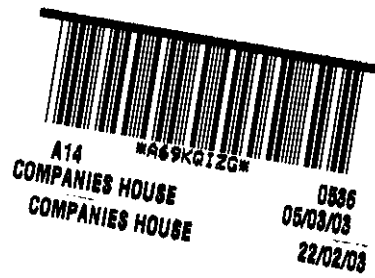
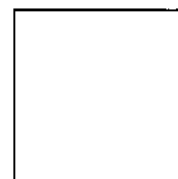
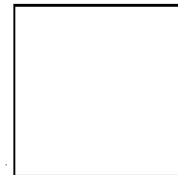
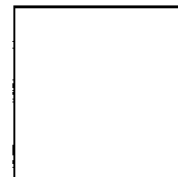


Annual Report and Accounts 2002



**securicor plc**

Company no: 3811216



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To become a global top-three provider of security solutions and expertise through the delivery of world-class outsourcing in cash management, integrated security and justice services.

By focusing on customer needs and investing in the recruitment and development of the best people in the industry, we will deliver innovative, market-leading services in each of our businesses.

Consistent delivery of these goals will provide long-term customer relationships, a high-quality, committed workforce and increased shareholder value.

### Financial highlights

Turnover up <b>23% to £1,400m</b> (£1,136m in 2001)	Ongoing Security PBTA up <b>15% to £68m</b> (£59m in 2001)
Basic earnings per share from continuing operations before exceptional items and goodwill amortisation <b>8.1p</b> (7.0p in 2001)	Full year dividend per share up <b>28% to 2.11p</b> (1.65p in 2001)

# Securicor

## Core business

Securicor is an international security solutions business, operating in some 50 countries around the world. We also operate parcel distribution and logistics businesses through our joint venture with Deutsche Post. In total we employ over 100,000 people.

## Cash Services

Turnover: £441m

**Product profile: Cash Transportation,  
Cash Management, ATM Management**

Product statistics: Globally, 17,700 customers,  
21,200 employees, 4,148 high-security vehicles,  
1,100 independent ATMs

Strategy:

- Build on the cash services business model to create new opportunities in outsourcing markets
- Develop substantial new business through the introduction of new products in key countries
- Become an outsourcing partner to our customers and develop long-term commercial relationships

Highlights of 2002:

- Successful implementation of the Euro project in Germany, Netherlands and Ireland
- Winning of Alliance & Leicester cash centre outsourcing contract in the UK worth over £200m over ten years
- Roll-out of end to end managed ATM service to Standard Chartered Bank in Hong Kong

## Manned/Electronic Security

Turnover: £816m

**Product profile: Manned Guarding,  
Monitoring and Mobile Response,  
Risk Audits**

Product statistics: 120,000 customers,  
81,800 employees, 29 countries

Strategy:

Build on our strong position in the commercial guarding market to create a substantial integrated security business

- Phase I – develop a standardised global commercial guarding business model based on specific sectors
- Phase II – develop risk auditing and consultancy capability
- Phase III – incorporate electronic security
- Phase IV – integrate phases to deliver total solution

Highlights of 2002:

- Strategic partnerships for electronic security and consultancy services
- Successful re-branding of US commercial security business
- African business restructured and fully integrated

## Justice Services

Turnover: £99m

**Product profile: Prison management, electronic monitoring of offenders, prisoner escorting**

Product statistics: 3,300 employees in Europe and the US, 34,000 offenders monitored per year, 154 vehicles

Strategy:

- Build on our successful justice businesses to create new opportunities in the outsourced justice sector
- Continue to develop services which support public sector reform
- Build long-term recurring revenues while contributing positively to creating a just and safe society

Highlights of 2002:

- Opening of first outsourced justice facility in the Netherlands
- Named as preferred supplier for a new Secure Training Centre in Milton Keynes
- Expansion of prison contract at HMP/YOI Parc, Bridgend

## Distribution Services

Turnover: £348m

**Product profile: Business to business express parcels, Sameday courier services, integrated logistics and European distribution**

Product statistics: 23,500 customers, 11,300 employees, 50:50 joint venture with European market leader, Deutsche Post

Strategy:

- Improve profitability through on-going cost control and revenue enhancement programmes
- Continue to build competitive advantage through new product development
- Further integration with other Deutsche Post businesses to achieve operational synergies and technology cost savings

Highlights of 2002:

- Strong growth experienced in Sameday and European operations
- Good profit growth in Logistics and Container Transport
- Reduction in operational costs



### Results

Group turnover for the year was £1,400m, an increase of 23% over the previous year. Profit before interest, tax, exceptional items and goodwill amortisation from our ongoing businesses rose by 16% to £93.0m and from our ongoing security operations by 16% to £85.9m. Profit margins increased across all regions, except the Americas.

Exceptional charges totalled £81.0m, of which £37.1m related to goodwill impairment and restructuring within our US aviation screening business, £36.3m to intangible fixed asset impairment within Securicor Information Systems and £5.7m to the closure of SafeDoor.

We do not include within the above turnover figure our 50% share of the Distribution joint venture with Deutsche Post.

### Dividend

The directors recommend a final dividend of 1.39p per share, payable on 4 April 2003, which, taken with the interim dividend of 0.72p per share paid on 30 September 2002, makes a total dividend of 2.11p per share in respect of the year ended 30 September 2002, an increase of 28% over the previous year.

### Board changes

I reported last year that Nick Buckles had succeeded Roger Wiggs as Chief Executive on 1 January 2002, with Roger remaining on the board as a non-executive director.

Chris Shirtcliffe retired from the board in May 2002. Chris joined Securicor in 1975 and had been Group Finance Director since 1986. He made an immense contribution on the board, being held in great esteem by all who had dealings with him. One of Chris' most important contributions was to put in place comprehensive financial controls and systems which have proved invaluable for the group's worldwide operations.

Sir James Birrell retired in September 2002, after nine years on the board. Jim was a distinguished and highly effective chairman of the Audit Committee from its inception in 1993. He was also the senior independent director, chairman of the Nomination Committee and a member of the Remuneration Committee.

Professor Jim Norton retired from the board in December 2002, having been a director for the two years during which we made crucial decisions about our various communications businesses, none of which ultimately we decided to retain. Jim's expertise in radiocommunications and electronics was an invaluable aid to our assessment of these businesses.

I thank each of them for all that they did for Securicor and wish them well for the future.

Two new executive directors were appointed. In June 2002, Trevor Dighton joined the board, succeeding Chris Shirtcliffe as Group Finance Director. Trevor joined Securicor in 1995, since when he has occupied a number of senior finance roles. Irene Cowden was appointed to the board as Group Human Resources Director in August 2002. Irene joined Securicor in 1977 and has wide experience in all aspects of HR management.

#### Staff tributes

I once again pay tribute to the commitment and loyalty of Securicor staff throughout the world. Although they are often confronted by criminal and other anti-social behaviour, they carry out their tasks with fortitude and pride and are a great credit to the group. I thank all of them for their contribution towards the wellbeing of Securicor and commend in particular those who have received bravery awards, both in the United Kingdom and overseas.

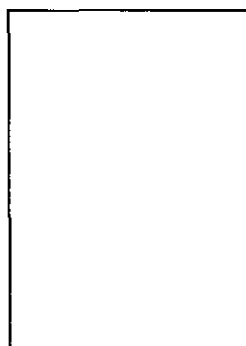
#### Future prospects

Over the last year we have experienced a continuing and dramatic fall in global stock markets, reflecting growing economic uncertainty compounded by the threat of war. We have also seen the collapse, on what is probably an unprecedented scale, of some major corporations in North America, UK and Europe.

Securicor was affected earlier in the year by the loss of Argenbright's aviation screening business in the United States, this function having been taken over nationally by the federal authorities in the wake of the September 2001 terrorist attacks.

During the year under review we have enjoyed strong trading and produced good results in our core ongoing security businesses and we are looking forward to further growth, both organically and through complementary acquisitions.

**Sir Neil Macfarlane**



The security businesses have performed well in the year with healthy organic growth of 9% and PBTA before exceptional items up 15% at £68m. Our Distribution joint venture has also made progress in the year, with our EBITA contribution increasing by 16.4% to £7.1m.

During my first year as Chief Executive we have continued to make progress towards focusing the organisation on its core security businesses and have delivered strong performances throughout the majority of the group.

I would like to take this opportunity to review some of the general business issues of the last year and opportunities for the future. Details of specific trading will be covered in the regional review sections of this report on pages 12 to 21.

### Focus on security

Our goal is to become a global top-three provider of security solutions and we are making good progress towards its achievement. In addition to growing our core security businesses, we have almost completed the divestment of our non-core businesses.

In June, we announced the closure of SafeDoor, the on-line secure shopping service launched at the end of 2000, having determined that it was not core to the group's future. We also explained that we were undertaking a review of Securicor Information Systems (SIS), our systems development and integration business.

This review concluded that, in the context of the justice market, there were no major customer synergies between SIS and our other justice businesses. The outcome was a decision to dispose of the business, enabling the group to reduce its level of debt and further sharpen the security focus. We therefore announced in December that we were in substantive negotiations for the sale of SIS, the last communications business in the group portfolio.



## We are clearly focusing on security

We are clearly focusing on security where we have good positions in most markets and expertise across our product range. We have been successful at winning new business across the board but have faced difficult challenges in some markets such as the US and Germany.

### Values and business model

In this report we outline our corporate values and the key components of our business model. These have been created as the group expands throughout the world, to provide consistency and quality, to enable the spread of best practice, to increase focus on our customers and to provide a framework for measuring performance.

Over the last two years we have created a successful business model which has been further enhanced by adding the best practices of our acquired businesses. Through consistent application of this model, we will bring the performance of all of our businesses up to the optimum level.

With over 100,000 employees around the world, it is important that everyone understands our vision and plays their part in helping achieve it. We do this by ensuring that our staff have a clear understanding of what is required of them and by providing them with the appropriate training and development.

### Cash Services

Cash transportation and cash management services are a proven core competency of our group and now represent 33% of turnover. We have good market positions in most of the countries in which we operate and are on target for achieving our organic growth and margin expectations.

The UK cash management business has won three new contracts, firmly established itself as an expert in this field and is well placed to take advantage of further outsourcing opportunities in the future.

Other markets such as Hong Kong and Canada are showing signs that outsourcing is moving up the banking agenda and, now that the introduction of the Euro has been completed, European banks are evaluating their options for improving productivity and reducing direct costs.

### Security

The proportion of our turnover provided by the manned and electronic security businesses has increased to 60%, due largely to acquisitions made in the Netherlands, Africa and the US and our increased stake in the Asian business.

Margins in these markets are generally good, with the exception of the US, where we are implementing significant cost reduction programmes and investing in sales activity to bring the business back to break-even within this financial year.

Demand for integrated security is growing across our markets and we are developing partnerships with companies which can add systems expertise to our businesses. In some markets, such as South Africa, the integrated model is well developed and already providing good returns.

### Justice Services

Justice services now represents 7% of turnover. Here, we have experienced good organic growth driven by an increase in tagging of offenders, additions to our prison contract in South Wales and the growth of our electronic monitoring business in the US. We also commenced our first justice contract in the Netherlands earlier this year. Margins in the justice businesses are on target across the board.

We expect further growth in electronic tagging as prison overcrowding continues to be an issue in major economies, resulting in more offenders on home detention curfew. We also expect to win further contracts for secure training centres in the UK and youth justice academies in the US.

### Development strategy

We believe that we can deliver strong improvements in performance across the group through growing our existing security businesses. However, there are also excellent opportunities for growth through a well considered acquisition programme.

Any firm acquisition plans will depend on a number of factors such as the availability of funds and meeting our criteria for providing appropriate returns on investment, but we do have development targets for specific product areas to support our global top-three security goal.

Firstly, we plan to make complementary and new geographical acquisitions in cash services businesses. We will look to build market share in Canada, Germany, China, and Hong Kong and to enter cash services markets in the Netherlands and South Africa. We have major strengths in running cash services businesses as can be seen from our strong organic growth and good margins.

Over 60% of our turnover is now in manned security. We do have electronic capability in most markets but we need to build on this. We plan to target monitoring companies in order to build on our current capability.

Additionally, to enhance integrated security and to further differentiate our service range, we will be looking to acquire security consultancy businesses in major markets.

Finally, we will be looking to enter new countries where we can achieve our criteria of being number one or a close number two in cash services or where we can get a strong market position in manned security in higher growth developing markets. Our justice services growth will continue to be predominantly organic.

#### Summary and outlook

Our security businesses have repeatedly delivered good results. Despite the downturn in the Americas region, we improved normalised profits by over 16% and had strong organic growth of 9%. We are also starting to demonstrate how cash-generative our security businesses can be and are confident that this will continue.

We have delivered on our promises to focus our strategy and we are currently completing the divestment of our last communications business.

We are driving value through our distribution joint venture, with improved performance in the second half of 2002, thereby building a solid platform for future development.

Overall we remain totally committed to our strategy of becoming a global top-three provider of security solutions. We have made significant progress during the year and have clear plans for building on that progress in the future.

**Nick Buckles**

# Our people

Whilst we strongly believe that our business strategies will make a key difference to our future success, what really makes us unique is the quality of our people and their commitment to customer service. Having taken the time to ensure we have selected the best people, we provide them with training and support their growth and development. We encourage everyone to achieve their full potential and feel motivated to make their best contribution.

## Our values

Securicor's vision is to become a global, top-three provider of security solutions. To help us achieve this vision we have a clear set of corporate values which are being adopted across our businesses. These values help to differentiate our business within markets around the world.



## Securicor business model

We have developed a business model which is designed to enable us to fully understand and meet our customers' needs, to differentiate ourselves from our competitors and to deliver enhanced shareholder value. In some markets this model is fully developed, in others we are making good progress towards its delivery.

### The key elements of this model are:

#### Market focus

We have a deep understanding of our markets and recognise opportunities which will benefit our customers. As industry experts and because of our market position we are able to influence the market environment for the benefit of our stakeholders.

#### Innovative customer solutions

We have an in-depth knowledge of our customers' needs. We work in partnership with our customers to develop innovative solutions which share risk and reward. We aim to have long-term relationships and partnerships with mutual long-term benefits.

#### Effective organisation

Each business unit develops its own strategies in the context of the Securicor business model.

#### The best people

Recruiting and selecting the best people, providing excellent training and development, rewarding people fairly, involving them, valuing them and treating them with respect and consistency are key components of our philosophy.

#### Excellent service

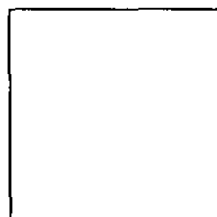
We recognise that our customers will judge us on whether or not we deliver on our promises. Consistent delivery of a high quality service through the efficient deployment of excellent people, advanced operating procedures, systems and processes is a key element of the business model.

#### Strong controls

It is essential that we have rigorous controls, monitoring and audit processes not only to ensure compliance with all security, legal, regulatory, and governance requirements, but also to ensure that growth, profits, cash generation, productivity targets and enhanced shareholder value are realised.

# EMEA

	2002	2001
Turnover	£396m	£286m
EBITA	£25.5m	£17.3m
Employees	51,235	48,698



“I have personally been associated with Gray Security at first and now Securicor for over twelve years. Through mutual trust by both parties the partnership grew from protection of one site to eleven sites. During this time the services offered by Securicor also grew from a guarding service into an Integrated Solutions service.”

Ron Barry  
Group Advisor – Protection Services  
Nissan South Africa

## Review

Overall, the EMEA (Europe, Middle East and Africa) region performed strongly in 2002, increasing sales by 38% and EBITA by 47% over the previous year.

This excellent performance was supported by acquired growth of £67m, mainly from the first full year effect of our acquisition in the Netherlands. A further source of this increase was the one-off benefit from the Euro currency changeover project which generated turnover of £12m.

The region's focus on customer management contributed to an improved organic growth rate of 13.2% (11% prior year) and strong cash generation.

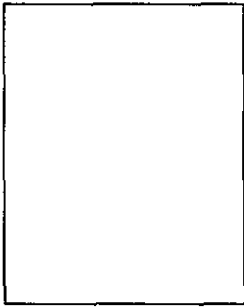
**South Africa** returned a good result for the latter part of the year, achieving strong double-digit organic growth rates. Our Black Economic Empowerment partnership in the region has assisted with customer retention and winning new business.

In the remaining African operations, strong growth was experienced in all subsidiaries and we began operations in the **Ivory Coast** during the year. In **Nigeria**, we have won a major integrated security contract worth almost £3m a year.

**Jersey, Guernsey, Isle of Man, Ireland, Luxembourg, Kenya** and the **Middle East** all performed strongly.

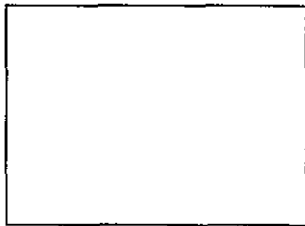
The challenging economic conditions in the **German** market had a negative impact on both the cash services and integrated security businesses. The security business managed a high level of account retention, although new contract growth was slow.

The **Netherlands** integrated security business performed well in its first full year of Securicor ownership. Organic growth was excellent, assisted by securing a contract with the Netherlands government to manage a number of detention centres. The contract commenced in the second half of the year and was fully operational by the year end. This development was supported by Securicor's UK justice business, proving our ability to export best practice in order to deliver new market opportunities.



