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REPORT AND ACCOUNTS
1986

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SECURITY
SERVICES
PLC



THE HOLDING COMPANY OF
SECURICOR LIMITED AND
SECURICOR INTERNATIONAL
LIMITED

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DIRECTORS AND OFFICERS

Security Services PLC

DIRECTORS

Peter Smith OBE *Chairman*
Eric Hollis FCCA *Deputy Chairman*
Peter Towle *Chief Executive*
Roger Wiggs *Deputy Chief Executive*
*John Delaney
*A. V. Alexander CBE
*Vernon S. Gregg FCA
Richard Graves
Henry McKay
Christopher Shirtcliffe FCA
Donald Blanks FCCA *Secretary*

*non-executive directors

REGISTERED OFFICE

Vigilant House
24 Gillingham Street
London SW1V 1HZ
Telephone: 01-828 5611

REGISTRARS AND TRANSFER OFFICE

Hill Samuel Registrars Ltd
6 Greencoat Place
London SW1P 1PL
Telephone: 01-828 4321

AUDITORS

Milne Ross
Chartered Accountants
Chapel House
Upper Berkeley Street
London W1H 7PE



RESULTS AT A GLANCE 1986

Security Services PLC and Subsidiary Companies, including Securicor Limited

	<i>increase per cent.</i>	Profit and Dividends 1986 £000	1985 £000
TURNOVER	<i>14.5</i>	309,920	270,724
PROFIT BEFORE TAX:			
SECURITY, COMMUNICATIONS AND PARCELS	<i>24.3</i>	11,380	9,156
PROPERTY, INVESTMENTS AND FINANCE	<i>(16.2)</i>	1,368	1,632
	<i>18.2</i>	12,748	10,788
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<i>12.6</i>	6,650	5,906
EARNINGS PER ORDINARY STOCK UNIT	<i>33.3</i>	8.0p	6.0p
DIVIDENDS PER ORDINARY STOCK UNIT	<i>10.0</i>	2.062p	1.874p*

* Adjusted for the capitalisation issue in August, 1985

	Assets and Capital Employed	
	1986 £000	1985 £000
NET ASSETS	57,373	53,300
SHAREHOLDERS' FUNDS	57,371	53,154
NET TANGIBLE ASSETS PER ORDINARY STOCK UNIT	58p	53p

CHAIRMAN'S REVIEW

For the year ended 30th September, 1986



The results shown on the opposite page reflect another trading record. Turnover, profit before tax, and the dividend payments of both Securicor Group and Security Services have substantially increased. The finances of the Group are strong, and the outlook for the future is encouraging.

The principal factor behind continued progress of the Group has been its preparedness to make changes, and to institute developments in response to market demand; and it is these changes, and developments into profitable new areas, to which my Statement to you this year is particularly addressed.

Without exaggeration, it is true to say that our trade name "Securicor" has become a byword known to all throughout the United Kingdom. This high visibility, together with the publicity that our armoured cash-carrying activities attracts, has tended to obscure the importance of other "Securicor" activities, some of which have been developed into major growth businesses in their own right, and others of which are judged to have significant growth potential.

In order to direct the attention of shareholders and the investment community to the broad base now

represented by the many and varied sectors of the business, this year my review has been extended to include a more detailed report on the progress of our operations.

It demonstrates how our established business in radiotelephone communications has been built up and expanded into a large enterprise in its own right, with exciting further prospects through investment in the rapidly growing cellular radio network "Cellnet".

These newer businesses continue to grow. In addition, the Group is strategically well placed to benefit from developments in radiotelephony quite apart from cellular radio.

In order to inform shareholders more fully of the Group's interest in radio communication, there is included on pages 36 to 38 an account of radiotelephone technology. We have also provided more extensive information about Securicor Granley's new Genesis Alarm System.

I have every confidence that the future of your Group companies is soundly based upon a management which has consistently demonstrated its entrepreneurial flair and foresight in recognising and developing new commercial opportunities.

The original perception of the potential for the secure transport of cash and valuables has been developed to the point at which Securicor is now larger than all its competitors combined in this field.

Similar commercial vision was demonstrated by early recognition of the Group's unique ability to satisfy public need by the creation of a reliable and secure overnight parcels delivery service, initially geared to the transport of accounts media and computer data, and rapidly developed to encompass the express delivery of parcels to the same high standards, and for which it was clear that there was a major market niche to be filled.

CHAIRMANS REVIEW CONTINUED

The spirit of enterprise is again manifest in the establishment of what has become the largest privately owned mobile radio network in Britain and its further development into modern radiotelephone technology.

Having regard to the Group's successful past record, allied to the information in the annexed Accounts and the following review of current trading activity, I invite you to share my confidence that the Group is exceptionally well placed to continue its growth in the years ahead.

THE UNITED KINGDOM

This year security activities have gained as a result of a significant trend by discerning customers to return to the quality service which we provide.

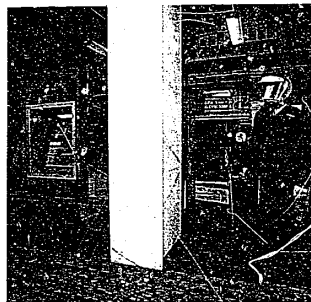


Security Services

This year these activities have gained as a result of a significant trend by discerning customers to return to the quality service which we provide, after unsatisfactory experiences with cut-price operators.

An example of the important contracts won in competitive tender during the year is that involving the guarding of the network of new Inland Revenue computer centres. Other prestigious contracts have included the provision of security services at the Labour and Conservative party conferences.

The continuing increase in the level



Our involvement in servicing automatic teller machines continues to increase.

of crime against our cash carrying personnel affected our costs, but nevertheless we gained a high level of new work. During the summer we introduced a new anti-theft cash container for use by our crews when crossing the pavement. The precise operation of this highly effective container must remain confidential but already it has frustrated several losses, and we are confident that it will more than justify its development cost.

Our unique nationwide secure transport service named Safelink has been steadily extended during the year, finding new markets for the long distance transport of travellers' cheques, irreplaceable documents and valuables in fire resistant cabinets within special armoured vehicles. Only Securicor has the secure branch network necessary for this service to operate a next day delivery nationally.

New services introduced in our Cash Processing division made excellent progress during the year. Our involvement in servicing automatic teller machines continues to increase and the automation of our PayPak operation has been successfully completed.

Parcels

During the year under review we passed an impressive new milestone by achieving the rate of one million consignments transported per week in the U.K. alone. This consolidated our

A new livery adopted for parcels vehicles under the name "Securicor Express"

SECURICOR EXPRESS
PARCELS SERVICE

PONY EXPRESS



CHAIRMAN'S REVIEW CONTINUED

Our involvement in servicing automatic teller machines continues to increase.

A new livery was adopted for our parcels vehicles under the name of "Securicor Express"



SECURICOR EXPRESS
PARCELS SERVICE

position as the country's leading overnight express parcels carrier. In the summer a new livery was adopted for our parcels vehicles under the name of "Securicor Express". This coincided with the launch of our new "Swiftly" document service which provides delivery of express letters and documents nationwide by 9.00 a.m. the following day.

The pressure of ever increasing customer demand upon our vehicles and terminals is reflected in the introduction of a new trunking system between our depots using even larger vehicles, in order to relieve the pressure on our main London terminal at Ponton Road, Vauxhall. We also opened a new 64,000 sq. ft. terminal at London Colney, Hertfordshire, and commissioned several new parcels branches. The growth of our transport fleet similarly places greater pressure on our transport service department which has increased the capacity of its network of workshops.

Pony Express continued to make excellent progress and has opened several new branches. Among new prestigious operations conducted during the year it has successfully undertaken a major contract for British Airways at Heathrow. Our specialist express parcels service based at Worthing, Auto Parts Express, has maintained its annual record of increased growth and profitability.

During the summer of 1986 we

reviewed the future trading prospects of our international air courier company with particular regard to the prospective increase in competition not only from other courier operators but also from the rapidly increasing use of dedicated aircraft. We decided it would be prudent to discontinue independent operations in that field. Accordingly, the sale of our business was concluded in September upon terms which involved facilities for the provision of continued service for our many customers through the purchaser's own network. It must be



Pony Express continued to make excellent progress and has opened several new branches

stressed that this move in no way affects our dedicated air services to the Continent, Southern Ireland and Ulster which have been fully maintained, and now operate under the name of Securicor Express International.

