

Securicor Policy

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To give

- value for money
- first class quality service

Through

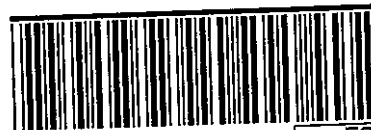
- experienced and skilled human resources
- reliability, integrity and customer care
- innovative application of technology

Achieving

- efficient and effective
- customer satisfaction
- shareholder value

Financial Highlights

	1996
Turnover (£m)	1,255.1
Profit before taxation (£m)	107.4
Earnings per share (pence)	11.6p
Dividend per share (pence)	1.558p



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Chairman's Statement

Results

Group profits for the year to 30 September 1996 amounted to £107.4m, an increase of 8.1% over the results for the previous year. The contribution from our managed business operations, before deducting costs of £5.8m associated with the capital restructuring of the group, increased from £30.1m to £36.6m, whilst the contribution from our 40% share of the Cellnet profits increased from £70.6m to £76.6m.

Dividends

The directors will be recommending a final dividend of 1.204p per share which, taken with the interim dividend of 0.354p per share paid in September, would represent an increase of 17% over the restated equivalent for the previous year.

Restructuring

The major event in the year was the restructuring of the group. In June 1996 the shareholders in Securicor Group plc and Security Services plc - numbering five different classes - had their shares exchanged for ordinary shares in a new group holding company, Securicor plc. The effect of the restructuring is shown graphically on page 12. The process by which it was achieved was of itself both long and complex and I compliment the executive directors and our first-rate external advisers on their unstinting commitment in seeing it through.

There is no doubt that the complexity of our previous group structure was such as to deter potential new investors. I am delighted that this impediment has now been removed.

There were two significant acquisitions in the year. The first was as a result of the transaction with BET under which we acquired Shorrock Guards and disposed of our alarms installation and maintenance business. Securicor Guarding now employs over 7,000 guards as a result of the successful integration of the Shorrock business. We also acquired Dopra Systems Integration, a Wiltshire-based company which, now trading as Securicor Dopra, specialises in the integration of communications and information technology for the emergency service and utility markets.

Scottish Express International, which we acquired from BAA in 1993, celebrated its 50th anniversary during the year and, in September, opened a new £6m head office and international terminal at Mossend, near Glasgow, ideally positioned for road, rail and air transport. Securicor Datatrak celebrated its tenth anniversary in September. Its automatic vehicle location system has, during the last few years, constituted an important deterrent to would-be attackers of our cash-carrying vehicles and has protected many external vehicle fleets. The technology also adapts itself to the provision of mobile two-way data which we perceive as a high growth market over the next few years.

Special Tributes

During the year, Securicor made 97 awards to staff in recognition of acts of outstanding courage displayed by our security officers in the discharge of their duties. 16 employees received a Securicor Bravery Medal and 22 the Meritorious Conduct Medal. 22 awards were made to members of the public who gave assistance to our staff.

We send our deepest sympathy to the family of John Ainba who was killed by criminals whilst performing static guarding duties in Kenya.

I thank all our staff, both in the United Kingdom and overseas, for their commitment, loyalty and skill, qualities which are absolutely essential for the development and prosperity of our businesses.

Board change

In July, Dicky Alexander retired from the board after 20 years' service as a non-executive director of Securicor Group plc and Security Services plc. Dicky combined great commercial acumen with the most incisive of minds. His contribution to the group's development over two decades was invaluable. We wish him and his wife a long and happy retirement.

Our strategy

We are concentrating on improvement to profit margins whilst consistently achieving a return on capital of at least 20% for the group as a whole. At the same time, our portfolio of businesses is under constant review as we pursue our focused strategy.

The new trading year has started well, reflecting a more buoyant economy. We maintain our optimism for the future.

Chairman



Chief Executive's Review

The unification of Securicor Group plc and Security Services plc under a new holding company, with a single class of voting shares, made 1996 a watershed in Securicor's history. Whilst we never allowed the previous structure to inhibit the group's development, we recognised the importance of attracting greater interest from a wider range of investors and of improving liquidity for our shares.

We retain our 40% investment in Cellnet. That company will, we believe, continue to generate further profitable growth and we are under no pressure to realise the investment.

Divisional Review

We disposed of our loss-making alarms installation and maintenance business and, as part of the same transaction, acquired Shorrock Guards which employed over 3,500 staff. Integration of this business with Securicor Guarding was handled with conspicuous success and we have quadrupled the profits from our manned guarding business. We retained part of our alarms monitoring business and indeed we continue to develop monitoring and response services both in the UK and overseas. Our cash services business suffered from reduced profit margins as a result of unrealistic price-cutting in 1995 by our major domestic competitor. By the period end, market conditions were returning to normal and trading had improved. Construction of the new prison at Bridgend, South Wales, which will be operated by Securicor Custodial Services under a 25-year agreement, is on target for an opening in late 1997.

We had mixed results in Europe, with good performances by most territories but poor results from France where a new senior team has been installed to take appropriate management action. ASD, our recent major guarding acquisition in Germany, is proving a sound investment although one-off integration costs had an impact on Germany's profits in the period.

Our joint venture with Jardine in Asia Pacific continued to make good progress as did our businesses in the Americas. Our long-established companies in Kenya, Malawi and Zambia all performed well but we have decided not to continue with our guarding joint venture in South Africa.

We consolidated our position as the UK's largest overnight parcels carrier, with Securicor Omega Express delivering an average of over two million parcels per week. A new super terminal is being constructed at Hatfield, north of London. It will be one of the largest facilities of its type in Europe, capable of handling over 36,000 parcels an hour. Securicor Pony Express – the UK's leading same day courier company – now has 60 branches, 25 of them franchised.

The businesses we acquired in 1995, Russell Davies Container Transport and Russell Davies Distribution (now Securicor Omega Logistics), both made good progress, picking up major new contracts during the period.

The division continued to develop valuable businesses. The US market looks particularly exciting, with Securicor Telesciences producing excellent results. Securicor Radiocom, which specialises in narrowband wireless technology, has now combined its operations with the air time services of a California business, Intek, and the US land mobile radio distribution business of Midland International. Securicor holds 64% of the merged entity.

Profits were down in Securicor Cellular Services as a result of the lowering of prices and a shift in the customer base towards consumer subscribers who have a higher bad debt profile. The company had over 410,000 subscribers at the period end, an increase in the year of 28%. Securicor Datatrak has now completed or is in the process of commissioning four overseas networks. Securicor TrakBak now

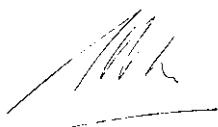
has 6,000 subscribers and the TrakBak system has led to the police recovering over £5 million of stolen vehicles. Securicor Dopra, acquired in April, made a good profit contribution.

Business Services

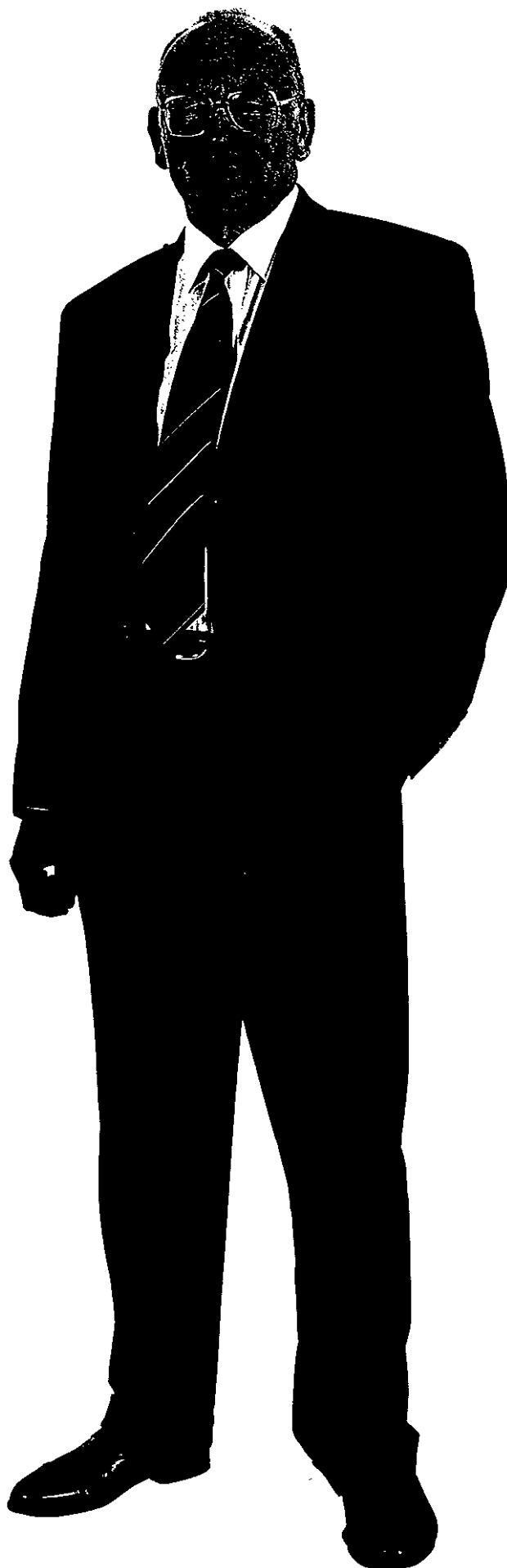
Securicor Hotels had an excellent year, with consistently high occupancy rates at the two Richmond hotels. Securicor Recruitment Services now has over 50 branches in the UK and is benefiting from the growing trend towards temporary employment. We sold our vehicle body-building company, Bedwas Bodyworks, in June.

Securicor Fuelserv and Securicor Rentmaster, businesses we acquired in 1995 as part of the Russell Davies purchase, both progressed well. Securicor Vehicle Services continued to drive down the costs of operating the Securicor UK fleet of 9,500 vehicles.

We have a portfolio of security, distribution and communications companies many of which are market leaders within their respective sectors. We have a reputation for building good, well-organised businesses, using our skills in the management of people and in the successful exploitation of innovative technology. Our mission now is to increase the profitability of those businesses with a total commitment to enhancing shareholder value.



Peter Davies
Chief Executive



Financial Review

Operating results

The total group turnover for the year was £1,255.1m and profit before taxation was £107.4m, increases of 21.7% and 8.1% respectively over the previous year. The operating profit (before interest and exceptional items) from our continuing managed businesses rose by 16.6% from £36.9m to £43.0m. Our 40% investment in Celinet contributed £76.6m – an uplift of 8.5% on the previous year.

The two charts on the next page show the growth in turnover and profit before tax over the last five years.

The increases in 1996 have predominantly been achieved through organic growth. Companies acquired during the year are referred to on page 34 in the Report of the Directors. Their contribution to the turnover and profit before tax increases during the year were, respectively, £44.5m and £1.5m.

At the divisional operating profit level, our Distribution division showed an impressive 57% uplift to £21m over the previous year, although both our Security Services and Communications divisions had downturns for the reasons stated in the Chief Executive's Review on page 4. As a result of management action taken in the first half of the year, all four divisions increased their trading profit in the second half.

Basis of consolidation

The consolidated accounts reflect the company's acquisition during the year of the minority interest previously held by the external shareholders of Security Services plc.

Comparative figures have been restated to reflect the position as if Securicor plc had been in existence at 30 September 1995, using the principles of merger accounting.

Consolidated profit and loss account

The minority interest for the current year shows a significant reduction because of the acquisition, by Securicor plc, of the interest previously held by the external shareholders of Security Services plc.

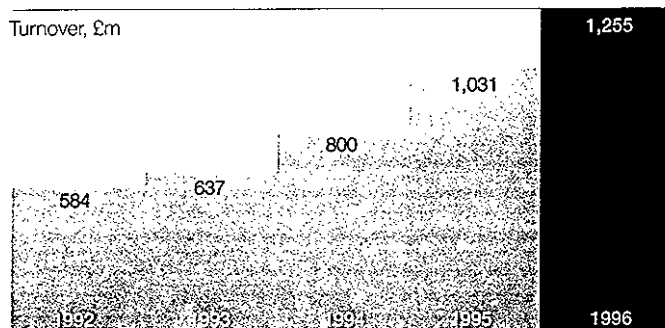
The restated 1995 results differ from last year as they now reflect the aggregate of all external dividends declared by Security Services plc and Securicor Group plc. The retained profit for that year has been amended accordingly.

Professional fees totalling £5.8m were incurred in connection with the reconstruction and have been treated as an exceptional item (note 3(c) on page 47).

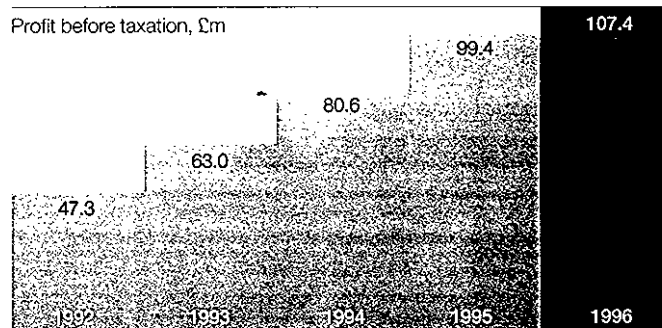
Consolidated balance sheet

The increase in share capital during the year under review reflects the consideration for the acquisition of the interest of the external shareholders of Security Services plc. The company has taken advantage of Section 131 Companies Act 1985, thus eliminating the requirement for a share premium.

Turnover, £m



Profit before taxation, £m



Comparative figures have been amended to reflect the dividend adjustment noted above and the requirements of merger accounting.