**David Lidbetter, Regional Managing Director, Europe, Middle East and Africa**

David Lidbetter joined Securicor in 1988 as a management trainee. He held various line management roles within the UK prior to transferring to the European region in 1996 as the Operations Director. David was appointed Regional Managing Director for Europe and Middle East in 1999 and has successfully managed a significant acquisition programme. David was appointed to his current role, which includes Africa, in October 2001.



**“Securicor and Nissan joined hands in a social responsibility project to combat crime through community patrols in the Rosslyn area.**

**As you can imagine, for a service to expand to such an extent means that Nissan SA have total trust in the service provider.**”

Ron Barry  
Group Advisor – Protection Services  
Nissan South Africa

## Outlook

The EMEA region has good prospects for the current year with continued focus on customer management, outsourcing solutions to the financial and government sectors and developing its employer of choice programme. The completion of the Euro changeover will now allow financial institutions to review potential outsourcing projects which will translate into exciting opportunities for our cash-handling businesses.

There are good prospects for integrated security in the region including the development of cross-border contracts in African countries.

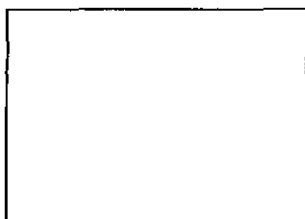
We will be adding electronic security capability to our model, mainly through partnerships, and we are close to appointing a preferred supplier in Africa.

Strong growth should be maintained as demand for security services continues to expand in the majority of the markets in which the region operates.

# Asia

	2002	2001*
Turnover	£71m	£38m
EBITA	£4.1m	£0.9m
Employees	13,532	—

\*50% of joint venture in 2001



“Securicor’s innovative approach and determination in developing the ATM Managed Service product will further ensure that SCB is well equipped to serve the needs of our own customers with reliability and flexibility.”

Jackie Leung  
Manager – Automated Channel  
Development  
Standard Chartered Bank

## Review

We have had good growth across Asia, moving profitability to over £4m. We have a strong risk management capability across the region and will be looking to build on this. We have introduced IT operational management systems in all of the Asian businesses and we are starting to see good productivity improvements, particularly in cash services.

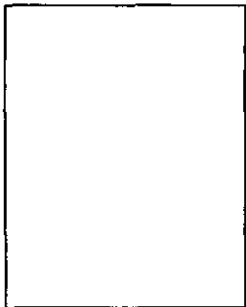
In December 2001, we completed the acquisition of the remaining 50% of Jardine Securicor, giving us control of successful security operations in eight Asian territories.

**Hong Kong** produced a strong performance within a deflationary market environment and amidst intense competition. Price pressure in some areas of the market has been offset by significant contract wins, in cash services such as Hong Kong Jockey Club, and in guarding with China Light & Power, MTRC and Government Property Agency. We successfully supplied an ATM management service to Standard Chartered Bank and we look forward to introducing this concept to other customers. A series of productivity measures and a corporate reorganisation have helped to increase the profit growth within the company.

**Taiwan** performed well due to significant growth in ATM management services and internal cost control measures. New initiatives in cash services and continued growth in ATM management services are expected to produce a good result this year.

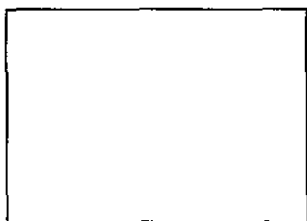
**Thailand** produced an excellent result all round with good growth in organic sales and profitability. Significant restructuring of the banking industry has resulted in a willingness to outsource, although this process has been slow within the government-owned banks. We won a contract to manage cheque distribution for Citibank, opening up a potential area for future growth.





**Ted Devereux, Regional Managing Director, Asia**

Ted Devereux has been actively involved in the Asian security industry since 1973. Prior to joining Securicor he co-founded Guardforce Group, an integrated security solutions and cash services group based in Hong Kong and which was acquired by Chubb in 1999. Ted joined Securicor in his current role in 2001. He is Chairman of the Security Association in Hong Kong and a member of various industry working groups within the Asia region.



**“We look forward to the future working relationship with your team.”**

Jackie Leung  
Manager – Automated Channel  
Development  
Standard Chartered Bank

Within **Malaysia**, regulatory approvals were finally received in September for the merger with Safeguards Corporation which holds a market-leading position. Planning for this merger has identified significant potential for cost savings and synergies. The merger agreement was signed in December 2002. The business in **Brunei** had an excellent year.

The **Indonesian** business has performed well in a difficult economic and political environment. Reorganisation initiatives have been implemented and plans for stronger sales growth have recently been put in place.

**China** performed well operationally, gaining acceptance in Changchun as a respected cash logistics company.

## **Outlook**

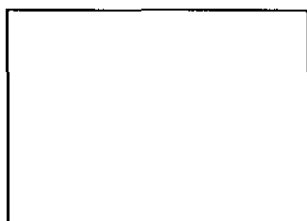
We are looking forward to the opportunities and challenges for the Asia businesses and we believe that profit growth will continue in the region. The merger in Malaysia, along with our investment in profit-enhancing systems, will assist growth.

Cash and ATM outsourcing projects have commenced and integrated security is well established in the region, positioning us for future contract wins and overall growth.

# UK

	2002*	2001*
Turnover	£538m	£499m
EBITA	£53.8m	£48.9m
Employees	19,651	19,309

\*Excluding discontinuing operations



“I am confident that by adopting a true partnership approach, we will achieve our goals on service excellence which will generate sustainable benefits to both of our businesses.”

David Parker  
Company Security Controller  
Safeway

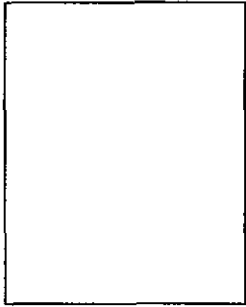
## Review

Despite challenging market conditions and a high level of criminal attacks, **Securicor Cash Services** delivered a good full-year performance. The year has been one of increased investment in technology, designed to enhance customer service, and the development of the new supercentre concept. Our Manchester supercentre opened in May, with a similar centre in Belfast due to be opened imminently.

Following its inception in 2001, **Securicor Cash Centres** built on its first-half success, the award of the £200m+, 10-year Alliance & Leicester cash processing contract, by securing two further major cash processing contracts: a £20m, 12-year agreement with Clydesdale Bank and a £65m, 5-year contract with Lloyds TSB. These three contract awards are the cornerstones to delivering a market-leading cash management outsourcing business – an area of continued growth potential as UK financial institutions adopt outsourcing of cash management activities. The ability to offer customers an integrated cash management solution, based on the complementary areas of cash transportation and cash processing, represents a key competitive advantage for Securicor.

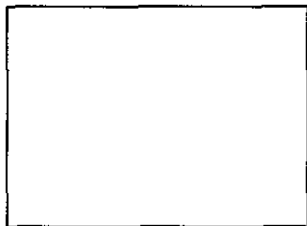
Our **Securicor Cash Machine** estate continued its strong growth, ending the year with 1,115 live machines.

**Securicor Security** (formerly Securicor Guarding) improved profitability in the face of demanding market conditions. Foundations have been put in place for the development of an integrated security proposition, with the securing of key strategic partnerships for the provision of electronic security and for consultancy services. The company is also playing a leading part in determining enhanced regulatory requirements for the UK Security Industry. These are expected to come into force from 2004 and will significantly improve the quality of service provided to customers. **Securicor Aviation** had a solid performance, despite having to absorb increased insurance premium charges.



**Ken Niven, Regional Managing Director, UK**

Ken Niven joined Securicor in 1996 following a successful earlier career within the logistics management industry where he held senior roles at Express Foods, Excel Logistics and Coca Cola. Ken was appointed MD of the UK Cash Services operation in 1998 and appointed to his current regional role in 2001.



“Because of the importance of this contract, we needed to be confident that the outsourcing partner we chose to implement and manage our cash solutions would maintain the quality of its service in the long term, and we had that level of confidence in Securicor.”

Frank Lambe  
Director of Wholesale Banking  
Alliance & Leicester Cash Centres

**Securicor Custodial Services** enjoyed strong revenue and profit growth. Our UK electronic monitoring business achieved 66% volume growth in the year, as a result of an increase in the use of home detention curfews. Parc Prison in South Wales increased its prisoner population to over 900 and opened the first juvenile remand unit in Wales. The Youth Justice Board appointed a Securicor-led consortium as preferred bidder to design, construct, finance and operate an 80-bed Secure Training Centre at Milton Keynes.

**Securicor EMS**, the California-based subsidiary and provider of electronic monitoring equipment and services which we acquired at the end of 2001, successfully implemented a US\$30m contract awarded by the Administrative Office of the United States Courts for the Federal Electronic Monitoring Services Program.

**Securicor New Century**, which provides juvenile treatment programmes, continued to perform well, with Avon Park Youth Academy receiving national recognition for the quality of its programmes.

**Securicor International Valuables Transport** delivered a strong performance with double-digit growth in turnover and EBITA. The new office in Johannesburg is already contributing to profitability in its first year of operation and new South American market opportunities have been developed.

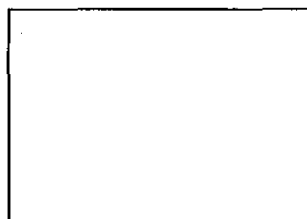
## Outlook

Overall the UK businesses were very successful in 2002. New contract wins for the fledgling cash centre outsourcing business, combined with improved performances from our more established security and cash services businesses, were all key to this success.

There is growing demand in the market for integrated security and we will be looking to increase our market share. Across our UK businesses, we will be investing in customer-facing technology to enhance our service and will focus on developing new products to meet changing customer needs.

# Americas

	2002	2001
Turnover	£351m	£271m
EBITA	£2.5m	£6.9m
Employees	22,303	24,232



“During implementation, Cognisa placed high emphasis on communication both internal and external.”

Vickie Costa  
Senior Buyer  
JC Penney

## Review

The Americas had a challenging year in the aftermath of the September 11th terrorist attacks and the further downturn in general economic conditions. The US businesses suffered a setback in their growth expectations, but Canada and the Caribbean businesses fared better. The increased security awareness following the terrorist atrocity gave a temporary boost to the security industry in the early part of the year.

During the year, a number of acquisitions were completed and successfully integrated. An acquisition in Jamaica doubled the size of our business there.

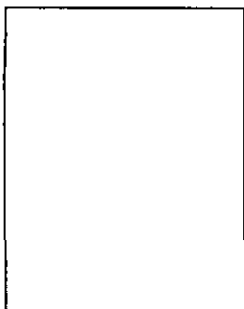
In the **US**, the government decided to assume responsibility for the airport pre-departure screening function and this had a major impact on the US aviation business. Much of the year was spent on ensuring a smooth transition of aviation screening services.

Following the federalisation of aviation screening, there was no economic case for retention of the remainder of the US aviation-related business. As a result, notice was given to our aviation services customers in December 2002 and complete withdrawal from aviation contracts should be concluded in early 2003.

The US commercial security business has unveiled its new brand, Cognisa. The award of several crucial national accounts has signalled the success of the re-branding effort and the business looks forward to steady growth.

This year, the economies of the six territories comprising our **Caribbean** region have been adversely affected by a reduction in tourist numbers and some instances of political instability. Nonetheless, the Caribbean exceeded its financial targets.

In the **Dominican Republic** we now have a 55% share in the cash services market. In **Costa Rica**, turnover increased by 16%.



**David Beaton, Regional Managing Director, Americas**

David Beaton is a graduate civil engineer, who joined Securicor in 1993 as a Projects Director after a spell in management consultancy and an early career in the British Army. He has held senior appointments in South Africa, Europe and the Middle East and was most recently Managing Director of Securicor Custodial Services. He was appointed to his current regional role in 2001.



“Cognisa takes the time to document issues, a practice which encourages quick reviews and thus lends itself to better decision-making and quicker resolution of problems.”

Jerry Pitts  
Loss Prevention Safety/  
Shared Services Manager  
JC Penney

We had good performances in both **Trinidad** and **Barbados**, while **Guyana** secured new banking contracts and upgraded its cash processing facility.

In **Jamaica** we completed the integration of our acquisition and the company benefited from government legislation imposing higher minimum wages.

After a very difficult first half, **Canada** transformed its performance by the year-end, through a combination of increasing prices to more economic levels and a radical restructuring of costs. The business is now founded on a much firmer base and is well placed to develop new product and service opportunities with its major financial institution partners.

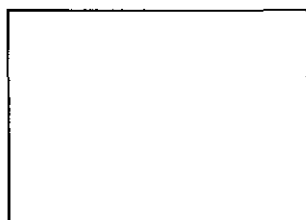
## Outlook

Despite the aftermath of the terrorist attacks in the US and the general economic slowdown in the region, good cost control and investments in management development have been accomplished during the past year. In addition, significant contract wins and operational improvements have positioned the region well for solid future growth, but there remains work to do in restructuring the US security business.

# Distribution

	2002	2001
Turnover	£348m*	£339m*
EBITA	£7.1m*	£6.1m*
Employees	11,308	12,433

\*50% of joint venture



“Our customers want and expect their products on time and generally within a very short time-frame. Omega Express has worked closely with us to develop the necessary delivery schedules, and the dovetailing of its operations into ours is very important to everyone in this supply chain. We see our relationship as a real partnership.

We talk to Omega Express about our future plans and work in tandem to develop the required delivery schedules.”

Jeff Tandy  
Head of Marketing  
RS Components

## Review

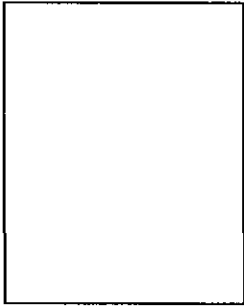
Securicor Omega is the 50%-owned Distribution division of Securicor and one of the leading express and logistics businesses in the UK and Ireland. It provides a range of services including logistics, warehousing, express parcels and pallets, home deliveries and courier services. It is well positioned to take advantage of the growth in demand for distribution solutions both at home and abroad, thanks to its customer-focused business models and through partnerships with market-leading organisations such as DHL, Danzas and Deutsche Post Euro Express.

In **Securicor Omega Express** there was a downturn within the Nextday business until the last quarter when parcel volumes showed a marked recovery and a number of major new contracts were won. Growth opportunities in the parcels market have increased following changing market dynamics. This, along with focused sales campaigns, ensured good progress in the second half of the year. Improving performance in the parcel sector was further underpinned by successful price increase mechanisms and strong cost control.

The Sameday business continues to make good progress. It was assisted by contract gains in the parts storage and technical courier service areas where outsourcing continues to provide good opportunities. Turnover in the European business increased by 32%, reflecting the growing strength of the pan-European networks for parcel and pallet deliveries. The business in Ireland held up well, given the poor economic environment experienced in the second half of the year.

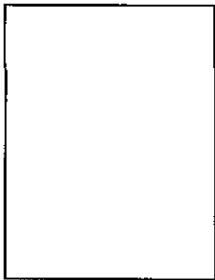
**Securicor Omega Logistics** showed turnover growth of 11% and improved its profit performance. New business development was encouraging and several major contracts were secured. **Securicor Omega Container Logistics** had a slightly reduced profit for the year, due to lower volumes in the sector. Turnover in **Securicor Fuelserv** was reduced, due to depressed fuel prices in the UK and to the company's withdrawal from the domestic German business.

The Distribution strategy is based on customer-focused business models that offer a wide range of distribution services to the market. In conjunction with Deutsche Post, it will continue to develop common IT, operational and product platforms that create further efficiencies and benefits. The development of the European business will remain a top priority for growth.



#### **John Hogan, Divisional Chief Executive, Securicor Omega**

John Hogan joined Securicor Omega Express in 1987 and is now the CEO of Securicor Omega. He was appointed Director and General Manager of SOE Ireland in 1992 and later was given responsibility for SOE's European parcels operation. John was appointed Managing Director of SOE in 1998 and then CEO in 1999. Following the formation of the joint venture with Deutsche Post in April 1999, John was also appointed to the executive board of Deutsche Post Euro Express. He was appointed CEO of Securicor Omega in October 2001.

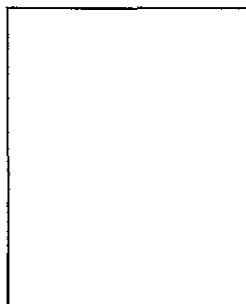


## **Outlook**

We are entering a period in which we are confident of securing new growth across the business. We will need to take a balanced approach so that we carefully manage the mix between volume and price and, where necessary, add capacity to the parcels network. The continuing trend towards outsourcing in the logistics market also bodes well for future revenue growth opportunities. Overall the outlook is encouraging for Securicor Omega as a leading player in the express and logistics market in the UK and Ireland.

“With the huge turnover of stock and massive number of deliveries we make each day, we have to be able to rely on our parcel carrier. The use of Omega Express in our despatch and sorting operations in Weldon and Nuneaton has, over the last years, led to vastly improved on-site despatch procedures. I believe the reason we have been working together for so long is because we have the same business goal: making customers happy.”

Tony Smith  
Head of Operations  
RS Components



### Operating results

The overall results are commented upon by the Chairman in his statement and operational trading is reviewed by Nick Buckles and in the regional reviews.

### Acquisitions

The most significant acquisition in the year was the purchase from Jardine of their 50% share of the Asia region joint venture, which became a 100% owned subsidiary. Other acquisitions made were principally in Germany and Africa. Acquisitions are detailed in note 21 on pages 62 and 63 and their contribution to the turnover and profit of the group during the year is shown in note 1 on pages 46 and 47.