Training

Your group has long demonstrated the importance it attaches to staff training, and provides fully equipped training schools with residential facilities at its two Group hotels. Major developments have taken place to keep abreast of modern training techniques allied to the

PONY EXPRESS



CHAIRMANS REVIEW CONTINUED

development of special management skills.

SECURICOR GRANLEY

Securicor Granley

The success of the Valiant control panel has been maintained and sales of installations substantially exceeded last year's record level. Moreover during the year, the first "intelligent" alarm system, named "Genesis" was introduced by Granley, greatly extending the facilities already provided by the Valiant panel.

Our new computerised control room at Shoreditch High Street, London, could not be fully commissioned until after the end of the year, and thus the full market impact of Genesis, with its highly sophisticated signalling tech-

was launched, and sales of this versatile instrument have been most encouraging. At the same time an updated version of our standard mobile cellular telephone, the Go-Phone 2020, was introduced incorporating many features not available on the earlier model. This, too, offers our customers exceptional value for money.

We were asked by the Ford Motor Company to sponsor the "Securicor Sierra Trophy" for its new rally version of the Sierra Cosworth. These cars proved exceptionally effective, and we decided to enter a team of three in the Lombard RAC Rally. The cars in their smart livery provided much publicity for Securicor Go-Phones.

The success of the Valiant control panel has been maintained and sales of installations substantially exceeded last year's record level.



During the summer, the new, transportable cellular radio - the Go-Phone 7000 - was launched.

niques, will begin to be felt in 1987.

During the year our electronics factory, Securicor Ashley, which provides Granley with high technology development and manufacturing resources, has been fully occupied with Genesis, but has also achieved notable improvements in manufacturing efficiency.

Securicor Communications

Further progress has been made in retailing our ever increasing range of mobile communications equipment and our dealer network has been steadily strengthened. During the summer, the new, transportable cellular radio - the Go-Phone 7000 -

Cellnet

Cellnet, 60 per cent. owned by British Telecom and 40 per cent by Securicor Communications, which in turn is held jointly by Securicor Group (one third) and Security Services (two-thirds) continued to extend its coverage around the country always maintaining a far faster development than was originally planned. This was due mainly to the exceptional demand for its service. In fact at December 31st 1985, the end of the first year's trading, the number of subscribers was almost exactly double that which had been forecast. The problem for the Cellnet engineers has therefore been that of maintaining sufficient capacity for the



Cellnet continued to extend its coverage around the country always maintaining a far faster development than was originally planned.

SECURICOR COMMUNICATIONS

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system to provide an efficient service and we pay tribute to our partners in Cellnet for the skill and dedication shown to this end.

Notwithstanding this enhanced level of success your Group's investment and financial commitment to the joint venture company, Telecom Securicor Cellular Radio Limited, has been contained within the expenditure figure I gave you in 1984.

Band III

A consortium including Pye Telecommunications Ltd, Racal Telecommunications Group Ltd, Digital Mobile Communications Ltd and Securicor, has been awarded one of the two national Band III licences for the provision of trunked mobile radio services.

This consortium, under the name of Band III Holdings Limited, has recently placed the contract for the provision of the infra-structure and we are confident that the first customers will be using the system in the third quarter of 1987. It will tap a substantial and hitherto underdeveloped area of the mobile communications market.

Since the year end, Securicor's equity participation in the joint venture, originally 20 per cent., has

increased to 25 per cent.

Datatrak

During the year your company embarked upon an equal partnership with George Wimpey plc for the development of a national vehicle location system using radio navigation principles, allied to a data communications facility. This development is in the early stages, but it is confidently expected that the technical concept will prove successful. The objective is the ability to locate a vehicle by electronic means within a maximum distance of 50 metres virtually anywhere in the country, whether it be stationary or on the move, and whether on the public roads or elsewhere.

A public demonstration to the Press and potential customers will be held in April.

This development further demonstrates Securicor's commitment to a continuing involvement in related and profitable systems in the mobile communications field. A non-technical résumé of mobile communications including Datatrak is included on pages 36 to 38.

Other Activities

During the year Securicor Cleaning was substantially reorganised and impressive progress has been achieved since then.

The marketing of a new electronic Guard Control System (GCS) has progressed well. It replaces the traditional clocks which have been in use by security guards for many years.

INTERNATIONAL

Exchange rate variances against Sterling again made a significant impact upon Group profits derived from overseas operations. Thus, the large devaluation in Zambia occurring at the beginning of the year, coupled with that in Malaysia, both areas of

During the summer, the new, transportable cellular radio – the Go-Phone 7000 – was launched.



CHAIRMANS REVIEW CONTINUED

strong profitability in local currency terms, unfortunately overwhelmed exchange gains in relation to operations in Europe.

It is therefore a reflection of the excellent work by our management and staff that despite the overall effect of currency fluctuations, the level of profitability in Sterling derived from overseas during the year proved to be the highest yet achieved.

Europe

In Europe strong performances in Germany and France were supported by very substantial improvements in our wholly owned guarding and parcels operation in Holland. The progress of

applied to the further development of our Continental operations.

Already our air and ground parcels trunking network has been extended by providing it with a link to Southern Germany via Nuremburg, and by opening in the U.K. a southern gateway to Europe from Southend Airport, complementary to our established hub in Birmingham.

Africa

As indicated above, very satisfactory progress in Africa was marred by the sharp fall in the value of the Zambian Kwacha against Sterling. Our Kenyan subsidiary continues to be at the forefront of our African operations

In Europe strong performances in Germany and France were supported by very substantial improvements in our wholly owned guarding and parcels operation in Holland.



our joint venture in Holland, Geldtransport Nederland, which is engaged in the secure transport of cash and valuables, has been hampered by a considerable increase in bandit activity. Nevertheless, we consider the business prospects to be encouraging.

During the course of the year we initiated plans designed to achieve a major expansion of our existing European Express Parcels Service. The skills acquired and experience gained in our larger national operations in the U.K. and Southern Ireland are being



Our Kenyan subsidiary continues to be at the forefront of our African operations.

with particularly encouraging growth in its cash-carrying and express parcels divisions.

Asia and Middle East

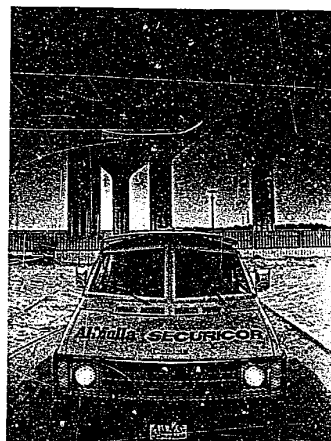
Progress of our successful partnership in Kuwait has been affected by the lower economic climate in that country. Our Company there is an extremely well-managed operation and our partners are most supportive. We undoubtedly have a sound base and will be making every effort to increase profitability in the current year.

Our success partnership in Kuwait is an extremely well-managed operation.

Our more recent joint venture in Thailand is the security company that country to provide cash-in-transit services.

CHAIRMANS REVIEW CONTINUED

Our successful partnership in Kuwait is an extremely well-managed operation.



Our new company in Trinidad commenced trading in January 1986 and was already profitable by April.

Our Kenyan subsidiary continues to be at the forefront of our African operations.

In Malaysia our fast-developing express parcels services are expected to make a significant addition to the contribution of the more mature and longer-established industrial security operations.

Our more recent joint venture in Thailand, which is the first security company in that country to provide cash-in-transit services, made good progress during the course of the year.

Our more recent joint venture in Thailand is the first security company in that country to provide cash-in-transit services.



Sales targets for the security product division of our Hong Kong company were not achieved. Action taken to remedy this situation by the end of the year has proved successful.

Rest of the world

At the beginning of the year under

review a new company was formed in Trinidad as a joint venture with shares held equally between the Republic Bank Limited, Neal & Massy Holdings Limited and Securicor International Limited. The company commenced trading in January 1986 and was already profitable by April 1986. We congratulate our partners and the management of our new Company on this achievement.

Our associate company in Curaçao has successfully expanded its operations into St. Maartens in the Leeward Islands. Its first contract is for the provision of security services at Queen Juliana international airport.

We are confident that the Group, through its International subsidiary, is well placed to take advantage of fresh opportunities for further development, not only in territories in which it is now established but in fresh areas of the world as suitable occasions arise. Full advantage will continue to be taken of the expertise and management skills available from the United Kingdom to that end.

