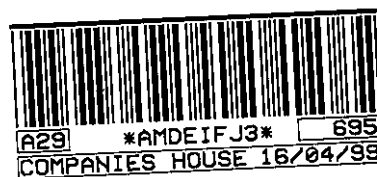


Security Services plc

FINANCIAL STATEMENTS

for the year ended

30 September 1998



Company Registration No. 0057379

Security Services plc

DIRECTORS AND OFFICERS

DIRECTORS

RSWH Wiggs
CC Shirtcliffe
H McKay
PD Howes
NE Griffiths

SECRETARY

NE Griffiths

REGISTERED OFFICE

Sutton Park House
15 Carshalton Road
Sutton
Surrey SM1 4LD

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Security Services plc

DIRECTORS' REPORT

The directors submit their report and the financial statements of Security Services plc for the year ended 30 September 1998.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was that of a holding company.

DIVIDENDS

An interim dividend of £21,923,182 is proposed, representing 20.0p per share.

REVIEW OF THE BUSINESS

The directors consider that the state of the company's affairs at 30 September 1998 was satisfactory.

EVENTS SINCE THE END OF THE YEAR

During the year ended 30 September 1999 the company will purchase the fixed and current investments of its fellow subsidiary company Securicor Group Limited at net book value of £2.3 million. It will also purchase for £37.9 million from Securicor plc shares in Securicor Group Limited which will ultimately represent a 50.001% interest in that company.

Following these changes the company's principal activity will continue to be that of a holding company.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of properties is not less than the amount at which they are shown in the accounts.

DIRECTORS

The following directors held office during the year:

RSWH Wiggs
CC Shirtcliffe
H McKay
PD Howes
NE Griffiths

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

The directors have no direct interest in the share capital at 30 September 1998.

All the directors are also directors of the parent company Securicor plc. Details of their shareholdings and share options in Securicor plc are disclosed in the consolidated financial statements of that company.

CHARITABLE DONATION

During the year, the company made donations of £Nil (1997: £27,965).

Security Services plc

DIRECTORS' REPORT

YEAR 2000

A centrally managed programme is being undertaken to address the impact on the business of the year 2000. Many of the group's systems are already compliant, and the directors anticipate that the programme will be completed by the end of 1999.

INTRODUCTION OF THE EURO

All relevant parts of the Group will be able to handle euro transactions when required.

AUDITORS

A resolution to re-appoint Baker Tilly, chartered accountants, as auditors to the company will be put to the Annual General Meeting.

By order of the board



NE Griffiths
Secretary

11 January 1999

Security Services plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS' REPORT TO THE MEMBERS OF SECURITY SERVICES PLC

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

11 January 1999

Security Services plc
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1998

	<i>Notes</i>	1998 £000	1997 £000
Administrative expenses		(191)	(3,080)
Other operating income		-	-
OPERATING LOSS		(191)	(3,080)
Loss due to reorganisation of subsidiary undertakings		-	(20,886)
Loss on disposal of subsidiary undertakings		-	(34,408)
Cost of indemnity on sale of investment		-	(1,544)
Write off of amount due from subsidiary undertaking		(270)	-
Investment income	1	15,635	17,579
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		15,174	(42,339)
Interest payable and similar charges	2	(21,156)	(20,720)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(5,982)	(63,059)
Taxation	5	(2,252)	1,023
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(8,234)	(62,036)
Dividends	6	(21,923)	(12,000)
RETAINED LOSS FOR THE YEAR	13	(30,157)	(74,036)

The operating loss is derived from the company's continuing operations.

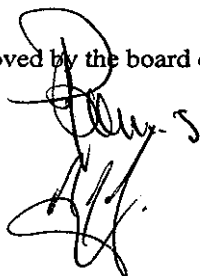
No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

The retained loss for the year represents the company's historical cost loss.