### Exceptional items

Exceptional items are shown in note 2(b) on page 48. They comprise three main elements: (1) a goodwill impairment charge and restructuring costs of £37.1m relating to federalisation of the US aviation screening business; (2) closure costs of SafeDoor, amounting to £5.7m; and (3) an intangible asset impairment charge of £36.3m relating to Securicor Information Systems. The total cash cost of these exceptional items will be £5.3m, of which £2.0m has already been incurred.

### Accounting standards

The group has adopted Financial Reporting Standard 19 Deferred Tax during the year and does not discount deferred tax balances. This has required the restatement of net assets at 30 September 2001 to £332.5m, compared to £325.9m in the last Annual Report, and the restatement of loss on ordinary activities after taxation for the year to 30 September 2001 to £25.5m, compared to £24.0m in the last Annual Report.

FRS17 Retirement Benefits was issued by the Accounting Standards Board in November 2000, but in November 2002 it was announced that it will not be fully mandatory until 2005. The disclosures required prior to full implementation are made in note 4(c) on pages 49 to 51 and pension fund valuation is discussed later in this review.

### Accounting for goodwill

Goodwill arising on acquisitions is capitalised and amortised over its useful economic life which is not expected to exceed 20 years. The charge for goodwill amortisation in the accounts for the year to 30 September 2002 amounted to £11.4m. Goodwill included in the balance sheet as an intangible asset at 30 September 2002 amounted to £221.2m.



#### Taxation

The taxation charge of £21.0m provided upon profit before exceptional items and goodwill represents a tax rate of 31%. £4.2m tax relief has been provided against exceptional items and goodwill amortisation totalling £92.4m. Potential tax assets amounting to £18.8m have not been recognised as their utilisation is uncertain and long-term.

#### Cashflow

Cash generation in the year to 30 September 2002 was strong. Net cash flow from operating activities rose to £127.4m from £46.0m, and free cash flow after capital expenditure rose to £70.5m compared with a £12.4m outflow in 2001.

Net cash outflow from acquisitions and disposals amounted to £47.7m, including £25.6m on the acquisition of the remaining 50% of the Asian joint venture.

Net cash outflow in the year was £8.7m and the increase in net debt, after allowing for finance leases, borrowings acquired on the purchase of subsidiaries, and translation adjustments, was £15.4m.

#### Financing and treasury activities

The group's treasury function is responsible for ensuring the availability of adequate and cost-effective finance for the group's operating activities and for managing both exchange rate and interest rate exposures. It is not permitted to speculate in foreign currency or derivative financial instruments, although it does make limited use of such instruments to hedge exposures on interest rate or currency fluctuations which arise from the group's operations.

At the beginning of the year, credit lines in place totalled £242m. In November 2001, additional committed facilities of £43m were made available, primarily to finance the purchase of the remaining 50% of the joint venture with Jardine in Asia.

We currently have available £285m of committed credit lines. These are (1) a £220m facility comprised of a £140m term loan from four major UK banks, repayable in tranches in December 2003, December 2004 and December 2005 and an £80m revolving credit facility with the same four banks, committed until December 2005, and (2) a further £65m revolving credit facility repayable at various dates in 2003 and 2004.

At 30 September 2002 net debt of £198.5m represented a gearing of 73%.

### Interest rates

The group's investments and borrowings, including those negotiated after 30 September 2002, are at variable rates of interest linked to LIBOR.

### Foreign currency

The group has many overseas subsidiaries and associates which contribute to the profits of the group. The revenues and expenses of these businesses are denominated in a number of different currencies. The resultant translation exposure is partially hedged by the maintenance of limited foreign currency borrowings. Significant transactions denominated in a foreign currency may be hedged using forward contracts. The group currently has no such contracts outstanding.

### Dividends

The directors recommend a final dividend of 1.39p per share which, taken with the interim dividend of 0.72p per share, makes a total dividend of 2.11p per share for the year ended 30 September 2002. This represents an increase of 28% over the previous year's dividend.

In proposing this final dividend, the board considered the appropriate level of dividend cover and the future strategy and prospective earnings of the group. The company intends to follow a progressive dividend policy, with dividends to be increased approximately in line with earnings.

### Corporate governance

The group's policies regarding risk management and corporate governance are set out in the report of the directors.

### Pensions

The annual actuarial assessment of the group's main UK final salary pension scheme (which since 1996 has been progressively closed to most new entrants) was carried out as at 30 September 2002, within five days of the six year low point for the FTSE 100 index, and at a time of particularly low bond yields. The assessment revealed the scheme's funding levels in respect of past service under the different regulatory measures to be as follows at 30 September 2002:

*Minimum funding requirement*

The funding level was approximately 110%.

*SSAP24*

There would have been a shortfall of £40m (£28m after tax).

*FRS17*

This valuation indicated a shortfall of £218m (£153m after tax).

We believe that, in the longer term, improved investment returns will materially increase funding levels in the scheme in respect of past service liabilities.

As regards future service benefits, contribution rates have been increased, following actuarial advice, from 11% to 12% as from 1 October 2002, which will increase the cost of the scheme by approximately £500,000 a year.

The next full triennial actuarial valuation will be carried out in April 2003.

*Going concern*

The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Trevor Dighton**

### We intend to promote our UK best practices

#### Environment

We pledged a 3% improvement each year over four years on carbon dioxide emissions by our companies in the UK. We declared a total of 259,000 tonnes of carbon dioxide emissions in the year to 31 December 2000, an efficiency ratio of 13.8 tonnes per employee. In the year to 31 December 2001, these emissions had risen to 260,000 tonnes and, due to a slight fall in the relevant employee numbers, the efficiency ratio showed an apparent deterioration to 14.2 tonnes per employee.

However, it became evident that the emissions figure for the first year represented an under-declaration, gas and electricity usage in a number of our sites having been excluded from the total. Vehicle emissions actually fell during the year, due to the introduction of more Euro 3 engine vehicles. We thus believe that the 2002 performance will show a marked improvement over 2001 and put us back on our committed target.

Mr Nigel Griffiths is the director with responsibility for environmental matters.

#### Health and Safety

In the UK, the number of Competent Persons in Health and Safety matters continues to grow in accordance with the group policy to ensure expertise in all companies. These representatives attend quarterly meetings of the Health and Safety Forum, the main purpose of which is to establish and promote best practice.

A substantial programme of management training is in place. This has included an emphasis on manual handling, awareness campaigns and refresher courses. Risk assessments are used extensively to address the major hazards which continue to be slips, trips and falls, the repetitive manual handling of parcels and coin bags, and criminal attacks on cash services crews.

The 'Employee Care' initiative, through which employees suffering reportable injuries or illnesses are promptly assessed by an occupational health professional and, where appropriate, supported with rehabilitative treatment, has been extended. Our positive experience of this support has led to the appointment of a group advisory service available to all our UK companies.

#### Ethics

The group's Statement of Business Ethics has been supplied to all managers throughout the group worldwide. The Statement contains 21 sections and includes guidance on, for example, business practice and entertainment, equal opportunities, use of the internet and whistleblowing. The group Statement is treated as a minimum standard, with all business units required to adopt the

Our success depends on the commitment and competence of our employees

Statement as it stands or to incorporate additions to reflect the local business or country environment.

Securicor is a member of Transparency International, a non profit-making, independent, non-governmental organisation, dedicated to increasing government accountability and to curbing both national and international corruption.

#### Employment

The group now employs over 100,000 employees in some 50 different countries. Our success depends on the commitment and competence of our employees and our human resource strategies are therefore aimed at ensuring that employees are trained to be totally competent in their roles and have the opportunity to develop to their full potential. Formal career and succession management processes help support the movement of managers within and between the various group businesses as part of their career paths. They also enable us to share knowledge and expertise across the businesses.

We believe it is important for employees to be treated fairly and with dignity and respect. Such treatment is the basis for an environment which engenders team spirit and a commitment to the group which in turn helps to maintain good staff retention levels.

Communication and consultation with employees takes place on a wide range of issues. There are a wide variety of channels for communication including newsletters, team briefings and intranets, as well as formal representational relationships with staff associations, trades unions and works councils.

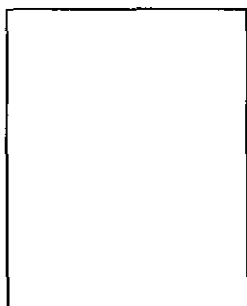
Our policy of equal opportunity ensures that decisions relating to the recruitment, development, promotion and training of individual employees are based solely on job requirements.

#### Community involvement

The Securicor Charitable Trust receives a substantial annual payment from the group for distribution predominantly in the UK. The trustees make over 200 donations a year to a range of charities in fields as widespread as disability, medical research, children and youth projects, drug abuse, homelessness, illness, hospices and community projects.

Securicor companies around the world support numerous local projects. Securicor Kenya, for example, provides a free vehicle maintenance service for both St John Ambulance and the Barnados Childrens' Orphanage and constructs classrooms for the needy in Mukuru Kwa Njenga's densely populated slums in Nairobi.

## Board of directors



### **Sir Neil Macfarlane (66)**

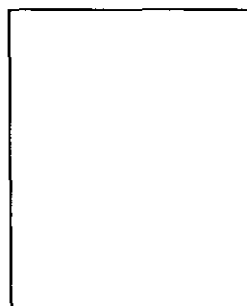
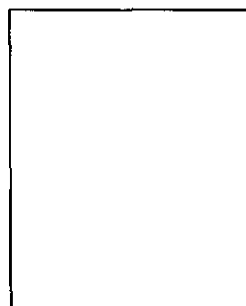
Chairman

He was appointed to the boards of Securicor Group plc and Security Services plc in 1993. A former Member of Parliament and Government Minister, he is now Chairman of Associated Nursing Services. He is also a trustee of the England and Wales Cricket Foundation. He serves on the Audit and Remuneration Committees.

### **Nicholas Buckles (42)**

Chief Executive

He joined the group in 1985 as a projects accountant. In 1996 he was appointed Managing Director of Securicor Cash Services and he became Chief Executive of the Security division in October 1999. He was appointed to the board in May 2000 and became Chief Executive in January 2002. He serves on the Nomination Committee.



### **Trevor Dighton (53)**

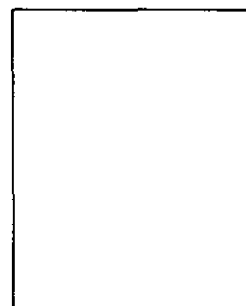
Finance Director

He joined the group in 1995 after a previous career which included posts in both the accountancy profession and in industry, including five years in general management in Papua New Guinea, three years in Zambia and seven years with BET plc. He was appointed Finance Director of the Security division in 1997 and Deputy Group Finance Director in October 2001. He was appointed Group Finance Director and joined the board in June 2002.

### **Nigel Griffiths LLB (56)**

Company Secretary and Legal Director

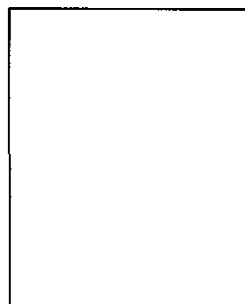
He joined the group's French company in 1973. A solicitor, he was appointed Company Secretary of Securicor Group plc and Security Services plc in 1989 and to the boards of those companies in March 1990.



**Irene Cowden (49)**

Human Resources Director

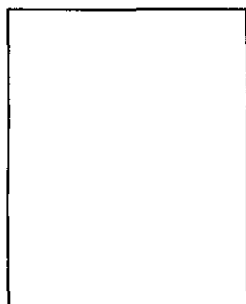
She joined the group in 1977 and has held senior management appointments specialising in employee relations, compensation and benefits, and organisation development. She has been a director at both divisional and company level and was appointed to the board in August 2002.



**Roger Wiggs (63)**

Non-Executive Director

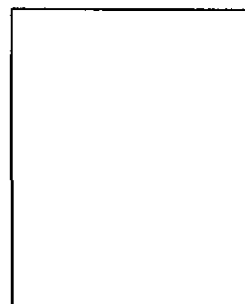
A solicitor, he became Director for Overseas Operations of Securicor Limited in 1974. In 1977 he was appointed to the boards of Securicor Group plc and Security Services plc, becoming group Chief Executive in 1988, a position from which he retired at the end of 2001. He is a non-executive director of the Crown Agents Foundation.



**Jonathan Kitchen (63)**

Non-Executive Director

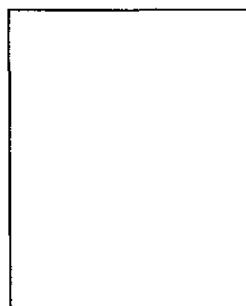
He was appointed to the board in 1998. After previous positions within Midland Bank, Phillips & Drew and Samuel Montagu, he joined Lazard Brothers in 1979. He was appointed director in 1981 with executive responsibilities within the corporate finance division. He retired from Lazards in January 1998. He is a non-executive director of The 600 Group PLC. He is chairman of the Audit and Nomination Committees and also serves on the Remuneration Committee.



**Lord Condon QPM (55)**

Non-Executive Director

He was appointed to the board in October 2000. He joined the Metropolitan Police in 1967 and, after holding various senior appointments in the Police Force, including Chief Constable of Kent, served as Commissioner of the Metropolitan Police between 1993 and January 2000. He was created a Life Peer in 2001. He is chairman of the Remuneration Committee and also serves on the Audit and Nomination Committees.



The directors on the boards of Securicor Group plc and Security Services plc became, at the time of a group reconstruction in 1996, directors of Securicor plc.

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# Report of the directors

For the year ended 30 September 2002

The directors have pleasure in presenting their Annual Report together with the audited accounts of Securicor plc and the consolidated accounts of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 30 September 2002.

## 1 Principal activities of the group

Securicor plc is a parent company with subsidiaries, associated undertakings and a joint venture.

The principal activities of the group, carried out both in the United Kingdom and internationally, include the management and transportation of cash and valuables, cash processing, security guards and patrols, justice services, container transport, contract distribution and warehouse management, express parcel delivery and freight haulage.

## 2 Group results

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

Details of major business activities during the year, future developments and prospects of the group are contained on pages 4 to 21.

## 3 Dividends

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

- Interim dividend of 0.72p per share paid on 30 September 2002.
- Final dividend of 1.39p per share payable on 4 April 2003.

## 4 Business acquisitions, disposals and developments

In November 2001 Securicor International acquired the business of EMS, Inc., a California-based manufacturer and supplier of electronic monitoring equipment and a provider of electronic monitoring services to the criminal justice sector.

In December 2001 Securicor International acquired the 50% of JS Holdings ("Jardine Securicor") which it did not already own. Jardine Securicor provides security services in a number of countries in the Asia region.

In February 2002 Securicor Cash Centres signed a cash processing contract with Alliance & Leicester worth over £200m over ten years.

In May 2002 the SafeDoor business operated by Securicor eSolutions was closed.

In December 2002 it was announced that the group was in substantive negotiations for the sale of Securicor Information Systems.

In December 2002 Securicor International merged its existing Malaysian business with Safeguards Corporation, the leading company in the Malaysian security market. Securicor has a 49% interest in the combined business.

## 5 Capital

The authorised and issued share capital of Securicor plc at 30 September 2002 is set out on page 61 (note 19 to the accounts).

Resolution 2(d) set out in the Notice of Meeting on page 72 is a special resolution seeking authority to make market purchases of the company's shares. The maximum number of shares which could be purchased under this authority is 62,500,000, being approximately 10% of the number of shares currently in issue (625,297,949). The directors have no present intention of utilising this authority but believe it appropriate to obtain this flexibility in accordance with common business practice.

### Share option schemes

#### (a) Executive share option scheme

Options outstanding at 30 September 2002 were as follows:

- 3 options over a total of 126,380 shares at 59.92p per share, exercisable during 2002-2006.
  - 10 options over a total of 176,994 shares at 68.48p per share, exercisable during 2002-2007.
  - 28 options over a total of 377,617 shares at 107.98p per share, exercisable during 2002-2008.
  - 85 options over a total of 2,880,000 shares at 164p per share, exercisable during 2002-2009.
  - 89 options over a total of 1,892,000 shares at 133.75p per share, exercisable during 2003-2010.
  - 93 options over a total of 1,440,735 shares at 153p per share, exercisable during 2003-2010.
  - 133 options over a total of 10,030,000 shares at 108p per share, exercisable during 2004-2011.
  - 14 options over a total of 755,000 shares at 130p per share, exercisable during 2005-2012.
- The proceeds of the shares allotted under this scheme during the year amounted to £210,211.

## Report of the directors (continued)

### 5 Capital (continued)

#### (b) Sharesave scheme

Options outstanding at 30 September 2002 were as follows:

2,045 options over 5,324,701 shares at 107p per share, exercisable during 2003-2004.

1,311 options over 1,796,354 shares at 143p per share, exercisable during 2004-2005.

The proceeds of the shares allotted under this scheme during the year amounted to £3,384,988.

All the above options are inclusive of those held by directors as set out on page 37.

### 6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research expenditure, which is written off during the year in which it is incurred, amounted to £2.1m (2001: £0.5m). Development expenditure is dealt with in accordance with accounting policy 7 on page 44.

### 7 Payment of suppliers

It is the company's and the group's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, prompt payment is normally made to those suppliers meeting their obligations. The company and the group do not follow any formal code or standard on payment practice.

During the year to 30 September 2002 Securicor plc, the parent company, did not have any trade creditors.

At 30 September 2002 the consolidated trade creditors of the group represented 33 days of annual purchases.

