former Securicor Telesciences), in which Securicor's interest is now 54% following the partial flotation of the company last July.

Intek, which uses the radio linear modulation technology developed by Securicor in the United Kingdom, will remain in a development phase for around three years, whilst it carries out network installation and incurs marketing costs associated with the introduction of new technology. A new Chief Executive Officer, Robert J Shiver, was appointed in September.

We raised £20.0m and realised an exceptional profit of £8.8m on the flotation of 46% of Axiom. The company reported a small loss for the period due, in part, to the late receipt of major orders which had been expected before the end of September.

Cellnet
The trading profit from our 40% stake in Cellnet moved up from £76.6 m to £79.0 m. In the second half of the year, Cellnet actively migrated many existing customers from analogue to digital and connected a much higher proportion of new customers to digital

than in the corresponding period last year. This transition to digital, whilst increasing costs in the short-term, will benefit future revenue generation through greater call usage and lower churn due to digital's superior quality. At the end of the period, Cellnet had 1.7 million digital customers and 1.14 million analogue.

Cellnet wrote off the carrying value of the development costs of a major billing and customer care project which it was obliged to abandon in the summer. Securicor's 40% share of the write-off was £20.8m.

Other Activities

Securicor Hotels, which we have announced we intend to sell, continued to enjoy improved profitability and good occupancy levels.

The contribution from Crosskeys, our offshore insurance company, reflects net investment income only, as insurance risks have since October 1996 been covered outside the group.

Last year was a year of change from which we have emerged fitter and leaner. We could not have done this without the support of our staff, all of whom I warmly thank for their commitment and understanding.

The recommended increase in our dividend reflects the strong underlying performance of our businesses and our confidence in the future.

Roger Wiggs

Financial Review

Operating Results

The total group turnover for the year was £1,353.6m, an increase of 7.8% over the previous year. The profit before taxation, exceptional items and discontinued operations was £101.4m, a decrease of 10.0% from the previous year.

The two charts on the opposite page show the growth in turnover and profit before taxation, exceptional items and discontinued operations over the last five years.

The security and distribution divisions performed well, with increases in their operating profits of 59% and 9% respectively over the previous year, but the effect of the start-up of our Intek operations in the USA meant an increased loss in the communications division. The operating results of the three divisions are commented upon in the Chief Executive's Operating Review on page 4. The interest charge rose from £13.5m to £16.7m, reflecting increased average borrowings during the year. However, the profit before taxation was substantially below last year due to a number of exceptional items and the results of discontinued operations.

Exceptional Items and Discontinued Operations

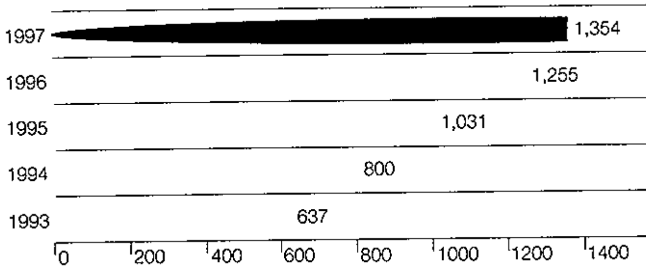
The table shows the impact of exceptional items and discontinued operations on the results for the year under review and the previous year.

	Notes	1997 £m	1996 £m
Continuing operations			
Profit on divestment of an interest in Axiom Inc	1	8.8	–
Loss on sale of fixed assets		(0.8)	–
Cost of fundamental reorganisations and restructuring		–	(1.8)
Costs incurred in reorganising the group's capital structure		–	(5.8)
Total (excluding Cellnet)		8.0	(7.6)
Group share of Cellnet 'Force' costs	2	(20.8)	–
		(12.8)	(7.6)
Discontinued operations			
Loss on sale of the business of Securicor Cellular Services	3	(17.6)	–
Securicor Cellular Services losses to the date of disposal	3	(26.5)	1.5
Loss on sale of the Securicor 3net group of companies	4	(5.8)	–
Securicor 3net group losses to the date of disposal	4	(5.2)	(1.8)
Closure of the group's South African interests		(0.3)	(1.1)
South African losses to date of closure		(0.3)	–
Closure of UK monitoring services		(1.0)	(0.5)
UK monitoring losses to date of closure		(0.4)	–
Provision for loss on sale of Televault business		(0.1)	–
Profit on disposal of alarms business		–	4.2
		(57.2)	2.3
Total exceptional items and discontinued operations		(70.0)	(5.3)

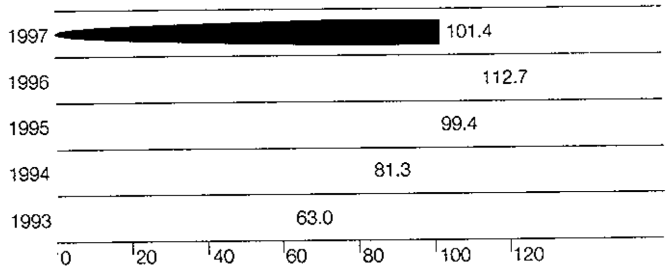
Notes

1. During the year, the group reduced its shareholding in Axiom Inc by 46%, consequent upon its flotation on the NASDAQ stock market in the USA. The group received proceeds of £20.0m and made a profit on disposal of £8.8m.
2. During the year, Cellnet was obliged to abandon a major computer project relating to billing and customer care, known as 'Project Force'. The group's share of the exceptional costs relating to the project was £20.8m.
3. In September, the group disposed of the subscriber base, including related assets, of Securicor Cellular Services. The group received proceeds of approximately £40m and made a loss on disposal of £17.6m. In addition, the results for the year include losses of Securicor Cellular Services totalling £26.5m.
4. In September, the group also disposed of the Securicor 3net group of companies. The group received proceeds of £8.9m and made a loss on disposal of £5.8m. In addition, the results for the year include losses from the Securicor 3net group of £5.2m.

Turnover £m



Profit before tax, exceptional items and discontinued operations £m



Basis of Consolidation
The comparative figures for the consolidated accounts reflect the company's acquisition in June 1996 of the minority interest previously held by the external shareholders of Security Services plc.

Risk Management
The risks associated with our 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 for all areas where the board considers there to be significant exposure.

During the year, a review of risk management within the group was carried out by Coopers & Lybrand. I quote two extracts from the findings of the review:

"Securicor has many control and monitoring procedures in place that measure up well against good practice."

"Overall there are many positive features of the Securicor control environment which compare well with other organisations."

However, a number of areas for improvement were highlighted and these have been prioritised and are being implemented under the auspices of a steering group which includes three of the executive directors.

Internal Financial Control
The responsibility for the group's systems of internal financial control rests with the directors. While the system is subject to regular review and updating, it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The directors, through the Audit Committee, review the effectiveness of the systems of internal financial control. 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:

- There are clearly defined reporting lines and authorisation procedures.

- There is 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 reviews on cash flow and borrowing requirements and each subsidiary prepares and annually reviews a three year strategic business plan.

- There are well-defined procedures for the appraisal, approval, control and review of capital expenditure.

- The internal audit department supports the directors in assessing the effectiveness of internal financial control through a programme of regular reviews of business units and support functions.

These 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 the Finance Manual.

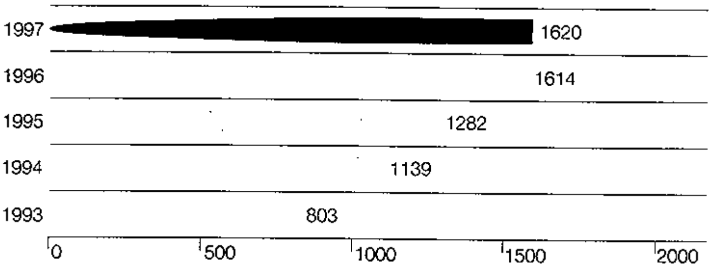
Taxation
The effective overall tax rate was 65.3%. If the exceptional items are excluded the effective rate would have been 34.6%.

Exchange Rates
The group converts the results of its overseas subsidiary and associated companies using exchange rates ruling at the balance sheet date.

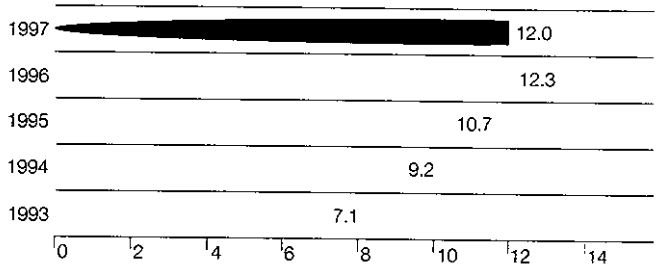
Dividends
The dividend increase of 11.7% over the previous year again substantially exceeds the increase in inflation and reflects our policy of continued steady dividend growth. In the previous two years our dividends had increased by 17% and 18% respectively. Dividend cover is 1.6 times. However, dividend cover after adding back exceptional items and discontinued operations would have been 6.9 times.

Balance Sheet
During the year ended 30 September 1997, Cellnet purchased the consumer and small business customers of BT Mobile (BTM) and Securicor Cellular Services (SCS). It also acquired 40% of Dixons The Link. These transactions involved goodwill write-offs within Cellnet of which our 40% share totalled over £70m and are the main reasons for the reduction in investments to £138.2m and the fall in total net assets to £242.5m. Working capital is reduced primarily as a result of the sale of SCS.

Market Capitalisation £m



Earnings per share (excluding exceptional items and discontinued operations) pence



Cashflow
No dividend was received from Cellnet in respect of their year ended 31 March 1997, due to Cellnet's short-term cash flow considerations. The purchase of the mobile subscriber bases of BTM and SCS and the acquisition of Dixons The Link involved substantial cash outflows. Expansion and improvements in the quality of the GSM digital network are budgeted to cost over £300m over the next twelve months. The Cellnet board therefore felt it prudent not to declare a dividend for the year under review.

Our net cash inflow from operating activities increased by £25.3m to £75.6m. Cash received from operations sold during the year, net of the five acquisitions and deferred consideration payments, was £44.1m. Capital expenditure and financial investment amounted to £70.2m (including just over £20m of the cost of establishing our new parcels super terminal at Hatfield).

The total net cash inflow during the year has resulted in a reduction of £11.4m in our net debt position at 30 September 1997.

Share Price and Market Capitalisation
Shareholder value has been enhanced in recent years both by the growth in our managed businesses and by the success of our investment in 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 shown in the table above.

Earnings per Share
Earnings per share have been disclosed on an FRS 3 basis. An alternative earnings per share figure has also been provided based on an assumption that the group had been in existence, in its current structure, for both years under review.

Earnings per share over the last five years, calculated by reference to the 600m shares in issue at 30 September 1997, are shown above.

Financing and Treasury Activities
Net debt at the year end of £182.3m compares with our borrowing facilities negotiated with thirteen major international banks which total £299m. These borrowing facilities are committed, on average, to the next millennium and are at variable rates linked to LIBOR.

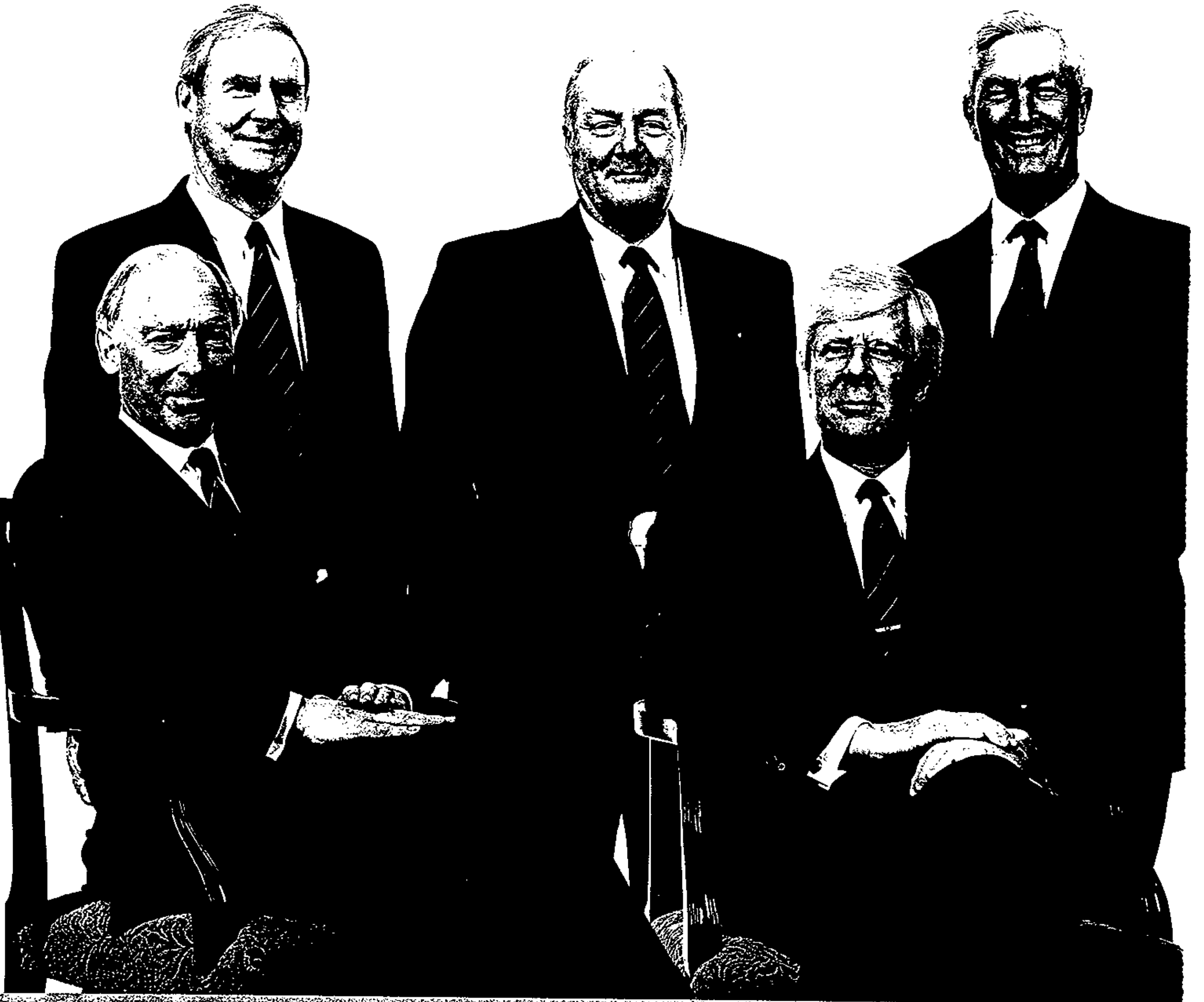
As previously mentioned, our net assets reduced in the year. The resultant debt/equity ratio at the year end has thus increased to 75%. However, if our investment in Cellnet was reflected in our balance sheet at the value currently attributed to it by the marketplace and reflected in our share price, net gearing based on our market capitalisation at 30 September 1997 would drop below 12%. Net interest paid during the year was covered seven times by our profit on ordinary activities before interest, tax, exceptional items and discontinued operations.