Security Services plc
BALANCE SHEET
30 September 1998

	<i>Notes</i>	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	7	3,927	3,957
Investments	8	53,194	18,664
		<u>57,121</u>	<u>22,621</u>
CURRENT ASSETS			
Debtors (including debtors due after more than one year £178,416,132 (1997: £172,448,242))	9	354,251	366,087
Cash at bank and in hand		13	478
		<u>354,264</u>	<u>366,565</u>
CREDITORS: Amounts falling due within one year			
Bank overdrafts and short term loans		1,425	93
Other	10	134,366	76,342
		<u>135,791</u>	<u>76,435</u>
NET CURRENT ASSETS		<u>218,473</u>	<u>290,130</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>275,594</u>	<u>312,751</u>
CREDITORS: Amounts falling due after more than one year	11	198,000	205,000
		<u>77,594</u>	<u>107,751</u>
CAPITAL AND RESERVES			
Called up share capital	12	27,404	27,404
Share premium account	13	48,381	48,381
Capital redemption reserve	13	100	100
Profit and loss account	13	1,709	31,866
EQUITY SHAREHOLDERS' FUNDS	14	<u>77,594</u>	<u>107,751</u>

Approved by the board on 11 January 1999



Director

Director

Security Services plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

Group accounts are not prepared in view of the fact that the company is a wholly owned subsidiary of Securicor plc, which itself prepares consolidated accounts.

INVESTMENTS

Long term investments in subsidiary and associated undertakings are classified as fixed assets. Short term investments are classified as current assets.

Long term investments are stated at cost. Other investments listed on a recognised stock exchange are valued at the lower of cost and mid-market value at the balance sheet date.

Provision is made for any permanent diminution in the value of fixed asset investments.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets other than freehold property at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leasehold interests

over the lease term

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1998

		1998	1997
		£000	£000
1	INVESTMENT INCOME		
	Other interest receivable and similar income	15,635	17,579
		<hr/>	<hr/>
		1998	1997
		£000	£000
2	INTEREST PAYABLE		
	On bank loans, overdrafts and other loans repayable within 5 years:		
	Bank loans	21,156	20,720
		<hr/>	<hr/>
3	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
		£000	£000
	Loss on ordinary activities before taxation is stated after crediting:		
	Exchange gains	1,065	2,843
		<hr/>	<hr/>
	and after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	charge for the year:		
	owned assets	30	30
	Auditors' remuneration	6	6
		<hr/>	<hr/>
4	EMPLOYEES		
	The only employees of the company during the year were its directors who received no remuneration from the company. Full details of the directors emoluments from the group are disclosed in the group financial statements of Securicor plc.		
		1998	1997
		£000	£000
5	TAXATION		
	Based on the result for the year:		
	UK corporation tax - group relief	-	(1,023)
	- charge for year	2,252	-
		<hr/>	<hr/>
		2,252	(1,023)
		<hr/>	<hr/>

There is no tax effect of exceptional items.

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1998

6	DIVIDENDS	1998 £000	1997 £000	
	Ordinary:			
	Interim proposed 20.0p (1997 - Nil)	21,923	-	
	Interim paid Nil (1997 - 10.9p)	-	12,000	
7	TANGIBLE FIXED ASSETS		<i>Land and Buildings £ 000</i>	
	Cost			
	1 October 1997 and 30 September 1998		4,249	
	Depreciation:			
	1 October 1997		292	
	Charged in the year		30	
	30 September 1998		322	
	Net book value:			
	30 September 1998		3,927	
	30 September 1997		3,957	
		1998 £000	1997 £000	
	Land and buildings at net book value comprise:			
	Freeholds	3,449	3,449	
	Long leaseholds	205	207	
	Short leaseholds	273	301	
		3,927	3,957	
8	FIXED ASSET INVESTMENTS			
		<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>	
		<i>Shares</i>	<i>Shares</i>	<i>Loans</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
	Cost or valuation			<i>Total £ 000</i>
	1 October 1997	15,527	2,667	470
	Additions	35,000	-	-
	Disposals	-	-	(470)
	30 September 1998	50,527	2,667	-
				53,194

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

8 FIXED ASSET INVESTMENTS (*continued*)

The company holds more than 10% of the equity of the following undertakings:

Subsidiary undertakings	Country of registration/ incorporation	Class of holding	Proportion directly held	Nature of business
Securicor Security Services Ltd	England	Ordinary	100%	Holding company
Securicor Distribution Services Ltd	England	Ordinary	100%	Holding company
Securicor Communications Ltd	England	Ordinary	100%	Holding company
Securicor Business Services Ltd	England	Ordinary	100%	Holding company
Securicor Management Services Ltd	England	Ordinary	100%	Management company
Associated undertakings:				
Cellnet Group Limited	England	Ordinary	26.67%	Mobile telephone network

All the above companies have co-terminous year ends apart from Cellnet Group Limited whose year end is 31 March.

The accounts present information about the company as an individual undertaking, and not about its group, as the company has taken advantage of the exemption provided by section 228 of the Companies Act 1985 since it is a subsidiary undertaking of Securicor plc, a company registered in England and Wales, and is included in that company's consolidated accounts.

9 DEBTORS	1998 £000	1997 £000
Amounts owed by group undertakings	353,670	360,822
Other debtors	19	2,786
Prepayments and accrued income	561	2,479
	<u>354,251</u>	<u>366,087</u>

Included in amounts owed by group undertakings is £178,416,132 (1997: £172,448,242) representing loan accounts due after more than one year.

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1998

	1998 £000	1997 £000
10 CREDITORS: Amounts falling due within one year		
Amounts owed to group undertakings	130,342	71,697
Corporation tax	3,789	4,617
Other creditors	235	28
	<u>134,366</u>	<u>76,342</u>

Included in amounts owed to group undertakings is £5,974,409 where interest is charged at 1% above bank base rate. The remaining balance is interest free.

	1998 £000	1997 £000
11 CREDITORS: Amounts falling due after more than one year		
Bank loans - unsecured	198,000	205,000
Analysis of debt maturity:		
Loans:		
Repayable between two to five years	<u>198,000</u>	<u>205,000</u>

The loans represent a £198 million drawdown on a series of bilateral revolving credit facilities. These facilities are in the aggregate sum of £299 million. The majority expire in 2000 or earlier at the option of borrowers.

	1998		1997	
	Authorised £	Issued and fully paid £	Authorised £	Issued and fully paid £
12 SHARE CAPITAL				
X Ordinary shares of 25p each	13,907,309	13,907,309	13,907,309	13,907,309
Ordinary shares (non-voting) of 25p each	2,496,022	-	2,496,022	-
Y Ordinary shares of 25p each	13,496,669	13,496,669	13,496,669	13,496,669
	<u>29,900,000</u>	<u>27,403,978</u>	<u>29,900,000</u>	<u>27,403,978</u>

The 'X' ordinary shares and 'Y' ordinary shares rank pari passu in all respects.

	Profit and loss account £000	Capital redemption reserve £000	Share premium £000	Total £000
13 RESERVES				
1 October 1997	31,866	100	48,381	80,347
Loss for the year	(30,157)	-	-	(30,157)
30 September 1998	<u>1,709</u>	<u>100</u>	<u>48,381</u>	<u>50,190</u>

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1998

14	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	1998 £000	1997 £000
	Loss after taxation	(8,234)	(62,036)
	Dividends	(21,923)	(12,000)
	Net reduction to shareholders' funds	(30,157)	(74,036)
	Opening equity shareholders' funds	107,751	181,787
	Closing equity shareholders' funds	77,594	107,751

15 ULTIMATE PARENT COMPANY

The ultimate holding company of Security Services plc is Securicor plc, a company registered in England and Wales. Copies of the group accounts of Securicor plc can be obtained from Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LD.

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

17 POST BALANCE SHEET EVENTS

During the year ended 30 September 1999 the company will purchase the fixed and current investments of its fellow subsidiary company Securicor Group Limited at net book value of £2.3 million. It will also purchase for £37.9 million from Securicor plc shares in Securicor Group Limited which will ultimately represent a 50.001% interest in that company.