### 8 Employee involvement

The group keeps employees informed about current activities, progress and general matters of interest by various methods including:

- (a) regular regional and branch meetings;
- (b) newsletters, bulletins and similar items produced by various individual companies;
- (c) the group web-site and intranet.

#### Disabled persons

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

### 9 Political and charitable contributions

The group remains committed to support of charities, the community, job creation and training, local development, the arts, sport and music. Charitable contributions by the group during the year amounted to £100,000 (2001: £87,000).

There were no political contributions.

### 10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 17 January 2003 in the ordinary capital of Securicor plc:

HBOS plc	19,133,755 (3.1%)
Legal & General	18,937,487 (3.0%)

### 11 Auditors

A resolution to re-appoint Baker Tilly, 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.

## Report of the directors (continued)

### 12 Directors

The directors, brief details of whom are contained on pages 28 and 29, held office throughout the year, with the exception of Mr Dighton and Mrs Cowden whose appointments took effect, respectively, in June 2002 and August 2002.

Mr Shirtcliffe retired from the board in May 2002, Sir James Birrell in September 2002 and Professor Norton in December 2002.

The directors retiring by rotation are Lord Condon and Messrs Buckles and Wiggs who, being eligible, offer themselves for re-election.

The contracts of service of Messrs Buckles and Griffiths are terminable at 12 months' notice. The contracts of service of Mr Dighton and Mrs Cowden expire on 1 June 2004 and 1 August 2004 respectively but will, with effect from 1 June 2003 and 1 August 2003 respectively, be converted into contracts terminable at 12 months' notice.

Mr Wiggs, formerly an executive director, became non-executive on 1 January 2002. None of the non-executive directors has a contract of service.

Details of directors' interests in the share capital of Securicor plc and of the directors' remuneration are set out on pages 35 to 38.

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

### 13 Corporate Governance

The board subscribes to and complies with the Combined Code, being the principles of good governance and the code of best practice formulated by the Committee on Corporate Governance.

#### (a) Principles of good governance

The board comprises the non-executive Chairman, the Chief Executive, three other non-executive directors (of whom the board considers Lord Condon and Mr Kitchen to be independent) and three other executive directors.

The board meets each month and additionally when necessary. At each monthly meeting it receives detailed reports from the Chief Executive and Finance Director and an operational report in respect of the group's trading. Mr Kitchen is the senior independent director.

Recommendations on new appointments to the board are made by the Nomination Committee which is chaired by Mr Kitchen. The other members are Lord Condon and Mr Buckles.

All directors submit themselves for re-election at least every three years.

The Remuneration Committee is chaired by Lord Condon and the other members are Sir Neil Macfarlane and Mr Kitchen. The committee determines the remuneration of the executive directors and of certain other senior executives. In setting the levels of remuneration, the committee uses the services of independent pay and benefit consultants.

A statement of the board's policy on executive directors' remuneration and details of the remuneration of each director are on page 35.

The Chief Executive and the Finance Director hold regular meetings with individual institutional shareholders to discuss the group's strategy and financial performance, although price sensitive information is never divulged at these meetings. All the directors attend the Annual General Meeting and are available to answer questions, most of which are raised by private investors present at the meeting.

The Audit Committee meets a minimum of three times a year. Since the retirement in September of Sir James Birrell, it is composed of Mr Kitchen (Chairman), Lord Condon and Sir Neil Macfarlane. Meetings are also attended by a senior representative from the group's auditors, the Director of Compliance, the Finance Director and the Company Secretary. The committee considers the group's annual and interim financial statements and any questions raised by the auditors on the financial statements and financial systems. It also considers, amongst other matters, risk management procedures and internal controls. The minutes of the committee's meetings are circulated to all directors.

The chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meeting.

### 13 Corporate Governance (continued)

#### (b) Code of best practice

The group complied throughout the year ended 30 September 2002 with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority.

#### (c) Risk management and internal control

The directors acknowledge their responsibility for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the group's significant risks, which has been in place for the year ended 30 September 2002 and up to the date of this report. The process is reviewed regularly by the board and it accords with the internal control guidance for directors on the Combined Code.

The risks associated with the group's varied activities are reviewed regularly by the board, which considers major risks and evaluates their impact on the group. Policies and procedures are in place to deal with any matters which may be considered by the board to present significant exposure.

A new position of Director of Compliance was created in January 2002. The Director of Compliance reviews and monitors risk management procedures throughout the group.

Business risks throughout the group are continuously identified, evaluated and managed. The process is carried out under the guidance of regional risk management committees, which meet quarterly. Membership of the Group Risk Management Committee includes both the Chief Executive and the Finance Director.

The Audit Committee undertakes a high level review of risk management and internal control. Both the regional risk management committees and the Group Risk Management Committee receive internal audit reports and regular reports on risks, including an evaluation of the adequacy of the management of those risks.

As part of this process, risk review exercises are undertaken twice a year or following material events, at company, regional and group level and updated risk profiles are prepared. These exercises have been undertaken as part of the integration process for all major new acquisitions.

A common risk management framework has been used throughout the business to produce a summary of the risks which may impact on the achievement of business objectives. For each potential significant risk, an overview of the risk, how it is managed and any improvement actions, are all documented.

The risk profiles are also used to ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.

The internal control system includes clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system and written policies and procedures.

In addition to a wide range of internal audit reports, management also receive assurance from other sources including security inspections, third party reviews, company financial control reviews, external audit reports, and management reports and control self-assessment returns.

The board has carried out an annual assessment of the group's risk management and internal control system for the year to 30 September 2002 by considering reports from both the Audit Committee and the Group Risk Management Committee and has taken account of events since 30 September 2002.

## Report of the directors (continued)

### 14 Remuneration of the directors

The key objective of the group's remuneration policy is to ensure that individual rewards and incentives are directly aligned with the performance of the group and the interests of its shareholders and that packages are provided which attract, retain and motivate directors to perform at the highest levels.

The executive directors participate in a performance-related bonus scheme, payments under which are dependent on the attainment of defined profit targets of the group and which were, for the year under review, subject to a maximum of 50% of base salary. There is a threshold profit target below which no bonus payment is made. Once the threshold level has been achieved, the amount of bonus is then calculated by reference to a sliding scale. Bonus payments do not form part of salary for pension purposes.

#### Base salaries and bonuses

	Salary and fees £	Benefits £	Performance related bonus £	2002 Total £	2001 Total £
<b>Chairman (non-executive)</b>					
Sir Neil Macfarlane	134,000	–	–	<b>134,000</b>	128,750
<b>Executive directors</b>					
N P Buckles	364,844	16,536	192,500	<b>573,880</b>	292,495
I L E Cowden (appointed 1 August 2002)	32,102	1,957	15,833	<b>49,892</b>	–
T L Dighton (appointed 1 June 2002)	110,141	4,355	40,000	<b>154,496</b>	–
N E Griffiths	255,424	14,656	127,500	<b>397,580</b>	309,486
C C Shirtcliffe (retired 31 May 2002)	203,546	12,177	101,667	<b>317,390</b>	349,261
<b>Other non-executive directors</b>					
Sir James Birrell (retired 30 September 2002)	34,000	–	–	<b>34,000</b>	32,700
Lord Condon	34,000	–	–	<b>34,000</b>	32,700
P D Howes (retired 20 August 2001)	–	–	–	–	214,473
J A Kitchen	34,000	–	–	<b>34,000</b>	32,700
M J Norton (retired 31 December 2002)	39,700	–	–	<b>39,700</b>	33,753
R S W H Wiggs (non-executive since 1 January 2002)	226,096	19,170	750,000	<b>995,266</b>	551,811

The salary, benefits and bonus shown above for Mr Shirtcliffe are for the period 1 October 2001 to 31 May 2002. Following his retirement from the board, Mr Shirtcliffe received a salary of £101,718, benefits of £6,087 and a bonus payment of £50,883 referable to the period 1 June 2002 to 30 September 2002. The salaries, benefits and bonuses shown above for Mr Dighton and Mrs Cowden are for the period 1 June 2002 and 1 August 2002 respectively to 30 September 2002.

A special, non-pensionable, bonus of £750,000 was paid to Mr Wiggs in January 2002 following his retirement as Group Chief Executive in December 2001. This payment was made in recognition of the significant outperformance in Securicor shareholder value during the period when Mr Wiggs was Group Chief Executive and of his role in the divestment in 1999 of the group's 40% shareholding in BT Cellnet.

The salaries and fees, benefits and performance related bonuses shown for the executive directors all relate to the year ended 30 September 2002.

### 14 Remuneration of the directors (continued)

#### Long-term incentive schemes

The company currently operates two types of share option scheme, an executive share option scheme and a sharesave scheme. The board believes that share options granted to executive directors and other senior executives strengthen the alignment of their personal interests with those of the shareholders.

##### (a) Executive share option scheme

The current scheme, which provides for the selective grant of options to Securicor executives, is in two parts: an Inland Revenue approved part and an unapproved part. Options are granted up to a maximum aggregate market value at the date of grant of four times the participant's annual remuneration. No options are granted at a discounted price. The Remuneration Committee has determined that the exercise of these options will not normally be permitted unless and until the group's earnings per share over a rolling three-year period have grown by at least 3% per annum above the growth in the Retail Prices Index.

##### (b) Sharesave scheme

This savings-related scheme is open to all United Kingdom, Channel Islands and Isle of Man employees of the company and its subsidiaries with at least 12 months' service. It is not open to employees within the Distribution businesses, because the company has only a 50% interest in Distribution. Eligible employees may save up to £250 per month under a three-year sharesave contract and may then apply the savings in the acquisition of new shares in the company. The option price is set at 80% of the market value at the date of grant.

Under both schemes, options will not normally be exercisable until the third anniversary of the date of grant. The limit on the number of ordinary shares which may be issued under both schemes until 30 April 2006 is 7.1% of the issued ordinary share capital of Securicor plc, with the limit for the executive share option scheme alone being 3.4%. These limits take into account options issued by Securicor (1996) plc, the group's previous holding company, since 30 April 1996 and either exercised or outstanding at the time of the Scheme of Arrangement in November 1999 (when Securicor plc became the new group holding company), being equivalent to approximately 2.9% of the issued share capital of that company and of which 1.6% consisted of executive share options and 1.3% of sharesave options. Applying the limits of 7.1% and 3.4% referred to above means that, in the ten-year period from 30 April 1996, Securicor (1996) plc and Securicor plc will between them have been subject to a limit on the number of ordinary shares which may be issued under both schemes in any ten-year period of 10% of the issued ordinary share capital, with the limit for the executive share scheme alone being 5%.

#### New Performance Share Plan and amendments to the Executive Share Option Scheme

Resolutions 2(a) and 2(b) set out in the Notice of Meeting on page 72 are ordinary resolutions to approve certain changes to the existing executive share option scheme and the introduction of a new performance share plan, to be known as the Securicor 2003 Performance Share Plan. These proposals are made by the Remuneration Committee following their review, in conjunction with external remuneration consultants, of the existing incentive arrangements for senior executives.

The Remuneration Committee recognises that there is a highly competitive market for successful executives and that the provision of appropriate awards for superior performance is vital to the continued growth of the business. As a mechanism for recruiting and retaining key personnel and to incentivise and focus the existing senior executives on further improving the company's performance over the coming years, the committee now wishes to develop the company's incentive arrangements as described in Appendices 1 and 2 on pages 73 to 75.

In addition, the Remuneration Committee believes that continued shareholding by senior executives will strengthen the alignment of their interests with shareholders' interests. Accordingly, executive directors of the company will be expected to retain 30% of the after-tax gains made on the vesting of Performance Share Plan awards or the exercise of share options granted in the future, until they have built up a shareholding equivalent to one times basic salary.

# Report of the directors (continued)

## 14 Remuneration of the directors (continued)

### Directors' Share Options

	Option	At 30.9.01	Granted during year	Outstanding at 30.9.02	Option price (p)
N P Buckles	A	72,901		<b>72,901</b>	107.98
	B	95,000		<b>95,000</b>	164.00
	C	75,000		<b>75,000</b>	133.75
	D	9,053		<b>9,053</b>	107.00
	E	55,000		<b>55,000</b>	153.00
	F		700,000	<b>700,000</b>	108.00
I L E Cowden	B	50,000		<b>50,000</b>	164.00
	C	30,000		<b>30,000</b>	133.75
	D	9,053		<b>9,053</b>	107.00
	E	20,000		<b>20,000</b>	153.00
	F		250,000	<b>250,000</b>	108.00
T L Dighton	B	55,000		<b>55,000</b>	164.00
	C	40,000		<b>40,000</b>	133.75
	D	9,053		<b>9,053</b>	107.00
	E	30,000		<b>30,000</b>	153.00
	F		350,000	<b>350,000</b>	108.00
N E Griffiths	B	135,000		<b>135,000</b>	164.00
	C	80,000		<b>80,000</b>	133.75
	D	9,053		<b>9,053</b>	107.00
	E	55,000		<b>55,000</b>	153.00
	F		460,000	<b>460,000</b>	108.00
R S W H Wiggs	B	240,000		<b>240,000</b>	164.00
	C	240,000		<b>240,000</b>	133.75
	D	9,053		<b>9,053</b>	107.00

Option A = Executive Share Option Scheme, normally exercisable between June 2001 and June 2008.

Option B = Executive Share Option Scheme, normally exercisable between December 2002 and December 2009.

Option C = Executive Share Option Scheme, normally exercisable between June 2003 and June 2010.

Option D = Sharesave Scheme, normally exercisable between October 2003 and March 2004.

Option E = Executive Share Option Scheme, normally exercisable between December 2003 and December 2010.

Option F = Executive Share Option Scheme, normally exercisable between December 2004 and December 2011.

None of the directors exercised options under these schemes during the year.

The market price of the ordinary shares at 30 September 2001 was 117p and at 30 September 2002 it was 101p.

The highest and lowest market prices of an ordinary share during the year to 30 September 2002 were 137p and 87.75p respectively.

## Report of the directors (continued)

### 14 Remuneration of the directors (continued)

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

	At 30.9.02	At 30.9.01
N P Buckles	76,594	76,594
P L Condon	1,000	1,000
I L E Cowden	168,309	–
T L Dighton	84,244	–
N E Griffiths	253,253	253,253
J A Kitchen	6,000	6,000
D N Macfarlane	21,000	21,000
R S W H Wiggs	507,206	507,206

All interests shown above are beneficial.

No changes in these holdings have taken place since 30 September 2002.

#### Directors' pension entitlements

The executive directors participate in the non-contributory category of the group's final salary pension scheme.

The normal retirement age for the category is 60 and members achieve the maximum of  $\frac{2}{3}$  of their final pensionable salary at normal retirement age after 20 years' service (ten years' service for those who joined the company prior to 17 March 1987). The pension of  $\frac{2}{3}$  accrues uniformly between the date of joining the scheme and normal retirement age. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred beyond normal retirement age.

For death before retirement a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

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

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

	Age at 30.9.02	Years of pensionable service at 30.9.02	Additional pension earned during the year ended 30.9.02 £000	Accrued entitlement at year end 30.9.02 £000 <sup>1</sup>	30.9.01 £000 <sup>2</sup>
N P Buckles	41	17	60	122	62
I L E Cowden	49	23	1	65	64 <sup>3</sup>
T L Dighton	53	6	2	21	19 <sup>4</sup>
N E Griffiths	55	24	11	144	133
C C Shirtcliffe <sup>5</sup>	58	25	26	190	164
R S W H Wiggs	63	27	1	316	315

#### Notes:

1 The pension entitlement shown is that which would be paid at normal retirement age, based on service at 30 September 2002. In the case of Mr Wiggs, this figure is the late retirement pension payable on his retirement as at 31 December 2001.

2 The calculation includes inflation of 1.7% p.a.

3 Mrs Cowden was appointed to the board on 1 August 2002 and this figure is her accrued pension entitlement at that date.