Earnings per share

Earnings per share have been disclosed on an FRS 3 basis. A supplementary earnings per share figure has also been provided which assumes that the group had been in existence, in its current structure, for both years under review (see note 7 on page 49).

Trading Risks

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 consider there to be significant exposure.

Internal Financial Control

The responsibility for the group's system 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 mis-statement or loss.

The directors, through the Audit Committee, review the effectiveness of the system 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:

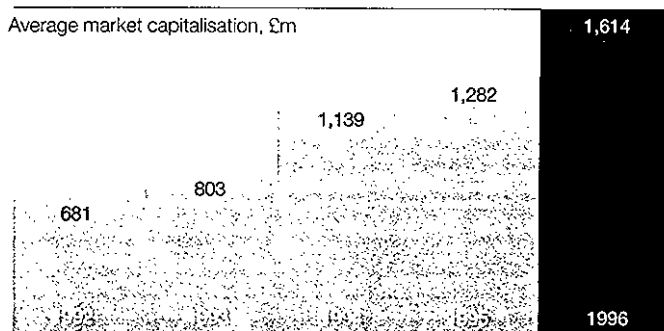
- There are clearly defined reporting lines and authorisation procedures.
- There is a comprehensive budgeting system for each business unit which is consolidated in an annual group budget approved by the board. Results are reported each month and compared to the budget and prior year. Revised forecasts 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.

These procedures are set out in a comprehensive Finance Manual which is distributed to all subsidiaries within the group. Both internal and external auditors report on compliance with the Finance Manual.

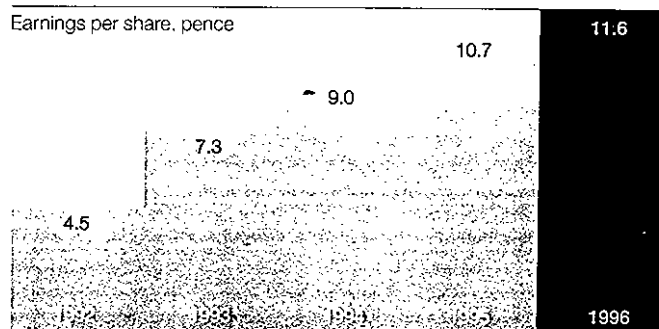
Taxation

The effective overall tax rate was 35.7%, similar to last year. This is made up of 35.5% as the rate attributable to Cellnet and 36% attributable to the managed businesses. If the profit on the sale of Securicor Alarms and the costs of the reorganisation are excluded, the corporation tax rate for the managed businesses would have been 34.3%.

Average market capitalisation, £m



Earnings per share, pence



Shareholder value and market capitalisation

Shareholder value has been enhanced in recent years 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 as shown above.

Earnings per share over the last five years, calculated by reference to the 600 million shares in issue at 30 September 1996, have also risen, as can be seen from the chart above.

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 17% 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 15% and 18% respectively. Dividend cover is 7.4 times. However, dividend cover excluding Cellnet's profit contribution was 2.2 times. The dividend received from Cellnet in respect of their year ended 31 March 1996 was £14.2m – being declared at the rate of 30% of Cellnet's profit after tax.

Cash Flow

The group has adopted the revised version of FRS 1 on Cash Flow Statements. The main impact of the revised standard is to refocus the cash flow statement on a narrower definition of cash. The concept of 'cash equivalents' is no longer used and there are significant other changes to the format of the cash flow statement shown on page 42 together with the note on pages 58 to 60.

Our net cash inflow from operating activities increased by £13.6m to £50.3m, after incorporating a rise in working capital of £39.5m due principally to the increase in turnover and the cost of adding new cellular subscribers. The amount spent on acquisitions during the year, net of disposal proceeds, totalled £19.3m. This included deferred consideration paid in relation to Russell Davies and ASD in Germany, both purchased in the previous year. Our net debt for the year to 30 September increased by £68.6m. The purchase of tangible fixed assets (including the purchase of the freehold of our head office in Sutton for £11m) resulted in capital expenditure being 1.8 times the depreciation charge, the same as in 1995.

Financing and treasury activities

The increase in our net borrowings during the year was financed by drawings under our revolving credit facilities. These facilities were renegotiated during the year with 13 major international banks and now total £284m. Their availability is committed, on average, to the next millennium and they are at variable rates linked to LIBOR. Drawings under these facilities at 30 September 1996 amounted to £215m (last year £135m).

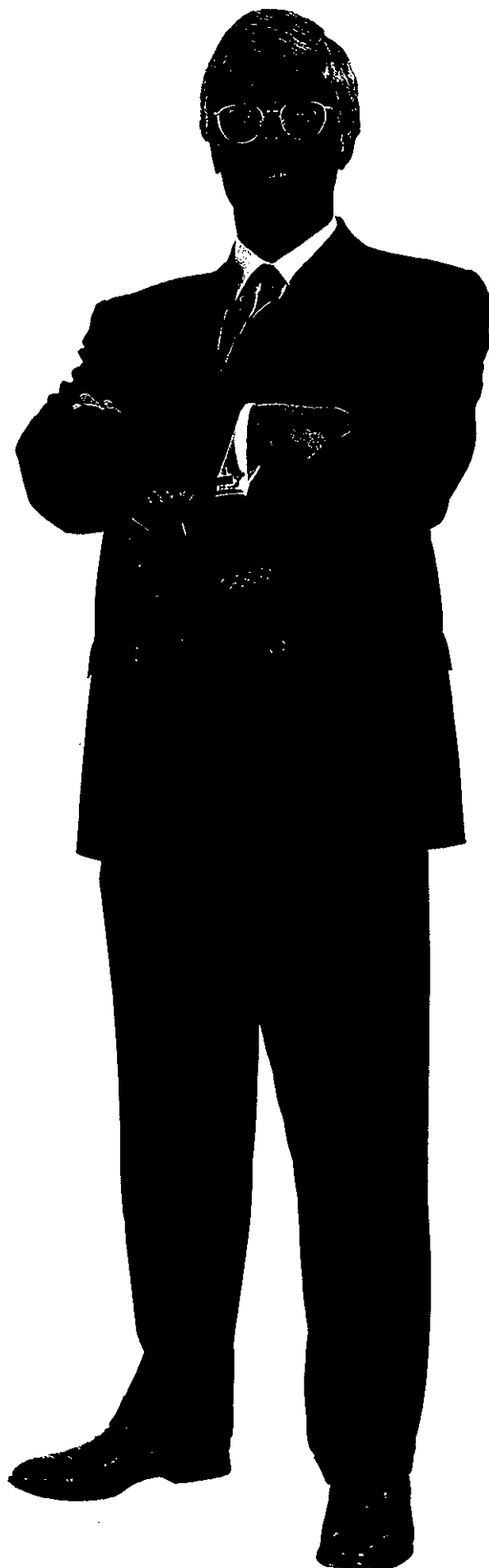
With our increased borrowings, our net debt to equity ratio rose to 63%. If our investment in Cellnet was reflected in our balance sheet at the value currently attributed to it by our share price, the net gearing based on our average market capitalisation for the year to 30 September 1996 would drop below 12%.

Net interest cover for the year was 3.3 times on our managed businesses' profits and 9.0 times on total profit before interest and tax.

The Group Treasury department adopts minimum risk strategies.

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.

Group Finance Director



Board of Directors

1 Sir Neil Macfarlane, 60 Chairman

Appointed to boards of Securicor Group plc and Security Services plc in 1993. Member of Parliament for Sutton and Cheam 1974-92. Held posts of Junior Minister for Education and Science, Deputy Arts Minister and Junior Environment Minister with responsibility for Sport. Chairman of Associated Nursing Services plc and non-executive director of RMC plc, Zetters International Group plc and Bradford and Bingley Building Society.

2 Roger Diggs, 57 Group Chief Executive

As a solicitor, became increasingly involved in the group's overseas affairs during the latter part of the 1960s. 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.

3 John G. Stannard, FCA, 62 Group Finance Director

Joined the group's overseas operations in France in 1975. Was subsequently promoted Financial Controller of the European subsidiary companies and 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.

4 John G. Stannard, FCA, 62 Group Finance Director

Joined the group's security operations in Scotland in 1968. Was promoted General Manager of Securicor Limited in 1976, to the board of that company in 1979 and became its Managing Director in 1985. Was appointed to the boards of Security Services plc in 1984 and Securicor Group plc in 1986.

5 John G. Stannard, FCA, 62 Group Finance Director

Joined the group in 1969 and occupied various managerial positions until being appointed General Manager of the parcels operation in 1983. Was appointed to the boards of Securicor Limited in 1985, Security Services plc in 1991 and Securicor Group plc in 1992.

6 Ed Hought, 52 Chief Executive, Communications Division

Joined the group in 1992, having previously occupied Managing Director roles within the ICI, Hoechst and Johnson Matthey groups. Was appointed to the boards of Securicor Group plc and Security Services plc in October 1995. Director of Cellnet Group Limited.

7 Nigel Griffiths, LLB, 50 Company Secretary and Group Legal Director

Joined the group's French company in a management role in 1973. A solicitor, he was appointed to the board of Securicor Limited in 1986 as Legal Director. Was appointed Company Secretary of Securicor Group plc and Security Services plc in 1989 and to the boards of those companies in March 1990.

8 Richard Groves, 68

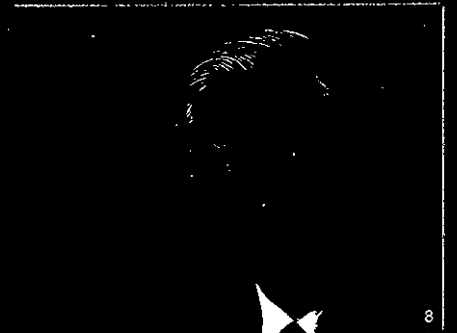
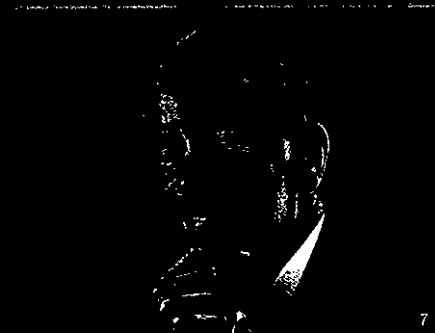
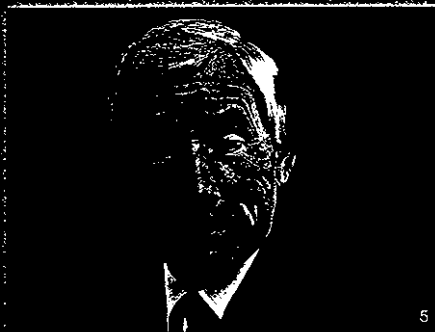
Appointed to boards of Securicor Group plc and Security Services plc in 1986. Deputy Chairman 1988-93. Currently Chairman of Securicor Ireland Limited. Formerly Chairman and Chief Executive of Brickhouse Dudley plc and Chairman of Metal Closures Group plc. Retired from executive duties in 1991.

9 Sir David Smith, 1944-1994

Appointed to boards of Securicor Group plc and Security Services plc in 1993. Joined Metropolitan Police in 1953. Transferred to CID in 1956 and served for many years in Special Branch. After senior appointments with Surrey Constabulary, became Chief Constable of Thames Valley Police in 1979. Appointed Deputy Commissioner of Metropolitan Police in 1985 and then served as Commissioner between 1987-93. Non-executive director of Camelot Group plc and non-executive chairman of Retainagroup Limited.

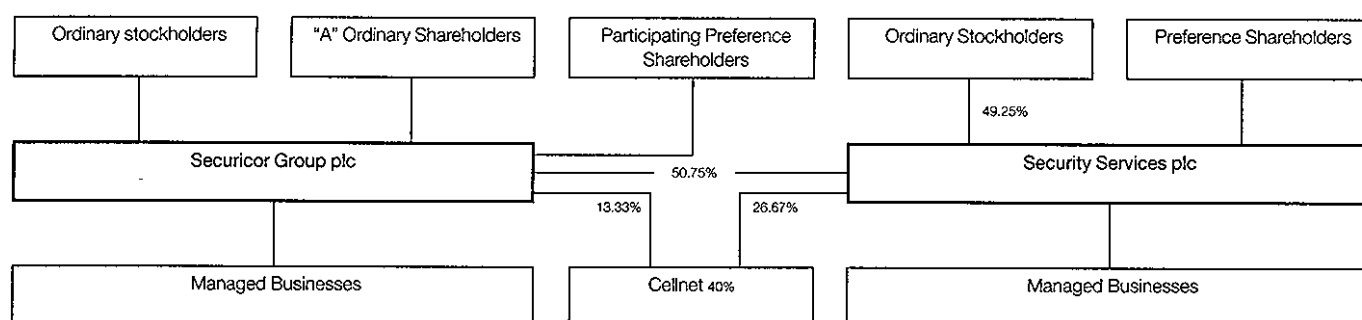
10 John G. Stannard, FCA, 62 Group Finance Director

Appointed to boards of Securicor Group plc and Security Services plc in 1993. Joined Halifax Building Society as the Accountant in 1968 and, after various senior management positions, was appointed Chief Executive in 1988. Chairman of the Council of Mortgage Lenders 1989-90. Retired from Halifax in 1993. Member of the Building Societies Commission from January 1994. Non-executive director of Wesleyan Assurance Society.