DIVERSIFIED ACTIVITIES OF SECURICOR GROUP

The Group's Motor Holdings company, which incorporates Chiswick

CHAIRMANS REVIEW CONTINUED

Bedwas Bodyworks successfully introduced a sliding door modification to Ford's new Transit van.



Garage, R. J. Bown and Bedwas Bodyworks, has as usual faced the tough competitive nature of its business. The group is nevertheless making good progress in its bid to gain an even stronger market position.

R. J. Bown has been appointed as Iveco Ford E.H.D. Specialist Dealer — a welcome addition to their Ford truck and car dealerships in South Wales.

Bedwas Bodyworks, in line with its objective of obtaining a greater share of the vehicle building market, has successfully introduced a sliding door modification to Ford's new transit van and a new concept body for delivery work and use as a small coach. These and other new products justify optimism concerning the prospect of further growth in this business.

The hotel division has performed well this year. The major part of the refurbishment programme at the

Richmond Hill Hotel was completed during the year as was the construction of a new wing of bedrooms at the Hylands Hotel, Coventry. Both hotels are members of the Best Western marketing consortium.

PERSONNEL

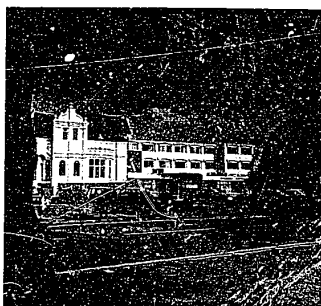
It is with particular pleasure that I renew my thanks to management and employees at all levels within the Group throughout the world, not only for their contribution during the year under review, but for their longer-term and continued efforts to ensure the Group's future expansion and prosperity.

The actions of a number of our security guards, displaying courage and outstanding devotion to their custodial duties, have been the subject of well-merited public recognition. On 19th November 1986, Her Majesty the Queen graciously bestowed her Gallantry Medal as a posthumous award and presented it to the widow of security guard John M. Williams, who lost his life in a bank robbery on June 1984. On the same date, Her Majesty's Gallantry Medal was also presented to security guard Patrick Breen, in recognition of his courageous conduct in the same attack.

The bravery displayed by Patrick Breen, and also that of security guard Albert Craig, who has faced and resolutely resisted bandit attacks on no less than four occasions since 1984, was further recognised by the respective awards to them of the Gold and Silver Medals of Honour of La Ligue Internationale des Sociétés de Surveillance at the International Meeting of the Ligue in Montreal in October 1986.

It is with very real pleasure that I record my congratulations to our esteemed Board colleague, Mr A. V. Alexander, upon his appointment to the rank of Commander of the Most Excellent Order of the British Empire,

The construction of a new wing of bedrooms at the Hylands Hotel, Coventry, was completed.



CHAIRMANS REVIEW CONTINUED

which was announced at the beginning of 1987.

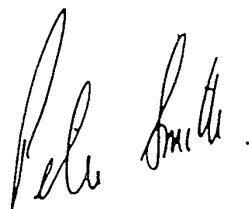
On 9th April 1986, we were delighted to welcome my colleague, Richard Graves, as an additional non-executive director of both Security Services and Securicor Group. We have greatly valued the contribution which his wide commercial experience has enabled him to make to our affairs during the year under review, and we are particularly pleased that, as from October 1986, he was able to add further to that contribution by taking up full-time executive employment with the Group. His outstanding experience of the motor industry in particular, and of commerce and of marketing in general, make him a most welcome addition to our executive team.

On 29th October 1986, Henry McKay, Christopher Shirtcliffe and Donald Blanks, all with outstanding records of executive service within the Group, and as directors of Security Services, were co-opted to be additional directors of Securicor

Group, Christopher Shirtcliffe being appointed Group Financial Director. These appointments complete a directorial team at Group level which I am confident is fully equipped to provide skilled management and succession into the years ahead.

CURRENT TRADING & OUTLOOK

Trading results reported for the opening months of the current year indicate that overall progress is being well maintained and reinforce my confidence that future prospects are bright.



Peter Smith

This review has also been circulated to the shareholders of the parent company, Securicor Group PLC. Paragraphs relating solely to that company have been retained for information of the shareholders of Security Services PLC.

NOTICE OF MEETING

Security Services PLC

Notice is hereby given that the Ninety-first Annual General Meeting of Security Services PLC will be held at the Richmond Hill Hotel, Richmond Hill, Richmond, Surrey on Thursday, 2nd April, 1987 at 12.30 p.m.

1 For the purpose of transacting the following Ordinary Business, viz:

- (i) To receive and consider the Reports of the Directors and Auditors and the Accounts of the Company for the year ended 30th September, 1986.
- (ii) To confirm the payment of the dividend on the Cumulative Preference Stock.
- (iii) To confirm the payment of the Interim dividend and to declare a Final dividend.
- (iv) To re-elect as directors Mr. John Delaney, Mr. Vernon Gregg and Mr. Henry McKay, who retire by rotation.
- (v) To elect as a director Mr. Richard Graves who was appointed to the board on 9th April, 1986.
- (vi) To re-appoint Milne Ross as auditors to the Company and to authorise the directors to fix their remuneration.

2 For the purpose of transacting the following Special Business, viz:

To consider and, if thought fit, to pass the following resolutions:

(A) As an Ordinary Resolution

"That the Directors are hereby unconditionally authorised for the purpose of section 80 of the Companies

Act 1985 to allot and dispose of or grant options over the Company's shares to such persons, at such times, and in such manner as they think fit up to the amount of the unissued share capital of the Company at the date hereof at any time or times during the period of five years from the date of the passing of this Resolution."

(B) As a Special Resolution

"That equity securities, as defined in section 94 of the Companies Act 1985, up to a maximum amount of 5% of the authorised equity securities of the Company as so defined may, pursuant to the authority conferred on the directors for the purposes of section 80 of that Act by resolution (A) above, be allotted as if section 89 (1) of that Act did not apply to such allotment. The authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company 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."

By Order of the Board

D. O. BLANKS

Secretary

Vigilant House,
24 Gillingham Street,
London SW1V 1HZ
6th March 1987

NOTES

(i) Every Member entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and vote thereat instead of him and such proxy need not be a Member. Forms appointing proxies must be deposited at the office of the Registrars by 12.30 p.m. on 31st March, 1987.

(ii) Subject to the recommendation as to payment of the final dividend being adopted at the

Annual General Meeting the dividend will be payable on 3rd April, 1987 to the holders registered on 6th March, 1987.

(iii) In accordance with the requirements of The 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 fifteen minutes prior to until the close of the meeting.

REPORT OF THE DIRECTORS

Security Services PLC

1 The Directors have pleasure in presenting their annual report together with the audited accounts of the Company and its subsidiaries for the year ended 30th September, 1986.

2 PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the group, carried out both in the United Kingdom and internationally, include the carrying and care of cash and valuables, cash processing, security guards and patrols, express parcel services, electronic surveillance and mobile communications.

3 GROUP RESULTS

The consolidated profit for the year and the appropriation thereof are shown in the consolidated profit and loss account set out on page 18.

A review of business activities during the year, future developments and prospects of the group are contained in the Chairman's Review on pages 3 to 11.

4 DIVIDENDS

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

Preference

Cumulative preference dividend
£3,150 (year ended 31st August, 1986).
Ordinary

An interim dividend of 0.692p per stock unit paid on 30th September, 1986.

A final dividend of 1.37p per stock unit payable on 3rd April, 1987.

5 BUSINESS VENTURES AND DISPOSAL

Band III Holdings Limited

The group has acquired a 25% interest in the consortium which has been awarded one of the two national "Band III" licences to provide trunked mobile radio services under this band of frequencies recently released by the Government.

Datatrak

The group, in equal partnership with George Wimpey plc, is engaged in the development of a national vehicle location system, which, using radio navigation principles, will be able to monitor the position of a vehicle to a high degree of accuracy.

Securicor Trinidad Limited

The group has a one-third interest with two equal partners in the company which commenced the provision of security services in Trinidad on 1st January 1986.

Securicor Air Courier

On 30th September 1986 the trading activities of the group's air courier operations were discontinued and the business sold. The net closure costs, which will be reduced by the balance of consideration receivable during 1987/88 based on turnover retained by the purchaser, are shown as an extraordinary item in the consolidated profit and loss account on page 18.