4 Mr Dighton was appointed to the board on 1 June 2002 and this figure is his accrued pension entitlement at that date.

5 Mr Shirtcliffe retired as a director on 31 May 2002.

Sutton Park House  
15 Carshalton Road  
Sutton  
Surrey SM1 4LD



By order of the board  
**N E Griffiths**  
Secretary  
10 February 2003



## Directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditors set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

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

The directors are also responsible for the maintenance and integrity of the Securicor plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Report of the independent auditors to the members of Securicor plc

We have audited the financial statements on pages 40 to 70.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out above in the Statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

### Basis of opinion

We conducted our audit in accordance with United Kingdom 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 group's and the company's affairs at 30 September 2002 and of the group's results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### Baker Tilly

Chartered Accountants  
Registered Auditors

2 Bloomsbury Street, London WC1B 3ST

10 February 2003

# Consolidated profit and loss account

For the year ended 30 September 2002

	Notes	Before exceptional items and goodwill amortisation 2002 £m	Exceptional items (Note 2) and goodwill amortisation 2002 £m	Total 2002 £m	Before exceptional items and goodwill amortisation 2001 (restated) £m	Exceptional items (Note 2) and goodwill amortisation 2001 (restated) £m	Total 2001 (restated) £m
<b>Turnover: group and share of joint ventures</b>							
Continuing operations		1,635.8	–	1,635.8	1,432.6	–	1,432.6
Acquisitions		67.7	–	67.7	–	–	–
Discontinuing operations	27	47.7	–	47.7	34.7	–	34.7
Discontinued operations	27	1.2	–	1.2	45.3	–	45.3
Total turnover		1,752.4	–	1,752.4	1,512.6	–	1,512.6
Less share of joint ventures (continuing operations)		(352.3)	–	(352.3)	(376.8)	–	(376.8)
<b>Group turnover</b>	1	1,400.1	–	1,400.1	1,135.8	–	1,135.8
<b>Group operating profit/(loss)</b>							
Continuing operations		75.4	(47.4)	28.0	67.2	(7.3)	59.9
Acquisitions		4.2	(1.0)	3.2	–	–	–
Discontinuing operations	27	(2.2)	(36.3)	(38.5)	(1.8)	–	(1.8)
Discontinued operations	27	(5.3)	(2.6)	(7.9)	(24.7)	–	(24.7)
		72.1	(87.3)	(15.2)	40.7	(7.3)	33.4
Share of operating profit/(loss) in joint ventures and associates (continuing operations)		13.4	(0.1)	13.3	12.9	(0.5)	12.4
		85.5	(87.4)	(1.9)	53.6	(7.8)	45.8
Non operating exceptional items	1,2	–	(5.0)	(5.0)	–	(44.1)	(44.1)
<b>Profit/(loss) on ordinary activities before interest and taxation</b>	1,2	85.5	(92.4)	(6.9)	53.6	(51.9)	1.7
Net interest:	3						
– Group		(13.0)	–	(13.0)	(9.0)	–	(9.0)
– Joint ventures and associates		(4.7)	–	(4.7)	(5.5)	–	(5.5)
		(17.7)	–	(17.7)	(14.5)	–	(14.5)
<b>Profit/(loss) on ordinary activities before taxation</b>		67.8	(92.4)	(24.6)	39.1	(51.9)	(12.8)
Taxation	5	(21.0)	4.2	(16.8)	(12.7)	–	(12.7)
<b>Profit/(loss) on ordinary activities after taxation</b>		46.8	(88.2)	(41.4)	26.4	(51.9)	(25.5)
Minority interests		(1.4)	–	(1.4)	(2.1)	–	(2.1)
Dividends	6	(13.2)	–	(13.2)	(10.3)	–	(10.3)
<b>Retained earnings/(deficit)</b>	20	32.2	(88.2)	(56.0)	14.0	(51.9)	(37.9)
<b>(Loss)/earnings per share</b>	7						
Basic loss per share				(6.8)p			(4.4)p
Diluted loss per share				(6.8)p			(4.4)p
Basic earnings per share from continuing operations before exceptional items and goodwill amortisation				8.1p			7.0p

# Consolidated balance sheet

At 30 September 2002

	Notes	2002 £m	2002 £m	2001 (restated) £m	2001 (restated) £m
<b>Fixed assets</b>					
Intangible assets – goodwill	9		221.2		210.6
– development expenditure	10		26.4		55.4
Tangible assets	11		166.2		136.9
Investment in joint ventures:					
– Share of gross assets		132.1		144.2	
– Share of gross liabilities		(83.3)		(93.7)	
Net investment	12		48.8		50.5
Investment in associated undertakings	12		10.5		9.9
			473.1		463.3
<b>Current assets</b>					
Stocks	13		13.5		13.7
Debtors	14		232.5		247.7
Bank and deposit balances	15		67.2		46.8
			313.2		308.2
<b>Creditors – amounts falling due within one year</b>					
Borrowings	15		33.5		16.2
Corporation tax			7.7		2.5
Proposed dividends			8.7		6.2
Other	17		223.5		196.1
			273.4		221.0
<b>Net current assets</b>			39.8		87.2
<b>Total assets less current liabilities</b>			512.9		550.5
<b>Creditors – amounts falling due after more than one year</b>					
Borrowings	15		232.2		213.7
Provision for liabilities and charges	18		8.4		4.3
<b>Net assets</b>	8		272.3		332.5
<b>Capital and reserves</b>					
Called up share capital	19		31.3		31.1
Reserves	20		235.6		297.6
Equity shareholders' funds			266.9		328.7
Equity minority interests	20		5.4		3.8
<b>Capital employed</b>			272.3		332.5

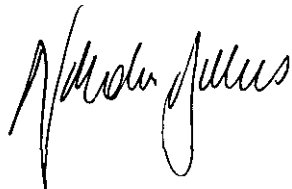
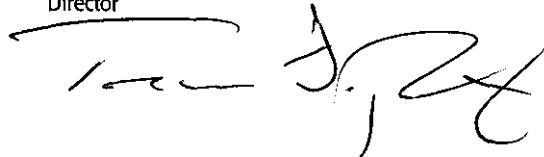
## Note:

The parent company balance sheet and notes are on pages 69 and 70.

Approved by the board on 10 February 2003.

Nicholas Buckles  
Director

Trevor Dighton  
Director

# Consolidated cash flow statement

For the year ended 30 September 2002

	2002 £m	2002 £m	2001 £m	2001 £m
<b>Net cash flow from operating activities</b> (note 25a)		127.4		46.0
<b>Dividends from associates and joint ventures</b>		2.2		1.3
<b>Net cash flow from returns on investments and servicing of finance</b> (note 25b)		(13.5)		(9.5)
<b>Taxation</b>		(13.1)		(7.9)
<b>Net cash flow from capital expenditure</b> (note 25b)		(56.9)		(58.4)
<b>Net cash flow from acquisitions and disposals</b> (note 25b)		(47.7)		(198.4)
<b>Equity dividends paid</b>		(10.7)		(9.6)
<b>Cash flow before use of liquid resources and financing</b>		(12.3)		(236.5)
<b>Financing:</b>				
– Share issue	3.6		3.5	
– Increase in loans	42.6		212.2	
– Capital element of finance lease rental payments	(0.7)		(0.8)	
<b>Net cash flow from financing</b> (note 25b)		45.5		214.9
<b>Increase/(decrease) in cash in the year</b>		33.2		(21.6)
<b>Reconciliation of net cash flow to movement in net (debt)/cash</b> (note 25c)				
Increase/(decrease) in cash in the year	33.2		(21.6)	
Cash flow from increase in debt and lease financing	(41.9)		(211.4)	
<b>Change in net debt resulting from cash flows</b>		(8.7)		(233.0)
Loans and finance acquired with subsidiary		(6.8)		–
New finance leases		(6.3)		(1.0)
<b>Movement in net debt in the year</b>		(21.8)		(234.0)
Translation adjustments		6.4		–
<b>Net (debt)/cash at 1 October 2001</b>		(183.1)		50.9
<b>Net debt at 30 September 2002</b>		(198.5)		(183.1)

## Statement of total recognised gains and losses

For the year ended 30 September 2002

	2002 £m	2001 (restated) £m
Loss on ordinary activities after taxation and minority interests	(42.8)	(27.6)
Translation adjustments on foreign currency net investments (note 20)	(9.4)	(1.3)
Total losses recognised for the year	(52.2)	(28.9)
Prior year adjustment (note 5)	6.6	—
<b>Total losses recognised since the last annual report</b>	<b>(45.6)</b>	<b>(28.9)</b>

## Note of historical cost profits and losses

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

## Reconciliation of movement in equity shareholders' funds

For the year ended 30 September 2002

	2002 £m	2001 (restated) £m
Loss on ordinary activities after taxation and minority interests	(42.8)	(27.6)
Dividends	(13.2)	(10.3)
Retained deficit	(56.0)	(37.9)
Translation adjustments on foreign currency net investments (note 20)	(9.4)	(1.3)
Proceeds of share capital issued	3.6	3.5
Write-back of goodwill on disposals previously written off	—	15.1
Net decrease in shareholders' funds	(61.8)	(20.6)
Equity shareholders' funds at 1 October 2001	328.7	349.3
<b>Equity shareholders' funds at 30 September 2002</b>	<b>266.9</b>	<b>328.7</b>

# Statement of accounting policies

## 1 Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards. A summary of the more important group accounting policies is given below. Accounting policies have been applied consistently with previous years except as noted below.

During the year the company has implemented FRS19 Deferred Tax and continued to implement the transitional provisions of FRS17 Retirement Benefits.

Accounting policies are periodically reviewed to ensure that they continue to be the most appropriate.

## 2 Accounting convention

The financial statements are prepared under the historical cost convention.

## 3 Basis of consolidation

The consolidated accounts incorporate the accounts of Securicor plc, its subsidiary undertakings and the group's share of the results and net assets of its associates and joint ventures for the year ended 30 September 2002.

### (a) Associated undertakings and joint ventures

Associated undertakings are entities in which a member of the group holds a long-term minority equity interest and over which it is in a position to exert a significant influence. The accounts include the relevant proportion of the results of associated undertakings based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheet the investments in associated undertakings are shown as the group's share of underlying net assets under the heading 'Investment in associated undertakings'.

Joint ventures are entities in which a member of the group holds a long-term interest and shares control under a contractual agreement. The accounts include the group's share of results based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheet the share of gross assets and gross liabilities is shown under the heading 'Investment in joint ventures'.

### (b) Dominant influence

For those associated undertakings and joint ventures where the group exercises dominant influence on the management of the business the accounting treatment follows that of subsidiary undertakings.

## 4 Accounting for acquisitions and disposals

The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. On the acquisition of subsidiary undertakings or businesses, the acquisition cost is allocated against the fair value of net assets acquired, after adjustments to bring accounting policies into line with those of the group.

## 5 Group turnover

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

## 6 Depreciation

Depreciation is calculated to write off the cost or valuation of the assets to their estimated residual values by equal annual instalments over their expected economic life. No depreciation is provided on freehold or long leasehold land. Details of depreciation rates are disclosed in note 11 to the consolidated accounts.

## 7 Research and development expenditure

Research expenditure is written off in the year in which it is incurred. United Kingdom development expenditure represents expenditure mainly of a revenue nature in establishing new services and products of the group. This includes products which have won the National Strategy for Police Information Systems mandate awarded by the Home Office. Such expenditure is amortised over the period during which the expenditure is revenue-producing up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

## 8 Stocks

Stocks are valued at the lower of cost and net realisable value on bases consistent with previous years. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present condition and location and includes appropriate overheads.

## Statement of accounting policies (continued)

### 9 Deferred taxation

In accordance with FRS19, adopted for the first time in 2002, deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, except that a net deferred tax asset is recognised only when it can be regarded as more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from overseas subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group. The comparative figures have been restated to reflect the change in accounting policy.

### 10 Overseas currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments, including those arising on consolidation and on United Kingdom borrowings arranged to finance overseas investments, have been transferred to reserves as disclosed in note 20 to the consolidated accounts.

### 11 Goodwill and amortisation

Goodwill, being the excess of the cost of an acquisition over the fair value attributed to the net tangible assets at acquisition, is capitalised and amortised over its useful economic life, which is expected not to exceed 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions made on or before 30 September 1998 was charged directly to reserves. The profit or loss on disposal or closure of a business includes any attributable goodwill previously charged to reserves.

### 12 Provisions

The costs of meeting lease requirements on unoccupied properties are provided for at a discounted rate. Interest is calculated at an applicable interest rate and charged to the profit and loss account as external interest payable.

Expenditure incurred in the year is charged to the provision.

### 13 Leases

Assets held under finance leases are included as tangible fixed assets at their capital value and depreciated over the shorter of the lease term and their useful economic life. The capital element of future rentals is included within creditors and finance charges are allocated to accounting periods over the period of the lease.

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred and future rental obligations are disclosed in note 23 to the consolidated accounts.

### 14 Pensions

The group operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal UK scheme is of a defined benefit structure. The regular cost of providing benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members.

A contracted-in defined contribution scheme was established in 1996 and is the main scheme for new employees.

The group has adopted the interim disclosure requirements of FRS17 as shown in note 4(c) to the consolidated accounts.

### 15 Financial instruments

The financial instruments utilised by the group are interest rate swaps and forward exchange contracts. These instruments are held to manage the interest rate exposure of borrowings and currency exposures arising from operational transactions. Interest differentials arising from derivatives are recognised by adjusting net interest payable. Gains or losses on forward contracts are recognised in the profit and loss account at the same time as the transaction.

# Notes to the consolidated accounts

## 1 Segmental and geographical analysis of results

	Continuing operations 2002 £m	Acquisitions 2002 £m	Discontinuing operations 2002 £m	Discontinued operations 2002 £m	Total 2002 £m	Total 2001 £m
<b>Turnover</b>						
United Kingdom	537.7	–	47.7	1.2	586.6	572.2*
Europe, Middle East and Africa	394.3	1.6	–	–	395.9	285.8
Americas	351.5	–	–	–	351.5	277.8*
Asia	–	70.9	–	–	70.9	37.9
	1,283.5	72.5	47.7	1.2	1,404.9	1,173.7
Less: security joint ventures (Asia)	–	(4.8)	–	–	(4.8)	(37.9)
<b>Group turnover</b>	1,283.5	67.7	47.7	1.2	1,400.1	1,135.8
Cost of sales	(983.3)	(52.2)	(41.2)	(4.7)	(1,081.4)	(877.4)
Gross profit	300.2	15.5	6.5	(3.5)	318.7	258.4
Administration expenses	(224.8)	(11.3)	(8.7)	(1.8)	(246.6)	(217.7)
Goodwill amortisation	(10.3)	(1.0)	–	–	(11.3)	(7.3)
Operational exceptional items	(37.1)	–	(36.3)	(2.6)	(76.0)	–
<b>Group operating profit/(loss)</b>	28.0	3.2	(38.5)	(7.9)	(15.2)	33.4
<b>Profit/(loss) on ordinary activities before interest and taxation</b>						
United Kingdom	53.8	–	(2.2)	(5.3)	46.3	35.8*
Europe, Middle East and Africa	25.3	0.2	–	–	25.5	17.3
Americas	2.5	–	–	–	2.5	(6.5)*
Asia	0.1	4.0	–	–	4.1	0.9
	81.7	4.2	(2.2)	(5.3)	78.4	47.5
Distribution (50%) share						
United Kingdom	6.5	–	–	–	6.5	5.7
Europe, Middle East and Africa	0.6	–	–	–	0.6	0.4
	7.1	–	–	–	7.1	6.1
<b>EBITA (earnings before interest, taxation, goodwill amortisation and exceptional items)</b>	88.8	4.2	(2.2)	(5.3)	85.5	53.6
<b>Goodwill amortisation</b>						
United Kingdom (including £0.1m in joint ventures and associates)	(0.8)	–	–	–	(0.8)	(0.3)
Europe, Middle East and Africa	(5.6)	–	–	–	(5.6)	–
Americas	(4.0)	–	–	–	(4.0)	(7.1)
Asia	–	(1.0)	–	–	(1.0)	(0.4)
	(10.4)	(1.0)	–	–	(11.4)	(7.8)
<b>Operational exceptional items (note 2(b))</b>						
United Kingdom	–	–	(36.3)	(2.6)	(38.9)	–
Americas	(37.1)	–	–	–	(37.1)	–
	(37.1)	–	(36.3)	(2.6)	(76.0)	–
Operating profit/(loss) including share of profit/(loss) in joint ventures and associates	41.3	3.2	(38.5)	(7.9)	(1.9)	45.8



# Notes to the consolidated accounts (continued)

## 1 Segmental and geographical analysis of results (continued)

	Continuing operations 2002 £m	Acquisitions 2002 £m	Discontinuing operations 2002 £m	Discontinued operations 2002 £m	Total 2002 £m	Total 2001 £m
Operating profit/(loss) including share of profit/(loss) in joint ventures and associates	41.3	3.2	(38.5)	(7.9)	(1.9)	45.8
<b>Non operational exceptional items (note 2(b))</b>						
United Kingdom	–	–	–	(6.7)	(6.7)	(1.7)
Europe, Middle East and Africa	–	–	–	1.7	1.7	–
Americas	–	–	–	–	–	(42.4)
	–	–	–	(5.0)	(5.0)	(44.1)
<b>Total profit/(loss) on ordinary activities before interest and taxation</b>	<b>41.3</b>	<b>3.2</b>	<b>(38.5)</b>	<b>(12.9)</b>	<b>(6.9)</b>	<b>1.7</b>

\*In the year to 30 September 2001 turnover from discontinued and discontinuing operations amounted to £73.5m in the United Kingdom and £6.5m in the Americas. Operating losses from discontinued and discontinuing operations in 2001 amounted to £13.1m in the United Kingdom and £13.4m in the Americas.

The group's continuing operations are all in the Security sector. The businesses discontinued and discontinuing in the year to 30 September 2002 operated in the Communications sector.

## 2 Profit/(loss) on ordinary activities before interest and taxation

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

	2002 £m	2001 £m
Auditors' remuneration:		
– Audit	0.6	0.6
– Other services in the UK	0.1	0.3
Depreciation of tangible fixed assets:		
– owned assets	30.5	26.1
– leased assets	0.2	0.3
Goodwill amortisation (excluding joint ventures and associated companies)	11.3	7.5
Amortisation of development expenditure	1.9	2.7
Research and development expenditure	2.1	0.5
Operating lease rentals payable:		
– plant, machinery and vehicles	15.2	15.0
– other including properties	15.1	13.2
Operating lease rentals receivable:		
– plant and machinery	0.7	–
Loss/(profit) on disposal of tangible fixed assets	0.8	(3.1)

In addition to the amounts shown above, the auditors received fees of £0.4m (2001: £0.8m) relating to the acquisition and disposal of subsidiaries and businesses during the year.