The Group Treasury department adopts minimum risk strategies.

Going Concern
Having regard to the matters referred to in this financial review and to current trading prospects, the directors consider 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.

Christopher Shirtcliffe
Group Finance Director

Board of Directors



Sitting left to right

Sir Neil Macfarlane, 61, Chairman.
Appointed to boards of Securicor Group plc and Security Services plc in 1993, and became Chairman in 1995. A former Member of Parliament and Government Minister, is 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.

[illegible], FCA, 53.
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.

Roger Wiggs, 58, 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 BSM Group plc and of The Crown Agents Foundation.

Standing left to right

Sir James Birrell, FCA, 64.
Appointed to boards of Securicor Group plc and Security Services plc in 1993. Joined the Halifax Building Society in 1968 and retired, as Chief Executive, in 1993. Member of the Building Societies Commission from January 1994. Non-executive director of Wesleyan Assurance Society.

Henry McKay, 58.
Chairman, Security Division. Joined the group in 1968 and became Managing Director of Securicor Limited in 1985. Was appointed to the boards of Security Services plc in 1984 and Securicor Group plc in 1986.

Richard Graves, 69
Appointed to boards of Securicor Group plc and Security Services plc in 1986. Deputy Chairman 1988-93. Formerly Chairman and Chief Executive of Brickhouse Dudley plc and Chairman of Metal Closures Group plc. Retired from executive duties in 1991 and has announced his intention to retire from the board later this year.

Sir Peter Imbert, QPM, DL, 64.
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 1987-93. Non-executive director of Camelot Group plc and non-executive chairman of Retainagroup Limited.

Jonathan Kitchen, 58
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.

Pat Howes, 56.
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, 51
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.

All the Directors, with the exception of Mr Kitchen, were appointed to the board of Securicor plc in 1996, when that company became the new holding company for the group.

Group Operating Structure

Securicor plc | Cellnet 40%

Securicor Security

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, Russia, Switzerland, Taiwan, Thailand, Trinidad, Turkey, USA, Venezuela, Zambia.

Securicor Distribution

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

Divisional Companies:
Securicor Datatrak
Securicor Telecoms
Securicor Dopra
Axiom
Intek Diversified Corporation

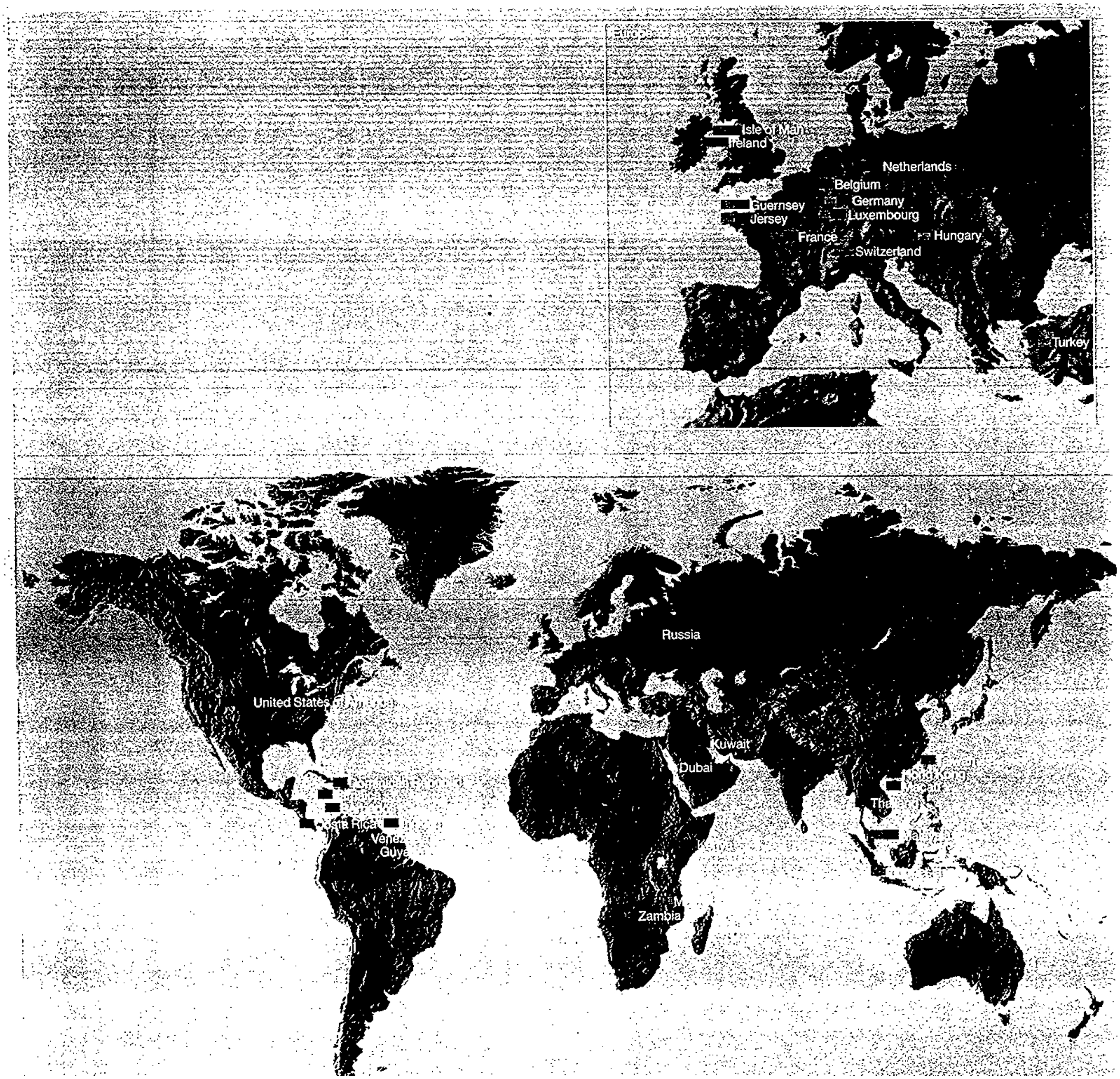
Overseas Operations:
Netherlands, USA.

Securicor Overseas

Germany

Malawi

Hong Kong



securicor security

Turnover:	£497.4m
Operating profit:	£21.6m
Number of employees:	42,471

Securicor Cash Services
Securicor Cash Services operates the UK's leading cash collection, processing and delivery service with a market share of almost 60%. The company has the largest nationwide secure transit network operation. It operates a fleet of over 1,600 vehicles and employs 7,000 people at 64 branches. The operation services every major bank and building society, and many companies in the retail, leisure and transport sectors.
"Securicor Cash Services stays ahead of the competition by anticipating and responding to the increasing demands of its customers. Our aim is always to provide 100% service levels to our customers."
Nick Buckles Managing Director

Securicor Guarding
A national provider of contracted and temporary manned guarding services, including commercial, industrial, special events, retail, airport and alarm response. Securicor Guarding has a broad customer base covering all industries and is at the forefront of retail and special event security, providing security officers for Boots the Chemists, the Wimbledon Lawn Tennis Championships, and political party and CBI conferences.
"Our on-going investment in information systems will continue to improve our service to customers and enable us to take on more major contracts for national blue chip and multi-site customers".
Ken Wood Managing Director

Securicor Custodial Services
Conducts a wide range of activities in the UK on behalf of both The Prison Service and the Home Office. The company is responsible for 200,000 prisoner movements each year in London, covering eight prisons, 84 police stations and 60 courts including the Old Bailey. Securicor is part of the consortium responsible for HM Prison Parc, in South Wales, while Custodial Services manages and operates the prison. In addition the company operates in four of the seven trial areas for the electronic monitoring of offenders under home curfew orders.
"Business with public authorities has to be viewed on a long term basis. It takes time to develop relationships, to win the argument for change or innovation, to demonstrate safety and reliability against a background where customers are highly sensitive to political risk".
Richard Powell Chief Executive

Securicor Recruitment Services
A general recruitment agency supplying the office, industrial and technical markets with permanent, temporary and contract staff. An innovative national agency, it has plans to create a high-tech "virtual" recruitment network that will operate 24 hours a day, without the need for the traditional high street branch network.
"We are transforming the way staffing services are provided. The rest of the industry may well follow, but we will be there first".
Chris Leonard Managing Director

HM Prison Parc

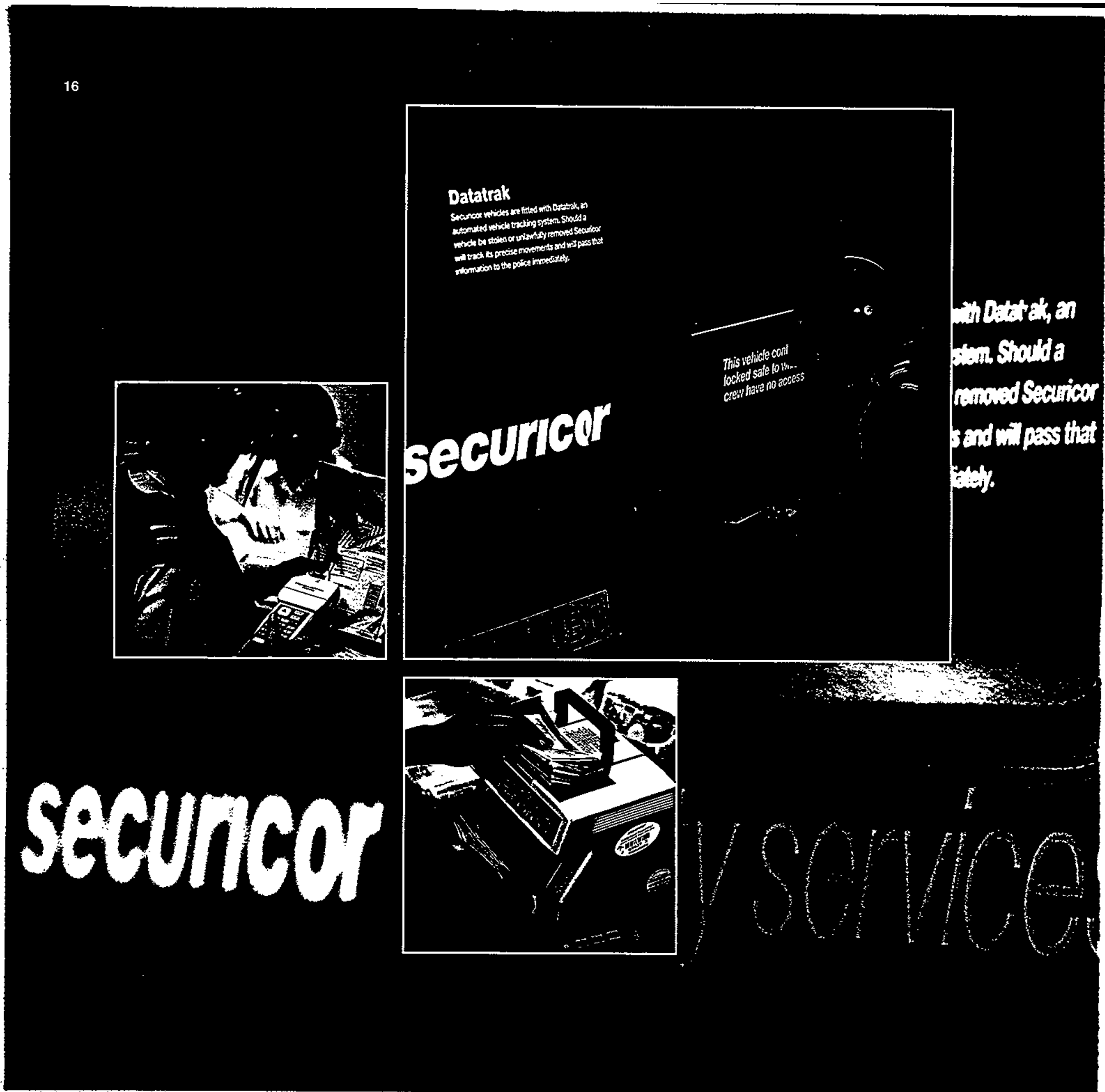
HM Prison Parc, in Bridgend, South Wales, represents one of the first major projects to be put in place under the Government's Private Finance Initiative. Securicor is part of the consortium engaged in the design, construction and finance of the prison, and now following its completion Securicor Custodial Services is contracted to manage the prison for the next 25 years.

The prison is one of the most advanced in the world, encompassing best practice from the USA, Holland and the UK. With state of the art integrated security systems, the prison does not use keys for locking and opening cells - except as a back-up - but special consoles provide remote locking of areas, coupled with the use of CCTV and alarm systems for heightened security.

Accommodating 800 category B male prisoners, including remand and convicted adults and young offenders, the design will enable the prison to accommodate females if required.

Constructed on the site of a former psychiatric hospital, the new buildings comprise three storey accommodation blocks together with a medical centre, educational facilities, workshops and maintenance buildings. Local residents' feelings have been a priority since the announcement of the contract in 1994, and the consortium ensured throughout the construction phase that residents were consulted and informed. Indeed many of the services provided by HM Prison Parc, such as education, staff recruitment and medical care, are now run in partnership with the local community.

