

Security Services plc

FINANCIAL STATEMENTS

for the year ended

30 September 1996



Security Services plc

DIRECTORS AND OFFICERS

DIRECTORS

R Wiggs	Chief Executive
C Shirtcliffe	
H McKay	
Dr EA Hough	
PD Howes	
NE Griffiths	
Sir DN Macfarlane	
Sir J Birrell	
RA Graves	
Sir P Imbert	

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 1996.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit for the year after taxation was £2,583,000 (1995: £13,724,000).

The directors do not recommend the payment of a dividend for the year.

REVIEW OF THE BUSINESS

During the year, a new ultimate holding company, Securicor plc, was superimposed and the company was restructured as part of this reorganisation. Shareholders in Security Services plc, other than Securicor Group plc, were allotted shares in Securicor plc in consideration for their shareholdings in Security Services plc. The new shares in Security Services plc, which replaced the shares exchanged, were then allotted to Securicor plc.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of properties at 30 September 1996 would significantly exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the company's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

DIRECTORS

The directors, whose details are given on page 1, held office throughout the year ended 30 September 1996. In addition Mr AV Alexander also held office until his retirement on 31 July 1996.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the share capital of the company at the beginning and end of the financial year, were as follows:

	Ordinary Stock Units	
	1996	1995
Beneficial interest		
AV Alexander (retired 31 July 1996)	-	2,843
RSWH Wiggs	-	2,843
HW McKay	-	1,018
RA Graves	-	1,117
CC Shirtcliffe	-	782
NE Griffiths	-	400
PD Howes	-	400
DN Macfarlane	-	400
PM Imbert	-	400
JD Birrell	-	400
EA Hough (appointed 1 October 1995)	-	400

Security Services plc

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(continued)*

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 1996 following the capital restructuring in June 1996, see note 12.

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.

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

10 January 1997



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 14.

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.

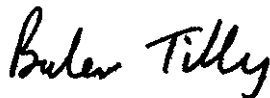
Basis of opinion

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 1996 and of its profit 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

10 January 1997

Security Services plc
 PROFIT AND LOSS ACCOUNT
 for the year ended 30 September 1996

	<i>Notes</i>	1996 £000	1995 £000
Operating expenses (net)	1	(2,191)	357
Other operating income		201	171
OPERATING (LOSS)/PROFIT		<u>(1,990)</u>	<u>528</u>
Costs incurred in reorganising the group's capital structure		(5,786)	-
Investment income	2	25,967	20,400
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>18,191</u>	<u>20,928</u>
Interest payable and similar charges	3	(16,098)	(9,097)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>2,093</u>	<u>11,831</u>
Taxation	6	490	1,893
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,583</u>	<u>13,724</u>
Dividends	7	-	(8,459)
RETAINED PROFIT FOR THE YEAR	14	<u>2,583</u>	<u>5,265</u>

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.

Security Services plc

BALANCE SHEET

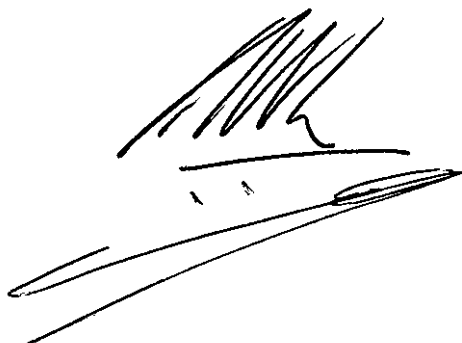
30 September 1996

	Notes	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	8	3,987	4,017
Investments	9	18,756	18,591
		<u>22,743</u>	<u>22,608</u>
CURRENT ASSETS			
Debtors	10	444,662	353,637
Cash at bank and in hand		277	4
		<u>444,939</u>	<u>353,641</u>
CREDITORS: Amounts falling due within one year			
Bank overdrafts and short term loans		334	769
Proposed dividends		-	6,386
Other	11	70,561	54,790
		<u>70,895</u>	<u>61,945</u>
NET CURRENT ASSETS		<u>374,044</u>	<u>291,696</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>396,787</u>	<u>314,304</u>
CREDITORS: Amounts falling due after more than one year	12	215,000	135,000
		<u>181,787</u>	<u>179,304</u>
CAPITAL AND RESERVES			
Called up share capital	13	27,404	27,504
Share premium account	14	48,381	48,381
Capital redemption reserve	14	100	-
Profit and loss account	14	105,902	103,419
SHAREHOLDERS' FUNDS (including non-equity interests)	15	<u>181,787</u>	<u>179,304</u>

Approved by the board on

Roger Wiggs Director

Christopher Shirtcliffe 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 1996

	1996 £000	1995 £000
1 OPERATING EXPENSES (NET)		
Administrative expenses	(2,191)	357
	<u> </u>	<u> </u>
2 INVESTMENT INCOME	1996 £000	1995 £000
Income from shares in group undertakings	1,067	1,000
Income from shares in associated undertakings	9,496	13,402
Other interest receivable and similar income	15,404	5,998
	<u>25,967</u>	<u>20,400</u>
	<u> </u>	<u> </u>
3 INTEREST PAYABLE	1996 £000	1995 £000
On bank loans, overdrafts and other loans repayable within 5 years:		
Bank loans	16,098	9,097
	<u> </u>	<u> </u>
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1996 £000	1995 £000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable (net of outgoings)	201	171
	<u> </u>	<u> </u>
and after charging:		
Depreciation and amounts written off tangible fixed assets:		
charge for the year:		
owned assets	30	32
Exchange (losses)/gains	(1,160)	913
Auditors' remuneration	6	5
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

5 EMPLOYEES

The only employees of the company during the year were its directors who received no remuneration.