# Notes to the consolidated accounts (continued)

## 2 Profit/(loss) on ordinary activities before interest and taxation (continued)

### (b) Exceptional items

	2002 £m	2001 £m
<b>Within group operating (loss)/profit</b>		
Impairment of goodwill arising on acquisition of Argenbright Security	(33.0)	–
Restructuring costs of Argenbright Security	(4.1)	–
Impairment of intangible fixed asset at Securicor Information Systems	(36.3)	–
Impairment of intangible fixed asset and associated costs at Securicor Wireless Technology	(2.6)	–
	<b>(76.0)</b>	<b>–</b>
<b>Non-operating exceptional items</b>		
Losses on sale or closure of operations		
SafeDoor	(5.7)	–
Securicor Wireless (USA)	–	(42.4)
Recruitment Services	–	(1.7)
Others	1.6	–
Loss on sale or closure of joint venture operations	(0.2)	–
Loss on sale of tangible fixed assets	(0.7)	–
	<b>(5.0)</b>	<b>(44.1)</b>

## 3 Net interest

	£m	2002 £m	£m	2001 £m
Interest receivable (group)		2.1		2.3
Interest payable (group)				
Loans and overdrafts, wholly repayable within five years:				
Repayable by instalments	(1.7)		(1.4)	
Repayable other than by instalments	(13.2)		(9.7)	
Interest on finance leases	(0.2)		(0.2)	
		<b>(15.1)</b>		<b>(11.3)</b>
Interest payable (joint ventures)		(1.4)		(1.8)
Interest payable (associates)		(3.3)		(3.7)
		<b>(17.7)</b>		<b>(14.5)</b>

## 4 Staff costs and employees

### (a) Staff costs:

	2002 £m	2001 £m
Staff costs, including directors' emoluments:		
Wages and salaries	840.1	669.8
Social security costs	86.2	67.5
Pension costs	11.9	9.3
	<b>938.2</b>	<b>746.6</b>

## Notes to the consolidated accounts (continued)

### 4 Staff costs and employees (continued)

#### (b) Number of employees:

	2002	2001
The average monthly number of employees of the group during the year was:		
United Kingdom	19,651	19,309
Europe, Middle East and Africa	51,235	48,698
Americas	22,303	24,232
Asia	11,277	–
<b>Continuing operations</b>	<b>104,466</b>	<b>92,239</b>
Discontinuing operations:		
United Kingdom	634	572
Discontinued operations:		
United Kingdom	59	366
Americas	–	99
	<b>105,159</b>	<b>93,276</b>

#### (c) Pension arrangements:

The group operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. Contributions made to defined contribution schemes, including the contracted-in defined contribution scheme which is the main scheme for new UK employees, and to overseas schemes totalled £5.4m (2001: £3.6m). The group's principal scheme, which operates in the UK, is of a defined benefit structure. The assets of the defined benefit scheme are held in a separate trustee-administered fund. The pension costs are assessed on the advice of a qualified independent actuary using the projected unit credit method.

The contributions paid into the UK defined benefit scheme constitute the cost recognised in the profit and loss account and amounted to £6.5m (2001: £5.7m) together with £5.5m (2001: £6.2m) contributed by the distribution joint venture. Regular actuarial assessments of the scheme are carried out, the latest being at 5 April 2001, and updated to 30 September 2002. The most significant actuarial assumptions used were that the long-term rates of return on investments would be 2.75% above the risk-free return, 2.75% above the rate of annual salary increase and 4.75% above the rate of pension increase. As at the date of the actuarial valuation reviewed to 30 September 2002 the market value of the scheme assets, including the group's share of the distribution joint venture, was £468m. This is in excess of the assessment of the scheme's liabilities on a current funding level basis (the Minimum Funding Requirement solvency level), being based upon pensionable service to and pensionable earnings at 30 September 2002. The scheme has therefore been certified by an independent actuary as meeting the Minimum Funding Requirement solvency level. However, the assets comprise 92% of the scheme's liabilities on actuarial assumptions which take account of future service and earnings increases.

Variances arising on the actuarial valuation of the defined benefit scheme will be reviewed regularly and, in accordance with Statement of Standard Accounting Practice 24 Pension Costs, recognised in the profit and loss account over the average remaining service lives of the scheme's members through adjustments in the percentage of pensionable earnings contributed to the scheme and charged as a cost. The contribution rate for the year commencing October 2002 has been increased from 11% to 12% in respect of future service benefits.

FRS17 Retirement Benefits was issued by the Accounting Standards Board in November 2000 but is not fully mandatory until the accounts for the year ended 30 September 2006 and some of its requirements may alter in the process of the harmonisation of UK and international accounting standards. Prior to this the transitional arrangements are to disclose certain items by way of note.

The major assumptions for the UK defined benefit pension scheme valuation in accordance with the methodology prescribed by FRS17 are as follows:

	2002 %	2001 %
Rate of increase in salaries	4.25	4.50
Rate of increase in pension payment	2.25	2.50
Discount rate	5.40	6.00
Inflation	2.25	2.50

## Notes to the consolidated accounts (continued)

### 4 Staff costs and employees (continued)

On full compliance with FRS17 on the basis of the above assumptions, the amounts which would have been charged to the profit and loss account and statement of total recognised gains and losses for the year to 30 September 2002, including the group's share of the distribution joint venture, are as follows:

	£m	£m
<b>Profit on ordinary activities before interest, exceptional items and taxation</b>		
Current service cost	(10.5)	
Past service cost	—	
		(10.5)
<b>Financial items</b>		
Expected return on scheme assets	34.2	
Interest cost on scheme liabilities	(34.7)	
		(0.5)
Total included within profit before taxation		(11.0)
<b>Statement of total recognised gains and losses</b>		
Actual return less expected return on scheme assets		(79.3)
Experience losses on scheme liabilities		(4.5)
Changes in assumptions in valuation of scheme liabilities		(55.5)
Total actuarial loss		(139.3)
Difference between expected and actual return on scheme assets as a percentage of scheme assets (%)		(16.9)
Experience losses on scheme liabilities as a percentage of scheme liabilities (%)		(0.7)
Total actuarial loss as a percentage of scheme liabilities (%)		(20.3)

The market value of assets at 30 September 2002 in the UK defined benefit scheme, including the group's share of the distribution joint venture, in accordance with the actuarial methods prescribed by FRS17 and the expected rates of return are as follows:

	2002 £m	2002 %	2001 £m	2001 %
Equities	263.3	8.0	351.5	7.0
Bonds	204.7	5.4	221.5	6.0
Total market value of assets	468.0		573.0	
Actuarial value of liability	(686.0)		(650.0)	
Deficit in the scheme	(218.0)		(77.0)	
Related deferred tax asset	65.4		23.1	
Net pension liability	(152.6)		(53.9)	

The analysis of the movement in the scheme deficit during the year calculated in accordance with FRS17, including the group's share of the distribution joint venture, is as follows:

	£m
Deficit at 1 October 2001	(77.0)
Current service cost	(10.5)
Past service cost	—
Contributions	9.3
Expected return on scheme assets	34.2
Interest cost on scheme liabilities	(34.7)
Actuarial loss	(139.3)
Deficit at 30 September 2002	(218.0)

The UK defined benefit scheme is largely closed to new members. Under the projected unit method of actuarial valuation prescribed by FRS17 the current service cost will increase as the members of the scheme approach retirement.

## Notes to the consolidated accounts (continued)

### 4 Staff costs and employees (continued)

If the pension scheme deficit calculated as above in accordance with FRS17 had been recognised in the financial statements the group's net assets and reserves would have been disclosed as follows:

	2002 £m	2001 (restated) £m
Net assets excluding pension deficit	272.3	332.5
Pension deficit (net of deferred tax)	(152.6)	(53.9)
Net assets including pension deficits	119.7	278.6
Profit and loss account reserve excluding pension deficit	174.9	240.3
Pension deficit (net of deferred tax)	(152.6)	(53.9)
Profit and loss account including pension deficit	22.3	186.4

### (d) Emoluments of the directors of Securicor plc:

	2002 £'000	2001 £'000
<b>As executives:</b>		
– Executive services	2,380	1,717
– Pension scheme contributions	134	183
<b>As directors:</b>		
– Fees	384	261*
Total directors' emoluments	2,898	2,161

The remuneration of the highest paid director (Mr Wiggs) was £995,266 (2001: £551,811) excluding employer's pension contributions of £11,825 (2001: £59,250). Mr Wiggs' remuneration included £750,000 by way of special bonus as set out on page 35.

\*Including £40,000 paid to the Chairman by way of special remuneration.

For further details regarding directors' remuneration, see the report of the directors on pages 35 to 38.

### 5 Taxation

	2002 £m	2001 (restated) £m
<b>Group:</b>		
UK corporation tax	16.0	5.3
UK corporation tax adjustments for previous years	(8.9)	–
Overseas tax	10.5	4.3
	17.6	9.6
<b>Joint ventures:</b>		
UK corporation tax	1.2	0.7
UK corporation tax adjustment for previous years	(0.2)	–
Overseas tax	–	0.2
<b>Associated undertakings:</b>		
UK corporation tax	0.3	0.4
Overseas tax	–	0.3
<b>Exceptional items:</b>		
UK corporation tax	(1.7)	–
Overseas tax	(0.8)	–
Total current tax	16.4	11.2

## Notes to the consolidated accounts (continued)

### 5 Taxation (continued)

	2002 £m	2001 (restated) £m
<b>Deferred tax:</b>		
Group	(0.2)	1.5
Joint ventures	0.2	–
Exceptional items	(1.7)	–
Adjustment in respect of previous years	2.1	–
<b>Total deferred tax</b>	<b>0.4</b>	<b>1.5</b>
<b>Tax on profit/(loss) on ordinary activities</b>	<b>16.8</b>	<b>12.7</b>

The current tax charge may be reconciled to the standard UK tax rate as follows:

Tax on profit on ordinary activities at UK tax rate of 30%	(7.4)	(3.8)
Expenses not deductible for tax purposes	22.2	10.0
Timing differences in the recognition of profits and losses for tax purposes	0.1	(1.5)
Different tax rates on overseas earnings	(1.1)	0.1
Unutilised overseas losses	12.4	6.4
Adjustments for previous years	(9.8)	–
<b>Total current tax</b>	<b>16.4</b>	<b>11.2</b>

The deferred tax charge may be analysed as follows:

Origination and reversal of timing differences	(1.7)	1.5
Effects upon opening deferred tax of changes in tax rates	–	–
Adjustments to recoverability of deferred tax assets arising in prior years	–	–
Adjustment in respect of previous years	2.1	–
<b>Total deferred tax</b>	<b>0.4</b>	<b>1.5</b>

Factors that may impact the group's tax charges in the future include:

- 1 No deferred tax has been provided in respect of the remittance of earnings from overseas subsidiaries except to the extent that dividends have been accrued as receivable.
- 2 Tax losses to the value of £18.8m have not been recognised as deferred tax assets as their utilisation is uncertain and long-term.

The group's accounting policy for deferred taxation was changed during the year in order to comply with Financial Reporting Standard 19 Deferred Tax. This has resulted in an additional tax charge of £0.4m in the current year (2001: £1.5m) and an increase in net assets of £5.4m (2001: £6.6m). Basic and diluted earnings/(loss) per share for 2001 have been restated from (4.2p) to (4.4p) and normalised earnings per share for 2001, adjusted for businesses discontinued and discontinuing in 2002, has been restated from 7.2p to 7.0p.

### 6 Dividends

	2002 £m	2001 £m
Ordinary shares		
Interim (paid) 0.72p (2001: 0.65p)	4.5	4.1
Final (proposed) 1.39p (2001: 1.00p)	8.7	6.2
<b>Total dividend 2.11p (2001: 1.65p)</b>	<b>13.2</b>	<b>10.3</b>

## Notes to the consolidated accounts (continued)

### 7 (Loss)/earnings per share

	2002 £m	2001 (restated) £m
<b>Basic</b>		
Loss after taxation	(41.4)	(25.5)
Minority interests	(1.4)	(2.1)
Loss attributable to shareholders	(42.8)	(27.6)
Weighted average number of shares outstanding (m)	625.0	620.4
Basic loss per share (pence)	(6.8)	(4.4)
<b>Diluted</b>		
Weighted average number of shares in issue (m)	625.0	620.4
Since on this basis the diluted loss per share is reduced, the incremental effect is ignored		
Diluted loss per share (pence)	(6.8)	(4.4)
<b>Normalised earnings before goodwill amortisation, discontinued operations, discontinuing operations and exceptional items</b>		
Loss attributable to shareholders	(42.8)	(27.6)
Exceptional items (net of tax), goodwill amortisation, discontinued operations and discontinuing operations	93.4	71.3
Adjusted attributable profit	50.6	43.7
Weighted average number of shares outstanding (m)	625.0	620.4
Underlying earnings per share (pence)	8.1	7.0

### 8 Net assets

#### Segmental analysis of capital employed

	2002			2001		
	Group £m	Share of joint ventures and associates £m	Total capital employed £m	Group £m	Share of joint ventures and associates £m	Total capital employed (restated) £m
United Kingdom	196.4	55.8	252.2	170.4	51.7	222.1
Europe, Middle East and Africa	96.2	2.2	98.4	89.4	2.6	92.0
Americas	78.8	—	78.8	132.7	—	132.7
Asia	14.0	1.3	15.3	0.2	6.1	6.3
	385.4	59.3	444.7	392.7	60.4	453.1
Discontinuing operations	38.9	—	38.9	61.7	—	61.7
Discontinued operations	0.5	—	0.5	6.0	—	6.0
<b>Net operating assets</b>	<b>424.8</b>	<b>59.3</b>	<b>484.1</b>	<b>460.4</b>	<b>60.4</b>	<b>520.8</b>
Tax, dividends and provisions			(13.3)			(5.2)
Net debt			(198.5)			(183.1)
<b>Total net assets</b>			<b>272.3</b>			<b>332.5</b>

The net operating assets of operations discontinued and discontinuing in 2002 were located in the United Kingdom.

#### Note:

Share of capital employed of associated undertakings represents shares at cost, loans and the group's share of post acquisition reserves (note 12).

## Notes to the consolidated accounts (continued)

### 9 Intangible fixed assets – goodwill

	£m
<b>Cost</b>	
At 1 October 2001	218.4
Additions	63.6
Amounts written out	(31.6)
Translation adjustments	(10.9)
At 30 September 2002	239.5
<b>Amortisation</b>	
At 1 October 2001	7.8
Provision for the year	11.3
Translation adjustments	(0.8)
At 30 September 2002	18.3
<b>Net book value</b>	
<b>At 30 September 2002</b>	<b>221.2</b>
At 30 September 2001	210.6

### 10 Intangible fixed assets – development expenditure

	£m
<b>Cost</b>	
At 1 October 2001	58.5
Additions	13.3
Amounts written out	(43.4)
At 30 September 2002	28.4
<b>Amortisation</b>	
At 1 October 2001	3.1
Provision for the year	1.9
Amounts written out	(3.0)
At 30 September 2002	2.0
<b>Net book value</b>	
<b>At 30 September 2002</b>	<b>26.4</b>
At 30 September 2001	55.4



# Notes to the consolidated accounts (continued)

## 11 Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Equipment held for operating leases £m	Total £m
<b>Cost or valuation</b>				
At 1 October 2001	70.2	182.0	0.2	252.4
Additions at cost	16.9	42.0	1.8	60.7
Acquisition of subsidiaries	7.9	5.4	0.2	13.5
Disposals	(8.6)	(13.3)	–	(21.9)
Translation adjustments	(1.0)	(3.8)	–	(4.8)
At 30 September 2002	85.4	212.3	2.2	299.9
<b>Depreciation</b>				
At 1 October 2001	16.7	98.7	0.1	115.5
Provision for the year	2.9	27.4	0.4	30.7
Disposals	–	(9.9)	–	(9.9)
Translation adjustments	(0.3)	(2.3)	–	(2.6)
At 30 September 2002	19.3	113.9	0.5	133.7
<b>Net book value</b>				
At 30 September 2002	66.1	98.4	1.7	166.2
At 30 September 2001	53.5	83.3	0.1	136.9

### Notes:

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

– Net book value	£6.8m (2001: £0.6m)
– Accumulated depreciation	£1.5m (2001: £1.3m)
– Provision for the year	£0.2m (2001: £0.3m)

#### (b) Land and buildings

	2002 £m	2001 £m
(i) The amount shown at cost or valuation includes the following:		
At cost	84.4	69.2
At valuation in 1986 or prior	1.0	1.0
	85.4	70.2
(ii) The net book value of land and buildings comprises:		
Freeholds	39.0	33.3
Long leaseholds (50 years and over)	16.2	15.2
Short leaseholds (under 50 years)	10.9	5.0
	66.1	53.5

#### (c) Depreciation rates

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

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

# Notes to the consolidated accounts (continued)

## 12 Investments

	Associated undertakings £m	Joint ventures £m	Total £m
<b>Shares at cost</b>			
At 1 October 2001	1.9	0.2	2.1
Additions	0.9	–	0.9
Disposals	(1.1)	–	(1.1)
Transfer to subsidiary undertakings	–	(0.2)	(0.2)
Translation adjustments	(0.2)	–	(0.2)
At 30 September 2002	1.5	–	1.5
<b>Loans at cost</b>			
At 1 October 2001	6.0	–	6.0
Disposals	0.4	–	0.4
Transfer to debtors	(0.1)	–	(0.1)
At 30 September 2002	6.3	–	6.3
<b>Share of post acquisition reserves</b>			
At 1 October 2001	2.0	50.3	52.3
Retained profits for year	0.7	4.4	5.1
Transfer to subsidiary undertaking	–	(6.4)	(6.4)
Translation adjustments	–	0.5	0.5
At 30 September 2002	2.7	48.8	51.5
<b>Total investments</b>			
<b>At 30 September 2002</b>	<b>10.5</b>	<b>48.8</b>	<b>59.3</b>
At 30 September 2001	9.9	50.5	60.4

### Associates: group share of results and net assets

	2002 £m	2001 £m
Share of turnover	27.8	19.9
Share of profit before tax	2.8	2.1
Share of taxation	(0.3)	(0.7)
Share of profit after taxation	2.5	1.4
<b>Share of assets</b>		
Fixed assets	4.1	3.6
Current assets	46.3	40.3
Share of gross assets	50.4	43.9
<b>Share of liabilities</b>		
Liabilities due within one year	9.0	7.4
Liabilities due after more than one year	37.2	32.6
	46.2	40.0
Less loans from group companies	(6.3)	(6.0)
Group share of gross liabilities	39.9	34.0
Share of net assets	10.5	9.9

## Notes to the consolidated accounts (continued)

### 12 Investments (continued)

#### Joint ventures: group share of results and net assets

	Distribution joint venture £m	2002 Other joint ventures £m	Total joint ventures £m	Distribution joint venture £m	2001 Other joint ventures £m	Total joint ventures £m
Share of turnover	347.5	4.8	352.3	338.9	37.9	376.8
Share of profit on ordinary activities before exceptional items and taxation	5.7	0.1	5.8	4.3	0.5	4.8
Exceptional items	(0.2)	–	(0.2)	–	–	–
Share of taxation	(1.2)	–	(1.2)	(0.7)	(0.2)	(0.9)
Share of profit after taxation	4.3	0.1	4.4	3.6	0.3	3.9
<b>Share of assets</b>						
Fixed assets	43.5	–	43.5	42.7	6.5	49.2
Current assets	88.6	–	88.6	82.7	11.2	93.9
Long-term receivables	–	–	–	–	1.1	1.1
Share of gross assets	132.1	–	132.1	125.4	18.8	144.2
<b>Share of liabilities</b>						
Liabilities due within one year	82.4	–	82.4	78.4	10.0	88.4
Liabilities due after more than one year	0.9	–	0.9	1.3	4.0	5.3
Share of gross liabilities	83.3	–	83.3	79.7	14.0	93.7
Share of net assets	48.8	–	48.8	45.7	4.8	50.5

The group's share of net assets of associates and joint ventures includes £2.1m in respect of purchased goodwill (2001: £6.1m) and the group's share of goodwill amortisation charged in associates and joint ventures for the year to 30 September 2002 was £0.1m (2001: £0.5m).