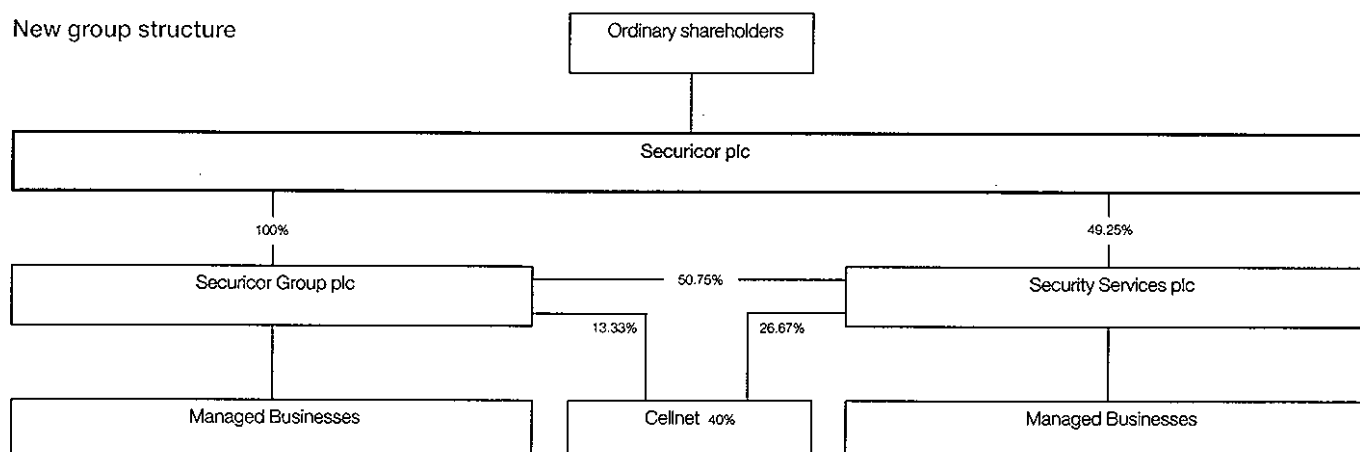
Group Operating Structure

Previous group structure



Prior to the restructuring, the group comprised two listed companies with, between them, five classes of shareholder. A new holding company, Securicor plc, was superimposed and all shareholders of Securicor Group plc and the public shareholders of Security Services plc had their shares exchanged for new ordinary, voting shares in Securicor plc. Beneath Securicor plc, the ownership structure remains as before.

New group structure



Securicor plc

Cellnet (40%)

Securicor Security Services

Securicor Cash Services
Securicor Guarding
Securicor Monitoring Services
Securicor Custodial Services

Overseas Operations:
Barbados, Costa Rica, Dominican Republic, 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, Venezuela, Zambia.

Securicor Distribution

Securicor Omega Express
Russell Davies Container Transport
Securicor Pony Express
Securicor Omega Express International
Scottish Express International
Securicor Omega Logistics
Securicor Omega Office Services

Overseas Operations:
Belgium, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Kenya, Luxembourg, Malaysia, Netherlands, South Africa.

Securicor Communications

Securicor Cellular Services
Securicor TrakBak
Securicor Datatrak
Securicor 3net
Securicor Telecoms
Securicor Dopra
Securicor Computer Services
Securicor Telesciences
Intek (incorporating Securicor Radiocomms)

Overseas Operations:
Australia, Netherlands, New Zealand, USA.

Securicor Business Services

Securicor Vehicle Services
Securicor Fuelserv
Securicor Rentmaster
Eurotruck Contracts
Securicor Recruitment Services
Securicor Hotels

Overseas Operations:
None

SECURICOR

Securicor Cash Services

With cash still the dominant method of transaction, Securicor Cash Services is the UK's largest carrier of cash and valuables. In recent years the company has become increasingly involved in a range of related services such as automated teller machine replenishment and maintenance, as well as other cash handling activities. Services are provided from sixty centres throughout the UK with some 6,000 operational staff and 1,600 vehicles. The company has recently invested in a technological system known as COBRA which will provide an automated recording of the 30 million cash containers handled each year.

Securicor Guarding

One of the UK's top manned guarding companies, Securicor Guarding is a specialist in the retail, special events, aviation and maritime, and response services sectors. Supplying some 18 million guarding hours per annum, the company is responsible for screening

some six million passengers at ports and airports each year as well as providing security officers for the Wimbledon Lawn Tennis Championships. As a founder member of the British Security Industry Association, the company has the most stringent recruitment and screening procedures in the industry.

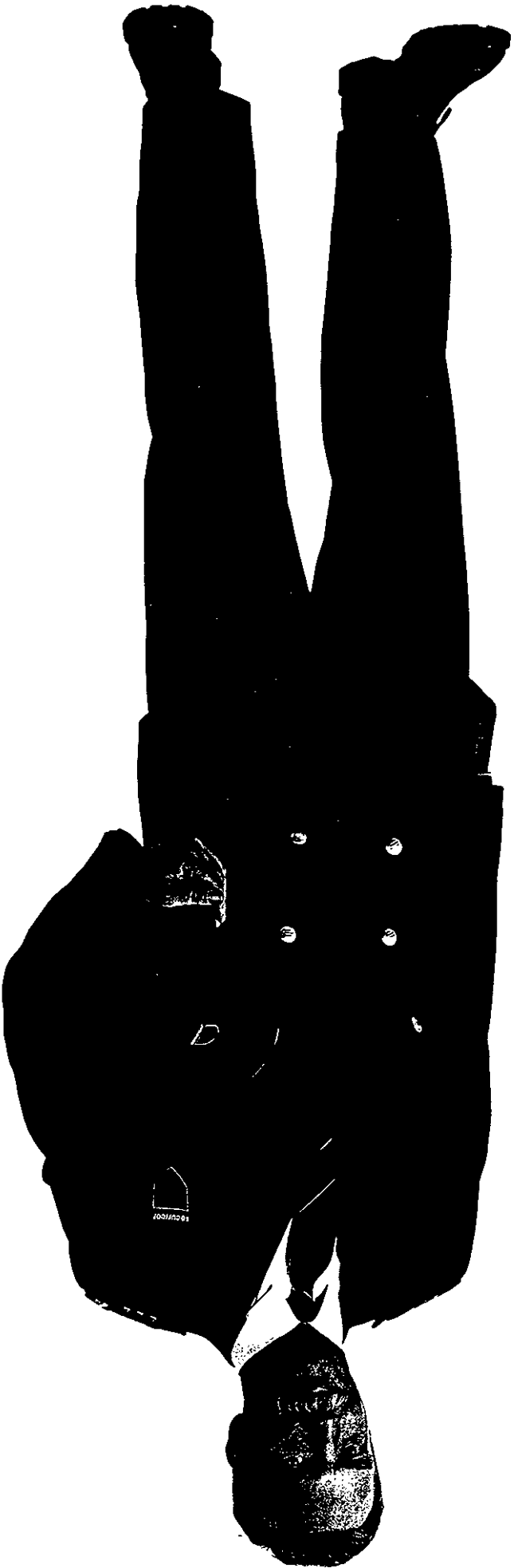
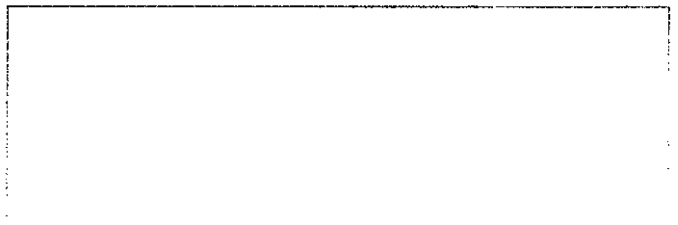
Securicor Monitoring Services

The only independent alarms monitoring company in the UK, Securicor Monitoring Services provides round the clock monitoring and response services for intruder, fire, plant and welfare alarms as well as for vehicle location systems.

Securicor Custodial Services

Formed in 1991 in response to the Government's policy to contract out, Securicor Custodial Services supplies services for prisons, court escorting and electronic monitoring. The company is responsible for 200,000 prisoner movements each year between courts and police

stations in the London Metropolitan area. It is part of a consortium engaged in the design, construction, management and financing of HM Prison Parc at Bridgend, South Wales. On completion Securicor Custodial Services will manage and operate the prison which will house 800 prisoners including remand and convicted, adult and young offenders.



securicor distribution

Turnover:	£470.0m
Operating profit:	£21.0m
Number of employees:	11,455

Securicor Omega Express

Through a nationwide network of 98 branches, with 4,000 vehicles and 8,000 staff, Securicor Omega Express is the largest business to business parcel carrier in the UK, handling over two million parcels a week. The company delivers 95% of all books and 85% of records, tapes and videos for high street shops, and is the only company providing overnight data delivery services for some 12,500 bank and building society branches.

Securicor International Container Transport

Providing a comprehensive range of container transport services in the UK and Europe for the international container shipping line industry, the company handles over 375,000 containers per year through a national network of depots.

The UK's leading same-day courier company operating from

60 branches with 1500 couriers. The company recently introduced the "Parts Bank" service for the IT industry which utilises its wide network of branches for storage and ensures the rapid dispatch of hi-tech components to service engineers.

A road-based parcel and heavyweight distribution network servicing a total of 16 European countries. The company works with specialist carriers in Europe's domestic markets to offer priority, express or scheduled delivery services.

Specialising in air and sea freight services to major cities on almost every continent, Scottish Express International employs 900 staff throughout the UK and is one of the largest freight forwarders in Europe. The company is a founder member of the Hi-Tech Forwarding Network, a global network of leading freight forwarders.



A key player in the contract distribution and warehousing sector, Securicor Omega Logistics offers a range of services to suit customer requirements, from the provision of vehicles and drivers through to total integrated logistics, comprising collection, storage and distribution.

A business support company offering international mail consolidation and mail room management, document and tape storage, archiving and confidential waste disposal.

securicor *communications*

Turnover:	£290.2m
Operating loss:	£4.5m
Number of employees:	1,435

Securicor Cellular Services

A service provider on the Cellnet network, Securicor Cellular Services is the UK's fourth largest service provider with over 400,000 subscribers. The company, which has over 500 employees, also operates through dealerships in 180 outlets and offers installation and servicing of cellular phones together with tariff options and billing services.

Securicor TrakBak

Specialists in the field of automatic vehicle protection, tracking and recovery services, TrakBak provides nationwide tracking and location of vehicles and plant to within 50 metres. The system is approved by all 51 police forces in the UK and has been used in many covert police "sting" operations.

*Securicor Radiocom*s

A world leader in the design and supply of linear modulation narrow band radio technology, which provides high quality mobile voice and data capabilities. The company is now part of Intek, having recently been merged with two US communications companies in order to gain access to the lucrative US market for specialised mobile radio using Securicor's linear modulation products.

Securicor Datatrak

A sophisticated automatic vehicle location system utilising two way mobile data communications to provide status information on location, speed, direction and load conditions for fleet and mobile resource management. The company also operates or is commissioning systems in Argentina, the Netherlands, South Africa and Belgium.

Securicor 3net

A specialist in Integrated Services Digital Network technology supplying products for Public Telecommunication Operators, Corporate Networks and SOHO (small office home office) markets. Securicor 3net also operates through subsidiaries in North America and Australasia.

*Securicor Telecom*s

Through a national dealer network, Securicor Telecoms offers a range of PABX and key systems. Providing both installation and maintenance, the company offers a range of services including billing systems, voice mail and automatic call distribution.



The integration of information technology with communications, radio and mobile data has secured Securicor Dopra's position as a market leader in the provision of command and control systems for the emergency services and utility markets, complementing other services already provided within Securicor Communications.

Securicor Data Services

Providing secure information technology services for businesses. The company pioneered Televault, an automatic, off-site data storage service with on-line facilities for back-up and archiving. Also provides network design and installation services, together with facilities management of mainframes and networks.

Securicor Telesciences

A US based company supplying billing data collection and traffic management services to the regional Bell operating companies and telephone operators worldwide.

securicor business services

Turnover:	£77.3m
Operating profit:	£5.2m
Number of employees:	1,573

Fleet Management
Provides a total fleet management package for the 9,500 vehicles in the group's UK fleet, from vehicle specification and design through to breakdown recovery, insurance and disposal.

Fuel Management
Offering a cost effective way for fleet operators to purchase fuel from its nationwide network of 320 diesel bunkering sites.

Rentmaster

With over 350 commercial vehicles on its books, Securicor Rentmaster operates full contract hire with maintenance in customers' livery.

Truck Contracts

A joint venture with Iveco Ford Trucks, providing a full contract hire package to customers including finance and maintenance.

Now one of the UK's top 10 recruitment agencies, Securicor Recruitment Services is a general recruitment agency supplying permanent, temporary and contract staff for the office, industrial, construction and technical markets. Operating through 50 branches, its nationwide coverage enables the company to fulfil national contracts for major companies as well as providing local expertise through a 24 hour, seven day a week, service commitment.

Securicor Hotels

Securicor owns and manages three hotels, the Richmond Gate and Richmond Hill in Surrey and the Hylands in Coventry. The recent addition of the Cedar's leisure complex has enhanced the facilities offered at the Richmond hotels.



Innovation

Many of our companies rely on a skilled, manual workforce, without whom it would be impossible to carry out their business transactions. However, over the last five years, technology has advanced dramatically and Securicor has invested heavily in technological development, providing a wide variety of innovative products, services and systems internationally.

This year we have seen various developments throughout the group which will not only enhance Securicor's position as a key player in the technological arena, but will also radically alter work processes for employees and ultimately benefit our customers.