There are 286 staff directly employed by Securicor Custodial Services, 226 of them prisoner custody officers. All have been fully approved and trained to HM Prison Service standards, covering areas such as legal framework, prisoner management, security, supervision and control, and first aid. They will be responsible for running a structured and constructive programme of education, training, industrial work and other activities which will help prisoners to lead useful lives in custody and prepare them for release.



Securicor Cash Services

Securicor Cash Services is trusted by all of the major UK banks and retailers to transport more than £280 billion every year. It supplies more than £10 billion in bulk to retailers and handles in excess of four million cash processing transactions.

This storyboard describes how Securicor Cash Services plays a vital role in the UK economy and the efficient running of many organisations nationwide.

08:26

The Securicor crew member uses his hand-held computer terminal to scan the first cash container of the day. This process logs the container onto a nationwide tracking system.

08:32

Having completed the collection, the container is first placed into a "smokebox" which helps to prevent crews from being attacked between the customer premises and the secure vehicle. This box is then placed inside an armoured vehicle for onward secure transportation.

If the box is snatched, or the crew member attacked, red smoke and dye are released, instantly rendering the cash unusable.

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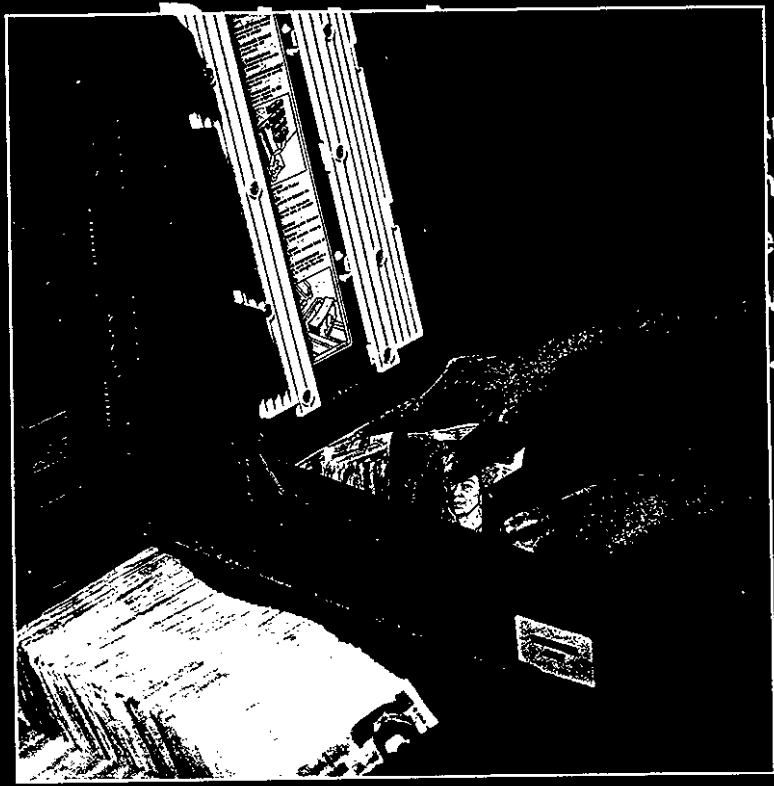
will pass that



securicor

08:40
Meanwhile, retailer cash which has already been collected is being counted and reconciled against the retailers tills. The coin is sorted into denominations and either transported to the appropriate bank cash centre or held by Securicor to facilitate the make up of customers change orders.

Notes which have been identified as suitable to be dispensed by cash machines are carefully inserted into cash cassettes by our cash processing teams.

00:00 – 23:59
These filled cash cassettes are loaded into machines throughout the day and night to ensure that cash is available to the public every day of the year. Customers withdraw cash from the machine and the whole process begins again.

securicor distribution

Turnover:	£540.5m
Operating profit:	£26.4m
Number of employees:	12,354

Securicor Omega Express
Market leader in the field of same day and next day document and parcel courier services, throughout the UK and into Europe. The company operates a large scale delivery service on behalf of the financial institutions, servicing over 10,000 banks and building society branches every working day. It also has a significant market share in the book, music, video, pharmaceutical and healthcare sectors.
"With the recent expansion of our portfolio to include nationwide same day couriers and pan-European services, customers know that they can get the best in urgent delivery services from us, whatever their needs".
Richard Benson Chief Executive

Securicor Omega International
Specialising in the worldwide distribution of heavyweight freight via road, air and sea, Securicor Omega International is a significant forwarder with particular strengths in the Australasian, Far Eastern and North American markets.
"We are now ideally placed to take advantage of worldwide distribution challenges. The combination of the Securicor Omega brand and the experience and commitment of our staff will ensure continued growth and success in our chosen markets".
Tom Barrie Managing Director

Securicor Omega Logistics
Fast becoming one of the key players in today's logistics market place, Securicor Omega Logistics is a supply chain management specialist. From raw materials collection and inventory management through to final delivery and recycling processes, the company develops tailored, flexible solutions for customers in a wide range of industry sectors.
"More and more companies are looking to take cost out of the supply chain whilst improving efficiency, and that is why our unique distribution service is so successful".
Ian Wilson Managing Director

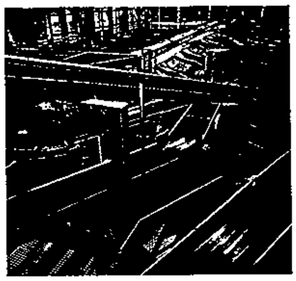
Securicor Omega Container Logistics
Handling over 1,600 containers a day for the maritime container shipping industry, Securicor Omega Container Logistics is the leading road-based container transport company in the UK.
"We have focused on developing our UK network and next generation computer systems to ensure that we are well placed in 1998 and beyond".
John Williams Managing Director

Securicor Vehicle Services
Responsible for the management of Securicor's 10,000 vehicles in the UK.
"We continually promote initiatives to improve group transport efficiency and to maximise the beneficial impact on our environment".
Alan Hines Managing Director

Securicor Fuelserv
Through a nationwide network of nearly 400 fuel sites, Securicor Fuelserv offers a cost effective way for commercial vehicle operators, as well as Securicor's own fleet, to purchase fuel.
"Our ability to provide a comprehensive nationwide fuel network is vital to many customer operations. We can genuinely make the difference between profit and loss".
Roy Sciortino Managing Director

Securicor Rentmaster
Provides quality contract hire of commercial vehicles.
"Rentmaster uses the group's transport expertise to provide the highest standards of service to a wide range of industries".
Colin Needs General Manager

Hatfield super terminal

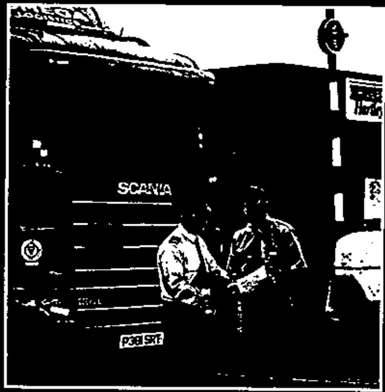

Securicor Omega Express' £30m investment secured the land, building and handling equipment necessary for Europe's largest and most sophisticated parcel distribution centre located in Hatfield, Hertfordshire.

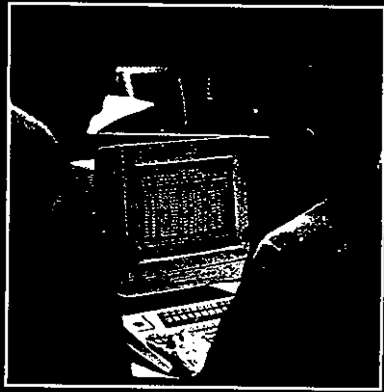
Nearly a quarter of a mile long and with over three miles of conveyor equipment, it encompasses the latest in voice recognition IT systems, enabling operators to create routing barcodes for parcels which arrive without standard labels. Over 40 extendible conveyor arms reach into Securicor Omega's trailers, putting parcels into a weighing and measuring system before they reach the network of conveyor belts to be scanned and sorted for onward delivery. Once the parcels are sorted, mechanical arms at 68 outfeeds move them into outbound vehicles.

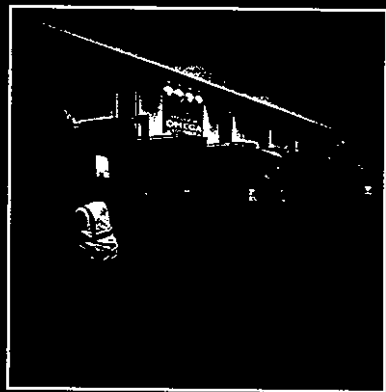
Some 350 Securicor Omega collection and delivery vehicles will visit the distribution centre every night. The vehicles will be scanned at the entrance to the site and the data contained in the encrypted seals on the vehicle doors will be fed into an information management system which will direct the vehicle to a particular bay. Sortation machines are also integrated into the system, making sure that collection vehicles are in the right place at the right time.

Aimed at increasing efficiency whilst containing costs, the handling equipment will initially process 24,000 parcels an hour with an ultimate capacity of 36,000. The Hatfield distribution centre will serve the South East of England and eventually replace five existing terminals in the region.

It will also provide a blueprint for major terminals planned to serve other areas of the UK. The South East is the most crucial area, as some 50% of inward and outward traffic is handled there. The site was chosen because it is in a prime communications location close to major road networks as well as to Luton airport, within striking distance of London and within legal drive-time limits of the Eurotunnel railhead.







Securicor Omega Logistics

Hillsdown Holdings' subsidiary Chivers Hartley, the leading UK manufacturer of preserves and pickles, appointed Securicor Omega Logistics as its domestic logistics provider in 1997, launching a long term partnership arrangement to develop the customer's operations into the 21st century.

05:00

A Securicor Omega Logistics vehicle departs for one of Chivers Hartley's sites in East Anglia to collect palletised food products.

Omega Logistics delivers more than 140,000 pallets per annum for Chivers Hartley.

06:00

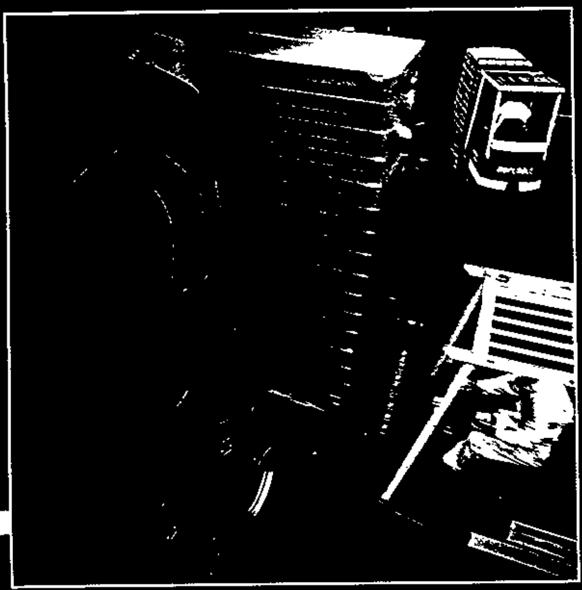
The Chivers' product is trunked to Omega Logistics' National Distribution Centre in Huntingdon, by which time the consignment details have been transmitted via EDI links. On arrival, the product is off-loaded and placed in pre-allocated high-bay pallet racking.

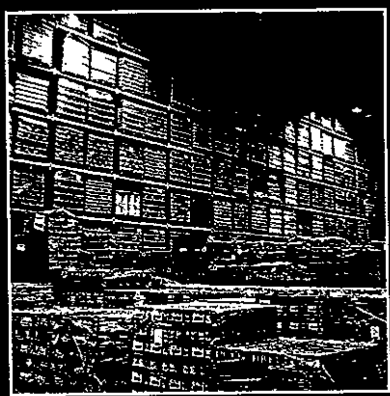
Omega Logistics provides shared-user facilities whereby customers share management and resources to reduce warehousing costs. The company's Huntingdon centre accommodates 15,000 pallets and despatches over 50 vehicles daily.

07:30

The empty trailer is exchanged for a pre-loaded trailer and the vehicle departs for Yorkshire to undertake three deliveries to customers of Chivers.

All Omega Logistics' bookings are time-specific. On completion of each delivery, the proof of delivery is signed by the recipient, the driver contacts the depot and the traffic operator updates the IT system, generating automatic invoicing.





15:00
Delivery schedule completed, the driver contacts his depot for further instructions. He is directed to collect empty glass jars from Doncaster for delivery to one of Chivers' East Anglia factories for next day filling.

Omega Logistics supports the entire supply chain for its customers, from collection of raw materials through to the recycling processes.

19:00
Arriving at the factory, the glass jars are off-loaded and the driver returns to Huntingdon where his shift ends. A night driver takes over, exchanging the empty trailer for another trailer pre-loaded with Chivers' product.

Omega Logistics operates a 24-hour cycle to fully utilise its fleet of vehicles, therefore keeping customers' distribution costs to a minimum.

20:00
The vehicle departs for Kent, with a delivery to a Chivers customer at 23.30 hours.

04:00
The vehicle arrives back in Huntingdon having completed the Kent delivery on time. This driver's shift now finishes and the vehicle awaits the start of the day shift at 05:00 hours.

securicor communications

Turnover:	£80.9m
Operating loss:	(£17.4m)
Number of employees:	1,078

Securicor Datatrak
(Incorporating Securicor TrakBak)
A national mobile data network providing real time mobile resources management and automatic vehicle location systems. The company also specialises in automatic vehicle protection, tracking and recovery services.
"The cost benefits of full mobile data communications are now being recognised. Today we have a system which offers, in addition to vehicle tracking, the potential of integration with customer information systems".
Ken Hills UK General Manager

Securicor Dopra
(Incorporating Securicor Computer Services)
Securicor Dopra's expertise in systems integration makes the company a prime contractor on a number of prestigious Emergency Services projects involving a mixture of computing and communications skills. Unlike most systems integrators, Securicor Dopra not only has expertise in a range of third party products and software but also has its own core software products specifically aimed at this market.
" We are delighted to be the chosen supplier for Case Preparation, the first contract awarded under the procurement process established by the National Strategy for Police Information Systems (NSPIS)".
Bruce Brain Managing Director

Axiom
A US-based company supplying billing data collection and processing, traffic analysis and reporting, and fraud management systems to telecommunication providers worldwide.
"Worldwide deregulation and ever increasing competition are opening up new opportunities and new markets for our products. First orders from Europe and the Asia Pacific region have been particularly exciting."
Andrew Maunder Chief Executive Officer

Intek

US-based Intek Diversified Corporation is 62% owned by Securicor, following its merger in December 1996 with Securicor Radiocoms. Robert J Shiver was appointed Chairman and CEO in September 1997 and the company now has a strong management team.

