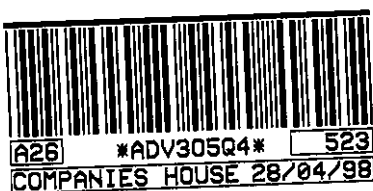


Security Services plc

FINANCIAL STATEMENTS

for the year ended

30 September 1997



Company Registration No. 0057379

Security Services plc

DIRECTORS AND OFFICERS

DIRECTORS

R Wiggs
CC Shirtcliffe
H McKay
PD Howes
NE Griffiths

Chief Executive

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 1997.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

An interim dividend of £12,000,000 was paid on 30 September 1997.

REVIEW OF THE BUSINESS

The loss was as a result of the company providing against irrecoverable intercompany balances during the year. The directors expect results of an improved nature in the future.

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:

R Wiggs	
CC Shirtcliffe	
H McKay	
PD Howes	
NE Griffiths	
Dr EA Hough	(resigned 26 August 1997)
Sir DN Macfarlane	(resigned 6 February 1997)
Sir J Birrell	(resigned 6 February 1997)
RA Graves	(resigned 6 February 1997)
Sir P Imbert	(resigned 6 February 1997)

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 1997.

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

Security Services plc

DIRECTORS' REPORT

CHARITABLE DONATION

During the year, the company made donations of £27,965 (1996: £Nil).

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



9 January 1998

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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

9 January 1998

Security Services plc
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1997

	<i>Notes</i>	1997 £000	1996 £000
Administrative expenses		(3,080)	(2,191)
Other operating income		-	201
OPERATING LOSS		(3,080)	(1,990)
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)	-
Costs incurred in reorganising the group's capital structure		-	(5,786)
Investment income	1	17,579	25,967
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(42,339)	18,191
Interest payable and similar charges	2	(20,720)	(16,098)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(63,059)	2,093
Taxation	5	1,023	490
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(62,036)	2,583
Dividends	6	(12,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	13	(74,036)	2,583

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 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	7	3,957	3,987
Investments	8	18,664	18,756
		<u>22,621</u>	<u>22,743</u>
CURRENT ASSETS			
Debtors (including debtors due after more than one year £178,448,242 (1996: £231,316,000))	9	366,087	444,662
Cash at bank and in hand		478	277
		<u>366,565</u>	<u>444,939</u>
CREDITORS: Amounts falling due within one year			
Bank overdrafts and short term loans		93	334
Other	10	76,342	70,561
		<u>76,435</u>	<u>70,895</u>
NET CURRENT ASSETS		<u>290,130</u>	<u>374,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>312,751</u>	<u>396,787</u>
CREDITORS: Amounts falling due after more than one year	11	205,000	215,000
		<u>107,751</u>	<u>181,787</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	31,866	105,902
EQUITY SHAREHOLDERS' FUNDS	14	<u>107,751</u>	<u>181,787</u>

Approved by the board on 9 January 1998

ROGER WIGGS

Director

NIGEL GRIFFITHS

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
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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 1997

		1997 £000	1996 £000
1	INVESTMENT INCOME		
	Income from shares in group undertakings	-	1,067
	Income from shares in associated undertakings	-	9,496
	Other interest receivable and similar income	17,579	15,404
		<u>17,579</u>	<u>25,967</u>
2	INTEREST PAYABLE	1997 £000	1996 £000
	On bank loans, overdrafts and other loans repayable within 5 years:		
	Bank loans	<u>20,720</u>	<u>16,098</u>
3	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997 £000	1996 £000
	Profit on ordinary activities before taxation is stated after crediting:		
	Rent receivable (net of outgoings)	-	201
	Exchange gains	<u>2,843</u>	<u>1,160</u>
	and after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	charge for the year:		
	owned assets	30	30
	Auditors' remuneration	<u>6</u>	<u>6</u>
4	EMPLOYEES		
	The only employees of the company during the year were its directors who received no remuneration.		
5	TAXATION	1997 £000	1996 £000
	Based on the profit for the year:		
	UK corporation tax - group relief	<u>1,023</u>	<u>490</u>
	There is no tax effect of exceptional items.		

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1997

		1997 £000	1996 £000
6	DIVIDENDS		
	Ordinary: Interim paid	12,000	-
		<hr/>	<hr/>
7	TANGIBLE FIXED ASSETS		<i>Land and Buildings £ 000</i>
	Cost		
	1 October 1996		4,283
	Disposal		(34)
	30 September 1997		<hr/> 4,249
	Depreciation:		
	1 October 1996		296
	Charged in the year		30
	On disposals		(34)
	30 September 1997		<hr/> 292
	Net book value:		
	30 September 1997		<hr/> 3,957
	30 September 1996		<hr/> 3,987
			<hr/>
		1997 £000	1996 £000
	Land and buildings at net book value comprise:		
	Freeholds	3,449	3,449
	Long leaseholds	207	208
	Short leaseholds	301	330
		<hr/> 3,957	<hr/> 3,987
		<hr/>	<hr/>

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1997

8 FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i> Shares £000	<i>Associated undertakings</i> Shares £000	Loans £000	Total £ 000
Cost or valuation				
1 October 1996	15,527	2,667	562	18,756
Foreign exchange movement	-	-	(92)	(92)
30 September 1997	15,527	2,667	470	18,664

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	27%	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.

	1997 £000	1996 £000
9 DEBTORS		
Amounts owed by group undertakings	360,822	439,725
Other debtors	2,786	3,229
Prepayments and accrued income	2,479	1,708
	366,087	444,662

Included in amounts owed by group undertakings is £172,448,242 (1996: £231,316,000) representing loan accounts due after more than one year.

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1997

	1997 £000	1996 £000
10 CREDITORS: Amounts falling due within one year		
Amounts owed to group undertakings	71,697	61,733
Corporation tax	4,617	-
Other creditors	28	8,828
	<u>76,342</u>	<u>70,561</u>

Included in amounts owed to group undertakings is £68,845,565 where interest is charged at 1% above bank base rate. The remaining balance is interest free.

	1997 £000	1996 £000
11 CREDITORS: Amounts falling due after more than one year		
Bank loans - unsecured	205,000	215,000
Analysis of debt maturity:		
Loans:		
Repayable between two to five years	205,000	215,000

The loans represent a £205 million drawdown on a series of bilateral revolving credit facilities. These facilities are in the aggregate sum of £299 million. The majority expire between 1999 and 2001.

	1997		1996	
	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 1996	105,902	100	48,381	154,383
Loss for the year	(74,036)	-	-	(74,036)
30 September 1997	<u>31,866</u>	<u>100</u>	<u>48,381</u>	<u>80,347</u>

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1997

14	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	1997 £000	1996 £000
	(Loss)/profit after taxation	(62,036)	2,583
	Dividends	(12,000)	-
	Preference shares redeemed at par	-	(100)
	Net (reduction)/addition to shareholders' funds	(74,036)	2,483
	Opening equity shareholders' funds	181,787	179,304
	Closing equity shareholders' funds	107,751	181,787

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.