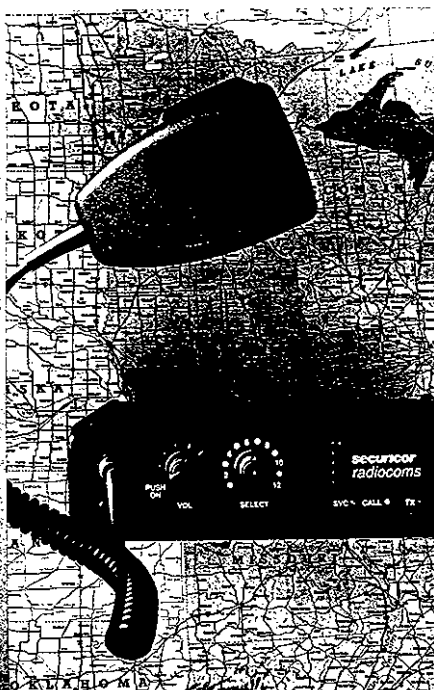
Securicor Cash Services' investment in the COBRA system will be a world first in the cash distribution industry and clearly demonstrates our determination to lead the market. By means of a hand-held terminal, ultimately linked to a central hub computer, all cash container transactions will now be electronically scanned to provide increased accuracy and efficiency, and to offer customers more timely information.

Securicor Omega Express has begun a five-year re-engineering programme of its branch and terminal networks. Key to this programme is the upgrading of mechanical handling equipment

and the enhancement of IT systems. We piloted several projects this year, including the use of portable scanners which enable couriers to capture consignee details at the time of delivery, and voice recognition systems at branches to speed route coding and the sortation of parcels.

Securicor Radiocorns has been developing the technology and commercial uses of linear modulation. The ability to compact more and more data, both written and visual, into smaller bandwidths provides several commercial applications. The latest developments are particularly suited to transmitting fingerprints and associated police data between mobile stations such as a police vehicle and a base station.

Securicor Recruitment Services believes that the way forward for recruitment companies is based on computerisation. It has recently acquired Round Peg Recruitment, a Midlands-based agency with a highly advanced approach to recruitment, based on sophisticated information technology and a centralised call handling system. This approach will replace traditional recruitment methods and ensure that service will no longer be restricted to where a particular recruitment branch is located. Applicants can be interviewed where it suits them by consultants who provide a dedicated search and selection service to both applicant and customer.



1 Securicor Radiocomms has been developing the technology and commercial uses of linear modulation.

2 The integration of computer and telephony systems will result in significant benefits, providing flexibility in voice and data communication.

3 Securicor Cash Services' investment in the COBRA system is a world first in the cash distribution industry.

4 Securicor Computer Services' Televault service uses optical technology to provide secure long term data storage.



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Competitive Advantage through People

In Securicor it has long been recognised that people are our prime investment. The group has historically had a strong operational training culture which in recent years has been extended to the development of staff at all levels. The changes in our market sectors have made it particularly important that training and development activity is closely aligned with the business objectives of each group company.

Our partnership with the Institute of Directors to put all directors through a customised version of their 'Diploma in Company Direction' programme has broadened the knowledge base of this key group of employees. Other senior executives with high potential attend courses run by the International Management Development Consortium, a group of like-minded, major UK and European companies who come together for joint development programmes in the international, strategic and business management areas.

We entered into a partnership with Henley College of Management three years ago to produce development programmes for senior and middle managers. These programmes are based on the Management Charter Initiative and combine business education with the sharing of best practice and commercial experience across different Securicor companies. Over 200 managers have so far benefited from these programmes.

Our major operating companies have developed specific programmes using competency frameworks linked to National Vocational Qualifications (NVQs). These programmes are undertaken

in our training facilities at Leicester, where over 2,000 staff were trained last year in parcel handling skills, and at Coventry where over 1,500 staff received training for the secure transit of cash and for manned guarding. All staff undergo intensive induction programmes on commencement of employment.

Companies across the group have embarked on 'Investors in People' programmes, committing themselves to continuous employee development linked to business objectives. A management development programme in our Cash Services business, at NVQ Level 3 and in partnership with the Open College, resulted in Securicor Cash Services branch manager John Ruthven winning the 'Project of the Year' award for the best NVQ portfolio amongst all Open College participants.

Development in the management and operations areas has been complemented by similar activity in the support functions. An example is the Executive Secretary Development Programme, carried out in partnership with the Industrial Society. A 'Times' newspaper survey report on the programme "urged more organisations to emulate those, like Securicor, and involve their secretarial staff in training and development programmes".

The group is primarily involved in service industries where the key differentiators are people and technology. Our belief is that only by proper investment in people can we benefit fully from the competitive advantages afforded by technological innovations.

Consolidating our Global Presence

The Securicor name is as well known in Hong Kong, Nairobi and Caracas as it is in London. Indeed our name is recognised as a benchmark in terms of logistics expertise, security and cash management. In most of the 35 territories in which we operate we provide guarding, cash in transit and alarms monitoring. We provide distribution services covering 16 European countries as well as Malaysia and Africa.

Our most recent overseas developments have been in the communications sector, with exciting advances made by Securicor Datatrak and Securicor Radiocoms. Datatrak systems have already been installed in Argentina, the Netherlands and South Africa and are in the process of installation in Belgium. Negotiations for Datatrak systems in several other territories are at an advanced stage.

Whilst the linear modulation narrow band radio technology developed by Securicor Radiocoms has yet to gain market share in the UK, it has been extremely well received in the United States where there is a major market opportunity. Accordingly, we have acquired a majority stake in a quoted American company, Intek Diversified Corporation, into which we have merged our Radiocoms company. This American

venture follows our acquisition in 1994 of Telesciences, the New Jersey company which sells billing data collection and traffic management systems to telephone companies worldwide.

Our overseas security services operations fall into four geographical areas: Europe and the Middle East, Asia Pacific, Africa, and the Americas. Most of our operations in Europe and Africa are wholly-owned subsidiary companies - we have been in Africa for nearly 30 years. In Asia Pacific we have been in partnership with Jardine Pacific since 1990 and our operations in the Americas, divided between the Caribbean and Latin America, are in partnership with the large Caribbean conglomerate Neal & Massy. We believe that there is much to be gained by joining with local business partners who have significant standing in their own territory.

In 1995 we established a major presence in Germany through the acquisition of ASD, a guarding and alarms monitoring company with branches in 19 German cities. In the same year, we invested in Avica, an alarms monitoring business with headquarters in Avignon, which has given us a wider geographical spread in France.



1 Over 2,000 staff were trained last year in parcel handling skills at our Leicester training centre.

2 Operational staff undergo intensive induction programmes on commencement of employment.

3 Over 1,500 staff received training for the secure transit of cash and manned guarding.

4 Our partnership with the Institute of Directors ensures that key employees are put through a customised version of its "Diploma in Company Direction" programme.

5 Companies across the group have embarked on "Investors in People" programmes.

6 Securicor Group Training operates from Hartsfield Manor, a conference facility owned by Securicor.



Sponsorship and the Community

It has been an exciting year for Securicor in the field of sponsorship. We entered into a major agreement with the British Athletic Federation with the objective of enhancing brand awareness. This venture provided us with a platform to promote the Securicor brand through an international sport.

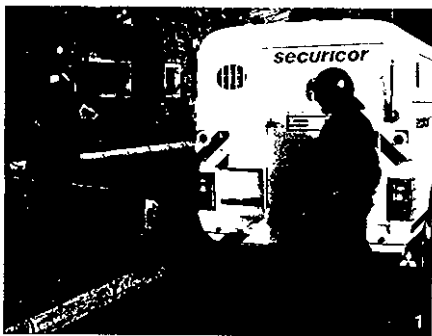
The two major events we supported - the Securicor AAA Championships, which incorporated the Olympic Trials, and the London Grand Prix - presented the Securicor name in a new light, giving us extensive TV and newspaper exposure and taking the Securicor name into millions of homes.

In what was an Olympic year we were delighted when Tony Downs, communications officer at Securicor Monitoring Services, won a gold medal for sailing at the Paralympics. Tony, who was sponsored by Securicor, has now won a place in sporting history, being the title

holder of three yachting championships for the disabled - world, European and Paralympic. On all occasions Tony was sponsored by Securicor.

In Ireland, the Securicor Courage Award was presented posthumously to the family of Veronica Guerin, the investigative journalist murdered in Dublin in 1996. The Award, which takes the form of an educational sponsorship worth £5,000, has been made for each of the last nine years to an Irish resident who has displayed an outstanding example of courage.

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



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1 Securicor has operated in Kenya for nearly 30 years, and currently employs some 10,000 staff.

2 In Malawi, Securicor dominates the security market and has many prestigious guarding assignments.

3 SIR, the Swiss company we acquired in 1994, provides alarms monitoring and response services throughout the Geneva area.

4 Securicor Taiwan began operations in 1994 and leads the market for replenishment of automated teller machines.

5 Securicor Omega Express International links 16 European countries via a network of branches and partnerships with local operators.



1996 proved an exceptional year for Cellnet in the mobile communications market, where the company now has over two and a half million customers - an increase of nearly half a million over last year.

In March, the company introduced the largest reductions in charges the UK cellular industry has seen, cutting the average customer bill by up to 30 per cent. This was achieved by introducing per second billing and inclusive calls.

Investment in the company's GSM digital network also continues. This new network already provides comprehensive coverage in the UK, reaching 98% of the UK population and 90% of the UK geographical area with 1600 cellular transmitters - 400 more than

last year. New radio transmitters are to be added to provide an unsurpassed level of coverage and quality. Cellnet has of course provided national coverage for many years with its TACS analogue mobile communications network.

Cellnet's focus on digital technology means that its customers can now use their digital mobile phones in over 50 foreign countries across Europe, Africa, Australasia and the Far East. No other UK network offers greater international coverage.

The development of network services includes Cellnet Call Display, launched in August. This enables customers to view caller identity and screen calls on their digital mobile phones. Other services such

as Callback, Cellnet's automatic answering and messaging product, are becoming increasingly popular, helping the company to stimulate usage and increase loyalty. Further developments to mobile data and short messaging services are strengthening Cellnet's product portfolio to the business market.

In 1997, Cellnet will be introducing a new multi-million pound billing system. Working with its service providers, the company will be able to gain a better understanding of customer needs and mobile phone usage, enabling new services to be developed even faster than before. Despite strong competition in the UK mobile phone industry, Cellnet's focus on product innovation and quality of customer service is expected to attract a major proportion of future new subscribers.



Financial Calendar

Final results – mid December
Interim results – mid June

Interim paid – 30 September 1996
Final payable – 4 April 1997

Published – February 1997

20 March 1997

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Report of the Directors for the year ended 30 September 1996

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 1996.

This report is presented on the basis that Securicor plc has, since June 1996, become the ultimate holding company of the Securicor group in place of the two previous listed companies, Securicor Group plc and Security Services plc, the basic group structure and operations having otherwise continued on a basis similar to previous years.

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; monitoring and response services; container transport, contract distribution and warehouse management, express parcels, freight haulage, document delivery and mail services; vehicle fleet services; computer services; the manufacture, sale, installation and maintenance of communications products; mobile communications and the provision of communications systems networks; hotels and recruitment services.

2 Group results

The consolidated profit for the year and the appropriation thereof are shown in the consolidated profit and loss account on page 40.

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 Review on page 4.

3 Dividends

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

- Interim dividend of 0.354p per share paid on 30 September 1996.
- Final dividend of 1.204p per share payable on 4 April 1997.

(b) Resolution 2(a) set out in the notice of Annual General Meeting of the Company as Special Business relates to a technical issue that has arisen in respect of an interim dividend paid by the Company.

The Company paid the interim dividend in September 1996. Sufficient distributable profits had not at that time been transferred to the Company from its subsidiaries. Further, initial accounts showing the requisite level of distributable profits were inadvertently not filed at that time with the Registrar of Companies as required. The relevant sum so paid was £2,123,947.

It is the Directors' belief that it would be in the Company's best interests for this matter to be regulated by the shareholders passing an ordinary resolution which puts the shareholders at the time of that payment into the position in which they were always intended to be. Resolution 2(a) is such an ordinary resolution.

Neither this dividend nor the final dividend is covered by distributable profits in the audited balance sheet of the Company as at 30th September 1996. In accordance with the requirements of the

Companies Act 1985 the Directors will prepare and file with the Registrar of Companies interim accounts for the Company to the date of the Annual General Meeting which will include sufficient distributable profits.

4 Business acquisitions, disposals and developments

In December 1995 Securicor International Limited purchased Shorrock Guards Limited from BET PLC and, at the same time, sold Securicor Alarms Limited to BET whilst retaining part of the alarms monitoring business previously conducted by Securicor Alarms.

In January 1996 Securicor 3net Limited purchased the remaining 49% of Securicor 3net (NDL) Limited (formerly Network Dynamics Limited), the New Zealand designer, manufacturer and supplier of ISDN products.

In March 1996 Securicor Datatrak Europe BV entered into an agreement with Tractebel to establish, and acquire a 21% stake in, a joint venture company to operate a Datatrak network in Belgium.

In April 1996 Securicor Communications Limited purchased 100% of Dopra Group Limited, a company which, through its wholly-owned subsidiary, Dopra Systems Integration Limited, carried on the business of designing, developing and implementing communication control systems. The latter company has now been renamed Securicor Dopra Limited.

In April 1996 Securicor Telesciences Inc disposed of its interest in Securicor Wireless Networks Inc in the USA.

In May 1996, Securicor International Limited acquired a further 32% interest in the Avica group of companies in France and, in October 1996, it acquired the remaining 34%.

In June 1996 Securicor Communications Limited entered into an agreement for the transfer of 100% of Securicor Radiocom Limited to Intek Diversified Corporation, a California based company, in consideration of the issue to Securicor Communications Limited of shares in Intek which, when aggregated with those acquired by Securicor International Limited in August 1995, has given Securicor an equity interest of 64% in Intek. The transaction was completed in December 1996.