Further details of these business activities are contained in the Chairman's Review on pages 3 to 11 and, in respect of the Band III and Datatrak projects, within the mobile communications article on page 36.

6 CAPITAL

The authorised and issued share capital of the company at 30th September, 1986 is set out on page 27, note 18 to the accounts.

There have been no changes during the year.

Future Issues of Shares

Shareholders are invited to renew the directors' general authority to enable them

(a) to allot shares up to the amount of the unissued capital of the Company, namely £2,390,651, and

REPORT OF THE DIRECTORS CONTINUED

Security Services PLC

(b) to allot shares wholly for cash other than to existing shareholders such allotments being limited to 5% of the equity securities of the Company, namely £1,345,000.

Although there is no present intention to allot shares, the directors consider that in order to retain some flexibility, the renewal of these authorities is in the best interests of the Company.

Accordingly, the appropriate resolutions, stated in similar terms to those approved by shareholders last year, are included in the notice of the annual general meeting on page 12.

7 TANGIBLE FIXED ASSETS

During the year under review group fixed assets increased by £6.3m to £63.1m. The movement of fixed assets during the year is shown on page 24 (note 9 to the accounts).

8 MARKET VALUE OF INTERESTS IN LAND

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. 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 note 4 on page 17.

10 DIRECTORS

The directors listed on page 1 have held office throughout the year ended 30th September, 1986 with the exception of Mr. Richard Graves who was appointed on 9th April 1986, and who retires in accordance with the Articles of Association and, being eligible, offers himself for election.

In addition, Mr. Ronald Wheeler served as a director until his retirement from the board on 27th March, 1986.

The directors retiring by rotation are Mr. John Delaney, Mr. Vernon Gregg and Mr. Henry McKay who, being eligible, offer themselves for re-election.

Contracts of service of Mr. Vernon Gregg and Mr. John Delaney expire in April 1988, that of Mr. Henry McKay is determinable at three years notice and that of Mr. Richard Graves does not exceed one year's duration.

Directors' interests in the share capital of the Company and the Holding Company, Securicor Group PLC, at the beginning and end of the financial year were as follows:

SECURITY SERVICES PLC	Ordinary Stock Units	
	1986	1985
(i) Beneficial Interest		
J. J. Delaney	144,983	144,983
P. A. C. Smith	8,730	8,730
E. A. Hollis	4,843	3,043
A. V. Alexander	2,544	2,544
P. F. H. Towle	5,544	2,544
R. S. W. H. Wiggs	2,544	2,544
V. S. Gregg	7,505	7,505
R. A. Graves	1,000	—
H. W. McKay	911	911
C. C. Shirtcliffe	700	700
D. O. Blanks	1,959	959

REPORT OF THE DIRECTORS CONTINUED

Security Services PLC

SECURITY SERVICES PLC		Ordinary Stock Units	
		1986	1985
(ii) Other Interests			
P. A. C. Smith		147,787	147,787
V. S. Gregg		172,317	172,317
R. S. W. H. Wiggs		45,575	45,575

SECURICOR GROUP PLC	Participating Preference		Ordinary Stock Units		'A' Ordinary Shares	
	1986	1985	1986	1985	1986	1985
(i) Beneficial Interest						
J. J. Delaney	710	710	1,312,169	1,312,169	4,306,246	4,316,246
P. A. C. Smith	—	—	7,545	7,545	127,209	127,209
E. A. Hollis	—	—	6,874	5,374	16,412	16,412
A. V. Alexander	—	—	11,758	1,758	10,986	10,986
P. F. H. Towle	—	—	389	389	2,014	2,014
R. S. W. H. Wiggs	—	—	425	425	4,892	4,892
V. S. Gregg	—	—	10,258	10,258	21,395	21,395
R. A. Graves	—	—	1,000	—	—	—
C. C. Shirtcliffe	—	—	614	614	1,278	1,278
D. O. Blanks	—	—	1,126	122	911	911
(ii) Other Interests						
P. A. C. Smith	710	710	1,057,818	1,057,818	3,593,377	3,596,877
R. S. W. H. Wiggs	710	710	8,839	8,839	878,195	878,195
V. S. Gregg	3,360	3,360	1,200,340	1,200,340	3,828,793	3,832,293

		'A' Ordinary Shares	
		1986	1985
Executive Share Options			
P. A. C. Smith		13,500	13,500
E. A. Hollis		13,500	13,500
P. F. H. Towle		33,500	13,500
R. S. W. H. Wiggs		33,500	13,500
H. W. McKay		20,000	9,000
C. C. Shirtcliffe		18,200	7,200
D. O. Blanks		18,200	7,200

The above tables comply with the requirements of the Companies Act 1985 and The Stock Exchange and, in consequence, certain holdings have been duplicated.

Current interests of directors, where different from those shown in the tables above, are:

SECURITY SERVICES PLC	
P. A. C. Smith (beneficial interest)	16,730 ordinary stock units
R. S. W. H. Wiggs (other interests)	1,201,202 ordinary stock units

SECURICOR GROUP PLC	
E. A. Hollis (beneficial interest)	10,374 ordinary stock units
H. W. McKay (beneficial interest)	500 ordinary stock units
C. C. Shirtcliffe (beneficial interest)	1,014 ordinary stock units
R. S. W. H. Wiggs (other interests):	1,035,102 ordinary stock units
	3,467,858 "A" ordinary shares

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

REPORT OF THE DIRECTORS CONTINUED

Security Services PLC

11 SUBSTANTIAL SHARE HOLDINGS

The Directors have been notified of the following interests in the share capital of the Company:

Securicor Group PLC

49,773,528 ordinary stock units
(50.77%)

£88,109 cumulative preference
stock (88.1%)

Provident Mutual Life Assurance
Association

6,522,500 ordinary stock units
(6.65%)

12 EMPLOYEE INVOLVEMENT

The group has continued its practice of keeping employees informed on a regular basis of current activities, progress and general matters of interest by various methods including the holding of regular regional and branch meetings and the circulation on an individual basis of the group's in-house magazine, the "Securicor Guardian". In addition, the "Branch of the Year" competition has been continued with its particular emphasis on customer service which has stimulated employee awareness of their involvement in this vital area.

13 EMPLOYMENT OF DISABLED PERSONS

The group's policy and practice is to encourage the recruitment and sub-

sequent training, career development and promotion of disabled persons on the basis of their aptitudes and abilities, and the retention and retraining of employees who become disabled.

14 POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year amounted to £22,570.

There were no political contributions.

15 TAXATION STATUS

The Company is not a close company as defined by the Income and Corporation Taxes Act 1970.

16 AUDITORS

A resolution to re-appoint Milne Ross, Chartered Accountants, as Auditors to the Company and for their remuneration to be fixed by the Directors, will be submitted to the Annual General Meeting.

By Order of the Board
D. O. BLANKS
Secretary

Vigilant House,
24 Gillingham Street,
London SW1V 1HZ
6th March 1987

STATEMENT OF ACCOUNTING POLICIES

Security Services PLC and Subsidiary Companies, including Securicor Limited

1 BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of Security Services PLC, its subsidiaries, and the group's share of profits and reserves of its associated companies, for the year ended 30th September, 1986.

The results of associated companies having financial year ends which differ from that of the group are based on the last audited accounts and management accounts for the subsequent periods to 30th September, 1985.

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 9 to the accounts).

The results of subsidiaries acquired or sold during the year are included as from or up to their respective dates of acquisition or disposal.

2 GROUP TURNOVER

Group Turnover represents sales, excluding value added tax, by group companies to outside customers.

3 DEPRECIATION

Depreciation is calculated to write off the cost or valuation of the assets by equal annual instalments over their expected economic lives, up to a limit of:

Freehold buildings	50 years
Long term leasehold buildings	50 years
Short term leasehold buildings	49 years
Plant and Equipment	10 years
Motor Vehicles	10 years

No depreciation is provided on freehold or long leasehold land.

4 DEVELOPMENT EXPENDITURE

United Kingdom development expenditure represents expenditure mainly of a revenue nature, incurred in the first three years of trading in establishing new branches and services 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 10

years commencing in the year after that in which they have been incurred.

The amount of unamortised development expenditure is not treated as a realised loss for the purposes of calculating distributable profits.

5 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 includes appropriate overheads.