### 13 Stocks

	2002 £m	2001 £m
Raw materials	0.9	0.7
Work in progress	8.2	8.8
Finished goods including consumables	4.4	4.2
	13.5	13.7

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

## Notes to the consolidated accounts (continued)

### 14 Debtors

	2002 £m	2001 (restated) £m
Trade debtors	170.1	175.5
Amounts owed by associated undertakings	1.7	5.1
Corporation tax	3.7	–
Other debtors	22.6	35.4
Prepayments and accrued income	26.6	25.1
Deferred tax asset	7.8	6.6
	<b>232.5</b>	<b>247.7</b>

Included in prepayments is £0.5m (2001: £4.0m) falling due after more than one year.

The deferred tax asset will be utilised after more than one year and the deferred tax movements are analysed in note 18.

### 15 Net borrowings

	2002 £m	2001 £m
<b>Long-term borrowings</b>		
Secured	0.5	0.9
Unsecured	226.2	212.1
Finance leases	6.8	1.2
Less: repayable within one year	(1.3)	(0.5)
<b>Total long-term borrowings</b>	<b>232.2</b>	<b>213.7</b>
<b>Short-term borrowings</b>		
Bank overdraft (unsecured)	4.0	15.4
Secured loans	0.2	0.3
Unsecured loans	28.0	–
Short-term element of finance leases	1.3	0.5
<b>Total short-term borrowings</b>	<b>33.5</b>	<b>16.2</b>
<b>Total borrowings</b>	<b>265.7</b>	<b>229.9</b>
Bank and deposit balances	(67.2)	(46.8)
<b>Net debt</b>	<b>198.5</b>	<b>183.1</b>

## Notes to the consolidated accounts (continued)

### 15 Net borrowings (continued)

	2002 £m	2001 £m
The payment profile of long-term borrowings is noted below.		
<b>Repayable within one to two years</b>		
Secured	0.4	0.3
Unsecured	35.4	13.0
Obligations under hire purchase and finance leases	0.8	0.6
<b>Repayable within two to five years</b>		
Secured	0.1	0.5
Unsecured	190.8	199.1
Obligations under hire purchase and finance leases	4.7	0.1
<b>Not wholly repayable within five years</b>		
Secured	–	0.1
	<b>232.2</b>	<b>213.7</b>

Secured loans, at market rates of interest, are secured on property and other assets of the group, and are mainly repayable by monthly instalments during 2003-5.

### 16 Financial instruments

#### Financial liabilities – floating rates

	2002 £m	2001 £m
Currency		
Sterling	167.9	103.6
Euro	1.9	0.7
SA Rand	20.5	18.7
US dollar	66.5	102.1
Other	8.9	4.8
	<b>265.7</b>	<b>229.9</b>

The floating rate financial liabilities include bank borrowings fixed in accordance with the applicable bank reference rate for periods of one month.

The figures shown take into account interest rate swaps used to manage interest rate risk. Further explanation of the group's treasury policies is given on page 23.

There are no fixed rate financial liabilities as at 30 September 2002 (2001: £nil) and no financial liabilities upon which no interest is paid (2001: £nil).

#### Undrawn committed facilities

	2002 £m	2001 £m
Repayable within one year	5.0	–
Repayable within one to two years	8.0	–
Repayable within two to five years	22.0	26.8
	<b>35.0</b>	<b>26.8</b>

## Notes to the consolidated accounts (continued)

### 16 Financial instruments (continued)

#### Fair value of financial assets and liabilities

Set out below is a year end comparison of fair and book values of all the group's financial instruments by category. Fair values are determined by market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	2002 Book value £m	2002 Fair value £m	2001 Book value £m	2001 Fair value £m
Cash deposits	67.2	67.2	46.8	46.8
Short-term borrowings and current portion of long-term debt	(33.5)	(33.5)	(16.2)	(16.2)
Long-term borrowings	(232.2)	(232.2)	(213.7)	(213.7)
	<b>(198.5)</b>	<b>(198.5)</b>	<b>(183.1)</b>	<b>(183.1)</b>

### 17 Creditors

	2002 £m	2001 £m
<b>Amounts falling due within one year:</b>		
Trade creditors	37.6	31.4
Amounts owed to associated undertakings	2.4	2.8
Other taxation and social security costs	56.4	34.4
Other creditors	40.6	50.7
Accruals and deferred income	86.5	76.8
	<b>223.5</b>	<b>196.1</b>

### 18 Provisions for liabilities and charges

	2002 £m	2001 £m
Provisions relating to onerous property contracts	6.0	4.3
Deferred tax liabilities	2.4	—
	<b>8.4</b>	<b>4.3</b>

The group has provided against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties. Although the majority of the provision should be realised within five years, the exact timing is unclear. The movement in the provision was as follows:

	£m
At 1 October 2001	4.3
Profit and loss account	1.8
Expended in year	(0.8)
Acquisition of subsidiaries	0.7
<b>At 30 September 2002</b>	<b>6.0</b>

## Notes to the consolidated accounts (continued)

### 18 Provisions for liabilities and charges (continued)

The movement in the deferred tax provision was as follows:

	£m
Provision at 1 October 2001	–
Asset at 1 October 2001 (as restated)	6.6
Total deferred tax position at 1 October 2001 (as restated)	6.6
Profit and loss account	(0.4)
Subsidiaries acquired	0.1
Translation adjustments	(0.9)
Total deferred tax position at 30 September 2002	5.4
Asset at 30 September 2002	7.8
<b>Provision at 30 September 2002</b>	<b>2.4</b>

The deferred tax asset is disclosed within debtors (note 14). The total deferred tax position is analysed as follows:

	2002 £m	2001 (restated) £m
<b>United Kingdom</b>		
Accelerated capital allowances	(3.1)	–
Other timing differences	0.7	–
Tax losses	–	–
	<b>(2.4)</b>	<b>–</b>
<b>Overseas</b>		
Accelerated capital allowances	(0.1)	0.7
Other timing differences	(1.4)	(1.4)
Tax losses	9.3	7.3
	<b>7.8</b>	<b>6.6</b>
	<b>5.4</b>	<b>6.6</b>

Deferred tax recognised in respect of tax losses principally relates to subsidiaries in Canada, Germany and South Africa. As these entities are returning to profitability, the recovery of tax losses is foreseeable.

### 19 Share capital

	2002 Authorised £	2002 Issued £	2001 Authorised £	2001 Issued £
<b>Securicor plc</b>				
Ordinary shares of 5p each (fully paid)	<b>40,000,000</b>	<b>31,264,582</b>	40,000,000	31,056,990
			Number	Nominal value £m
Ordinary shares in issue				
At 1 October 2001			621,139,808	31.1
Shares issued during the year on exercise of options:				
Executive Scheme			258,564	–
Sharesave Scheme			3,893,275	0.2
<b>At 30 September 2002</b>		<b>625,291,647</b>		<b>31.3</b>

## Notes to the consolidated accounts (continued)

### 20 Reserves

	Profit and loss account £m	Share premium £m	Merger reserve £m	Total £m
At 30 September 2001 as previously reported	233.7	3.9	53.4	291.0
Prior year adjustment (note 5)	6.6	–	–	6.6
At 1 October 2001 (restated)	240.3	3.9	53.4	297.6
Retained deficit	(56.0)	–	–	(56.0)
Share premium on issue	–	3.4	–	3.4
Translation adjustments	(9.4)	–	–	(9.4)
<b>At 30 September 2002</b>	<b>174.9</b>	<b>7.3</b>	<b>53.4</b>	<b>235.6</b>

Goodwill of £81.5m arising on acquisitions since 1989 has been written off to reserves up to 30 September 2002 (2001 restated: £81.5m).

#### Equity minority interests

The minority interests totalling £5.4m (2001: £3.8m) relate to Securicor Barbados Limited, Securicor Guyana Inc, Securicor Jamaica Limited, Al Mulla Security Services Co WLL (Kuwait), MAF-Securicor LLC (Dubai), Al Bateel Securicor WLL (Qatar), Securicor Segura SA (Costa Rica), Securicor Segura SA (Dominican Republic), Securicor Trinidad Limited, Securicor Gray (South Africa) (Pty) Limited and Securicor New Century LLC (USA).

### 21 Acquisitions of subsidiaries and businesses

The principal acquisitions in the year were:

- 1 The remaining issued share capital of JS Holdings Limited and JS Asian Holdings BV., ("Asia");
- 2 The remaining share capital of Securicor Geld-und Wertdienste GmbH and Securicor Bankenservice GmbH, ("Germany");
- 3 The assets and liabilities of Electronic Monitoring Systems, Inc., ("EMS"); and
- 4 Various other minor business acquisitions, principally comprising the purchase of minority interests in Securicor Gray (South Africa) (Pty) Limited and the purchase of businesses in Jamaica, Costa Rica and Tanzania, ("Other").

	Net assets acquired £m	Asia Provisional fair value adjustments (Note 1) £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Germany Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	13.1	(0.9)	12.2	–	–	–
Stock	0.3	–	0.3	–	–	–
Debtors	16.0	–	16.0	–	–	–
Net debt	(1.7)	–	(1.7)	–	–	–
Creditors less than one year	(14.8)	(0.9)	(15.7)	–	–	–
Minority interests	(0.3)	–	(0.3)	(0.7)	–	(0.7)
Transfer from associates	(5.6)	–	(5.6)	–	–	–
<b>Total assets</b>	<b>7.0</b>	<b>(1.8)</b>	<b>5.2</b>	<b>(0.7)</b>	<b>–</b>	<b>(0.7)</b>
Cash consideration	30.7	–	30.7	10.2	–	10.2
<b>Capitalised goodwill</b>	<b>23.7</b>	<b>1.8</b>	<b>25.5</b>	<b>10.9</b>	<b>–</b>	<b>10.9</b>



# Notes to the consolidated accounts (continued)

## 21 Acquisitions of subsidiaries and businesses (continued)

	Net assets acquired £m	EMS Provisional fair value adjustments (Note 2) £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Other Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	0.6	(0.1)	0.5	0.8	–	0.8
Stock	0.1	–	0.1	–	–	–
Debtors	0.5	–	0.5	–	–	–
Net debt	–	–	–	–	–	–
Creditors less than one year	(0.6)	–	(0.6)	(1.3)	–	(1.3)
Minority interest	–	–	–	(0.4)	–	(0.4)
Transfer from associates	–	–	–	–	–	–
<b>Total assets</b>	<b>0.6</b>	<b>(0.1)</b>	<b>0.5</b>	<b>(0.9)</b>	<b>–</b>	<b>(0.9)</b>
Cash consideration	7.0	–	7.0	4.4	–	4.4
<b>Capitalised goodwill</b>	<b>6.4</b>	<b>0.1</b>	<b>6.5</b>	<b>5.3</b>	<b>–</b>	<b>5.3</b>

	Net assets acquired £m	Total Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	14.5	(1.0)	13.5
Stock	0.4	–	0.4
Debtors	16.5	–	16.5
Net debt	(1.7)	–	(1.7)
Creditors less than one year	(16.7)	(0.9)	(17.6)
Minority interest	(1.4)	–	(1.4)
Transfer from associates	(5.6)	–	(5.6)
<b>Total assets</b>	<b>6.0</b>	<b>(1.9)</b>	<b>4.1</b>
Cash consideration	52.3	–	52.3
<b>Capitalised goodwill</b>	<b>46.3</b>	<b>1.9</b>	<b>48.2</b>

### Notes:

1 Reduction of value of tangible fixed assets in line with group policy, and additional costs for rebranding vehicles and equipment to comply with contractual requirements.

2 Reduction of value of tangible fixed assets in line with group policy.

Adjustments made to the fair value of assets are provisional as they may be adjusted in 2003.

During the year ended 30 September 2002, the group made adjustment to the fair value of assets acquired in the USA and Germany in the year ended 30 September 2001. This resulted in the write-off of assets and consequent additions to goodwill totalling £15.4m.

## Notes to the consolidated accounts (continued)

### 22 Contingent liabilities

The company's wholly-owned US subsidiary, Argenbright Security, Inc ('Argenbright') was responsible for passenger checkpoint security screening for two of the flights involved in the terrorist atrocities of 11 September 2001, being the United Airlines flight from Newark to San Francisco and the American Airlines flight from Washington to Los Angeles. The hijacked planes performing these flights crashed respectively in rural Pennsylvania and into the Pentagon, Washington.

The directors believe that, in respect of those two flights, Argenbright carried out its security screening services properly and in accordance with its contractual and regulatory duties and that it should have no liability for the losses that occurred subsequently. However, the events of 11 September were so extraordinary that it is impossible at this stage to state with certainty that no findings against Argenbright will be made.

Argenbright is now being sued and a number of lawsuits have been served upon it. Securicor plc itself has been named in some of the lawsuits.

At 11 September 2001, Argenbright, which is a stand-alone limited liability corporation, had in place aviation liability insurance which was in a substantial sum and which included cover for acts of terrorism.

Additionally, contingent liabilities exist in respect of agreements entered into in the normal course of business.