In June 1996 Bedwas Bodyworks Limited was sold.

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.

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 comprises the non-executive Chairman, the Chief Executive, three other non-executive directors and five 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 from the chief executive of each of the trading divisions.

The Audit Committee meets a minimum of three times a year. It is chaired by Sir James Birrell and the other members are Sir Neil Macfarlane and Mr Richard Graves. 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 Mr Richard Graves and Sir Peter Imbert. The Committee's report to shareholders is set out on pages 37 to 39.

The company has established a Nominations Committee consisting 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 1996 and details of shares issued in the year are set out on page 55 (note 19 to the accounts).

Shareholders are invited, under Resolution 2(b) set out in the notice of Annual General Meeting, to renew the directors' power to enable them to allot shares for cash in connection with a rights issue or 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 1996 were as follows:

(a) Executive share option scheme

331 options over a total of 6,243,830 ordinary shares at 245p per share, exercisable during 1999-2006.

(b) Sharesave Scheme

5,570 options over 6,640,741 ordinary shares at 196p per share, exercisable during 1999-2000

These options are inclusive of those held by directors as set out in the Report of the Remuneration Committee on page 38.

7 Tangible fixed assets

During the year under review group tangible fixed assets increased by £11.6m to £215.6m. The movement of tangible fixed assets during the year is shown on page 51 (note 10 to the accounts).

8 Market value of interests in land and buildings

The most recent valuation of the group's freehold and long leasehold properties located in the United Kingdom, Channel Islands, Isle of Man and Ireland was carried out as at 30 September 1990 (other than the hotels which were revalued at 30 September 1992). 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.

9 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 44.

10 Payment of suppliers

It is 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.

11 Employee involvement

The group keeps employees informed on a regular basis of 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 monthly in-house newsletter, 'Securicor News'.

Disabled persons

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

12 Political and charitable contributions

The group remains committed to support of charities, the community, job creation and training, local development, the arts, sport and music. Cash contributions during the year amounted to £120,000.

There were no political contributions.

13 Taxation status

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

14 Substantial holdings

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

- (i) Mercury Asset Management: 87,103,735 (14.5%)
- (ii) Standard Life Assurance: 29,517,980 (4.9%)
- (iii) Railways Pension Trustee Company Limited: 22,704,719 (3.8%)
- (iv) British Steel Pension Fund Trustee Limited: 21,414,618 (3.6%)

The holding at (iii) above is included within the holding at (i) above.

Report of the Directors for the year ended 30 September 1996

15 Auditors

During the year, the directors appointed Baker Tilly, Chartered Accountants, as the auditors to the company. A resolution for the shareholders to appoint Baker Tilly as auditors to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting.

16 Directors

As reported on page 3, Mr A V Alexander retired from the board in July 1996.

The directors, brief details of whom are contained on pages 10 and 11, have held office since 22nd March 1996. All were previously directors of Securicor Group plc and Security Services plc.

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

Details of directors' interests in the share capital of the company and of the directors' emoluments are set out in the Report of the Remuneration Committee on pages 37 to 39.

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

By order of the Board

N E Griffiths

Secretary

6 February 1997

Sutton Park House
15 Carshalton Road
Sutton
Surrey
SM1 4LD

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 judgments 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 a 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.

Exercise of share options

In March 1996, and following the public announcement of the reorganisation of the group, five executive directors exercised their remaining options over 'A' ordinary shares in Securicor Group plc.

Directors

	At 01.10.95	Exercised in the year	Exercise price	Market price at date of exercise
N E Griffiths	5,000	(5,000)	665p	1170p
P D Howes	5,000	(5,000)	665p	1170p
H W McKay	6,000	(6,000)	665p	1170p
C C Shirtcliffe	6,000	(6,000)	665p	1170p
R S W H Wiggs	8,500	(8,500)	665p	1170p

Remuneration of the Directors

	Salary and Fees £	Benefits £	Performance related bonus £	1996 total £	1995 total £
Chairman (Non-executive)					
Sir Neil Macfarlane (from 29 March 1995)	95,000	7,420	—	102,420	41,483
P A C Smith (retired 29 March 1995)	—	—	—	—	41,372
Executive Directors					
N E Griffiths	152,510	5,898	18,622	177,030	138,156
E A Hough (from 1 October 1995)	139,852	5,399	17,663	162,914	—
P D Howes	148,760	9,704	19,182	177,646	144,157
H W McKay	148,760	10,918	21,082	180,760	154,988
C C Shirtcliffe	171,300	10,318	23,370	204,988	169,548
R S W H Wiggs	273,177	13,242	38,564	324,983	275,680
Other Non-Executive Directors					
A V Alexander (retired 31 July 1996)	22,800	5,734	—	28,534	28,944
Sir James Birrell	31,625	—	—	31,625	26,250
R A Graves	33,775	4,063	—	37,838	31,467
Sir Peter Imbert	31,625	—	—	31,625	26,250
Sir Neil Macfarlane (until 28 March 1995)	—	—	—	—	28,601
P F H Towle	—	—	—	—	12,944

The Executive Directors participate in a performance related bonus scheme, payments under which are dependent on the attainment of defined profit targets for the managed businesses of the group and which are, for the year under review, subject to a maximum of 30% 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.

Report of the Remuneration Committee continued

Long-term incentive schemes

The company operates two types of share option scheme, an executive 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) Executive Share Option Scheme

This Scheme, 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 will be granted on a phased basis over time rather than in one large block and up to an aggregate market value at the date of grant of four times the participant's annual remuneration. No executive share options are granted at a discounted price. The Committee 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 of which 5% is limited to executive options.

Directors' Share Options

	Option	Granted during year and outstanding at 30.9.96	Option Price
N E Griffiths	A	138,770	245p
	B	4,974	196p
E A Hough	A	122,440	245p
	B	4,974	196p
P D Howes	A	126,530	245p
	B	4,974	196p
H W McKay	A	126,530	245p
	B	4,974	196p
C C Shirtcliffe	A	151,020	245p
	B	4,974	196p
R S W H Wiggs	A	236,730	245p
	B	4,974	196p

Option A = Executive Share Option Scheme, exercisable during 1999 to 2006.
Option B = Sharesave Scheme, exercisable during 1999 to 2000.

The market price of the ordinary shares at 30 September 1996 was 271p.

No options under these schemes have been exercised.

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

	At 30.09.96
J D Birrell	3,954
R A Graves	25,614
N E Griffiths	6,255
E A Hough	3,954
P D Howes	19,652
P M Imbert	7,604
D N Macfarlane	3,954
H W McKay	40,812
C C Shirtcliffe	89,966
R S W H Wiggs	168,034

No comparative figures are shown for the previous year as the Directors' interests were, at that time, in shares of Securicor Group plc and Security Services plc

All interests shown above are beneficial.

On 20 December 1996 Mr C C Shirtcliffe disposed of 14,289 shares.
No other material changes in these holdings have taken place since 30 September 1996.

Directors' Service Contracts

The Executive Directors have entered into new service contracts effective from 1 October 1996 with rolling two-year notice periods. These contracts, entered into voluntarily and without payment of compensation, replaced previous contracts which provided for three-year notice periods.

The Committee considers the provision of rolling two-year notice periods to be in the best interest of the group 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.

Following the Greenbury Report on Directors' Remuneration, the Institute of Actuaries and Faculty of Actuaries jointly issued a consultation paper dealing with disclosure on pensions and other benefits. The report of the actuaries has recommended that companies should disclose:-

- 1 The amount of the increase in the accrued pension to which a director has become entitled during the year over and above any general increase to compensate for inflation to which leavers would be entitled (see table below).

- 2 Sufficient information to make a reasonable assessment of the transfer value of the year's increase in benefits (as follows):

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 but after leaving, a spouse's pension is payable of 1/160 of Upper Band Earnings for each year of contracted-out service.

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

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

Directors' Pension Entitlements

	Age at 30.9.96	Years of pensionable service at 30.9.96	Additional pension earned (including inflation at 2.1%) during the year ended 30.9.96 £'000	Accrued entitlement at year end or date of appointment	
				30.9.96 £'000 (Note 1)	30.9.95 £'000
N E Griffiths	49	18	21	62	41
E A Hough (see Note 2)	51	3	3	10	7
P D Howes	55	24	26	81	55
H W McKay	57	26	22	88	66
C C Shirtcliffe	52	19	21	80	59
R S W H Wiggs	57	21	38	157	119

Notes

- 1 The pension entitlement shown is that which would be paid annually at normal retirement age, based on service to 30.9.96 only.
- 2 For members who joined the scheme after 31.5.89, salary for pension purposes is limited to the earnings cap defined in the Finance Act 1989 (£82,200 as at April 1996)

Sir Neil Macfarlane

Chairman of the Remuneration Committee
6 February 1997

Consolidated Profit and Loss Account

For the year ended 30 September 1996

	Notes	Continuing Operations £m	Acquisitions £m	Total 1996 £m	Restated 1995 £m
Turnover	1	1,210.6	44.5	1,255.1	1,031.4
Cost of sales	3	(823.3)	(34.9)	(858.2)	(693.1)
Gross profit		387.3	9.6	396.9	338.3
Net operating expenses	3	(344.4)	(8.1)	(352.5)	(304.9)
Operating profit		42.9	1.5	44.4	33.4
Share of profits less losses of associated undertakings				79.9	73.8
Exceptional items	3			(3.4)	—
Profit before interest and taxation	1			120.9	107.2
Net interest charge	2			(13.5)	(7.8)
Profit on ordinary activities before taxation	3			107.4	99.4
Taxation	5			(38.3)	(35.4)
Profit on ordinary activities after taxation				69.1	64.0
Minority interests				(12.1)	(22.7)
Dividends	6			(9.3)	(8.0)
Retained profit	20			47.7	33.3
Earnings per ordinary share	7			12.4p	10.5p

Consolidated Balance Sheet

At 30 September 1996

	Notes	1996 £m	Restated 1995 £m
Fixed assets			
Intangible assets	9	9.2	8.7
Tangible assets	10	215.6	204.0
Investments	11	178.6	140.9
		403.4	353.6
Current assets			
Stocks	12	34.3	28.4
Debtors (including debtors due after more than one year £29.5m (1995 £25.5m))	13	330.2	281.3
Bank and deposit balances		23.4	18.6
Listed investments	14	30.9	24.5
		418.8	352.8
Creditors – amounts falling due within one year			
Bank overdrafts and short term loans	15	27.1	25.2
Corporation tax		7.7	14.7
Proposed dividends		7.2	6.1
Other	16	246.3	227.9
		288.3	273.9
Net current assets		130.5	78.9
Total assets less current liabilities		533.9	432.5
Creditors – amounts falling due after more than one year			
Loans	17	219.7	141.4
Corporation tax		0.3	0.2
Other	16	4.9	10.5
		224.9	152.1
Provision for liabilities and charges	18	0.6	1.1
Net assets	8	308.4	279.3
Capital and reserves			
Called up share capital	19	30.0	19.6
Reserves	20	278.2	181.3
Equity shareholders' funds		308.2	200.9
Equity minority interests		0.2	78.4
		308.4	279.3

Note

The parent company balance sheet is on page 63.

Approved by the board on 6 February 1997

Roger Wiggs
Christopher Shirtcliffe } Directors



Consolidated Cash Flow Statement

For the year ended 30 September 1996

	1996		Restated 1995	
	£m	£m	£m	£m
Net cash flow from operating activities (see note 25(a))		50.3		36.7
Net cash flow from returns on investments and servicing of finance (see note 25(b))		(14.8)		(8.3)
Taxation		(17.6)		(10.4)
Net cash flow from capital expenditure and financial investment (see note 25(b))		(65.4)		(77.2)
Net cash flow from acquisitions and disposals (see note 25(b))		(19.3)		(38.4)
Equity dividends paid		(8.2)		(7.0)
Cash flow before use of liquid resources and financing		(75.0)		(104.6)
Management of liquid resources (see note 25(b))		0.3		2.4
Financing				
Share issue (pre restructuring)	0.6		0.5	
Increase in loans	76.8		96.5	
Net cash flow from financing (see note 25(b))		77.4		97.0
Increase/(decrease) in cash in the year		2.7		(5.2)

Note: Payments and outflows are denoted in brackets.

Reconciliation of net cash flow to movement in net debt (see note 25 (c))

Increase/(decrease) in cash in the year	2.7	(5.2)
Cash flow from increase in debt and lease financing	(76.8)	(96.5)
Cash flow from decrease in liquid resources	(0.3)	(2.4)
Change in net debt resulting from cash flows	(74.4)	(104.1)
Loans and finance leases acquired with subsidiary	(0.3)	(3.9)
Profit on sale of investments	6.7	2.4
New finance leases	(0.6)	-
Movement in net debt in the year	(68.6)	(105.6)
Net debt at 1 October 1995	(125.1)	(19.5)
Net debt at 30 September 1996	(193.7)	(125.1)

Statement of Total Recognised Gains and Losses

	1996 £m	1995 £m
Profit on ordinary activities after taxation and minority interests	57.0	41.3
Currency translation differences on foreign currency net investments (see note 20)	(0.7)	(0.2)
Total recognised gains relating to the year	56.3	41.1

Note of Historical Cost Profits and Losses

There is no material difference between the reported profit shown on page 40 and the profit for the year restated on an historical cost basis.