6 DEFERRED TAXATION

Provision is made for deferred taxation at known rates of U.K. corporation tax on the excess of the book value of those assets qualifying for taxation allowances over their written down values for tax purposes except when the tax benefit can be expected with reasonable probability to be retained for the foreseeable future.

7 OVERSEAS CURRENCIES

Profits and losses and assets and liabilities in foreign currencies have been converted to sterling at the rates of exchange ruling at the balance sheet date. All foreign exchange adjustments, including those arising on consolidation and on U.K. borrowings arranged to finance overseas investments, have been transferred to reserves (note 20 to the accounts).

8 GOODWILL

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

9 LEASES

Assets held under finance leases are included in tangible fixed assets at their capital value and depreciated in accordance with the policy stated in paragraph 3 above. The capital element of future rentals is included within creditors and the finance charge element is charged to Profit and Loss account over the period of the lease.

Annual rentals payable under operating leases are charged to Profit and Loss account and future rental obligations are disclosed in note 26 to the accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th September 1986

Security Services PLC and Subsidiary Companies, including Securicor Limited

	Note	1986 £000	1985 £000
GROUP TURNOVER			
	1		
U.K.		266,491	234,290
Overseas		43,429	36,434
		309,920	270,724
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
	1 & 2		
Security, Communications & Parcels:			
U.K.		8,754	7,062
Overseas		2,626	2,094
Property, Investments and Finance		1,368	1,632
		12,748	10,788
TAXATION	3	4,861	4,882
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
	4	7,887	5,906
Extraordinary Item	5	1,237	—
		6,650	5,906
DIVIDENDS	6	2,025	1,840
GROUP PROFIT FOR THE YEAR RETAINED	20	4,625	4,066
RETAINED PROFIT			
Parent Company		2,103	1,020
Subsidiary Companies		2,705	3,103
Associated Companies		(183)	(57)
		4,625	4,066
EARNINGS PER ORDINARY STOCK UNIT OF 25p			
	7	8.0p	6.0p

COUNT

BALANCE SHEETS

At 30th September 1986

Security Services PLC and Subsidiary Companies, including Securicor Limited

	Note	Security Services PLC		Group	
		1986 £000	1985 £000	1986 £000	1985 £000
FIXED ASSETS—Intangible	8	—	—	528	761
—Tangible	9	2,387	2,468	63,110	56,827
INVESTMENTS	10	5,317	4,433	5,272	4,176
		7,704	6,901	68,910	61,764
CURRENT ASSETS					
Stocks	11	—	—	8,342	7,233
Debtors	12	31,359	25,609	41,311	33,297
Bank and Deposit Balances		3,501	8,025	9,510	15,064
Quoted Investments	13	1,080	1,080	1,080	1,080
		35,940	34,714	60,243	56,674
CREDITORS: due within one year					
Bank overdrafts and short term loans	14	—	—	4,209	2,929
Corporation tax		581	418	5,546	6,155
Proposed dividend		1,343	1,221	1,343	1,221
Other	15	1,346	1,391	42,877	39,361
		3,270	3,030	53,975	49,666
NET CURRENT ASSETS		32,670	31,684	6,268	7,008
TOTAL ASSETS LESS CURRENT LIABILITIES		40,374	38,585	75,178	68,772
CREDITORS: due after more than one year					
Loans	16	9,000	9,000	9,891	10,239
Corporation tax		243	393	5,083	1,968
Other		—	—	6	361
		9,243	9,393	14,980	12,568
Provision for liabilities and charges	17	58	222	2,825	2,904
NET ASSETS		31,073	28,970	57,373	53,300
CAPITAL AND RESERVES					
Called up share capital	18	24,609	24,609	24,609	24,609
Revaluation reserve	19	—	—	1,216	1,031
Other reserves	20	6,464	4,361	31,546	27,514
		31,073	28,970	57,371	53,154
Outside shareholders' interests		—	—	2	146
		31,073	28,970	57,373	53,300

Peter Towle } Directors
Roger Wiggs }

Peter Towle
Roger Wiggs

NOTES TO THE ACCOUNTS

Security Services PLC and Subsidiary Companies, including Securicor Limited

1 TURNOVER AND PROFITS

	1986 £000	1985 £000
Turnover:		
U.K.	266,491	234,290
Rest of Europe	32,030	25,126
Africa	8,152	8,375
Asia	3,247	2,933
Rest of World	—	—

309,920 270,724

Cost of sales	237,948	217,441
---------------	---------	---------

	71,972	53,283
Administrative expenses	59,538	42,878

Operating profit	12,434	10,405
Share of profits of associated companies	314	383

Profit on ordinary activities before taxation	12,748	10,788
---	--------	--------

Geographical analysis—profit on ordinary activities before taxation:

UK	10,122	8,694
Rest of Europe	798	81
Africa	1,213	1,306
Asia	532	629
Rest of World	83	78
	12,748	10,788

Operating profit has been arrived at after charging:

Audit fees	255	232
Depreciation of tangible fixed assets	14,849	14,178
Amortisation of development expenditure	95	81
Interest on bank advances, short term loans and finance leases	1,104	864
Interest on long term loans	1,058	1,207
Operating lease rentals:		
Vehicles and equipment	2,001	2,491
Properties	8,381	6,953

and after crediting:

Interest receivable	1,784	2,153
Investment income (quoted)	153	153
Profits on disposal of assets:		
Properties	136	348
Other tangible assets	663	615

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

2 DIRECTORS AND EMPLOYEES

	1986	1985
	£000	£000
Staff costs, including directors emoluments:		
Wages and salaries	160,263	140,668
Social security costs	13,459	12,379
Pension costs	7,010	5,566
	180,732	158,613
Directors' emoluments		
Remuneration of directors of Security Services PLC:		
Executive services—U.K.	277	266
—Overseas	9	8
Fees	43	36
	329	310

The remuneration of the Chairman was £33,292 (£65,240)

The remuneration of the highest paid director was £55,706 (£65,240)

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

Emoluments	Number of directors	
	1986	1985
Up to £5,000	2	1
£10,001 to £15,000	2	2
£15,001 to £20,000	—	1
£20,001 to £25,000	2	3
£30,001 to £35,000	2	1
£35,001 to £40,000	1	—
£40,001 to £45,000	1	—
£45,001 to £50,000	—	2
£50,001 to £55,000	1	—
£55,001 to £60,000	1	—
£65,001 to £70,000	—	1

Average number of employees

The average weekly number of employees of the group during the year was:

U.K.	19,310	19,209
Overseas	13,244	12,910
	32,554	32,119

There were 5 employees (1985—3) whose U.K. emoluments were between £30,001 and £35,000.

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

3 TAXATION

	1986	1985
	£000	£000
U.K. Corporation Tax at 37.5% (42.5%) on the assessable profits for the year	5,881	4,892
Deferred Tax (note 17)	(1,471)	(1,159)
Overseas Tax	1,225	1,129
	5,635	4,862
Adjustments for previous years:		
U.K. Corporation Tax	(2,142)	34
Deferred Tax (note 17)	1,392	—
Overseas Tax	(24)	(14)
	4,861	4,882

The charge for taxation includes £183,000 (£235,000) in respect of share of profits of associated companies.

A full provision for deferred taxation would reduce the total tax charge to £3,859,000 (1985—increase to £5,028,000).

4 NET PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

	1986	1985
	£000	£000
Amount attributable to Security Services PLC	4,128	2,860

5 EXTRAORDINARY ITEM

	1986	1985
	£000	£000
Net anticipated costs relating to the closure of the air courier operations	1,344	—
Less tax relief	107	—
	1,237	—

The net closure costs will be reduced by the balance of the sale consideration receivable during 1987 and 1988 based upon turnover retained by the purchasers.

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

6 DIVIDENDS

	1986	1985
	£000	£000
Preference	3	3
Ordinary:		
Interim (paid) 0.692p (0.629p) per stock unit	679	616
Final (proposed) 1.37p (1.245p) per stock unit	1,343	1,221
	2,025	1,840

The rate of interim dividend for 1985 has been adjusted to reflect the effect of the capitalisation issue in August 1985.

7 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings of £7,884,000 (£5,903,000) (being group profits after taxation and fixed preference dividend) and 98,037,396 (98,037,396) ordinary stock units in issue.