Intek operates mobile radio systems in the US through its RoameR One subsidiary, the dominant 220MHz licence holder in the US, with over 250 sites covering 120 markets and a population base of 175 million.

Securicor Radiocoms manufactures land mobile radio products using linear modulation technology. This is a spectrum-efficient, narrowband technology which can provide up to a six-fold increase in a system's capacity. It is generally considered to offer the fastest data rate capability available in trunked radio systems.

Intek's Midland USA subsidiary is a leading distributor of land mobile radio products, manufactured by both Securicor Radiocoms and others, operating through a well-established base of authorised dealers and resellers in the US.

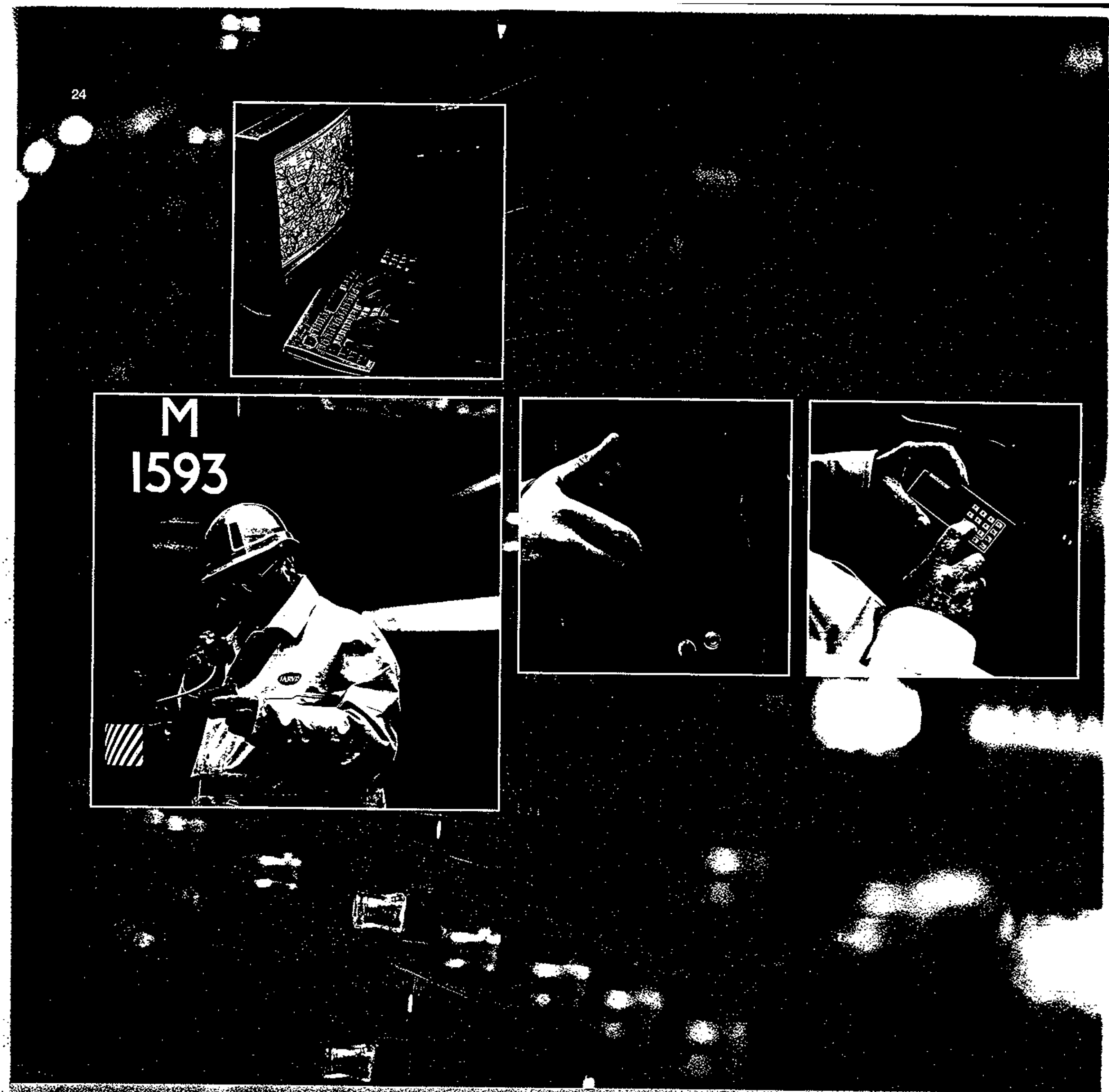
Phase One of Intek's growth plan is focusing on short-term opportunities in select North American markets while developing an integrated approach to technology, systems support and customer service. In subsequent phases, Intek plans to seek joint venture partners and to expand its cost-effective wireless technologies, products and services on a global basis.

Intek's prime customers are those who require reliable two-way communication between offices or control-rooms and mobile workers, for example, plumbers, electricians, taxi companies, ambulance fleets and security services. The US market for these services, now approximately 19 million subscribers, is growing more than 25% annually. The European, Asian and American markets together are twice that size.

Intek's competitive edge rests primarily on the cost advantage and features of its narrowband technology, providing crisp, clear, natural voice transmission and, most importantly, fast mobile data communications across multiple sites and wide areas. The data can range from vehicle location bar code readers to maps, charts and even fingerprints.

Narrowband technology significantly improves the efficiency of the wireless spectrum, addressing the serious problem of spectrum congestion, a major concern of regulatory authorities worldwide. It conserves bandwidth by squeezing more channels into available frequencies without impairing intelligibility or reliability. The technology has additional potential applications in other wireless markets.

Robert J. Shiver
Chief Executive Officer



Datatrak System for Jarvis

Jarvis Facilities is the railway infrastructure maintenance company responsible for the upkeep and fault rectification on Railtrack assets in the North of England. Jarvis is required to respond rapidly to all railway infrastructure incidents, undertake remedial action where possible and thereby mitigate train delay. Being able to locate and direct the nearest resource capable of dealing with the problem is paramount to the success of the business. The Securicor Datatrak system has proved to be an invaluable tool in this process.

09:00

Railtrack report to the Jarvis Control Centre (JCC) that rail over road bridge number 60 has been struck by a highsided road vehicle. All trains scheduled to run over the bridge have been stopped pending an inspection of the railway to ensure there has been no loss of alignment of the track. As soon as the call comes into the JCC and the fault is logged, the clock starts on the train performance scheme.

09:02

The fault is generated in the Incident Manager and the Automatic Vehicle Location facility used to identify the nearest resource capable of dealing with the problem. Having identified the resource, the Two Way Data messaging is utilised to page the selected engineer.

09:05

Advised of the bridge incident, the engineer sends a message back to the JCC acknowledging receipt and confirming that he will attend. An autoroute feature is then used to give Railtrack an estimated time of arrival.

09:10
The engineer uses the status keypad to advise JCO when he is travelling to site and when he has arrived. Jarvis can relay all updates to Railtrack and thereby exercise complete management of the incident.

09:20
The engineer, when on site, advises the signalman and commences with the inspection of the railway.

09:30
Having inspected the railway, the engineer deems that it is fit for linespeed. The engineer contacts the signalman to advise him that trains can begin running again. The next call is to the JCO to confirm that the job is complete and that the track is fully operational.

Cellnet

In the year, Cellnet had the fastest growing digital base of the four UK mobile phone network operators. The company invested heavily in its GSM digital network and launched a range of ground-breaking new products and services.

By September 1997, Cellnet had 2.8 million customers, with the number of subscribers on the GSM network almost doubling from 883,000 to 1.71 million.

While the cost of acquiring so many new digital customers and migrating existing subscribers from the TACS analogue system meant a short-term fall in Cellnet's profits, it will prove beneficial in the longer term as GSM brings the potential for greater revenue generation and reduced churn.

Average revenue per customer was up 7% to £374. Revenue from international roaming doubled during the same period and the number of roaming destinations increased to 73 countries.

To support this digital growth and to ensure that its network coverage and capacity are second to none, Cellnet is investing £1m every working day in extending and strengthening its GSM network and systems. That network now has over 2,400 cell sites.

Cellnet also continues to support its analogue network customers. The licence for this network runs until 2005.

The GSM network is at the heart of a range of innovative new services launched in 1997. For example, Traffic Line partners Cellnet GSM with Trafficmaster's network of motorway sensors to provide real-time in-car motorway traffic information.

Another successful development was Cellnet's partnership with Barclaycard. The two companies offered Barclaycard customers a unique new digital phone giving access to their Barclaycard account details. The offer has already attracted over 100,000 customers.

Cellnet's Genie service was unveiled at the Design Council's Millennium Products Challenge by the Prime Minister, Tony Blair. Genie combines Cellnet's GSM network with the Internet to deliver tailored information to the customer's Cellnet mobile phone.

Following its acquisition of the consumer customer bases of Securicor Cellular Services and BT Mobile, Cellnet now controls 60% of its customer base directly, allowing it to offer even more consistent and focused services. In addition, Cellnet's 40% stake in Dixons The Link gives it access to a specialist and respected channel to market.

With the unbeatable coverage and capacity of its digital network and its range of innovative products and services, Cellnet is looking forward to a successful 1998.

Financial Calendar and Corporate Addresses

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

Dividend Payments
Interim paid - 30 September 1997
Final payable - 3 April 1998

Annual Report
Published - February 1998

Annual General Meeting
19 March 1998

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Surrey SM1 4LD
Telephone: 0181 770 7000
www.securicor.co.uk

Registrars & Transfer Office
IRG plc
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU
Telephone: 0181 639 2000

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

Financial PR Consultants
Financial Dynamics
30 Furnival Street London EC4A 1JE

Stockbrokers
Cazenove & Co
12 Tokenhouse Yard London EC2R 7AN

Natwest Markets
145 Bishopsgate London EC2M 3UR

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

Natwest Markets
145 Bishopsgate London EC2M 3UR

Report of the Directors and Financial Statements 1997

Report of the Directors for the year ended 30 September 1997

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 1997.

1 Principal activities of the group

Securicor plc is a parent company with subsidiary and associated undertakings.

The principal activities of the Securicor plc group of companies, 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; computer services; the manufacture, sale and installation of communications products; mobile communications and the provision 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 36.

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

3 Dividends

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

- Interim dividend of 0.39p per share paid on 30 September 1997.
- Final dividend of 1.35p per share payable on 3 April 1998.

4 Business acquisitions, disposals and developments

In October 1996 Securicor Recruitment Services Limited purchased 100% of Pinpoint Employment Agency Limited (trading as Round Peg Recruitment), a Midlands-based generalist employment agency.

In December 1996 Securicor Communications Limited transferred 100% of Securicor Radiocoms Limited to Intek Diversified Corporation, a California-based company, in consideration of the issue to Securicor Communications of shares in Intek which, when aggregated with those acquired by Securicor International Limited in August 1995, gave Securicor an equity interest in Intek which is now 62%.

In February 1997 Securicor Custodial Services Limited acquired a 90% equity interest in New Century Corrections LLC, a Virginia-based company set up to provide custodial services in the USA. The company's name was subsequently changed to Securicor New Century LLC.

In April 1997 Securicor Fuelserv Limited purchased 100% of Thistle Fuels Limited and Scots Fuels Limited, companies based in Berwick on Tweed which specialise in retail distribution of vehicle fuel.

In May 1997 Securicor Omega Logistics Limited purchased 100% of John Miller Transport, a Scottish-based warehousing and distribution business.

In July 1997, by way of an initial public offering of its shares on the US NASDAQ stock market, Securicor Telesciences Inc (since renamed Axiom Inc) raised net proceeds of £20.0m which were primarily used to repay parent company loans. Securicor's equity interest in Axiom reduced to 53.8% as a result of this partial flotation.

In September 1997 Securicor 3net was sold to Teltrend Inc of Illinois, USA.

In September 1997 the subscriber bases of Securicor Cellular Services were sold, the consumer and small business subscribers to Cellnet, and the corporate subscribers to Martin Dawes.

5 Corporate Governance

The company has complied throughout the accounting period with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance and with the best practice provisions set out in Section A of the Annex to the Listing Rules of the London Stock Exchange.

The board now comprises the non-executive Chairman, the Chief Executive, four other non-executive directors and four other executive directors. 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 trading divisions.

The Audit Committee meets a minimum of three times a year. It is composed of Sir James Birrell (Chairman), Sir Neil Macfarlane and Messrs Richard Graves and Jonathan Kitchen. Meetings are also attended by a representative from the company's auditors, by the head of the Internal Audit Department, by the Group Finance Director and by 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.

The Remuneration Committee is chaired by Sir Neil Macfarlane and the other members are Sir Peter Imbert and Messrs Richard Graves and Jonathan Kitchen. The Committee's report to shareholders is set out on pages 33 to 35.

The Nominations Committee consists of Sir Neil Macfarlane and Messrs Roger Wiggs and Pat Howes. The committee is responsible for making recommendations on new appointments to the board.

The directors are responsible for the group's system of internal financial control. This system, which is described in more detail on page 7, 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 Internal Audit Department.

6 Capital

The authorised and issued share capital of the company at 30 September 1997 is set out on page 52 (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, the latter being limited to 5% of the issued equity securities of the company, namely £1,500,000 in nominal value.

Share option schemes

Options outstanding at 30 September 1997 were as follows:

(a) Company share option plan

314 options over a total of 5,927,170 ordinary shares at 245p per share, exercisable during 1999-2006.

4 options over a total of 27,170 ordinary shares at 267p per share, exercisable during 1999-2006.

286 options over a total of 2,554,410 ordinary shares at 280p per share, exercisable during 2000-2007.