Reconciliation of Movement in Shareholders' Funds

	1996 £m	Restated 1995 £m
Profit on ordinary activities after taxation and minority interest	57.0	41.3
Dividends	(9.3)	(8.0)
Retained earnings	47.7	33.3
Merger relief (see note 20(ii))	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)	(0.7)	(0.2)
Proceeds of share capital issued by Securicor Group plc (pre restructuring)	0.6	0.5
Goodwill on acquisition deducted from reserves (see note 21)	(15.1)	(35.4)
Net increase/(decrease) in shareholders' funds	107.3	(1.8)
Shareholders' funds at 1 October 1995	200.9	202.7
Shareholders' funds at 30 September 1996	308.2	200.9

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 1996.

The consolidated accounts have been prepared using the principles of merger accounting and the comparative figures have been restated to reflect the capital structure of Securicor plc. The principal adjustments to comparatives relate to the flow of dividends between Securicor Group plc and Security Services plc and the utilisation of the share premium account of Securicor Group plc. Equity movements 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 and cellular contracts

- Goodwill arising on consolidation and purchased goodwill are written off to reserves in the year of acquisition.
- Payments made to third parties to obtain cellular contracts are included within debtors and amortised over three years. The average duration of cellular connections is in excess of three years.

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

	Total £m	Intersegment £m	1996 Sales to third parties £m	Total £m	Intersegment £m	1995 Sales to third parties £m
Turnover						
Security	419.0	(1.4)	417.6	360.6	(1.0)	359.6
Distribution	471.1	(1.1)	470.0	382.4	(2.0)	380.4
Communications (excluding Cellnet)	302.5	(12.3)	290.2	249.0	(6.3)	242.7
Business Services	203.1	(125.8)	77.3	128.4	(79.7)	48.7
	1,395.7	(140.6)	1,255.1	1,120.4	(89.0)	1,031.4
Profit						
Security					12.0	15.0
Distribution					21.0	13.4
Communications					(4.5)	2.6
Business Services (see note below)					5.2	4.8
Insurance (see note below)					9.3	1.1
Continuing managed operations					43.0	36.9
Cellnet					76.6	70.6
Discontinued operations					—	(2.8)
Non-segmental cost (see note 3(d))					—	(1.3)
					119.6	103.4

Note

The segmental analysis above is based on profit before interest, taxation and exceptional items, except for vehicle leasing and insurance operations within the Business Services and Insurance sectors where interest is classified as an operating cost.

Reconciliation to profit before interest and taxation

	1996 £m	1995 £m
Profit as above	119.6	103.4
Exceptional items (see note 3(c))	(3.4)	—
Interest relating to vehicle leasing and insurance operations	4.7	3.8
Profit before interest and taxation	120.9	107.2

(b) Geographical analysis

	Total £m	Intersegment £m	1996 Sales to third parties £m	Total £m	Intersegment £m	1995 Sales to third parties £m
Turnover						
United Kingdom	1,203.9	(140.4)	1,063.5	982.6	(88.8)	893.8
Rest of Europe	147.0	(0.2)	146.8	105.9	(0.2)	105.7
Africa	19.8	—	19.8	14.1	—	14.1
United States of America	20.3	—	20.3	15.3	—	15.3
Asia and rest of world	4.7	—	4.7	2.5	—	2.5
	1,395.7	(140.6)	1,255.1	1,120.4	(89.0)	1,031.4

Notes to the Consolidated Accounts continued

1 Segmental analysis of results continued

	1996 £m	1995 £m
Profit on ordinary activities before interest and taxation (before exceptional items and after finance costs of vehicle leasing and insurance operations)		
United Kingdom	113.1	97.2
Rest of Europe	0.7	1.1
Africa	1.5	1.8
United States of America	3.1	1.0
Asia and rest of world	1.2	2.3
	119.6	103.4

(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	Profit before tax
Security	Avica group of companies	2.6	0.1
Security	Shorrock Guards	31.3	0.5
Communications	Dopra Systems Integration	10.6	0.9
		44.5	1.5

The majority interest in the Avica group of companies, which is attributable to the Rest of Europe geographical sector, was acquired in May 1996. The remaining interest was acquired in October 1996. Shorrock Guards (now Securicor Guards), the results of which are attributable to the United Kingdom geographical sector, was acquired in December 1995. Dopra Systems Integration (now Securicor Dopra), the results of which are attributable to the United Kingdom geographical sector, was acquired in April 1996.

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.

2 Net interest charge

	1996 £m	1995 £m
Loans and overdrafts, wholly repayable within five years:		
– Repayable by instalments	–	0.2
– Repayable other than by instalments	14.3	8.0
Loans of which any portion is due after more than five years	–	0.2
Interest on finance leases	0.2	0.1
	14.5	8.5
Interest receivable	(1.0)	(0.7)
	13.5	7.8

3 Profit on ordinary activities before interest and taxation

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

	1996			1995		
	Cost of sales £m	Administration expenses £m	Distribution expenses £m	Cost of sales £m	Administration expenses £m	Distribution expenses £m
Continuing operations	823.3	338.7	5.7	693.1	300.2	4.7
Acquisitions	34.9	8.1	–	–	–	–
	858.2	346.8	5.7	693.1	300.2	4.7

The acquisitions disclosure for notes 1(c) and 3(a) includes the results of the Avica group of companies, Securicor Dopra and Shorrock Guards. Due to the business of Shorrock Guards having been integrated with that of Securicor Guarding during the year, the results of Shorrock Guards are based on an estimate only.

3 Profit on ordinary activities before interest and taxation continued

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

	1996 £m	1995 £m
Auditors' remuneration:		
– Audit	0.6	0.6
– Other services	0.3	0.3
Depreciation of tangible fixed assets	44.0	42.6
Amortisation of development expenditure	1.8	1.4
Research and development expenditure	2.5	2.0
Operating lease rentals payable:		
– Land and buildings	23.8	19.2
– Vehicles and equipment	9.1	9.3
Operating lease rentals receivable:		
– Vehicles and equipment	–	(7.3)
Investment income (listed)	(1.4)	(0.8)
Profits on disposal of assets:		
– Properties	(0.4)	–
– Other tangible fixed assets	(3.0)	(1.6)
– Investments	(6.7)	(2.4)

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 and £0.2m incurred in reorganising the group's capital structure.

(c) Exceptional items

	1996 £m	1995 £m
Profit on disposal of Alarms business	4.2	–
Cost of fundamental reorganisations and restructuring in the Security sector	(1.8)	–
Costs incurred in reorganising the group's capital structure	(5.8)	–
	(3.4)	–

(d) Non-segmental cost

This relates to payments made in connection with the unsuccessful attempt to dispose of the group's Cellnet interest to British Telecommunications plc.

4 Staff costs and employees

(a) Staff costs:

	1996 £m	1995 £m
Staff costs, including directors' emoluments:		
Wages and salaries	488.1	400.3
Social security costs	48.5	38.5
Pension costs	16.1	16.1
	552.7	454.9

(b) Number of employees:

	Number of employees	
	1996	1995
The average weekly number of employees of the group during the year was:		
Geographical analysis:		
United Kingdom	27,458	24,162
Rest of Europe	7,406	5,023
Africa	18,025	16,401
United States of America	164	153
Asia and rest of world	613	375
	53,666	46,114
Business sectors:		
Security	39,203	33,133
Distribution	11,455	10,440
Communications	1,435	1,049
Business Services	1,573	1,492
	53,666	46,114

Notes to the Consolidated Accounts continued

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 £14.369m (1995: £13.586m). 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 6 April 1994. 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 rate of return on investments would be 1% higher than the rate of annual salary increases 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 £273.8m and the actuarial value of the assets was sufficient to cover the actuarial value of the benefits that had accrued to members, after allowing for expected future increases in earnings.

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

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

(d) Emoluments of the directors of Securicor plc:

	1996 £m	1995 £m
As executives:		
– Executive services	1,228	949
– Pension scheme contributions	125	89
As directors:		
– Fees	233	171
Total directors' emoluments	1,586	1,209

The remuneration of the Chairman was £102,420 (1995: £41,483 – from 29 March 1995)

The remuneration of the highest paid director was £324,983 (1995: £275,680)

The number of directors whose emoluments fell within the following bands was:

	Number of directors	
	1996	1995
£10,001 – £15,000	–	1
£25,001 – £30,000	1	3
£30,001 – £35,000	2	1
£35,001 – £40,000	1	–
£40,001 – £45,000	–	1
£70,001 – £75,000	–	1
£100,001 – £105,000	1	–
£135,001 – £140,000	–	1
£140,001 – £145,000	–	1
£150,001 – £155,000	–	1
£160,001 – £165,000	1	–
£165,001 – £170,000	–	1
£175,001 – £180,000	2	–
£180,001 – £185,000	1	–
£200,001 – £205,000	1	–
£275,001 – £280,000	–	1
£320,001 – £325,000	1	–

Payments to former directors

Mr PFH Towle, a former director of Securicor Group plc and Security Services plc, died in December 1994. During the year, £187,500 (after deduction of tax of £62,500) was paid to the estate of Mr Towle in recognition for previous services rendered to the group.

For further details regarding directors' remuneration, see the Report of the Remuneration Committee on pages 37 to 39.

5 Taxation

	1996 £m	1995 £m
UK corporation tax at 33% (1995: 33%)	34.8	32.1
Deferred tax (see note 18)	(0.5)	0.1
Overseas tax	4.4	3.2
	38.7	35.4
Adjustments for previous years		
UK corporation tax	(0.4)	—
	38.3	35.4

The charge for taxation includes £27.9m (1995: £25.1m) attributable to the share of the results of associated undertakings.

6 Dividends

	1996 £m	Restated 1995 £m
Ordinary shares		
Interim (paid) 0.354p (restated 1995 – 0.316p)	2.1	1.9
Final (proposed) 1.204p (restated 1995 – 1.016p)	7.2	6.1
	9.3	8.0

Dividends for both years are calculated by reference to 599,985,046 ordinary shares in issue at the 1996 year end.

Restated dividends for 1995 represent the aggregate of all external dividends paid by Securicor Group plc and Security Services plc (i.e. excluding the effect of dividends flowing between those two companies).

7 Earnings per share

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

	1996 £m	Restated 1995 £m
Profit on ordinary activities after taxation	69.1	64.0
Minority interests *	(12.1)	(22.7)
Profit attributable to shareholders	57.0	41.3
Average number of shares in issue	461m	392m
Earnings per share	12.4p	10.5p

* Includes Security Services plc's minority from 1 October 1995 to 10 June 1996 and for a full twelve months to 30 September 1995.

- (b) An alternative method of calculating earnings per share is by reference to the 600m shares in issue at the year end 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:

	1996 £m	Restated 1995 £m
Profit on ordinary activities after taxation	69.1	64.0
Minority interests	0.4	0.2
Profit attributable to shareholders	69.5	64.2
Average number of shares in issue	600m	600m
Earnings per share	11.6p	10.7p

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

Notes to the Consolidated Accounts continued

8 Net assets

Segmental analysis of capital employed

	£m	Share of capital employed of associated undertakings £m	1996 Total capital employed £m	£m	Share of capital employed of associated undertakings £m	Restated 1995 Total capital employed £m
Business sector						
Security	79.8	12.3	92.1	58.9	9.9	68.8
Distribution	57.4	-	57.4	51.7	(0.1)	51.6
Communications	126.6	1.2	127.8	93.1	0.9	94.0
Business Services	38.8	-	38.8	32.0	-	32.0
Finance	17.7	-	17.7	12.0	-	12.0
	320.3	13.5	333.8	247.7	10.7	258.4
Cellnet	-	156.0	156.0	-	120.8	120.8
Discontinued operations	-	-	-	14.8	-	14.8
	320.3	169.5	489.8	262.5	131.5	394.0
Geographical analysis						
United Kingdom	272.9	3.0	275.9	207.9	-	207.9
Rest of Europe	16.0	1.8	17.8	15.6	2.1	17.7
Africa	4.7	-	4.7	3.5	-	3.5
United States of America	23.9	-	23.9	19.4	-	19.4
Asia and rest of world	2.8	8.7	11.5	1.3	8.6	9.9
	320.3	13.5	333.8	247.7	10.7	258.4
Cellnet (United Kingdom)	-	156.0	156.0	-	120.8	120.8
Discontinued operations (United Kingdom)	-	-	-	14.8	-	14.8
	320.3	169.5	489.8	262.5	131.5	394.0

Reconciliation to net assets

	1996 £m	Restated 1995 £m
Capital employed as above	489.8	394.0
Net debt relating to vehicle leasing and insurance operations	27.8	36.2
Deferred consideration	(15.5)	(25.8)
Net debt (see cash flow on page 42)	(193.7)	(125.1)
Net Assets	308.4	279.3

Note

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

9 Intangible fixed assets

	£m
Development expenditure	
Cost	
At 1 October 1995	10.7
Additions	2.3
At 30 September 1996	13.0
Amortisation	
At 1 October 1995	2.0
Provision for the year	1.8
At 30 September 1996	3.8
Net book value	
At 30 September 1996	9.2
At 30 September 1995	8.7

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 1995	81.0	286.3	30.6	397.9
Additions at cost	29.5	49.2	0.1	78.8
Acquisition of subsidiaries	1.0	6.6	–	7.6
Disposals	(3.2)	(58.5)	(28.5)	(90.2)
Translation adjustments	(0.4)	(0.4)	–	(0.8)
At 30 September 1996	107.9	283.2	2.2	393.3
Depreciation				
At 1 October 1995	14.2	158.5	21.2	193.9
Provision for the year	2.6	41.3	0.1	44.0
Acquisition of subsidiaries	–	3.7	–	3.7
Disposals	(0.7)	(42.6)	(20.3)	(63.6)
Translation adjustments	–	(0.3)	–	(0.3)
At 30 September 1996	16.1	160.6	1.0	177.7
Net book value				
At 30 September 1996	91.8	122.6	1.2	215.6
At 30 September 1995	66.8	127.8	9.4	204.0

Notes

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

Net book value	£1.5m (1995: £1.0m)
Accumulated depreciation	£1.1m (1995: £1.0m)
Provision for the year	£0.1m (1995: £0.1m)

(b) Land and buildings

	1996 £m	1995 £m
(i) The amount shown at cost or valuation includes the following:		
At cost	96.6	69.7
At valuation in 1986 or prior	1.0	1.0
At valuation in 1992	10.3	10.3
	107.9	81.0
(ii) The net book value of land and buildings comprises:		
Freeholds	69.0	45.1
Long leaseholds (50 years and over)	12.2	7.9
Short leaseholds (under 50 years)	10.6	13.8
	91.8	66.8

(c) Depreciation rates

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

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

(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 1995	7.7
Additions	2.0
Transfer to subsidiary undertakings	(1.0)
Translation adjustments	(0.3)
At 30 September 1996	8.4
Loans at cost	
At 1 October 1995	0.6
Additions	2.6
At 30 September 1996	3.2
Share of post acquisition reserves	
At 1 October 1995	123.2
Retained profits for year	34.7
Transfer to subsidiary undertakings	0.1
Translation adjustments	(0.1)
At 30 September 1996	157.9
Other investments	
At 1 October 1995	9.4
Translation adjustments	(0.3)
At 30 September 1996	9.1
Total investments	
At 30 September 1996	178.6
At 30 September 1995	140.9

Included in associated undertakings is the group's investment in Cellnet totalling £156.0m (1995: £120.8m) represented by (i) cost of the investment of £4.0m and (ii) the group's share of Cellnet's profits after tax (net of dividends received) of £152.0m (1995: £116.8m).