8 INTANGIBLE FIXED ASSETS

Group	Development Expenditure £000
At cost at 30th September, 1985	876
Written off during the year as an extraordinary item	(138)
	738
Amortisation—at 30th September, 1985	115
—provision for year	95
	210
Net Book Value	
At 30th September, 1985	528
At 30th September, 1985	761

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

9 TANGIBLE FIXED ASSETS

SECURITY SERVICES PLC	Freehold Properties £000	Leasehold Properties Long term £000	Short term £000	Total £000
Cost				
At 30th September, 1986 and 1985	1,323	499	1,080	2,902
Accumulated depreciation:				
At 30th September, 1985	118	47	269	434
Provision for the year	18	9	54	81
	136	56	323	515
Net Book Value				
At 30th September, 1986	1,187	443	757	2,387
At 30th September, 1985	1,205	452	811	2,468

GROUP	Freehold Properties £000	Leasehold Properties Long term £000	Short term £000	Equipment & vehicles £000	Plant held for operating leases £000	Total £000
Cost and Valuations						
At 30th September, 1985	8,233	3,657	12,062	68,913	12,418	105,288
Additions at cost	1,004	254	318	18,479	2,201	22,256
Surplus on valuation	—	—	185	—	—	185
Foreign currency adjustments	214	(7)	(366)	385	—	225
	9,456	3,904	12,199	87,777	14,619	127,955
Cost of disposals	208	72	161	9,295	443	10,179
At 30th September, 1986	9,248	2,832	12,038	78,482	14,176	117,776
Net book value is arrived at as follows:						
Professional valuation 1986	—	—	351	—	—	351
Professional valuation 1980	280	—	59	—	—	339
Directors' valuation 1973	1,000	—	—	—	—	1,000
Cost	7,968	3,832	11,628	78,482	14,176	116,086
Total cost and valuations (above)	9,248	3,832	12,038	78,482	14,176	117,776
Accumulated depreciation:						
At 30th September, 1985	554	318	2,724	38,271	6,594	48,461
Provision for the year	127	53	509	12,576	1,589	14,854
Provision no longer required	—	—	(5)	—	—	(5)
Foreign currency adjustments	22	—	(11)	122	—	133
Disposals withdrawn	(16)	(2)	(113)	(8,289)	(357)	(8,777)
	687	369	3,104	42,680	7,826	54,666
Net book Value						
At 30th September, 1986	8,561	3,463	8,934	35,802	6,350	63,110
At 30th September, 1985	7,684	3,339	9,338	30,642	5,824	56,827

Notes:

(i) Plant held under finance leases and included in tangible fixed assets (above):

Net book value

Accumulated depreciation

£000

1,873

1,992

(ii) Long leases are for terms not less than 50 years unexpired.

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

10 INVESTMENTS

	Security Services PLC		Group	
	1986	1985	1986	1985
	£000	£000	£000	£000
Associated companies				
Investments at cost	3,707	2,823	4,589	3,243
Post acquisition reserves	—	—	683	933
	3,707	2,823	5,272	4,176
Subsidiary companies				
Shares at cost less amount written off	1,610	2,248	—	—
Cost of control	—	—	—	4,245
Less written off to reserves	—	638	—	4,245
	1,610	1,610	—	—
Balance Sheet	5,317	4,433	5,272	4,176

The company's continuing investment in the development of the cellular radio network operated by its associated company, Telecom Securicor Cellular Radio Limited, which at 30th September, 1986 amounted to £3,707 million has been capitalised as an investment on the basis of the established policy on development expenditure stated on page 17, note 4. No depreciation has been provided on this investment, the company's participation in which reduced from 33% to 27% during the year.

A list of the group's principal subsidiary and associated companies is shown on page 29, note 22.

11 STOCKS

	1986	1985
	£000	£000
Raw materials	561	518
Work in progress	447	316
Finished goods including consumables	7,334	6,399
	8,342	7,233

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

12 DEBTORS

	Security Services PLC		Group	
	1986	1985	1986	1985
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	—	—	35,258	27,306
Group companies	31,133	24,955	—	—
Other debtors	95	—	3,939	3,096
Prepayments and accrued income	131	654	1,794	2,699
Associated companies	—	—	320	196
	31,359	25,609	41,311	33,297

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

13 QUOTED INVESTMENTS

	Security Services PLC		Group	
	1986	1985	1986	1985
	£000	£000	£000	£000
Quoted investments at cost	1,080	1,080	1,030	1,080
Market value	1,397	1,458	1,397	1,458

14 OVERDRAFTS, SHORT TERM LOANS AND CONTINGENT LIABILITIES

	Group	
	1986	1985
	£000	£000
Bank overdrafts and advances	4,266	2,904
Short term loans (secured)	3	10
Short term loans (unsecured)	—	15
	4,209	2,929

At 30th September, 1986 guarantees had been provided in respect of the following outstanding borrowings, hire purchase and finance lease commitments:

(a) By the Company in respect of its subsidiaries for:

- (i) short term liabilities of £1,877,000
- (ii) long term liabilities of £472,000

(b) By the Parent Company in respect of the Company and its subsidiaries for:

- (i) short term liabilities of £1,894,000
- (ii) long term liabilities of £9,382,000

The Company has a contingent liability at 30th September, 1986 of £726,000 in respect of its committed financial support to certain subsidiaries.

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

15 CREDITORS

	Security Services PLC		Group	
	1986	1985	1986	1985
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade creditors	—	—	10,991	9,479
Group companies	1,297	1,092	2,356	3,547
Associated companies	—	242	40	284
Other taxation and social security	—	—	11,775	11,105
Accruals	—	—	3,267	10,280
Other creditors	49	57	7,903	3,885
Hire purchase and finance leases	—	—	544	781
	1,346	1,391	42,877	39,361

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

16 LOANS

	Security Services PLC			Group
	1986	1985	1984	1985
	£000	£000	£000	£000
Total loans				
Secured loans	—	—	36	46
Unsecured loans	9,000	9,000	9,000	9,000
Hire purchase and finance leases	—	—	855	1,193
	9,000	9,000	9,891	10,239
Repayable from 1 to 2 years				
Hire purchase and finance leases	—	—	425	460
Repayable from 2 to 5 years				
Hire purchase and finance leases	—	—	430	733
Not wholly repayable within 5 years				
Secured	—	—	36	46
Unsecured	9,000	9,000	9,000	9,000
	9,000	9,000	9,891	10,239

Loans not wholly repayable within 5 years:

Secured—mainly repayable by annual instalments during 1987–1994 at 15½% interest.

Unsecured—repayable by annual instalments during 1988–1992 or at any time at the option of the borrower. Interest is payable at a margin over the lenders' current cost of funds.

17 PROVISION FOR LIABILITIES AND CHARGES

	Security Services PLC	Group
	£000	£000
Deferred Taxation		
Balance at 30th September, 1985	222	2,904
Transfer from profit and loss account:— Current year charge	(164)	(1,471)
Prior year adjustment	—	1,392
	58	2,825

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 £3,923,000.

18 SHARE CAPITAL

	1986		1985	
	Authorised	Issued	Authorised	Issued
	£	£	£	£
Security Services PLC				
4.5% (now 3.15%+tax credit) Cumulative Preference Stock	100,000	100,000	100,000	100,000
Ordinary Stock units of 25p each	24,509,349	24,509,349	24,509,349	24,509,349
Ordinary Shares of 25p each	2,390,651	—	2,390,651	—
	27,000,000	24,609,349	27,000,000	24,609,349

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

19 REVALUATION RESERVE

	Group £000
Balance at 30th September, 1985	1,031
Surplus arising on revaluation of land and buildings	185
	1,216

The 1986 revaluation was carried out by Chartered Surveyors on the basis of open market value.

20 OTHER RESERVES

	Security Services PLC £000	£000	Group £000
Capital Reserves			
Balance at 30th September, 1985	—		752
add profits of subsidiary capitalised	—		56
	—		808
Revenue Reserves			
Balance at 30th September, 1985	4,361		26,762
Retained profits for year	2,103		4,625
	6,464		31,387
less: transfer to capital reserves (above)	—	56	
goodwill written off	—	226	
foreign exchange adjustments	—	367	649
	6,464		30,738
Balance Sheet	6,464		31,546

The retained profits of overseas subsidiary companies if distributed as dividends would be liable to U.K. and/or overseas tax (subject to double taxation relief), and in some cases are the subject of local remittance restrictions. Of the total group revenue reserves £59,000 (£278,000) is regarded as being subject to such restrictions.