(b) Sharesave scheme
4,937 options over 5,868,676 ordinary shares at 196p per share, exercisable during 1999-2000.

2,373 options over 1,804,527 ordinary shares at 224p per share, exercisable during 2000-2001.

These options are inclusive of those held by directors as set out in the Report of the Remuneration Committee on page 34.

7 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.

8 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 7 on page 40.

9 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 1997 the parent company did not have any trade creditors.

At 30 September 1997 the consolidated trade creditors of the group represented 28 days of annual purchases.

10 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.

11 Political and charitable contributions
The group remains committed to support of charities, the community, job creation and training, local development, the arts, sport and music. Cash contributions during the year amounted to £137,000.

Over 200 donations are made each year to a variety of charitable bodies by the Securicor Charitable Trust, administered by five employee trustees. Organisations supported include those dealing with mental or physical disabilities, children and the elderly, community projects and hospices.

There were no political contributions.

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

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

(i)	Standard Life Assurance Company:	22,194,855 (3.7%)
(ii)	British Steel Pension Fund Trustee Limited:	21,414,618 (3.6%)
(iii)	Royal & Sun Alliance Investment Management:	18,191,369 (3.0%)

14 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.

15 Directors
As reported on page 2, Dr Ed Hough resigned from the board in August 1997. Details of the compensation paid to Dr Hough are set out in the Report of the Remuneration Committee on page 33.

The directors, brief details of whom are contained on pages 10 and 11 have, with the exception of Mr Kitchen whose appointment took effect in February 1998, held office throughout the year ended 30 September 1997.

The directors retiring by rotation are Sir James Birrell, Sir Peter Imbert and Mr Pat Howes who, being eligible, offer themselves for re-election. Mr Kitchen retires in accordance with the Articles of Association and, being eligible, offers himself for election.

The contracts of service of the executive directors are terminable at two years' notice. None of the non-executive directors has a contract of service.

Mr Richard Graves has announced his intention to retire from the board in August 1998.

Details of directors' emoluments and of directors' interests in the share capital of the company are set out in the Report of the Remuneration Committee on pages 33 and 34.

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

Sutton Park House
15 Carshalton Road
Sutton
Surrey
SM1 4LD

16 February 1998

By order of the Board
N E Griffiths
Secretary

Responsibilities of the Directors in the preparation of 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.

Report of the Remuneration Committee

In framing the company's remuneration policy, the Remuneration Committee has given full consideration to the best practice provisions set out in Section B of the Annex to the Listing Rules of the London Stock Exchange.

The Committee determines the remuneration of the Executive Directors and certain other senior executives. The key objective of the remuneration policy for these executives 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. In setting the levels of remuneration, the Committee uses the services of independent pay and benefits consultants.

Remuneration of the Directors

	Salary and fees £	Compensation for loss of office £	Benefits £	Performance* related bonus £	1997 total £	1996 total £
Chairman (Non-executive)						
Sir Neil Macfarlane	105,788	–	–	–	**105,788**	102,420
Executive Directors						
N E Griffiths	172,574	–	5,528	33,303	**211,405**	177,030
E A Hough (resigned 26.8.97)	148,414	381,824	5,683	32,625	**568,546**	162,914
P D Howes	157,461	–	10,646	33,712	**201,819**	177,646
H W McKay	157,461	–	11,241	33,712	**202,414**	180,760
C C Shirtcliffe	187,253	–	10,378	40,237	**237,868**	204,988
R S W H Wiggs	293,473	–	13,450	63,075	**369,998**	324,983
Other Non-Executive Directors						
A V Alexander (retired 31.7.96)	–	–	–	–	–	28,534
Sir James Birrell	27,958	–	–	–	**27,958**	31,625
R A Graves	30,144	–	3,853	–	**33,997**	37,838
Sir Peter Imbert	27,958	–	–	–	**27,958**	31,625

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.

* The performance related bonuses shown in the table above were awarded by reference to the performance for the year ended 30 September 1996. The Executive Directors have been advised that no performance related bonus will be awarded to them in respect of the performance for the year ended 30 September 1997.

Compensation paid to Dr Ed Hough

As compensation for loss of office and termination of his Service Agreement, Dr Hough was paid £350,000 and was permitted to retain his company car. No other payments were made to Dr Hough in respect of the loss of any other benefits, including pension.

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. Both schemes were launched in June 1996. The Committee 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 Committee has determined that the exercise of these options will not normally be permitted unless and until the company'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 group 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%.

Report of the Remuneration Committee (continued)

Directors' Share Options

	Option	At 30.9.96	Granted during year	Outstanding at 30.9.97	Option Price
N E Griffiths	A	138,770	–	**138,770**	245p
	B	–	60,710	**60,710**	280p
	C	4,974	–	**4,974**	196p
P D Howes	A	126,530	–	**126,530**	245p
	B	–	55,350	**55,350**	280p
	C	4,974	–	**4,974**	196p
H W McKay	A	126,530	–	**126,530**	245p
	B	–	55,350	**55,350**	280p
	C	4,974	–	**4,974**	196p
C C Shirtcliffe	A	151,020	–	**151,020**	245p
	B	–	66,070	**66,070**	280p
	C	4,974	–	**4,974**	196p
R S W H Wiggs	A	236,730	–	**236,730**	245p
	B	–	103,570	**103,570**	280p
	C	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 = Sharesave Scheme, exercisable between October 1999 and March 2000.

The market price of the ordinary shares at 30 September 1997 was 270p.

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

Mr Wiggs, who is a director of Intek Diversified 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. The market price of Intek common stock at 30 September 1997 was US$2.000.

Directors' interests in shares of Securicor plc
(not including shares under option)

	At 30.9.97	At 30.9.96
J D Birrell	**3,954**	3,954
R A Graves	**25,614**	25,614
N E Griffiths	**6,255**	6,255
P D Howes	**19,652**	19,652
P M Imbert	**7,604**	7,604
D N Macfarlane	**5,454**	3,954
H W McKay	**40,812**	40,812
C C Shirtcliffe	**75,677**	89,966
R S W H Wiggs	**168,034**	168,034

All interests shown above are beneficial.

In December 1997 Messrs McKay and Shirtcliffe disposed of 5,000 and 10,800 shares respectively and Sir Neil Macfarlane acquired 500 shares.

No other changes in these holdings have taken place since 30 September 1997.

Directors' Service Contracts

The Executive Directors have service contracts with rolling two-year notice periods. The Committee considers the provision of such notice periods to be in the best interest of the company and consistent with current practice amongst groups of comparable size.

Directors' Pension Entitlements

The Executive Directors participate in the non-contributory category of the group's final salary pension scheme.

	Age at 30.9.97	Years of pensionable service at 30.9.97	Additional pension earned during the year ended 30.9.97 £000	Accrued entitlement at year end or date of appointment 30.9.97 £000 (Note 1)	30.9.96 £000 (Note 2)
N E Griffiths	50	19	12	76	64
E A Hough (resigned 26.8.97) (see Note 3)	52	5	4	15	11
P D Howes	56	25	6	90	84
H W McKay	58	27	7	98	91
C C Shirtcliffe	53	20	11	94	83
R S W H Wiggs	58	22	17	180	163

1. The pension entitlement shown is that which would be paid at normal retirement age, based on service at 30.9.97 only. In the case of Dr Hough, who left service on 26 August 1997, the accrued entitlement is calculated as at his date of leaving.
2. The calculation includes inflation of 3.6% (3.3% in the case of Dr Hough).
3. For members who joined the scheme after 31.5.89, salary for pension purposes is limited to the earnings cap defined in Finance Act 1989 (£84,000 as at April 1997).

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

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.

Sir Neil Macfarlane
Chairman of the Remuneration Committee
16 February 1998

Consolidated Profit and Loss Account
For the year ended 30 September 1997

	Notes	Continuing operations £m	Continuing operations Acquisitions £m	Discontinued operations £m	Total 1997 £m	1996 £m
Turnover	1	1,106.2	22.1	225.3	1,353.6	1,255.1
Cost of sales	3	(793.1)	(17.9)	(139.2)	(950.2)	(858.2)
Gross Profit		313.1	4.2	86.1	403.4	396.9
Net operating expenses	3	(270.3)	(11.3)	(118.5)	(400.1)	(352.5)
Operating profit		42.8	(7.1)	(32.4)	3.3	44.4
Share of profits less losses of associated undertakings						
– pre Cellnet Force provision		82.4	–	–	82.4	79.9
– Cellnet Force provision		(20.8)	–	–	(20.8)	–
Exceptional items	3	8.0	–	(24.8)	(16.8)	(3.4)
Profit before interest and taxation	1	112.4	(7.1)	(57.2)	48.1	120.9
Net interest charge	2				(16.7)	(13.5)
Profit on ordinary activities before taxation	3				31.4	107.4
Taxation	5				(20.5)	(38.3)
Profit on ordinary activities after taxation					10.9	69.1
Minority interests					5.5	(12.1)
Dividends	6				(10.4)	(9.3)
Retained profit	20				6.0	47.7
Earnings per ordinary share	7				2.7p	12.4p

Consolidated Balance Sheet

At 30 September 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Intangible assets	9	**10.5**	9.2
Tangible assets	10	**245.1**	215.6
Investments	11	**138.2**	178.6
		393.8	403.4
Current assets			
Stocks	12	**29.1**	34.3
Debtors (including debtors due after more than one year £2.3m (1996 £29.5m))	13	**266.4**	330.2
Listed investments	14	**22.0**	30.9
Bank and deposit balances		**37.3**	23.4
		354.8	418.8
Creditors – amounts falling due within one year			
Bank overdrafts and short term loans	15	**33.3**	27.1
Corporation tax		**–**	7.7
Proposed dividends		**8.1**	7.2
Other	16	**242.0**	246.3
		283.4	288.3
Net current assets		**71.4**	130.5
Total assets less current liabilities		**465.2**	533.9
Creditors – amounts falling due after more than one year			
Loans	17	**207.2**	219.7
Corporation tax		**–**	0.3
Other	16	**0.9**	4.9
		208.1	224.9
Provision for liabilities and charges	18	**14.6**	0.6
Net assets	8	**242.5**	308.4
Capital and reserves			
Called up share capital	19	**30.0**	30.0
Reserves	20	**195.8**	278.2
Equity shareholders' funds		**225.8**	308.2
Equity minority interests	20	**16.7**	0.2
		242.5	308.4

Note
The parent company balance sheet and notes are on page 62.

Approved by the board on 16 February 1998

Roger Wiggs
Christopher Shirtcliffe } Directors

Consolidated Cash Flow Statement

For the year ended 30 September 1997

	1997 £m	1997 £m	1996 £m	1996 £m
Net cash flow from operating activities (see note 25(a))		75.6		50.3
Net cash flow from returns on investments and servicing of finance (see note 25(b))		(17.3)		(14.8)
Taxation		(10.2)		(17.6)
Net cash flow from capital expenditure and financial investment (see note 25(b))		(70.2)		(65.4)
Net cash flow from acquisitions and disposals (see note 25(b))		44.1		(19.3)
Equity dividends paid		(9.5)		(8.2)
Cash flow before use of liquid resources and financing		12.5		(75.0)
Management of liquid resources (see note 25(b))		9.2		0.3
Financing				
Share issue (pre restructuring)	–		0.6	
(Decrease)/increase in loans	(12.1)		78.6	
Capital element of finance lease rental payments	(2.3)		(1.8)	
Net cash flow from financing (see note 25(b))		(14.4)		77.4
Increase in cash in the year		7.3		2.7

Note: Payments and outflows are denoted in brackets.

	1997 £m	1997 £m	1996 £m	1996 £m
Reconciliation of net cash flow to movement in net debt (see note 25(c))				
Increase in cash in the year	7.3		2.7	
Cash flow from increase in debt and lease financing	14.4		(76.8)	
Cash flow from decrease in liquid resources	(9.2)		(0.3)	
Change in net debt resulting from cash flows		12.5		(74.4)
Loans and finance leases acquired with subsidiary		(0.2)		(0.3)
Profit on sale of investments		0.3		6.7
New finance leases		(1.2)		(0.6)
Movement in net debt in the year		11.4		(68.6)
Net debt at 1 October 1996		(193.7)		(125.1)
Net debt at 30 September 1997		(182.3)		(193.7)

Statement of Total Recognised Gains and Losses

	1997 £m	1996 £m
Profit on ordinary activities after taxation and minority interests	**16.4**	57.0
Currency translation differences on foreign currency net investments (see note 20)	**(6.5)**	(0.7)
Total recognised gains relating to the year	**9.9**	56.3

Note of Historical Cost Profits and Losses

There is no material difference between the reported profit shown on page 36 and the profit for the year restated on an historical cost basis.

Reconciliation of Movement in Shareholders' Funds

	1997 £m	1996 £m
Profit on ordinary activities after taxation and minority interest	**16.4**	57.0
Dividends	**(10.4)**	(9.3)
Retained earnings	**6.0**	47.7
Merger relief (see note (20(i))	**–**	64.4
Nominal value of shares issued to acquire minority interest in Security Services plc	**–**	10.4
Currency translation differences on foreign currency net investments (see note 20)	**(6.5)**	(0.7)
Proceeds of share capital issued by Securicor Group plc (pre restructuring)	**–**	0.6
Write-back of goodwill on disposals	**11.4**	–
Goodwill on acquisition deducted from reserves (see note 21(a))	**(93.3)**	(15.1)
Net (decrease)/increase in shareholders' funds	**(82.4)**	107.3
Shareholders' funds at 1 October 1996	**308.2**	200.9
Shareholders' funds at 30 September 1997	**225.8**	308.2

Statement of Accounting Policies

1 Accounting policies
The accounts are prepared on the historical cost basis, other than certain freehold and leasehold properties which are included in the accounts at valuation (note 10 to the consolidated accounts) and in accordance with applicable UK accounting standards.

2 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 associated undertakings for the year ended 30 September 1997.

For 1996 the consolidated accounts were prepared using the principles of merger accounting. Equity movements for that year include the acquisition of the minority interest in Security Services plc during the year under a Scheme of Arrangement.

3 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.