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

12 Stocks

	1996 £m	1995 £m
Raw materials	11.4	10.5
Work in progress	4.6	6.2
Finished goods including consumables	18.3	11.7
	34.3	28.4

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

13 Debtors

	1996 £m	1995 £m
Trade debtors	220.0	177.5
Amounts owed by associated undertakings	2.7	2.3
Other debtors	26.0	31.4
Prepayments and accrued income	81.5	70.1
	330.2	281.3

Included in prepayments is £29.5m (1995: £25.5m) falling due after one year.

14 Listed investments

	1996 £m	1995 £m
Listed investments at cost (listed in the UK)	30.9	24.5
Market value	31.1	29.6

15 Bank overdrafts and short term loans

	1996 £m	1995 £m
Bank overdrafts and advances (unsecured)	25.5	23.4
Secured loans	0.5	0.1
Unsecured loans	1.1	1.7
	27.1	25.2

16 Creditors

	1996 £m	1995 £m
Amounts falling due within one year:		
Obligations under hire purchase and finance leases	1.2	1.6
Trade creditors	74.7	59.0
Amounts owed to associated undertakings	29.5	25.9
Other taxation and social security costs	30.0	31.0
Other creditors	24.3	50.8
Deferred consideration	12.0	17.3
Accruals and deferred income	74.6	42.3
	246.3	227.9
Amounts falling due after one year:		
Other creditors	0.5	0.2
Deferred consideration	3.5	8.5
Accruals and deferred income	0.9	1.8
	4.9	10.5

Notes to the Consolidated Accounts continued

17 Loans

	1996 £m	1995 £m
Secured	0.7	3.2
Unsecured	217.3	136.0
Obligations under hire purchase and finance leases	1.7	2.2
	219.7	141.4
Repayable within one to two years		
Secured	0.5	0.2
Unsecured	0.5	0.3
Obligations under hire purchase and finance leases	0.4	1.1
Repayable within two to five years		
Secured	0.2	—
Unsecured	215.5	135.2
Obligations under hire purchase and finance leases	1.3	1.1
Not wholly repayable within five years		
Secured	—	3.0
Unsecured	1.3	0.5
	219.7	141.4

Secured loans, at market rates of interest, are secured on property and other assets of the group, and are mainly repayable by monthly instalments during 1996–2001.

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 £215 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, in the aggregate sum of £284 million, expire between 1997 and 2001.

18 Provision for liabilities and charges

	£m
Deferred taxation	
At 1 October 1995	1.0
Disposal of subsidiaries	(0.1)
Profit and loss account	(0.5)
At 30 September 1996	0.4
Other provisions	
At 1 October 1995	0.1
Acquisition of subsidiaries	0.1
At 30 September 1996	0.2
Total provisions for liabilities and charges	
at 30 September 1996	0.6
At 30 September 1995	1.1

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 £3.0m (1995: £3.7m).

19 Share capital

	1996		Restated 1995	
	Authorised £	Issued £	Authorised £	Issued £
Securicor plc				
Ordinary shares of 5p each (fully paid)	39,950,000	29,999,252	39,950,000	19,617,614
Redeemable Preference shares of £1 each (25p paid)	50,000	12,500	50,000	12,500
	40,000,000	30,011,752	40,000,000	19,630,114

The company was incorporated on 1 November 1995 as Growthcoin Public Limited Company and changed its name to Securicor plc on 22 March 1996. The company was incorporated with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each, of which two shares were issued, nil paid, on 1 November 1995. On 22 March 1996 the authorised share capital of the company was increased to £150,000 by the creation of 50,000 redeemable preference shares of £1 each. On the same date, 50,000 redeemable preference shares of £1 each were issued (25p per share paid) and the two issued ordinary shares were fully paid. On 16 April 1996, the authorised share capital was increased to £40,000,000 by the creation of 39,850,000 further ordinary shares of £1 each. Each of the issued and unissued ordinary shares of £1 each was then subdivided into 20 ordinary shares of 5p each.

At the year end, there were 599,985,046 ordinary shares in issue together with the partly paid redeemable preference shares noted above. The redeemable preference shares are held by Lazard Brothers & Co., Limited, financial advisers to the company, and will be redeemed at par at the earliest opportunity after Securicor plc's accounts have been signed. On the basis that the preference shares are shortly to be redeemed, and due to its immateriality, no separate disclosure of the non-equity interest in shareholders' funds has been made.

The restated 1995 comparatives reflect an adjusted share capital calculated by reference to the 1996 restructured share capital. However, the shares issued to purchase the Security Services plc minority interest, which represent the shares issued in the year, have not been included in the restatement.

20 Reserves

	Revaluation reserve £m	Profit & Loss Account £m	Share premium £m	Merger reserve £m	Total £m
At 1 October 1995 - Securicor Group plc consolidated	3.6	141.9	34.4	-	179.9
Transfer of share premium account	-	-	(34.4)	34.4	-
Adjustment to reflect the reconstruction of the group's share capital (see note (i) below)	-	-	-	1.4	1.4
At 1 October 1995 as restated	3.6	141.9	-	35.8	181.3
Movements in the year:					
Retained earnings	-	47.7	-	-	47.7
Issue of shares by Securicor Group plc pre reconstruction	-	-	-	0.6	0.6
Goodwill (see note 21)	-	(15.1)	-	-	(15.1)
Merger relief (see note (ii) below)	-	-	-	64.4	64.4
Translation adjustments	-	(0.7)	-	-	(0.7)
At 30 September 1996 - Securicor plc consolidated	3.6	173.8	-	100.8	278.2

Notes:

(i) Adjustment to reflect the reconstruction of the group's share capital:

	Number of shares (5p each)	Nominal value £m
At 30 September 1996	599,985,046	30.0
Less: issued to purchase minority interest in Security Services plc	(207,632,762)	(10.4)
Restated share capital at 30 September 1995	392,352,284	19.6
Less: original nominal value of share capital of Securicor Group plc		(21.0)
Adjustment to share capital following the reconstruction of the group's capital		(1.4)

Notes to the Consolidated Accounts continued

20 Reserves continued**(ii) Merger relief:**

Merger relief arises from the acquisition, by Securicor plc, of the minority interest in the share capital of Security Services plc during the year. The company has taken advantage of the provisions relating to merger relief contained within section 131 of the Companies Act 1985. Disclosure in respect of this acquisition was contained in the Scheme of Arrangement documents sent to shareholders.

The relief arises as follows:

	£m
Share of net assets acquired	74.8
Consideration – value of shares issued (207,632,762 x £3.18)	(660.3)
	(585.5)
Consideration in excess of the nominal value of the shares issued (207,632,762 x £3.13)	649.9
Merger relief	64.4

Goodwill of £130.4m arising on acquisitions since 1989 has been written off to reserves up to 30 September 1996 (Restated 1995: £100.7m).

21 Acquisitions

Other than the acquisition of the minority interest in Security Services plc described in note 20, goodwill arising on consolidation and purchased goodwill, which are written off to reserves in the year of acquisition, are detailed below. The sale of Securicor Alarms Limited and the purchase of Shorrock Guards Limited are considered to be related transactions. Accordingly, the two transactions have been treated side by side in these accounts.

	Shorrock Guards Ltd		Securicor Alarms Ltd	
	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m	Net assets exchanged £m
Fixed assets	1.3	–	1.3	(13.5)
Cash	7.4	–	7.4	–
Debtors	6.2	(0.5) I	5.7	(5.7)
Stocks	0.7	(0.5) II	0.2	(3.9)
Creditors falling due within one year	(4.0)	(0.4) III	(4.4)	6.7
Bank overdrafts and short term loans	–	–	–	1.8
Corporation tax creditor	(1.1)	0.8 IV	(0.3)	(0.3)
Creditors falling due after more than one year	–	–	–	0.1
	10.5	(0.6)	9.9	(14.8)
Cash consideration			(0.1)	1.8
Amounts satisfied by a share for share exchange			(17.2)	17.2
(Consolidated goodwill)/Profit on sale of subsidiary			(7.4)	4.2

21 Acquisitions continued

	Avica group of companies			Dopra Systems integration		
	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m	Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets	0.6	(0.1) V	0.5	2.1	—	2.1
Cash	0.4	—	0.4	1.8	—	1.8
Debtors	1.8	—	1.8	2.7	(0.7) VI	2.0
Stocks	0.2	—	0.2	0.7	—	0.7
Creditors falling due within one year	(2.5)	—	(2.5)	(8.0)	—	(8.0)
Bank overdrafts and short term loans	(0.3)	—	(0.3)	—	—	—
Creditors falling due after more than one year	—	—	—	(0.4)	—	(0.4)
	0.2	(0.1)	0.1	(1.1)	(0.7)	(1.8)
Cash consideration			(1.1)			(9.1)
Deferred consideration			—			(6.0)
Amounts paid in prior year for associated undertaking			(1.0)			—
Consolidated goodwill			(2.0)			(16.9)
				Total		
				Net assets acquired £m	Fair value adjustments £m	Fair value of assets acquired £m
Fixed assets				4.0	(0.1)	3.9
Cash				9.6	—	9.6
Debtors				10.7	(1.2)	9.5
Stocks				1.6	(0.5)	1.1
Creditors falling due within one year				(14.5)	(0.4)	(14.9)
Bank overdrafts and short term loans				(0.3)	—	(0.3)
Corporation tax creditor				(1.1)	0.8	(0.3)
Creditors falling due after more than one year				(0.4)	—	(0.4)
Total (excluding net assets exchanged)				9.6	(1.4)	8.2
Cash consideration						(10.3)
Deferred consideration						(6.0)
Amounts satisfied by share for share exchange						(17.2)
Amounts paid in prior year for associated undertaking						(1.0)
Consolidated goodwill						(26.3)
Prior year fair value adjustments relating to asset valuations						(1.2)
Consideration adjustments relating to prior year acquisitions						(0.5)
Purchased goodwill						(0.6)
Purchase of minority interest in an existing subsidiary undertaking						(1.1)
						(29.7)
Less: minority interest share of goodwill pre reconstruction						14.6
Total goodwill on acquisitions						(15.1)

- I Recognition of specific bad debts
- II Alignment of accounting policies
- III Accruals for preacquisition expenses
- IV Revision of corporation tax creditor for period up to acquisition date
- V Fixed asset write-offs
- VI Write-off of trade investments

Notes to the Consolidated Accounts continued

22 Contingent liabilities

Additional deferred consideration over and above that already provided for in the accounts, of an aggregate maximum sum of £3.0m, may, dependent on future performance, become payable in respect of the acquisition of Securicor Dopra Limited.