21 HOLDING COMPANY

The Company's holding company is Securicor Group PLC, incorporated in England, holding 50.77% (1985 - 50.77%) of the equity capital.

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

22 PRINCIPAL GROUP COMPANIES

The principal operating companies of the group, which are wholly owned, except where stated are:

	Incorporated	Operational
United Kingdom		
Securicor International Limited	England	United Kingdom
Securicor Limited	England	United Kingdom
Securicor Cleaning Limited	England	United Kingdom
Mint Security Limited	England	United Kingdom
Auto Parts Express (Freight) Limited	England	United Kingdom
Securicor Ashley Electronics Limited	England	United Kingdom
Securicor Granley Systems Limited	England	United Kingdom
Pony Express International Limited	England	United Kingdom
Securicor Robophone Communications Limited	England	United Kingdom
Telecom Securicor Cellular Radio Limited (27%)	England	United Kingdom
Ashley Communications UK Limited	England	United Kingdom
Europe		
Securicor Deutschland GmbH	Germany	Germany
Securicor Nederland BV	Holland	Holland
Securicor Amsterdam BV	Holland	Holland
Geldtransport Nederland VOF (50%)	Holland	Holland
Securicor France SA	France	France
Securicor Investissements SA	France	France
Securicor Luxembourg SA	Luxembourg	Luxembourg
Securicor Belgium SA	Belgium	Belgium
Securicor Transports SA	Belgium	Belgium
Securicor Ireland Limited	Ireland	Ireland
Securicor Jersey Limited	Jersey	Jersey
Securicor Guernsey Limited	Guernsey	Guernsey
Securicor Isle of Man Limited	Isle of Man	Isle of Man
Africa, Middle & Far East		
Securicor Kenya Limited	Kenya	Kenya
Securicor (Malawi) Limited (99%)	Malawi	Malawi
Securicor Zambia Limited	Zambia	Zambia
Al Mulla Security Services Co. WLL (49%)	Kuwait	Kuwait
Securicor (Malaya) Sdn. Bhd. (49%)	Malaysia	Malaysia
Securicor Hong Kong Limited	Hong Kong	Hong Kong
Securicor Macau Limitada	Macau	Macau
Securicor (Thailand) Limited (49%)	Thailand	Thailand
Caribbean		
Securicor Trinidad Limited (33%)	Trinidad & Tobago	Trinidad & Tobago
Securicor (Curaçao) NV (49%)	Curaçao	Curaçao

All shareholdings in subsidiary companies are in ordinary shares. Holdings in associated companies are stated in note 23.

A full list of subsidiary companies will be annexed to the Company's annual return to the Registrar of Companies.

NOTES TO THE ACCOUNTS CONTINUED

Security Services PLC and Subsidiary Companies, including Securicor Limited

23 ASSOCIATED COMPANIES

		Issued Capital & Loan Capital	Attributable to Group
Telecom Securicor Cellular Radio Limited	Ordinary Shares	£10,000,000	27%
Geldtransport Nederland VOF	Ordinary Shares	Dfl 2,000,000	50%
Al Mulla Security Services Co. W.L.	Ordinary Shares	KD 50,000	49%
Securicor (Malaya) Sdn. Bhd.	Ordinary Shares	M\$ 1,400,000	49%
Securicor (Thailand) Limited	Ordinary Shares	Baht 24,000,000	49%
Securicor (Curaçao) NV	Ordinary Shares	NAF 134,666	25%
	Loan Capital (participating)	NAF 65,334	100%
Securicor Trinidad Limited	Ordinary Shares	TT\$ 1,500,000	33%

24 PENSION ARRANGEMENTS

The group operates pension schemes under which contributions paid by employers and employees are held in funds that are separate from the Group's finances, and which are administered by trustees. Based on the annual review and latest actuarial valuations, present funding arrangements are considered sufficient to meet the future liabilities of these schemes.

25 CAPITAL COMMITMENTS

	Security Services PLC £000	Group £000
Contracted	—	800
Authorised but not contracted	—	1,890

26 OPERATING LEASE COMMITMENTS

Obligations of the group during the year ended 30th September 1987 are:	
Leases:-	£000
expiring within one year	344
continuing within one year	922
between two and five years	584
after five years	6,670
	8,521

Lease commitments are mainly in respect of land and buildings.

SOURCE AND APPLICATION OF FUNDS

Security Services PLC and Subsidiary Companies, including Securicor Limited

	1986	1985
	£000	£000
Source of Funds		
Profit on ordinary activities before taxation	12,748	10,788
<i>Deduct:</i>		
Profits on disposal of fixed assets and investments	799	963
Profits retained and taxation charged in associated companies	—	178
Exchange adjustments	407	424
Extraordinary item	1,344	—
	2,550	1,565
<i>Add:</i>	10,198	9,223
Depreciation of fixed assets	14,849	14,178
Amortisation of development expenditure	95	81
Development expenditure written off as extraordinary item	138	—
	15,082	14,259
Total generated from operations	25,280	23,482
Funds from other sources:		
Sales of fixed assets and investments	2,201	3,273
Increase in creditors	3,398	5,917
Net proceeds from rights issue of shares	—	12,105
	5,599	21,295
	30,879	44,777
Application of Funds		
Purchase of fixed assets	22,256	20,095
Dividends paid	1,903	1,728
Tax paid	2,144	5,400
Investments in associated companies	1,332	2,316
Purchase of goodwill	231	215
Increase in stocks	1,109	2,065
Investments in subsidiary companies	139	999
Increase in debtors	8,014	6,022
Decrease in loans	10	40
Decrease in hire purchase creditors	575	249
Development expenditure	—	272
	37,713	39,401
	(6,834)	5,376
Movement in Short Term Funds		
(Decrease)/increase in cash resources	(5,554)	5,152
(Increase)/decrease in bank overdrafts	(1,280)	224
	(6,834)	5,376

GROUP FINANCIAL RECORD

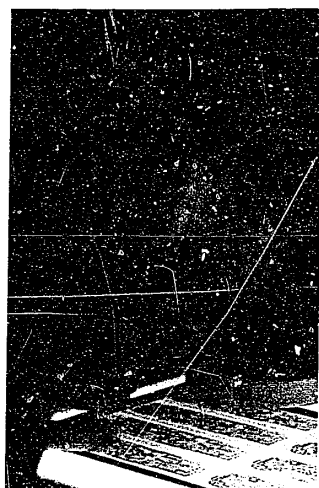
Security Services PLC and Subsidiary Companies, including Securicor Limited

	1986	1985	1984	1983	1982
	£000	£000	£000	£000	£000
Turnover	309,920	270,724	247,601	231,171	205,709
Profit Before Taxation					
Security, Communications and Parcels					
U.K.	8,754	7,062	6,689	5,729	6,313
Overseas	2,626	2,094	2,365	2,142	2,002
Property, Investments and Finance	1,368	1,632	1,081	1,074	1,111
	12,748	10,788	10,135	8,945	9,426
Taxation	4,861	4,882	4,788	3,988	3,585
Profit After Taxation	7,887	5,906	5,347	4,957	5,841
Outside shareholders' interests	—	—	—	—	36
	7,887	5,906	5,347	4,957	5,805
Extraordinary items	1,237	—	3,300	—	—
	6,650	5,906	2,047	4,957	5,805
Dividends					
Preference dividends	3	3	3	3	3
Ordinary dividends	2,022	1,837	1,574	1,256	1,149
Retained Profits	4,625	4,066	470	3,698	4,653
Net Assets					
Fixed Assets—Tangible	63,110	56,827	53,400	48,463	44,046
— Intangible	528	761	609	428	165
Investments—Group Companies	5,272	4,176	5,591	3,749	3,299
Net Current Assets	6,368	7,008	287	838	(167)
	75,178	68,772	59,887	53,498	47,948
Loans	9,891	10,239	10,476	8,275	6,270
Creditors over one year	7,914	5,233	6,672	3,066	2,433
	57,373	53,300	42,739	42,157	39,240
Financed by					
Capital and Reserves	57,371	53,154	42,593	41,867	38,766
Outside shareholders' interests	2	146	146	290	474
	57,373	53,300	42,739	42,157	39,240
Earnings per ordinary share	8.0p	6.0p	6.1p	6.0p	7.0p
Dividends per ordinary share	2.062p	1.874p	1.70p	1.55p	1.41p

Earnings and dividends per ordinary share have been adjusted for earlier years to reflect the 3 for 4 capitalisation issue in August, 1985.