Associated undertakings are accounted for at profit before tax. Interest incurred or received by associated undertakings is not separately disclosed.

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

4 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. The goodwill arising on the acquisition of businesses is deducted from reserves.

Associated undertakings are shown at cost and incorporate the share of post acquisition reserve movements.

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

6 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. It is group policy to maintain hotel properties so that their value is not diminished through time and the relevant expenditure is charged to profit before tax in the year in which it is incurred. Therefore any element of depreciation is considered to be immaterial and no provision is made.

7 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, incurred in the initial years of trading (up to a maximum of three years) in establishing new branches, services and products of the group. Overseas development expenditure, with the exception of pre-operational costs, is written off during the year in which it is incurred.

Development expenditure and pre-operational costs are amortised over a period of up to ten years commencing in the year after that in which they have 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.

8 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.

9 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.

10 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).

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

12 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.

13 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 covering the majority of its UK employees. 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.

Notes to the Consolidated Accounts

1 Segmental analysis of results

(a) Business sector analysis

	1997 Total £m	1997 Intersegment £m	1997 Sales to third parties £m	1996 Total £m	1996 Intersegment £m	1996 Sales to third parties £m
Turnover						
Security	504.0	(6.6)	497.4	459.8	(4.8)	455.0
Distribution	570.4	(29.9)	540.5	523.8	(29.6)	494.2
Communications						
– continuing operations	80.2	(8.8)	71.4	58.5	(8.6)	49.9
– operation for sale – Telecoms	9.5	–	9.5	8.4	(0.1)	8.3
Insurance & Hotels						
– operation for sale – Hotels	9.7	(0.2)	9.5	8.4	(0.2)	8.2
Continuing operations	1,173.8	(45.5)	1,128.3	1,058.9	(43.3)	1,015.6
Discontinued operations						
Communications	227.7	(4.4)	223.3	235.8	(3.7)	232.1
Other	2.0	–	2.0	7.4	–	7.4
Total discontinued	229.7	(4.4)	225.3	243.2	(3.7)	239.5
	1,403.5	(49.9)	1,353.6	1,302.1	(47.0)	1,255.1

Profit before interest and taxation (before exceptional items and after finance costs of vehicle leasing and insurance operations)

	1997 £m	1996 £m
Security	21.6	13.6
Distribution	26.4	24.3
Communications:		
– continuing operations	(16.7)	(3.5)
– operation for sale – Telecoms	(0.7)	(0.7)
Cellnet – ongoing operations	79.0	76.6
Insurance & Hotels:		
– continuing operation – Insurance	1.8	9.3
– operation for sale – Hotels	2.5	1.9
Continuing operations	113.9	121.5
Discontinued operations – Communications*	(31.7)	(0.3)
– Other	(0.7)	(1.6)
	81.5	119.6

*Included within discontinued operations is an £18.0 million charge within Securicor Cellular Services resulting from a change in the period of amortisation on deferred dealer commissions from three years to two years.

Reconciliation to profit before interest and taxation

	Continuing operations £m	Continuing operations Acquisitions £m	Discontinued operations £m	1997 £m	1996 £m
Segmental profit as above	119.5	(5.6)	(32.4)	81.5	119.6
Cellnet Force provision**	(20.8)	–	–	(20.8)	–
Exceptional items (see note 3(c))	8.0	–	(24.8)	(16.8)	(3.4)
Interest relating to vehicle leasing and insurance operations	4.2	–	–	4.2	4.7
Profit before interest and taxation	110.9	(5.6)	(57.2)	48.1	120.9

**A £20.8m provision is included in Securicor's 40% share of Cellnet. This has been made to reduce the carrying value of costs incurred in relation to a billing and customer care project (described as Project Force).

Notes to the Consolidated Accounts (continued)

1 Segmental analysis of results (continued)

(b) Geographical analysis

	1997 Total £m	1997 Intersegment £m	1997 Sales to third parties £m	1996 Total £m	1996 Intersegment £m	1996 Sales to third parties £m
Turnover						
United Kingdom	981.8	(45.3)	936.5	868.7	(43.1)	825.6
Rest of Europe	138.1	(0.2)	137.9	148.3	(0.2)	148.1
Africa	19.6	–	19.6	18.0	–	18.0
United States of America	30.8	–	30.8	20.3	–	20.3
Asia and rest of world	3.5	–	3.5	3.5	–	3.5
Continuing operations	1,173.8	(45.5)	1,128.3	1,058.8	(43.3)	1,015.5
Discontinued operations						
United Kingdom	226.9	(4.4)	222.5	240.2	(3.7)	236.5
Africa	0.7	–	0.7	1.9	–	1.9
United States of America	0.8	–	0.8	–	–	–
Asia and rest of world	1.3	–	1.3	1.2	–	1.2
Total discontinued	229.7	(4.4)	225.3	243.3	(3.7)	239.6
	1,403.5	(49.9)	1,353.6	1,302.1	(47.0)	1,255.1

Profit before interest and taxation (before exceptional items and after finance costs of vehicle leasing and insurance operations)

	1997 £m	1996 £m
United Kingdom	113.8	112.3
Rest of Europe	1.3	0.7
Africa	2.1	2.4
United States of America	(6.2)	3.1
Asia and rest of world	2.9	3.0
Continuing operations	113.9	121.5
Discontinued operations		
United Kingdom	(30.3)	0.8
Africa	(0.3)	(0.9)
United States of America	(0.3)	–
Asia and rest of world	(1.5)	(1.8)
	81.5	119.6

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.

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

Business sector	Subsidiary acquired	Turnover £m	Profit before tax £m
Security	Pinpoint Employment Agency	8.7	–
Distribution	Thistle Fuels and Scots Fuels	6.5	0.2
Distribution	John Miller Transport	4.1	–
Communications	Intek	2.8	(7.3)
		22.1	(7.1)

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 company.

2 Net interest charge

	1997 £m	1996 £m
Loans and overdrafts, wholly repayable within five years		
– Repayable other than by instalments	**18.8**	14.3
Interest on finance leases	**0.2**	0.2
	19.0	14.5
Interest receivable	**(2.3)**	(1.0)
	16.7	13.5

3 Profit on ordinary activities before interest and taxation

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

	1997 Cost of sales £m	1997 Administration expenses £m	1997 Distribution expenses £m	1996 Cost of sales £m	1996 Administration expenses £m	1996 Distribution expenses £m
Continuing operations	**793.1**	**261.8**	**10.0**	708.8	255.2	5.2
Acquisitions	**17.9**	**8.9**	**0.9**	–	–	–
	811.0	**270.7**	**10.9**	708.8	255.2	5.2
Discontinued operations	**139.2**	**117.9**	**0.6**	149.4	91.6	0.5

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

	1997 £m	1996 £m
Auditors' remuneration:		
– Audit	**0.6**	0.6
– Other services	**0.2**	0.3
Depreciation of tangible fixed assets	**45.0**	44.0
Amortisation of development expenditure	**4.3**	1.8
Research and development expenditure	**2.2**	2.5
Operating lease rentals payable:		
– Land and buildings	**26.8**	23.8
– Vehicles and equipment	**9.3**	9.1
Operating lease rentals receivable:		
– Vehicles and equipment	**(0.6)**	–
Investment income (listed)	**(1.9)**	(1.4)
Profits on disposal of assets:		
– Properties	**(0.5)**	(0.4)
– Other tangible fixed assets	**(2.7)**	(3.0)
– Investments	**(0.3)**	(6.7)

In addition to the amounts shown above, the auditors received fees of £0.2m relating to the acquisition and disposal of subsidiary companies during the year.

Notes to the Consolidated Accounts (continued)

3 Profit on ordinary activities before interest and taxation (continued)

(c) Exceptional items

	1997 £m	1996 £m
Continuing operations		
Profit on divestment of an interest in Axiom Inc	8.8	–
Loss on sale of fixed assets	(0.8)	–
Costs of fundamental reorganisations and restructuring in the Security sector	–	(1.8)
Costs incurred in reorganising the group's capital structure	–	(5.8)
	8.0	(7.6)
Discontinued operations		
Loss on sale of the business of Securicor Cellular Services	(17.6)	–
Loss on sale of the Securicor 3net group of companies	(5.8)	–
Closure of the group's South African interests	(0.3)	–
Closure of UK monitoring services	(1.0)	–
Provision for loss on sale of Televault business	(0.1)	–
Profit on disposal of alarms business	–	4.2
	(24.8)	4.2
Total	(16.8)	(3.4)

4 Staff costs and employees

(a) Staff costs:

	1997 £m	1996 £m
Staff costs, including directors' emoluments:		
Wages and salaries	524.0	488.1
Social security costs	48.5	48.5
Pension costs	14.7	16.1
	587.2	552.7

(b) Number of employees:

	Number of employees 1997	1996
The average weekly number of employees of the group during the year was:		
Business Sector Analysis		
Security	42,471	39,336
Distribution	12,354	11,835
Communications		
– ongoing operations	999	857
– operation for sale – Telecoms	79	107
Insurance & Hotels		
– operation for sale – Hotels	228	224
Continuing operations	56,131	52,359
Discontinued operations	757	1,307
	56,888	53,666
Geographical Analysis		
United Kingdom	30,148	26,731
Rest of Europe	6,748	7,395
Africa	18,293	17,499
United States of America	311	164
Asia and rest of world	631	570
Continuing operations	56,131	52,359
Discontinued operations	757	1,307
	56,888	53,666

4 Staff costs and employees (continued)

(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 £13.913m (1996: £14.369m). 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 fund's 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:

	1997 £'000	1996 £'000
As executives:		
– Executive services	**1,410**	1,228
– Pension scheme contributions	**140**	125
– Compensation for loss of office (see below)	**382**	–
As directors:		
– Fees	**196**	233
Total directors' emoluments	**2,128**	1,586

The remuneration of the Chairman was £105,788 (1996: £102,420)

The remuneration of the highest paid director (excluding the director who received compensation for loss of office) was £369,998 (1996: £324,983)

Dr E A Hough resigned on 26 August 1997. He received cash compensation of £350,000 and his company car was transferred to him. The estimated monetary value of the company car was £32,000.

For further details regarding directors' remuneration, see the Report of the Remuneration Committee on pages 33 to 35.

5 Taxation

	1997 £m	1996 £m
UK Corporation tax at 32% (1996: 33%)	**18.7**	34.8
Deferred tax (see note 18)	**–**	(0.5)
Overseas tax	**3.4**	4.4
	22.1	38.7
Adjustments for previous years		
UK corporation tax	**(1.6)**	(0.4)
	20.5	38.3

The charge for taxation includes £20.2m (1996: £27.9m) attributable to the share of the results of associated undertakings.
The tax effect of exceptional items is £1.8m (1996: £(0.6)m).

Notes to the Consolidated Accounts (continued)

6 Dividends

		1997 £m	1996 £m
Ordinary shares			
Interim (paid)	0.39p (0.354 p)	2.3	2.1
Final (proposed)	1.35p (1.204p)	8.1	7.2
		10.4	9.3

Dividends for both years are calculated by reference to 600 milllion ordinary shares in issue.

7 Earnings per share

(a) Earnings per share calculated on the basis of FRS 3 (which for 1996 reflects the acquisition of the Security Services plc minority during that year and restates the average number of shares in issue for that period) would be:

	1997 £m	1996 £m
Profit on ordinary activities after taxation	10.9	69.1
Minority interests	5.5	(12.1)
Profit attributable to shareholders	16.4	57.0
Average number of shares in issue	600m	461m
Earnings per share	2.7p	12.4p

(b) An alternative method of calculating earnings per share for 1996 is by reference to the 600 million shares in issue at 30 September 1996 and by excluding the former direct minority interest in Security Services plc. This gives the following minority interests, profit attributable to shareholders and consequent earnings per share:

	1997 £m	1996 £m
Profit on ordinary activities after taxation	10.9	69.1
Minority interests	5.5	0.4
Profit attributable to shareholders	16.4	69.5
Average number of shares in issue	600m	600m
Earnings per share	2.7p	11.6p

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

8 Net assets

Segmental analysis of capital employed

	£m	Share of capital employed of associated undertakings £m	1997 Total capital employed £m	£m	Share of capital employed of associated undertakings £m	1996 Total capital employed £m
Business sector						
Security	68.9	15.1	84.0	78.4	11.9	90.3
Distribution	97.1	0.5	97.6	65.2	0.4	65.6
Communications						
– continuing operations	63.1	2.8	65.9	49.3	1.2	50.5
– operation for sale – Telecoms	1.7	–	1.7	4.0	–	4.0
Insurance & Hotels						
– continuing operation – Insurance	19.5	–	19.5	17.7	–	17.7
– operation for sale – Hotels	20.2	–	20.2	19.5	–	19.5
	270.5	18.4	288.9	234.1	13.5	247.6
Cellnet	–	119.8	119.8	–	156.0	156.0
Discontinued operations	(33.4)	–	(33.4)	60.9	–	60.9
Net operating assets	237.1	138.2	375.3	295.0	169.5	464.5
Net debt relating to vehicle leasing and insurance operations			27.5			27.8
Deferred consideration			(2.2)			(15.5)
Tax, dividends and other corporate items			24.2			25.3
			424.8			502.1
Net debt			(182.3)			(193.7)
Total net assets			242.5			308.4
Geographical analysis						
United Kingdom	215.6	5.2	220.8	192.0	3.0	195.0
Rest of Europe	18.2	4.8	23.0	20.3	2.7	23.0
Africa	5.4	–	5.4	4.7	–	4.7
United States of America	30.7	–	30.7	16.0	–	16.0
Asia and rest of world	0.6	8.4	9.0	1.1	7.8	8.9
	270.5	18.4	288.9	234.1	13.5	247.6
Cellnet (United Kingdom)	–	119.8	119.8	–	156.0	156.0
Discontinued operations						
United Kingdom	(33.4)	–	(33.4)	52.8	–	52.8
Africa	–	–	–	0.4	–	0.4
United States of America	–	–	–	6.4	–	6.4
Asia and rest of world	–	–	–	1.3	–	1.3
Total discontinued	(33.4)	–	(33.4)	60.9	–	60.9
Net operating assets	237.1	138.2	375.3	295.0	169.5	464.5

Note

Share of capital employed of associated undertakings represents shares at cost, loans and the group's share of post acquisition reserves.