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1996

		1996 £000	1995 £000
6	TAXATION		
	Based on the profit for the year:		
	UK corporation tax - group relief	490	1,893
		<u> </u>	<u> </u>
7	DIVIDENDS	1996 £000	1995 £000
	3.15% Cumulative Preference stock	-	3
	Ordinary:		
	Interim paid - Nil p (1995: 1.888p)	-	2,070
	Final proposed - Nil p (1995: 5.826p)	-	6,386
		<u> </u>	<u> </u>
		-	8,459
		<u> </u>	<u> </u>
8	TANGIBLE FIXED ASSETS		<i>Land and Buildings £ 000</i>
	Cost or valuation		
	1 October 1995 and 30 September 1996		4,283
	Depreciation:		
	1 October 1995		266
	Charged in the year		30
			<u> </u>
	30 September 1996		296
	Net book value:		
	30 September 1996		3,987
			<u> </u>
	30 September 1995		4,017
			<u> </u>
		1996 £000	1995 £000
	Land and buildings at net book value comprise:		
	Freeholds	3,449	3,449
	Long leaseholds	208	210
	Short leaseholds	330	358
		<u> </u>	<u> </u>
		3,987	4,017
		<u> </u>	<u> </u>

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

9 FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i>	<i>Associated undertakings</i>		
	<i>Shares</i>	<i>Shares</i>	<i>Loans</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£ 000</i>
Cost or valuation				
1 October 1995	15,527	2,667	397	18,591
Additions	-	-	165	165
30 September 1996	<u>15,527</u>	<u>2,667</u>	<u>562</u>	<u>18,756</u>

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.

	1996 £000	1995 £000
10 DEBTORS		
Amounts owed by subsidiary undertakings	439,725	351,877
Other debtors	3,229	1,344
Prepayments and accrued income	1,708	416
	<u>444,662</u>	<u>353,637</u>

Included in amounts owed by subsidiary undertakings is £231,316,000 (1995: £221,897,000) representing loan accounts due after more than one year.

Security Services plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1996

	1996 £000	1995 £000
11 CREDITORS		
Amounts falling due within one year:		
Parent undertakings and fellow subsidiary	61,637	45,961
Amounts owed to subsidiary undertakings	96	8,795
Other creditors	8,828	34
	<u>70,561</u>	<u>54,790</u>

	1996 £000	1995 £000
12 CREDITORS		
Amounts falling due after more than one year:		
Bank loans - unsecured	215,000	135,000
	<u>215,000</u>	<u>135,000</u>
Analysis of debt maturity:		
Loans:		
Repayable between two to five years	215,000	135,000
	<u>215,000</u>	<u>135,000</u>

The loans represent a £215million drawdown on a series of bilateral revolving credit facilities. These facilities, in the aggregate sum of £284 million, expire between 1997 and 2001.

	1996		1995	
	Authorised £	Issued and fully paid £	Authorised £	Issued and fully paid £
13 SHARE CAPITAL				
3.15% cumulative preference stock	-	-	100,000	100,000
X Ordinary shares of 25p each	13,907,309	13,907,309	27,403,978	27,403,978
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	-	-
	<u>29,900,000</u>	<u>27,403,978</u>	<u>30,000,000</u>	<u>27,503,978</u>

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

13 SHARE CAPITAL (*continued*)

Under a scheme of arrangement dated 17 April 1996, and under Section 425 Companies Act 1985, the following changes to the company's share structure have taken place:

Shares/Stock Units Cancelled	Number cancelled	Consideration for cancellation of each stock unit
Ordinary Stock units of 25p each	53,986,676	3.846 Securicor plc ordinary shares

Upon cancellation of the above stock units the remaining units have been redesignated as 'X' Ordinary shares.

Following this capital reduction the company's share capital was increased by the creation of 53,986,676 new 'Y' Ordinary shares, to put the company's capital base back to the same level as before the arrangement. These new shares were fully paid at par, by utilisation of the credit that remained in the company's books following the cancellation of the 25p ordinary stock units, and have been fully paid up and allotted to Securicor plc.

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

On the 17 June 1996 the company repaid at par and cancelled the 3.15% preference shares together with the outstanding interest of £940.68 (net).

The above changes were ratified by special resolution in an Extraordinary General Meeting of the company held on 10 May 1996.

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.

14 RESERVES	Profit and loss account £000	Capital redemption reserve £000	Share premium £000	Total £000
1 October 1995	103,419	-	48,381	151,800
Shares redeemed in the year at par	(100)	100	-	-
Profit for the year	2,583	-	-	2,583
30 September 1996	105,902	100	48,381	154,383

Security Services plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

15	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1996 £000	1995 £000
	Profit after taxation	2,583	13,724
	Dividends	-	(8,459)
	Preference shares redeemed at par	(100)	-
	Net addition to shareholders' funds	2,483	5,265
	Opening shareholders' funds	179,304	174,039
	Closing shareholders' funds	181,787	179,304
	The total of shareholders' funds comprise:		
	Non-equity interests:		
	attributable to preference shares	-	100
	Equity interests	181,787	179,204
		181,787	179,304