GENESIS

At the heart of a Genesis installation is Valiant, our microprocessor-based control panel, designed and manufactured by Securicor Ashley, the Group's electronics factory.



The Genesis intelligent security system brings together as a single interactive integrated system the detection equipment and its control panel in the user's premises with the Granley control centre.

Hitherto, security systems have been fairly elementary – essentially capable of being either healthy or in alarm – thus giving rise to false alarms and their attendant problems. Genesis brings the system fully under control. In most cases it knows what has caused an alert, which user was involved (where applicable) and, most important, what specific action is required. With other systems the only option is to call the police.

At the heart of a Genesis installation is Valiant, our microprocessor-based control panel, together with the M.L.I. devices (Multiplexed Loop Interface) and multiplexers, all of which were designed and manufactured by Securicor Ashley, the Group's electronics factory. These enable a whole building to be protected with just one wiring loop although larger complexes may have up to eight loops.

Valiant, in its basic form, can support up to 60 intelligent devices and can then be expanded using multiplexing techniques to support up to 500 or so devices. This flexibility allows Genesis to cater for a market spectrum ranging from small commercial premises right up to large integrated systems.

However many devices there are in an installation, Valiant can be programmed to act upon up to 16 separate items of information from each of up to 256 detectors of every known type. Similarly it monitors the system cabling, power supply and any other ancillary device linked to the installation.

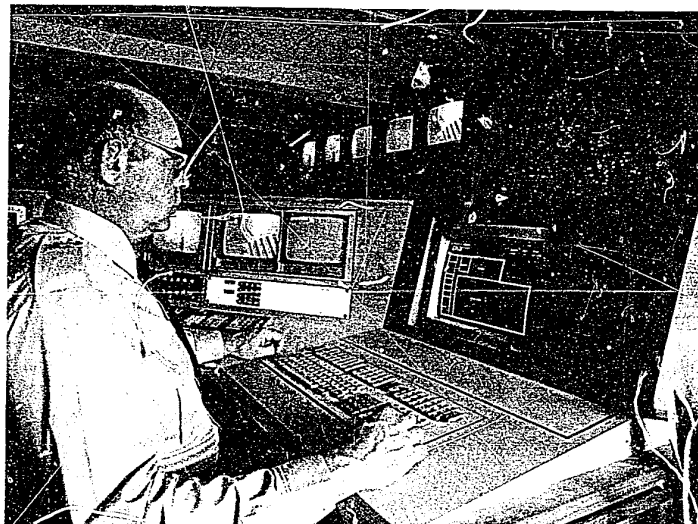
This ability to produce, process and act upon the information generated by a Genesis system provides significant benefits. Firstly, the majority of spurious alarms can be identified and dealt with without calling the police. A faulty movement detector will now only call the service engineer and not as before erroneously summon the police. False alarms are therefore greatly reduced.

Secondly, information relating to even slight deterioration of the system enables preventative maintenance to be carried out. Thus the system is always in optimum condition, and Securicor Granley can provide even better service to its customers.

To provide these sophisticated facilities Genesis installations must be connected to a Granley control centre. Eventually full national direct line coverage will be provided from two strategically-located centres. The first is in London and is already operational. Plans are well advanced for the second in Manchester. Each represents an investment of at least £1m.

Radiating out from each centre is a network of duplicate dedicated bearer (private telephone) lines, linking strategically positioned Remote Data Concentrators (R.D.C.'s). Each R.D.C.

GENESIS CONTINUED



Genesis installations must be connected to a Granley control centre. Eventually full national direct line coverage will be provided from two strategically-located centres.

can support and multiplex up to 500 subscribers thus providing a very cost-effective and secure signalling service. The entire system is fault tolerant with each R.D.C. comprising duplicate microcomputers operating on hot-standby and linked by duplicate bearer lines.

The Genesis control centre is operationally entirely paper free. Dual

computers operating in hot stand-by mode are responsible for the entire operation. Should one computer fail, the other automatically takes over, thus ensuring optimum reliability.

Genesis is much more than a security system. It can monitor and control any process and service that generates an electrical change of state including a wide variety of building services.

MOBILE COMMUNICATIONS

The first Private Mobile Radio (PMR) systems were licensed in Britain in 1947 since when demand has soared to the extent that the number of licences is now in excess of 400,000 and increasing by more than 10% each year.

Major technological improvements now enable many more conversations to be carried over the same amount of spectrum or radio waves, but all these improvements have only provided temporary relief. Securicor's Relay-fone system, one of the largest Private Mobile Radio systems in use in Europe, is typical of its time. Each Securicor vehicle using the system has a mobile radio installed which may be tuned to any one of the six nominated channels. Although these channels are allocated to Securicor across the whole country, each individual transmitter can only cover a limited area and thus different conversations may be carried on using the same channels in different parts of the country without interfering with each other. When a driver commences operations in the morning he makes a call on a pre-determined channel and his call is picked up by Securicor's local control room. Some sixty control rooms are strategically located up and down the country and when a vehicle moves out of range of one control room the driver will be instructed to change to another channel so that his call will be picked up by the next adjacent control room. In this way the driver keeps in touch throughout the country by switching between the different channels.

For a smaller company whose vehicles operate in a limited area, the control equipment will be at its office, connected by landline to the base station transmitter. If the cost of setting up such a system places it out of reach it can share a site and a channel with several others. Called Community Repeaters, these systems thus enable many small firms to profit from the

benefits of mobile radio at a price they can afford.

Conventional PMR generally restricts conversation between the vehicle and the control room or the "dispatcher" in the user's premises. Although this message handling service is adequate for many applications an increasing demand was generated and can now be met, for direct access to the PSTN (Public Switched Telephone Network). At one time the control room operator dialled the number required by the driver and made the connection manually (the so called "Interconnect" service) but this has now been overtaken by the "direct dial" system, whereby the driver dials into the PSTN directly from the vehicle.

As this original system developed, service was limited by the number of available frequencies, thus restricting the number of users to 12,000. As a result demand became such that a permanent waiting list built up with a projected waiting time of perhaps two years before new subscribers could be connected. Places on the system were even being sold on the "black market".

Once again technology came to the rescue with the development of the cellular radio system, the design for which splits the country into a network of cells each of which has a transmitter and receiver capable of handling a number of speech channels. Adjacent cells utilise different frequencies, but as the signal power is relatively low, non-adjacent cells can safely re-use the original frequencies. This enables a large number of users to be served by a relatively modest number of frequencies. The mobile equipment itself is highly sophisticated changing from frequency to frequency as it moves from cell to cell with a barely perceptible break in reception.

Two competing systems have been licensed by the Government to provide

Major technological improvements now enable many more conversations to be carried over the same amount of spectrum or radio waves.

MOBILE COMMUNICATIONS CONTINUED

this service nationwide. In one of these systems, "Cellnet", Securicor Communications, jointly held by Securicor Group (one-third) and Security Service (two-thirds), has a 40 per cent share. The wisdom of this competitive approach has been borne out by the dramatic demand on both services since their inception in January 1985. The 130,000 units reported to have been installed already greatly exceed even the most optimistic forecasts.

The facilities available by cellular radio are at least equal to and in some instances even superior to, those offered with all but the most modern telephone systems.

The latest electronic developments extend well beyond the mere ability to converse when travelling. There has always been a need to locate vehicles on the move. Recent developments in radio location now offer the prospect of monitoring the position of a vehicle continuously to considerably better than an accuracy of 50 metres throughout most of the U.K. Our partnership with George Wimpey plc

has taken a strong lead in the development of such a service which has been named Datatrak.

It is planned to set up Datatrak transmitters at 100 mile intervals across the U.K. mainland. Each transmitter will emit a very accurately timed signal on a very low frequency. In any vehicle using the system signals from a pair of adjacent transmitters are compared. The difference between the pulses from these signals defines a curve between the transmitters upon which the vehicle is bound to lie. Additional transmitters produce further curves and their intersection defines the vehicle's position with considerable accuracy. The vehicle thereupon transmits its position back to base.

Although the transmission of data over telephone lines has long been successful, radio links introduce particular difficulties. Short breaks in transmission, barely noticable to the human ear, can result in the loss of a considerable amount of data. Thus techniques must be adopted which

Major technological improvements now enable many more conversations to be carried over the same amount of spectrum or radio waves.