Notes to the Consolidated Accounts (continued)

9 Intangible fixed assets

	£m
Development expenditure	
Cost	
At 1 October 1996	13.0
Additions	4.0
Acquisition of subsidiary	1.6
At 30 September 1997	18.6
Amortisation	
At 1 October 1996	3.8
Provision for the year	4.3
At 30 September 1997	8.1
Net book value	
At 30 September 1997	**10.5**
At 30 September 1996	9.2

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 1996	107.9	283.2	2.2	393.3
Additions at cost	17.6	60.0	1.2	78.8
Acquisition of subsidiaries	1.7	7.5	–	9.2
Disposals	(3.3)	(65.3)	–	(68.6)
Translation adjustments	(0.7)	(3.1)	(0.1)	(3.9)
At 30 September 1997	123.2	282.3	3.3	408.8
Depreciation				
At 1 October 1996	16.1	160.6	1.0	177.7
Provision for the year	3.0	42.0	–	45.0
Acquisition of subsidiaries	–	0.4	–	0.4
Disposals	(0.4)	(56.6)	(0.4)	(57.4)
Translation adjustments	(0.2)	(2.1)	0.3	(2.0)
At 30 September 1997	18.5	144.3	0.9	163.7
Net book value				
At 30 September 1997	**104.7**	**138.0**	**2.4**	**245.1**
At 30 September 1996	91.8	122.6	1.2	215.6

Notes

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

Net book value	£1.5m (1996: £1.5 m)
Accumulated depreciation	£1.2m (1996: £1.1 m)
Provision for the year	£0.1m (1996: £0.1 m)

(b) Land and buildings

	1997 £m	1996 £m
(i) The amount shown at cost or valuation includes the following:		
At cost	**111.9**	96.6
At valuation in 1986 or prior	**1.0**	1.0
At valuation in 1992	**10.3**	10.3
	123.2	107.9
(ii) The net book value of land and buildings comprises:		
Freeholds	**82.4**	69.0
Long leaseholds (50 years and over)	**12.0**	12.2
Short leaseholds (under 50 years)	**10.3**	10.6
	104.7	91.8

(c) Depreciation rates

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

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%

(d) Assets revalued

The group's hotel properties were revalued as at 30 September 1992 and the valuation has been incorporated into the accounts.

Notes to the Consolidated Accounts (continued)

11 Investments

	£m
Associated undertakings	
Shares at cost	
At 1 October 1996	8.4
Translation adjustments	(0.4)
At 30 September 1997	8.0
Loans at cost	
At 1 October 1996	3.2
Additions	4.6
At 30 September 1997	7.8
Share of post acquisition reserves	
At 1 October 1996	157.9
Retained profits for year	40.2
Goodwill written off	(75.1)
Translation adjustments	(0.6)
At 30 September 1997	122.4
Other investments	
At 1 October 1996	9.1
Transfer to subsidiary undertakings	(2.7)
Asset sold post year end and transferred to net current assets	(6.4)
At 30 September 1997	–
Total investments	
At 30 September 1997	**138.2**
At 30 September 1996	178.6

Included in associated undertakings is the group's investment in Cellnet totalling £119.8m (1996: £156.0m) represented by the cost of the investment of £4.0m and the group's share of Cellnet's profits after tax (net of dividends received and share of goodwill written off) of £115.8m (1996: £152.0m).

In the opinion of the directors the aggregate value of the group's investments is not less than their cost.

12 Stocks

	1997 £m	1996 £m
Raw materials	**10.8**	11.4
Work in progress	**4.6**	4.6
Finished goods including consumables	**13.7**	18.3
	29.1	34.3

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

13 Debtors

	1997 £m	1996 £m
Trade debtors	**193.4**	220.0
Amounts owed by associated undertakings	**2.5**	2.7
Other debtors	**34.1**	26.0
Prepayments and accrued income	**36.4**	81.5
	266.4	330.2

Included in prepayments is £2.3m (1996: £29.5m) falling due after more than one year.

14 Listed investments

	1997 £m	1996 £m
Listed investments at cost (listed in the UK)	**22.0**	30.9
Market value	**22.3**	31.1

15 Bank overdrafts and short term loans

	1997 £m	1996 £m
Bank overdrafts and advances (unsecured)	**32.1**	25.5
Secured loans	**1.1**	0.5
Unsecured loans	**0.1**	1.1
	33.3	27.1

16 Creditors

	1997 £m	1996 £m
Amounts falling due within one year:		
Obligations under hire purchase and finance leases	**1.1**	1.2
Trade creditors	**71.7**	74.7
Amounts owed to associated undertakings	**32.5**	29.5
Other taxation and social security costs	**34.6**	30.0
Other creditors	**31.5**	24.3
Deferred consideration	**1.5**	12.0
Accruals and deferred income	**69.1**	74.6
	242.0	246.3
Amounts falling due after more than one year:		
Other creditors	**0.1**	0.5
Deferred consideration	**0.7**	3.5
Accruals and deferred income	**0.1**	0.9
	0.9	4.9

Notes to the Consolidated Accounts (continued)

17 Loans

	1997 £m	1996 £m
Secured	0.2	0.7
Unsecured	206.1	217.3
Obligations under hire purchase and finance leases	0.9	1.7
	207.2	219.7
Repayable within one to two years		
Secured	0.1	0.5
Unsecured	0.3	0.5
Obligations under hire purchase and finance leases	0.4	0.4
Repayable within two to five years		
Secured	0.1	0.2
Unsecured	205.6	215.5
Obligations under hire purchase and finance leases	0.5	1.3
Not wholly repayable within five years		
Unsecured	0.2	1.3
	207.2	219.7

Secured loans, at market rates of interest, are secured on property and other assets of the group, and are mainly repayable by monthly instalments between 1997-2002.

Unsecured loans at market rates of interest are mainly repayable in 2000 or at any time at the option of the borrower. At the balance sheet date, a £205 million drawdown on a series of bilateral revolving credit facilities has been included in the above analysis as repayable within two to five years. These facilities are in the aggregate sum of £299 million. The majority expire between 1999 and 2001.

18 Provision for liabilities and charges

	£m
Deferred taxation	
As at 30 September 1997 and 30 September 1996	0.4
Other provisions	
At 1 October 1996	0.2
Profit and loss account (see note below)	14.2
Expended in year	(0.2)
At 30 September 1997	14.2
Total provisions for liabilities and charges at 30 September 1997	**14.6**
At 30 September 1996	0.6

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 £2.4m (1996: £3.0m)

Other provisions – profit and loss account
The amount charged to the profit and loss account of £14.2m represents costs associated with the disposal of the business of Securicor Cellular Services.

19 Share capital

	1997 Authorised £	1997 Issued £	1996 Authorised £	1996 Issued £
Securicor plc				
Ordinary shares of 5p each (fully paid)	**40,000,000**	**30,000,106**	39,950,000	29,999,252
Redeemable Preference shares of £1 each (25p paid)	–	–	50,000	12,500
	40,000,000	**30,000,106**	40,000,000	30,011,752

As reported last year, there were partly paid redeemable preference shares held by Lazard Brothers & Co., financial advisers to the company, as part of the process of restructuring the group. During the year these shares were redeemed and then sub-divided and redesignated as ordinary shares, the authorised ordinary share capital being thereby increased to £40,000,000 by the creation of 1,000,000 further shares of 5p each.
On the basis that the preference shares were to be redeemed, and due to its immateriality, no separate disclosure of the non-equity interest in shareholders' funds has been made for the 1996 comparative.

20 Reserves

	Revaluation reserve £m	Profit & Loss Account £m	Merger reserve £m	Total £m
At 1 October 1996	3.6	173.8	100.8	278.2
Movement in the year:				
Retained earnings	–	6.0	–	6.0
Goodwill (see note 21)	–	(93.3)	–	(93.3)
Write-back of goodwill on disposals	–	11.4	–	11.4
Translation adjustments	–	(6.5)	–	(6.5)
At 30 September 1997	**3.6**	**91.4**	**100.8**	**195.8**

Notes:

(i) As reported last year merger relief arose from the acquisition, by Securicor plc, of the minority interest in Security Services plc during the year ended 30 September 1996. The company has taken advantage of the provisions relating to merger relief contained within section 131 of the Companies Act 1985.

(ii) Goodwill of £212.3m arising on acquisitions since 1989 has been written off to reserves up to 30 September 1997 (1996 – £130.4m).

(iii) Within the goodwill write-off of £93.3m is Securicor's 40% share of Cellnet's goodwill write-off amounting to £75.1m. The Cellnet goodwill write-off includes £32.4m (Securicor's 40% share of which amounted to £13.0m) relating to purchase of cellular subscribers of Securicor Cellular Services Limited. The £32.4m has been used in arriving at the loss on sale of the business of Securicor Cellular Services of £17.6m included within exceptional items (see note 3 (c)).

Equity Minority Interests

The minority interests principally relate to newly attributable minority interests in Axiom Inc (46%) and Intek Diversified Corporation (38%).

Notes to the Consolidated Accounts (continued)

21 Acquisitions and disposal of subsidiaries

(a) Acquisitions

	Pinpoint Employment Agency			Scots Fuels		
	Net assets acquired £m	Fair value adjustments £m	Fair value of assts acquired £m	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	0.4	(0.1)	0.3	–	–	–
Cash	–	–	–	0.1	–	0.1
Debtors	2.0	–	2.0	0.1	–	0.1
Creditors falling due within one year	(2.4)	–	(2.4)	(0.2)	–	(0.2)
	–	(0.1)	(0.1)	–	–	–
Cash consideration			(1.1)			(0.3)
Deferred consideration			(0.8)			(0.1)
Consolidated goodwill			(2.0)			(0.4)

	Thistle Fuels			John Miller Transport		
	Net assets acquired £m	Fair value adjustments £m	Fair value of assts acquired £m	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	–	–	–	2.2	–	2.2
Cash	0.2	–	0.2	–	–	–
Debtors	1.3	–	1.3	–	–	–
Creditors falling due within one year	(1.3)	–	(1.3)	–	–	–
	0.2	–	0.2	2.2	–	2.2
Cash consideration			(1.1)			(3.2)
Deferred consideration			(0.4)			(0.5)
Consolidated goodwill			(1.3)			(1.5)

	Intek Diversified Corporation		
	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets – tangible	6.3	–	6.3
Fixed assets – intangible	1.6	–	1.6
Cash	1.0	–	1.0
Debtors	2.8	–	2.8
Stocks	2.5	–	2.5
Creditors falling due within one year	(6.9)	(0.9)	(7.8)
Creditors falling due after more than one year	(3.8)	–	(3.8)
Minority interest	(1.0)	–	(1.0)
	2.5	(0.9)	1.6
Legal and professional costs in arranging the reverse takeover			(2.6)
Minority share of Securicor Radiocoms' net assets			(7.2)
Amount paid in prior year for investment			(2.7)
Consolidated goodwill			(10.9)

21 Acquisitions and disposal of subsidiaries (continued)

(a) Acquisitions (continued)

	Net assets acquired £m	Fair value adjustments £m	Total Fair value of assets acquired £m
Fixed assets – tangible	8.9	(0.1)	8.8
Fixed assets – intangible	1.6	–	1.6
Cash	1.3	–	1.3
Debtors	6.2	–	6.2
Stocks	2.5	–	2.5
Creditors falling due within one year	(10.8)	(0.9)	(11.7)
Creditors falling due after more than one year	(3.8)	–	(3.8)
Minority interest	(1.0)	–	(1.0)
Total assets	4.9	(1.0)	3.9
Cash consideration			(5.7)
Deferred consideration			(1.8)
Legal and professional costs associated with reverse takeover of Intek Diversified Corporation			(2.6)
Minority share of Securicor Radiocoms' net assets			(7.2)
Amounts paid in prior year for investment			(2.7)
Consolidated goodwill			(16.1)
Share of goodwill written off from associated undertaking – Cellnet			(75.1)
Purchased goodwill			(1.2)
Purchase of minority interest in an existing subsidiary undertaking			(0.9)
Total goodwill on acquisitions			**(93.3)**

The fair value adjustments noted above to tangible fixed assets are in relation to asset write-offs and the fair value adjustment to creditors is in relation to UK GAAP conversion.