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

23 Operating lease commitments

	1996		1995	
	Land and buildings £m	Equipment and vehicles £m	Land and buildings £m	Equipment and vehicles £m
Commitments at 30 September 1996 on operating leases which expire:				
within one year	2.0	11.2	1.3	3.7
between one and two years	1.2	9.4	1.6	3.5
between two and five years	3.1	10.8	2.6	5.3
after more than five years	34.0	1.0	27.7	0.2
	40.3	32.4	33.2	12.7

24 Capital commitments

	1996 £m	1995 £m
Contracted	11.8	4.3

25 Notes to the cash flow statement

	1996		1995	
	£m	£m	£m	£m
(a) Reconciliation of operating profit to operating cash flows				
Profit on ordinary activities before taxation		107.4		99.4
Share of profits of associated undertakings	(79.9)		(73.8)	
Dividends from associated undertakings	17.3		20.2	
		(62.6)		(53.6)
Net interest		13.5		7.8
Profit on disposal of fixed assets and investments		(10.1)		(4.0)
Profit on sale of a subsidiary undertaking		(4.2)		—
Depreciation		44.0		42.6
Amortisation of development expenditure		1.8		1.4
Increase in stocks		(9.6)		(7.3)
Increase in debtors		(46.3)		(54.9)
Increase in creditors falling due within one year		17.7		6.7
Decrease in creditors falling due after one year		(1.3)		(1.4)
		50.3		36.7

25 Notes to the cash flow statement continued

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

	1996		1995	
	£m	£m	£m	£m
Return on investments and servicing of finance				
Interest received	0.9		0.7	
Interest paid	(15.7)		(9.0)	
Net cash outflow from returns on investments and servicing of finance		(14.8)		(8.3)
Net cash outflow from capital expenditure and financial investment				
Purchase of tangible fixed assets	(78.2)		(67.9)	
Purchase of intangible fixed assets	(2.3)		(4.6)	
Purchase of goodwill	(0.6)		(3.6)	
Purchase of investments	—		(9.4)	
Sale of tangible fixed assets	15.7		7.8	
Increased investment from minorities	—		0.5	
Net cash outflow from capital expenditure and financial investment		(65.4)		(77.2)
Net cash outflow from acquisitions and disposals				
Purchase of subsidiary undertakings and related disposal	(8.4)		(26.6)	
Net cash acquired with subsidiary undertakings and related disposal	11.0		(9.7)	
Purchase of minority interest	(0.7)		—	
Deferred consideration	(17.3)		—	
Sale of subsidiary undertakings	0.7		—	
Purchase of and loans to associated undertakings	(4.6)		(2.1)	
Net cash outflow from acquisitions and disposals		(19.3)		(38.4)
Management of liquid resources				
Purchase of investments	(49.9)		(41.7)	
Sale of investments	50.2		44.1	
Net cash inflow from management of liquid resources		0.3		2.4
Financing				
Share issue pre reconstruction		0.6		0.5
Increase in loans	78.6		97.4	
Capital element of finance lease rental payments	(1.8)		(0.9)	
		76.8		96.5
Net cash inflow from financing		77.4		97.0

(c) Analysis of net debt

	1996 £m	Cash flow £m	Acquisitions excluding cash and overdrafts £m	Other non- cash changes £m	1996 £m
Cash in hand and at bank	18.6	4.8	—	—	23.4
Overdrafts	(23.4)	(2.1)	—	—	(25.5)
		2.7			
Debt due after one year	(139.2)	(78.8)	—	—	(218.0)
Debt due within one year	(1.8)	0.2	—	—	(1.6)
Finance leases	(3.8)	1.8	(0.3)	(0.6)	(2.9)
		(74.1)			
Listed investments	24.5	(0.3)	—	6.7	30.9
Total	(125.1)	(74.4)	(0.3)	6.1	(193.7)

Notes to the Consolidated Accounts continued

25 Notes to the cash flow statement continued

(d) Cash flow relating to exceptional items

The operating cash outflows include £5.8m which relates to exceptional items (see note 3(c)) in this year's accounts. The outflow is made up as follows:

	1996 £m
Costs incurred in reorganising the group's capital structure	5.8
Cost of fundamental reorganisations and restructuring in the Security division	1.8
Proceeds on disposal of Alarms business	(1.8)
	5.8

(e) Major non-cash transactions

- (i) 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 £0.6m.
(ii) Part of the consideration for the purchase and sale of subsidiary undertakings that occurred during the year consisted of a share for share exchange.
Full details of the acquisitions and the disposal are set out below:

(f) Acquisition of subsidiaries

	Avica group of companies Net assets acquired £m	Dopra Systems Integration Ltd Net assets acquired £m	Shorrock Guards Ltd Net assets acquired £m	Securicor Alarms Ltd Net assets exchanged £m	Total net assets of subsidiaries acquired £m
Fixed assets	0.5	2.1	1.3	(13.5)	(9.6)
Debtors	1.8	2.0	5.7	(5.7)	3.8
Stocks	0.2	0.7	0.2	(3.9)	(2.8)
Creditors falling due within one year	(2.5)	(8.0)	(4.4)	6.7	(8.2)
Corporation tax creditor	-	-	(0.3)	(0.3)	(0.6)
Creditors falling due after more than one year	-	(0.4)	-	0.1	(0.3)
	-	(3.6)	2.5	(16.6)	(17.7)
Goodwill (see note 21)/(profit on disposal)	2.0	16.9	7.4	(4.2)	22.1
Total Cost	2.0	13.3	9.9	(20.8)	4.4
Less: amounts paid in prior year for associated undertaking	(1.0)	-	-	-	(1.0)
Less: amounts due under deferred purchase consideration	-	(6.0)	-	-	(6.0)
Amounts satisfied by share for share exchange	-	-	(17.2)	17.2	-
Cash outflow/(inflow) (excl net cash) in respect of purchase of subsidiary undertakings	1.0	7.3	(7.3)	(3.6)	(2.6)
Net cash	-	1.8	7.4	1.8	11.0
Cash outflow/(inflow) (incl net cash) in respect of purchase of subsidiary undertakings	1.0	9.1	0.1	(1.8)	8.4

The subsidiary undertakings acquired during the year used £9.7m of the group's net operating cash flows, paid £0.5m in respect of taxation and used £0.4m for capital expenditure.

(g) Sale of a subsidiary undertaking

	Total net assets of subsidiary sold £m
Fixed assets	0.8
Stocks	0.9
Debtors	1.4
Other	(2.4)
Cash outflow (excluding net cash) in respect of sale of subsidiary undertaking	0.7
Net cash	(0.4)
Cash outflow (including net cash) in respect of sale of subsidiary undertaking	0.3

The subsidiary undertaking sold during the year used £0.2m of the group's net operating cash flows, received £0.3m in respect of taxation and used £1.1m for capital expenditure.

26 Principal subsidiary and associated undertakings

	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1997
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 Monitoring Services Limited	100	United Kingdom
Securicor Security Services Limited	100	United Kingdom
Securicor Neal & Massy Limited	51	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 Limited	51	Guyana
Securicor Guernsey Limited	100	Guernsey
ASD + Securicor Wachschutz GmbH	100	Germany
ASD GmbH	100	Germany
Securicor Deutschland GmbH	100	Germany
Avica SA	100	France
Securicor Investissements SA	100	France
Securicor Telesurveillance SA	100	France
Securicor Valeurs SA	100	France
Securicor Barbados Limited	51	Barbados
Distribution		
Russell Davies Container Transport Limited	100	United Kingdom
Scottish Express Limited	100	United Kingdom
Securicor Distribution Services Limited	100	United Kingdom
Securicor Omega Express Limited	100	United Kingdom
Securicor Omega Office Services Limited	100	United Kingdom
Securicor Omega Logistics Limited	100	United Kingdom
Securicor Pony Express Limited	100	United Kingdom
Omega Couriers (Pty) Limited	51	South Africa
Securicor Omega Express BV	100	Netherlands
Securicor Express Services Sarl	100	Luxembourg
Securicor Omega Express Ireland Limited	100	Ireland
Securicor International Omega Express GmbH	100	Germany
SEI Spedition GmbH	100	Germany
Securicor Omega Express Sarl	100	France
Securicor Omega Express NV	100	Belgium

Notes to the Consolidated Accounts continued

26 Principal subsidiary and associated undertakings continued

		Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1997
Communications			
Securicor 3net Limited		100	United Kingdom
Securicor Cellular Services Limited		100	United Kingdom
Securicor Communications Limited		100	United Kingdom
Securicor Computer Services Limited		100	United Kingdom
Securicor Datatrak Limited		100	United Kingdom
Securicor Dopra Limited		100	United Kingdom
Securicor Telecoms Limited		100	United Kingdom
Securicor TrakBak Limited		100	United Kingdom
Securicor Telesciences Inc		100	USA
Intek Diversified Corporation (incorporating Securicor Radiocom Limited)		64	USA
Securicor 3net (NDL) Limited		100	New Zealand
Business Services			
Eccleston Vehicle Leasing Limited		100	United Kingdom
Securicor Fuelserv Limited		100	United Kingdom
Securicor Rentmaster Limited		100	United Kingdom
Securicor Business Services Limited		100	United Kingdom
Securicor Hotels Limited		100	United Kingdom
Pinpoint Employment Agency Limited		100	United Kingdom
Securicor Recruitment Services Limited		100	United Kingdom
Securicor Vehicle Services Limited		100	United Kingdom
Insurance			
Crosskeys Limited – incorporated		100	Gibraltar
– operational			EC
Holding Companies			
Securicor Group plc (held directly by Securicor plc)		100	United Kingdom
Security Services plc (50.75% directly owned by Securicor plc)		100	United Kingdom
Securicor International Limited		100	United Kingdom
Associated undertakings and joint venture			
	Issued Capital	Effective % of issued share capital controlled by the group	Incorporated and operational as at January 1997
Security			
Bridgend Custodial Services Limited	£250,000	40	United Kingdom
JS Holdings Limited – incorporated	US\$3,000	50	British Virgin Islands
– operational			Hong Kong, Indonesia Macau, Malaysia, Taiwan and Thailand
Securicor Trinidad Limited	TT\$3,500,000	33	Trinidad & Tobago
Al Mulla Security Services Co WLL	KD50,000	49	Kuwait
Geldnet BV	NLG6,000,000	25	Netherlands
VNV Securicor Alarmcentrale v.o.f.	Partnership	33	Netherlands
Vigilantes Caracas Vicasa SA (Venezuela)	VBO25,000	45	Venezuela
Securicor Segura Transportadora de Valores SA (Costa Rica)	CRC51,818,000	50	Costa Rica
Securicor Segura 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
Business Services			
Phoenix World Travel Limited	£15,000	50	United Kingdom
Eurotruck Contracts Limited	£700,000	50	United Kingdom

Note

All material holdings are in ordinary shares.

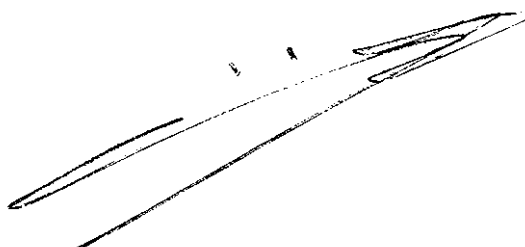
Parent Company Balance Sheet

At 30 September 1996

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

Approved by the board on 6 February 1997.

Roger Wiggs
Christopher Shirtcliffe } Directors

Notes to the Parent Company Balance Sheet

(a) Investments

	1996 £m
Subsidiary undertakings	
Shares at cost	
Additions	30.0
At 30 September 1996	30.0

(b) Reserves

	Profit & loss account £m
Profit for the financial year	5.7
At 30 September 1996	5.7

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 £5.7m.

(c) The parent company was incorporated on 1 November 1995 as described in Note 19 to the consolidated accounts – Share capital. Comparative figures are therefore not applicable.

(d) Contingent liabilities

There are no contingent liabilities.

Report of the Auditors to the members of Securicor plc

We have audited the financial statements on pages 40 to 64 and the amounts disclosed relating to directors' remuneration and share options set out in the Report of the Remuneration Committee on pages 37 and 38.

Respective responsibilities of directors and auditors

As described on page 36, 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 judgments 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 1996 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 pages 34 and 35 on the group's compliance with the paragraphs of the Cadbury Code of Best Practice, (the Code) specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the 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 35 and 9 have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

In our opinion, based on the enquiry of certain directors and officers of the company and examination of relevant documents, the directors' statement on pages 34 and 35 appropriately reflects the group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST
6 February 1997

Ten Year Financial Summary (restated)

£m	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Turnover	1,255	1,031	800	637	584	565	532	502	446	382
Profit before taxation	107.4	99.4	80.6	63.0	47.3	29.0	45.3	38.2	27.2	20.1
Profit attributable to shareholders	57	41.3	35.2	28.4	18.7	12.1	17.6	14.6	9.1	7.6
Profits retained	47.7	34.5	29.4	23.4	14.3	8.2	14.1	12.0	7.2	5.9
Fixed Assets	403.4	353.6	276.1	241.8	224.7	206.2	184.7	135.7	104.5	88.8
Net Assets	308.4	279.3	291.5	256.4	226.1	214.6	202.7	179.8	101.9	90.8
Earnings per ordinary share (pence)	11.6	10.7	9.0	7.3	4.5	3.7	4.7	3.4	2.2	1.8
Dividends per ordinary share (pence)	1.558	1.332	1.130	0.980	0.867	0.660	0.590	0.424	0.329	0.297
Return on net assets (%)	35	35	27	24	21	14	22	21	27	22
Net debt/(cash) (£m)	193.7	125.1	19.6	14.5	13.9	(3.0)	(11.4)	(43.2)	0.9	17.8
Net debt (cash)/equity (%)	63	44	7	6	6	(1)	(6)	(24)	1	20

Notice of Meeting

Notice is hereby given that the first Annual General Meeting of Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 20 March 1997 at 10.00 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 1996, together with the report of the auditors.
- (b) To declare a final dividend.
- (c) To elect the directors appointed in March 1996:
 Sir James Birrell
 Mr Richard Graves (member of Remuneration Committee)
 Mr Nigel Griffiths
 Dr Ed Hough
 Mr Pat Howes
 Sir Peter Imbert (member of Remuneration Committee)
 Sir Neil Macfarlane (member of Remuneration Committee)
 Mr Henry McKay
 Mr Christopher Shirlcliffe
 Mr Roger Wiggs
- (d) To 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:

- (a) As an Ordinary Resolution:
 "That a dividend of 0.354 pence per ordinary share is hereby declared payable to shareholders on the register at the close of business on 28 August 1996 and is deemed satisfied by the receipt and retention by shareholders of the interim dividend paid to them on 30 September 1996 with the intent that such interim dividend be approved, ratified and confirmed."
- (b) 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 20 May 1998, 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
 6 February 1997

By Order of the Board
N E Griffiths
 Secretary

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 10.00 am on 18 March 1997.
- (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 4 April 1997 to the holders registered at close of business on 4 March 1997.
- (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.