(b) Disposals

	Securicor 3net group Net assets disposed £m
Fixed assets – tangible	(1.3)
Stock	(3.3)
Debtors	(2.5)
Creditors falling due within one year	1.3
Net assets disposed of	(5.8)
Sale proceeds	8.9
Cost of sale	(0.7)
Write-back of goodwill	(8.2)
Consolidated loss on disposal	(5.8)

22 Contingent liabilities

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

23 Operating lease commitments

	1997 Land and buildings £m	1997 Equipment and vehicles £m	1996 Land and buildings £m	1996 Equipment and vehicles £m
Commitments at 30 September 1997 on operating leases which expire:				
within one year	**2.7**	**1.8**	2.0	11.2
between one and two years	**0.5**	**2.4**	1.2	9.4
between two and five years	**3.6**	**4.7**	3.1	10.8
after more than five years	**30.5**	**0.4**	34.0	1.0
	37.3	**9.3**	40.3	32.4

Notes to the Consolidated Accounts (continued)

24 Capital Commitments

	1997 £m	1996 £m
Contracted	**0.8**	11.8

25 Notes to the cash flow statement

	1997 £m	1997 £m	1996 £m	1996 £m
(a) Reconciliation of operating profit to operating cash flows				
Profit on ordinary activities before taxation		**31.4**		107.4
Share of profits of associated undertakings	**(61.6)**		(79.9)	
Dividends from associated undertakings	**1.3**		17.3	
		(60.3)		(62.6)
Net interest		**16.7**		13.5
Profit on disposal of fixed assets and investments		**(3.5)**		(10.1)
Loss/(profit) on sale of a subsidiary undertaking		**5.8**		(4.2)
Loss on sale of the business of Securicor Cellular Services		**17.6**		–
Profit on divestment of an interest in Axiom Inc		**(8.8)**		–
Other exceptionals		**2.2**		–
Depreciation		**45.0**		44.0
Amortisation of development expenditure		**4.3**		1.8
Decrease/(increase) in stocks		**4.3**		(9.6)
Decrease/(increase) in debtors		**39.3**		(46.3)
(Decrease)/increase in creditors falling due within one year		**(12.7)**		17.7
Decrease in creditors falling due after more than one year		**(5.7)**		(1.3)
		75.6		50.3

25 Notes to the cash flow statement (continued)

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

	£m	1997 £m	£m	1996 £m
Return on investments and servicing of finance				
Interest received	2.3		0.9	
Interest paid	(19.6)		(15.7)	
Net cash outflow from returns on investments and servicing of finance		(17.3)		(14.8)
Net cash outflow from capital expenditure and financial investment				
Purchase of tangible fixed assets	(77.6)		(78.2)	
Purchase of intangible fixed assets	(4.0)		(2.3)	
Purchase of goodwill	(1.2)		(0.6)	
Sale of tangible fixed assets	12.4		15.7	
Increased investment from minorities	0.2		–	
Net cash outflow from capital expenditure and financial investment		(70.2)		(65.4)
Net cash flow from acquisitions and disposals				
Purchase of subsidiary undertakings and related disposal	(8.3)		(8.4)	
Net cash acquired with subsidiary undertakings and related disposal	1.3		11.0	
Purchase of minority interest	(1.0)		(0.7)	
Deferred consideration	(12.5)		(17.3)	
Sale of subsidiary undertakings	8.9		0.7	
Sale of the business of Securicor Cellular Services	40.3		–	
Partial divestment of an interest in Axiom Inc	20.0		–	
Purchase of and loans to associated undertakings	(4.6)		(4.6)	
Net cash inflow/(outflow) from acquisitions and disposals		44.1		(19.3)
Management of liquid resources				
Purchase of investments	(41.5)		(49.9)	
Sale of investments	50.7		50.2	
Net cash inflow from management of liquid resources		9.2		0.3
Financing				
Share issue pre reconstruction		–		0.6
(Decrease)/increase in loans	(12.1)		78.6	
Capital element of finance lease rental payments	(2.3)		(1.8)	
		(14.4)		76.8
Net cash (outflow)/inflow from financing		(14.4)		77.4

(c) Analysis of net debt

	1996 £m	Cash flow £m	Acquisitions excluding cash and overdrafts £m	Other non-cash changes £m	1997 £m
Cash in hand and at bank	23.4	13.9			**37.3**
Overdrafts	(25.5)	(6.6)			**(32.1)**
		7.3			
Debt due after more than one year	(218.0)	11.7			**(206.3)**
Debt due within one year	(1.6)	0.4			**(1.2)**
Finance leases	(2.9)	2.3	(1.2)	(0.2)	**(2.0)**
		21.7			
Listed investments	30.9	(9.2)		0.3	**22.0**
Total	(193.7)	12.5	(1.2)	0.1	**(182.3)**

Notes to the Consolidated Accounts (continued)

25 Notes to the cash flow statement (continued)

(d) Major non-cash transactions

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

(e) Acquisition of subsidiaries

	Pinpoint Employment Agency Limited Net assets acquired £m	Scots Fuels Limited Net assets acquired £m	Thistle Fuels Limited Net assets acquired £m	John Miller Transport Net assets acquired £m	Intek Diversified Corporation Net assets acquired £m	Total net assets of subsidiaries acquired £m
Fixed assets – tangible	0.3	–	–	2.2	6.3	8.8
Fixed assets – intangible	–	–	–	–	1.6	1.6
Debtors	2.0	0.1	1.3	–	2.8	6.2
Stocks	–	–	–	–	2.5	2.5
Creditors falling due within one year	(2.4)	(0.2)	(1.3)	–	(7.8)	(11.7)
Creditors falling due after more than one year	–	–	–	–	(3.8)	(3.8)
Minority interest	–	–	–	–	(1.0)	(1.0)
	(0.1)	(0.1)	–	2.2	0.6	2.6
Goodwill (see note 21)	2.0	0.4	1.3	1.5	10.9	16.1
Total Cost	**1.9**	**0.3**	**1.3**	**3.7**	**11.5**	**18.7**
Less: amounts paid in prior year for investment	–	–	–	–	(2.7)	(2.7)
Less: amounts due under deferred purchase consideration	(0.8)	(0.1)	(0.4)	(0.5)	–	(1.8)
Minority share of Securicor Radiocoms' net assets	–	–	–	–	(7.2)	(7.2)
Cash outflow (excluding net cash) in respect of purchase of subsidiary undertakings	**1.1**	**0.2**	**0.9**	**3.2**	**1.6**	**7.0**
Net cash	–	0.1	0.2	–	1.0	1.3
Cash outflow (including net cash) in respect of purchase of subsidiary undertakings	**1.1**	**0.3**	**1.1**	**3.2**	**2.6**	**8.3**

The subsidiary undertakings acquired during the year used £10.1m of the group's net operating cash flows, paid nil in respect of taxation and used £3.7m for capital expenditure.

(f) Disposal of subsidiaries

	Securicor 3net group Total net assets of subsidiaries sold £m
Fixed assets – tangible	1.3
Stocks	3.3
Debtors	2.5
Creditors falling due within one year	(1.3)
	5.8
Loss on disposal	(5.8)
Costs of sale	0.7
Write-back of goodwill	8.2
Cash inflow in respect of sale of subsidiary undertakings	**8.9**

26 Related Party Transactions

Transactions with associated undertakings

All transactions with associated undertakings are in the normal course of business other than the sale of consumer and small business subscribers to Cellnet by Securicor Cellular Services Limited (SCS), a 100% owned company of the group.

The principal associated undertaking is Cellnet Group Limited (Cellnet) in which the group has a 40% shareholding.

Details of transactions and balances with these related parties are set out below:

	Cellnet Group Ltd (note 1) £'000	Bridgend Custodial Services Ltd (note 2) £'000	Americas Region (note 3) £'000	Securicor Datatrak Europe BV (note 4) £'000	Other associates (note 6) £'000
Transactions					
Turnover					
Marketing and connection fees	45,320				
Technical service fees			240		
Management fees				141	
Equipment sales				1,199	
Cost of sales					
Network provider costs from Cellnet	110,661				
Travel costs (see note 5)					1,367
Dividends received			67		1,197
Other – relating to SCS sale of subscribers to Cellnet (see note 1)					
Sale of subscribers	30,425				
Sale of stock	977				
Sale of debtors	3,800				
Sale of dealer contracts	2,500				
Balances					
Debtors					
Loans		4,936	214		
Other debtors	4,944		180	1,719	2,342
Creditors					
Other creditors	31,588		263		693

Notes

1. On 30 September 1997 SCS sold all its subscribers, the majority to Cellnet. The transactions and balances noted above will not occur in the future.
2. Securicor has a 40% interest in Bridgend Custodial Services Limited (BCS), a company engaged in the design, construction, finance and management of HM Prison Parc, Bridgend. The 25 year contract to manage the prison was given by BCS to Securicor Custodial Services Limited, a 100% owned Securicor company. The contract commenced in November 1997.
3. During the year Securicor Neal & Massy Limited received a total of £240,000 from other group companies in the Americas region in which Securicor has an effective interest of less than or equal to 50%. The companies concerned were Securicor Trinidad Limited, Vigilantes Caracas Vicasa SA (Venezuela), Securicor Segura Transportadora SA (Costa Rica), Securicor Segura Transportadora SA (Dominican Republic) and Securicor Jamaica Limited.
4. Securicor Datatrak Europe BV is a company in which Securicor has a 33% interest. Its transactions noted above were with Securicor Datatrak Limited.
5. Phoenix World Travel Limited, in which Securicor has a 50% interest, provided travel services to other Securicor companies totalling £1,367,000.
6. Other associates are J S Holdings Limited (50%), Al Mulla Security Services Co WLL (49%), Geldnet BV (25%), VNV Securicor Alarmcentrale v.o.f. (33%) and Securicor Datatrak Nederland BV (33%).

Transactions with other related parties

During the year, Securicor Isle of Man Limited, a 100% owned subsidiary company, sold property to its managing director. The sale price was £85,000 on the basis of a valuation survey undertaken by a local firm of Chartered Surveyors and authorised by the local board of directors on that basis.

Notes to the Consolidated Accounts (continued)

27 Principal subsidiary and associated undertakings

	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1998
Subsidiary undertakings		
Security		
Securicor Custodial Services Limited	100	United Kingdom
Securicor Guarding 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
Pinpoint Employment Agency 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
Avica SA	100	France
Securicor Investissements 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

27 Principal subsidiary and associated undertakings (continued)

	Effective % of issued share capital controlled by the group	Incoporated and operational as at January 1998
Communications		
Securicor Communications Limited	100	United Kingdom
Securicor Datatrak Limited	100	United Kingdom
Securicor Dopra Limited	100	United Kingdom
Securicor Telecoms Limited	100	United Kingdom
Axiom Inc	54	USA
Intek Diversified Corporation (incorporating Securicor Radiocoms Limited)	62	USA
Insurance and Hotels		
Crosskeys Limited	100	Gibraltar
Securicor Hotels Limited	100	United Kingdom
Holding Companies		
Securicor Group plc (held directly by Securicor plc)	100	United Kingdom
Security Services plc (50.75% directly owned by Securicor Group 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 venture

	Issued capital	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1998
Security			
Bridgend Custodial Services Limited	£250,000	40	United Kingdom
JS Holdings Limited – incorporated – operational	US$3,000	50	British Virgin Islands 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$40,000,000	33	Jamaica
Communications			
Cellnet Group Limited	£10,000,000	40	United Kingdom
Securicor Datatrak Europe BV	NLG4,500,000	33	Netherlands
Securicor Datatrak Nederland BV	NLG4,500,000	33	Netherlands

Note
All material holdings are in ordinary shares.

Parent Company Balance Sheet

At 30 September 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Investments	(a)	**30.0**	30.0
		30.0	30.0
Current assets			
Debtors – amount due from subsidiary undertaking – proposed dividend		**18.2**	15.0
Corporation tax		**0.5**	0.5
		18.7	15.5
Creditors – amounts falling due within one year			
Proposed dividends		**8.1**	7.2
Corporation tax		**–**	0.5
Other – amount owed to subsidiary undertaking		**3.4**	2.1
		11.5	9.8
Net current assets		**7.2**	5.7
Total assets less current liabilities		**37.2**	35.7
Net assets		**37.2**	35.7
Capital and reserves			
Called up share capital	19	**30.0**	30.0
Reserves – profit and loss account	(b)	**7.2**	5.7
Equity shareholders' funds		**37.2**	35.7

Approved by the board on 16 February 1998

Roger Wiggs
Christopher Shirtcliffe } Directors

Notes to the Parent Company Balance Sheet

(a) Investments

	1997 £m
Subsidiary undertakings	
Shares at cost	
At 30 September 1997 and 30 September 1996	**30.0**

(b) Reserves

	Profit & loss account £m
At 1 October 1996	5.7
Profit for the financial year	1.5
At 30 September 1997	**7.2**

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 £11.9m.

(c) Contingent liabilities

There are no contingent liabilities.

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 19 March 1998 at 11.00 am.

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 1997, 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 James Birrell
   Sir Peter Imbert (member of Remuneration Committee)
   Mr Pat Howes

   (d) To elect the director appointed since the last Annual General Meeting:
   Mr Jonathan Kitchen (member of Remuneration Committee).

   (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 £1,500,000 (which represents approximately 5 per cent 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 19 May 1999, 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."

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

By Order of the Board
N E Griffiths
Secretary

16 February 1998

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 11.00 am on 17 March 1998.

(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 3 April 1998 to the holders registered at close of business on 6 March 1998.

(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.

Report of the Auditors to the members of Securicor plc

We have audited the financial statements on pages 36 to 62. We have also examined the amounts disclosed relating to directors' remuneration and share options set out in the Report of the Remuneration Committee on pages 33 and 34.

Respective responsibilities of directors and auditors.

As described on page 32, 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 1997 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 Corporate Governance on page 30 on the group's compliance with the paragraphs of the Code of Best Practice, ("the Code") specified for our review by the Listing Rules. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures or on the ability of the group to continue in operational existence.

Opinion

In our opinion the directors' statements on internal financial control and going concern on pages 30 and 9 have provided the disclosures required by paragraph 4.5 of the Code and paragraph 12.43(v) of the Listing Rules (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

In our opinion, based on the enquiry of certain directors and officers and examination of relevant documents, the directors' statement on page 30 appropriately reflects the group's compliance with the other aspects of the Code specified for our review by paragraph 12.43 (j) of the Listing Rules.

Baker Tilly Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST
16 February 1998

Ten Year Financial Summary (restated)

£m	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Turnover	**1,354**	1,255	1,031	800	637	584	565	532	502	446
Profit before taxation	**31.4***	107.4	99.4	80.6	63.0	47.3	29.0	45.3	38.2	27.2
Profit attributable to shareholders	**16.4**	57.0	41.3	35.2	28.4	18.7	12.1	17.6	14.6	9.1
Profit retained	**6.0**	47.7	33.3	29.4	23.4	14.3	8.2	14.1	12.0	7.2
Fixed assets	**393.8**	403.4	353.6	276.1	241.8	224.7	206.2	184.7	135.7	104.5
Net assets	**242.5**	308.4	279.3	291.5	256.4	226.1	214.6	202.7	179.8	101.9
Earnings per ordinary share (pence)	**2.7**	11.6	10.7	9.0	7.3	4.5	3.7	4.7	3.4	2.2
Dividends per ordinary share (pence)	**1.74**	1.558	1.332	1.130	0.980	0.867	0.660	0.590	0.424	0.329
Return on net assets (%)	**13**	35	35	27	24	21	14	22	21	27
Net debt/(cash) (£m)	**182.3**	193.7	125.1	19.6	14.5	13.9	(3.0)	(11.4)	(43.2)	0.9
Net debt (cash)/equity (%)	**75**	63	44	7	6	6	(1)	(6)	(24)	1

*After deducting exceptional items and discontinued operations totalling £70.0m.