### 23 Operating lease commitments

	2002 Land and buildings £m	2002 Other £m	2001 Land and buildings £m	2001 Other £m
Commitments at 30 September 2002 on operating leases which expire:				
Within one year	5.1	5.1	3.2	5.3
Between one and two years	4.0	7.6	2.6	4.6
Between two and five years	6.6	6.6	4.4	5.8
After more than five years	12.9	2.7	4.9	0.5
	<b>28.6</b>	<b>22.0</b>	15.1	16.2

### 24 Capital commitments

	2002 £m	2001 £m
Contracted	3.6	1.3

# Notes to the consolidated accounts (continued)

## 25 Notes to the cash flow statement

### (a) Reconciliation of operating profit to operating cash flows

	2002 £m	2001 £m
Operating loss after exceptional items	(15.2)	33.4
Depreciation	30.7	26.4
Amortisation of intangible assets	0.5	2.7
Amortisation of goodwill	11.3	7.3
Exceptional impairment of intangible assets	38.5	–
Exceptional impairment of goodwill	33.0	–
Loss/(profit) on sale of fixed assets	0.1	(3.1)
Decrease/(increase) in stocks	0.5	(1.0)
Decrease/(increase) in debtors	19.4	(12.3)
Increase/(decrease) in creditors	7.6	(3.3)
Increase/(decrease) in provisions	1.0	(4.1)
	<b>127.4</b>	<b>46.0</b>

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

	£m	2002 £m	£m	2001 £m
<b>Return on investments and servicing of finance</b>				
Interest received		0.9		2.3
Interest paid		(13.7)		(11.3)
Dividends paid to minority interest		(0.7)		(0.5)
Net cash outflow from returns on investments and servicing of finance		<b>(13.5)</b>		<b>(9.5)</b>
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(54.4)		(41.8)
Purchase of intangible fixed assets		(13.3)		(22.7)
Sale of tangible fixed assets		10.8		6.1
Net cash outflow from capital expenditure		<b>(56.9)</b>		<b>(58.4)</b>
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings (note 25(e))		(52.3)		(198.1)
Net cash balances acquired		5.1		–
Deferred consideration		–		(0.3)
Closure of subsidiary undertakings		(3.4)		8.7
Sale of associates		2.9		–
Purchased goodwill		–		(8.7)
Net cash outflow from acquisitions and disposals		<b>(47.7)</b>		<b>(198.4)</b>
<b>Financing</b>				
Share issue		3.6		3.5
Increase in loans	42.6		212.2	
Capital element of finance lease rental payments	(0.7)		(0.8)	
		<b>41.9</b>		<b>211.4</b>
Net cash inflow from financing		<b>45.5</b>		<b>214.9</b>

## Notes to the consolidated accounts (continued)

### 25 Notes to the cash flow statement (continued)

#### (c) Analysis of net (debt)/cash

	2001 £m	Cash flow £m	Acquisitions £m	Exchange £m	Other non cash £m	2002 £m
Cash in hand and at bank	46.8	21.8	–	(1.4)	–	67.2
Overdrafts	(15.4)	11.4	–	–	–	(4.0)
		33.2				
Debt due after more than one year	(213.0)	(42.6)	(6.8)	7.8	27.9	(226.7)
Debt due within one year	(0.3)	–	–	–	(27.9)	(28.2)
Finance leases	(1.2)	0.7	–	–	(6.3)	(6.8)
<b>Total</b>	<b>(183.1)</b>	<b>(8.7)</b>	<b>(6.8)</b>	<b>6.4</b>	<b>(6.3)</b>	<b>(198.5)</b>

#### (d) Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £6.3m.

#### (e) Acquisition of subsidiaries

	Asia £m	Germany £m	EMS £m	Other £m	Total £m
Fixed assets – tangible	12.2	–	0.5	0.8	13.5
Stock	0.3	–	0.1	–	0.4
Debtors	16.0	–	0.5	(11.8)	4.7
Creditors	(15.7)	–	(0.6)	(4.2)	(20.5)
Cash	5.1	–	–	–	5.1
Provisions	–	–	–	(0.7)	(0.7)
Borrowings due over one year	(6.8)	–	–	–	(6.8)
Minority interest	(0.3)	(0.7)	–	(0.4)	(1.4)
Transfer from associated undertakings	(5.6)	–	–	–	(5.6)
<b>Net assets acquired</b>	<b>5.2</b>	<b>(0.7)</b>	<b>0.5</b>	<b>(16.3)</b>	<b>(11.3)</b>
<b>Goodwill</b>	<b>25.5</b>	<b>10.9</b>	<b>6.5</b>	<b>20.7</b>	<b>63.6</b>
<b>Cash outflow in respect of purchase of subsidiary undertakings</b>	<b>30.7</b>	<b>10.2</b>	<b>7.0</b>	<b>4.4</b>	<b>52.3</b>

The subsidiary undertakings acquired during the year contributed £6.2m to the group's net operating cash flows, paid £0.6m in respect of taxation and utilised £3.5m for investing activities.

## Notes to the consolidated accounts (continued)

### 26 Related party transactions

#### Transactions with joint ventures and associated undertakings

All transactions with joint ventures and associated undertakings are in the normal course of business. Details of transactions and balances with these related parties are set out below:

	2002 Total £m
<b>Transactions</b>	
Turnover	17.7
Administration expenses	5.9
Dividends received	1.6
<b>Balances</b>	
Debtors	
Loans	6.3
Other debtors	1.7
Creditors	
Other creditors	2.4

Related party turnover relates to management fees of £16.2m charged to Bridgend Custodial Services Limited (an associated undertaking) and £1.5m charged to Securicor Omega Holdings Limited (a joint venture company). Related party administration expenses relates to vehicle leasing costs charged to the group by Securicor Vehicle Management Limited, which is a subsidiary of Securicor Omega Holdings Limited.

There are no transactions with other related parties.

Details of principal joint ventures and associated undertakings are shown in note 28.

### 27 Post balance sheet events

In December 2002 Securicor Wireless Technology Limited was sold for a nominal sum and this business has been reported as discontinued in the profit and loss account for the year to 30 September 2002. The group is in substantive negotiations for the sale of Securicor Information Systems Limited and this business has been reported as discontinuing in the profit and loss account for the year to 30 September 2002.

In December 2002 the group's existing Malaysian business merged with Safeguards Corporation, the leading company in the Malaysian security market.

## Notes to the consolidated accounts (continued)

### 28 Significant investments

The businesses set out below are those which were part of the group at 30 September 2002 and in the opinion of the directors significantly affected the group's results and net assets during the year. Except as otherwise stated, the country of incorporation is England, the operations are within the United Kingdom, the shares are in equity share capital and the businesses are wholly owned.

#### Security

##### Subsidiary undertakings

Argenbright Security, Inc (USA)  
Securicor Gray (South Africa) (Pty) Limited (South Africa)  
Securicor Beheer BV (Netherlands)  
Securicor Cash Services Limited  
Securicor Cash Centres Limited  
Securicor Custodial Services Limited  
Securicor GTG GmbH (Germany)  
Securicor Security Limited  
Securicor Luxembourg SA (Luxembourg)  
Securicor Security Services Ireland Limited (Ireland)  
Securicor Sicherheitsdienste GmbH (Germany)  
Securicor Asia Holdings Limited (Incorporated British Virgin Islands, operational in Brunei, China, Hong Kong, Indonesia, Macau, Malaysia, Taiwan and Thailand)  
Securicor Aviation Limited  
Securicor Canada Limited (Canada)

Issued capital

##### Associated undertakings

Bridgend Custodial Services Limited (49.5% owned) £250,000  
Geldnet Holding BV (Netherlands) (25% owned) Euro 2,797,000

#### Distribution

##### Joint venture

Securicor Omega Holdings Limited (50% owned) and subsidiaries £32,000,000  
Securicor Fuelserv Limited  
Securicor Omega Container Logistics Limited  
Securicor Omega Express Limited  
Securicor Omega Express Ireland Limited (Ireland)  
Securicor Omega Logistics Limited

#### Communications

##### Subsidiary undertakings

Securicor Information Systems Limited

##### Holding companies

Securicor (1996) plc  
Securicor Communications Limited  
Securicor Holdings BV (Netherlands)  
Securicor International BV (Netherlands)  
Securicor International Holdings SA (France)  
Securicor International Limited  
Securicor Security Services Limited  
Securicor Group Limited

# Parent company balance sheet

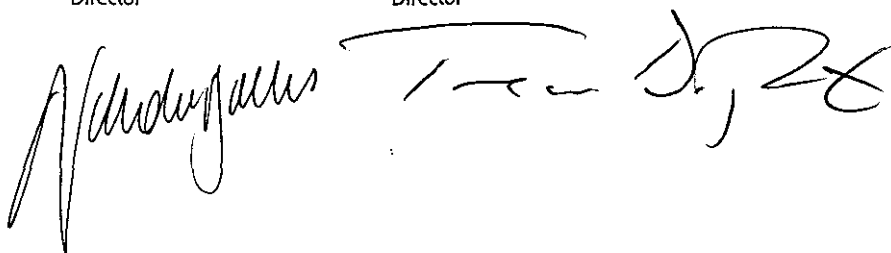
At 30 September 2002

	Notes	2002 £m	2001 £m
<b>Fixed assets</b>			
Investments	(a)	844.0	844.0
		<b>844.0</b>	844.0
<b>Current assets</b>			
Debtors	(b)	260.5	221.3
		<b>260.5</b>	221.3
<b>Creditors – amounts falling due within one year</b>			
Borrowings (unsecured)		15.0	–
Proposed dividends		8.7	6.2
Other		0.6	1.4
		<b>24.3</b>	7.6
<b>Net current assets</b>		<b>236.2</b>	213.7
<b>Total assets less current liabilities</b>		<b>1,080.2</b>	1,057.7
<b>Creditors – amounts falling due after more than one year</b>			
Borrowings (unsecured)		224.2	199.5
<b>Net assets</b>		<b>856.0</b>	858.2
<b>Capital and reserves</b>			
Called up share capital	19	31.3	31.1
Reserves	(c)	824.7	827.1
<b>Equity shareholders' funds</b>		<b>856.0</b>	858.2

Approved by the board on 10 February 2003.

**Nicholas Buckles**  
Director

**Trevor Dighton**  
Director



# Notes to the parent company balance sheet

## Notes to the parent company balance sheet

### (a) Investments

	£m
Subsidiary undertakings	
Shares at cost in Securicor (1996) plc	
As at 30 September 2002 and 30 September 2001	844.0

### (b) Debtors

	2002 £m	2001 £m
Amounts owed by group undertakings	257.2	221.3
Other debtors	3.3	–
	<b>260.5</b>	<b>221.3</b>

### (c) Reserves

	Profit and loss account £m	Capital redemption reserve £m	Share premium £m	Total £m
At 1 October 2001	823.1	0.1	3.9	827.1
Retained deficit	(6.1)	–	–	(6.1)
Share premium on issue of shares	–	–	3.4	3.4
Translation adjustments	0.3	–	–	0.3
<b>At 30 September 2002</b>	<b>817.3</b>	<b>0.1</b>	<b>7.3</b>	<b>824.7</b>

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial year attributable to shareholders was £7.1m (2001: £2.8m).

### (d) Contingent liabilities

As detailed in note 22 to the consolidated accounts, Securicor plc has been named in some of the lawsuits relating to the terrorist atrocities in the USA on 11 September 2001.



## Group financial record

(excluding (a) the results and net assets of BT Cellnet and the impact of development finance retained and (b) the proceeds of share issues)

	2002 £m	2001 £m	2000 £m	1999 £m	1998 £m
Turnover	1,400.1	1,135.8	720.8	959.1	1,194.6
Profit/(loss) before taxation and exceptional items	56.4	31.3	47.3	32.9	22.1
(Loss)/profit attributable to shareholders	(42.8)	(27.6)	33.8	76.7	16.0
Fixed assets	473.1	463.3	261.4	206.5	253.1
Net assets	272.3	332.5	374.4	317.4	85.8
Normalised earnings per ordinary share (pence)	8.1	7.0	6.7	3.9	3.2
Dividends per ordinary share (pence)	2.11	1.65	1.50	1.13	1.93
Normalised return on net assets (%)	21	9	14	10	26
Net debt/(cash) (£m)	198.5	183.1	(50.9)	(88.4)	220.2
Net debt/equity (%)	73	55	(15)	(28)	257

# Notice of meeting

Notice is hereby given that the fourth Annual General Meeting of Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 13 March 2003 at 11.00 am.

**1 For the purpose of transacting the following Ordinary Business:**

- (a) To receive and consider the financial statements of Securicor plc for the year ended 30 September 2002 and the reports of the directors and auditors thereon.
- (b) To confirm payment of the interim dividend and to declare a final dividend.
- (c) To re-elect the directors who retire by rotation:  
Lord Condon (member of Remuneration Committee)  
Mr Nicholas Buckles  
Mr Roger Wiggs
- (d) To elect the directors appointed since the last Annual General Meeting:  
Mrs Irene Cowden  
Mr Trevor Dighton
- (e) To re-appoint Baker Tilly as auditors of the company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders, and to authorise the directors to fix their remuneration.

**2 For the purpose of transacting the following Special Business:**

- (a) As an Ordinary Resolution:

"That the directors be authorised to amend the rules of the Securicor Executive Share Option Scheme as described in Appendix 1 which forms part of this Notice and as shown in the marked-up copy of the rules produced to the meeting and signed for the purpose of identification by the Chairman; and that the directors be authorised to do all acts and things necessary or desirable to effect the amendments, including making any changes required by the Inland Revenue."

- (b) As an Ordinary Resolution:

"That the Securicor 2003 Performance Share Plan (the "Performance Share Plan") and the related employee benefit trust, the principal features of which are summarised in Appendix 2 which forms part of this Notice, and copies of the rules and trust deed of which are produced to the meeting and signed for the purpose of identification by the Chairman, be approved; and that the directors be authorised to do all acts and things which they consider necessary or desirable to implement the Performance Share Plan and to make such minor modifications as they consider appropriate for that purpose; and that the directors be authorised to establish further plans based on the Performance Share Plan but modified to take account of local tax, exchange control or securities laws in countries outside the UK, provided that the shares made available under such plans are treated as counting towards the limits on individual or overall participation in the Performance Share Plan."

- (c) As an Ordinary Resolution:

"That the employee benefit trust to be established in conjunction with the Securicor 2003 Performance Share Plan, the principal features of which are summarised in Appendix 2 which forms part of this Notice, and a copy of the trust deed of which is produced to the meeting and signed for the purposes of identification by the Chairman, be approved for use with the Securicor Executive Share Option Scheme and any other employees' share schemes adopted by the company."

- (d) As a Special Resolution:

"That the company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 5p each in the capital of the company provided that:

- (i) the maximum number of shares which may be purchased is 62,500,000;
- (ii) the minimum price which may be paid for each share is 5p;
- (iii) the maximum price which may be paid for each share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and
- (iv) this authority shall expire at the conclusion of the next Annual General Meeting of the company or, if earlier, 15 months from the date of this resolution (except in relation to the purchase of shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry)."

Sutton Park House  
15 Carshalton Road  
Sutton  
Surrey SM1 4LD

By Order of the board  
**N E Griffiths**  
Secretary  
10 February 2003

## Notice of meeting (continued)

### Appendices

#### 1 AMENDMENTS TO THE EXECUTIVE SHARE OPTION SCHEME (ESOS)

##### Individual limit

Currently, the limit on outstanding option grants is four times an executive's annual remuneration. As the company wishes to move towards regular phasing of option grants on an annual basis, it is proposed that this limit is replaced by a new limit such that the value of shares under options granted to an executive in any financial year is limited to twice basic salary. Where an executive also receives an award under the Performance Share Plan in the same financial year, the limit on option grants will be reduced to one times salary, unless the Remuneration Committee determines that there are exceptional circumstances.

##### Performance conditions

The exercise of future options granted under the ESOS is to be subject to a more demanding performance condition. Currently, options may be exercised if the company's earnings per share growth exceeds RPI by an average of 3% per annum over any three year period during the life of the option.

The revised performance conditions (as set out below) will initially be tested after three years. If they are not satisfied at this point, performance may be retested once only after four years, from a fixed base point. To the extent that the performance target has not been met at the end of the fourth financial year, options will lapse.

The revised performance condition will continue to be based on the company's normalised earnings per share growth (being before exceptional items, discontinued operations and goodwill amortisation) relative to the growth in RPI over the same period, and the following targets will apply for options granted in 2003:

Portion of option grant	Applicable performance target – average annual EPS growth
Up to 0.5 times salary	RPI + 4% per annum (i.e. 12% EPS growth over three years in excess of inflation)
0.5 times salary – one times salary	RPI + 4%-7% per annum (i.e. 12%-21% EPS growth over three years in excess of inflation)
In excess of one times salary	RPI + 7%-12% per annum (i.e. 21%-36% EPS growth over three years in excess of inflation)

For example, in the case of an option grant of one times salary, the first 0.5 times salary would be exercisable at EPS growth of RPI + 4% per annum. The additional 0.5 times salary would be exercisable in full at EPS growth of RPI + 7% per annum and, at EPS growth of RPI + 6% per annum, two thirds of the additional 0.5 times salary would be exercisable.

The Remuneration Committee will review the performance conditions each time options are to be granted, in order to ensure that they remain challenging in the context of the company's business plans.

If an employee leaves the Securicor group, or in the event of a change of control or reconstruction of the company, options granted after the Annual General Meeting in 2003 will only be exercisable if the performance condition (reduced pro rata to the time the option has been held) has been met, unless the Remuneration Committee determines that there are exceptional circumstances which justify the disapplication of the performance condition.

##### Dilution limits

Currently, there are two dilution limits in the ESOS. No more than 7.1% of the issued ordinary share capital in aggregate may be allocated under all of the company's share option schemes up until 30 April 2006, and no more than 3.4% of the issued ordinary share capital may be allocated under discretionary executive share options schemes over this period.

These limits correspond to a 10% limit in any ten year period on all options and a 5% limit in any ten year period on discretionary executive options since they take into account options granted by Securicor (1996) plc, the group's previous holding company, since 30 April 1996 and which had either been exercised or were outstanding at the time of the Scheme of Arrangement in November 1999.

It is proposed that the 3.4% limit on discretionary executive options be removed, leaving in place only the 7.1% limit on all option grants. The Remuneration Committee believes that it is important to have the flexibility to determine how shares will be allocated amongst the company's various employee share schemes. A relatively high number of executives have been included in the ESOS, as this is regarded as an important means of ensuring that executives in the company's different businesses throughout the world have a common focus. The Remuneration Committee will ensure that the shares available for the grant of executive share options will be allocated in approximately four equal tranches over the next four years.

## Notice of meeting (continued)

### 2 ADOPTION OF THE PERFORMANCE SHARE PLAN

#### Introduction

The Remuneration Committee wishes to establish a Performance Share Plan (the "PSP") under which senior executives will receive conditional allocations of Securicor plc ordinary shares which are released to them only on the achievement of demanding performance targets. Alternatively, awards may be structured as nil risk options.

The PSP will use market purchased shares rather than new issue shares.

None of the benefits under the PSP are pensionable.

#### Eligibility

The Remuneration Committee may select employees and executive directors of the company and its subsidiaries for participation in the PSP. It is proposed that only senior executives will normally be selected for participation.

#### Individual limit

The maximum annual award of shares under the PSP will be one times basic salary per annum. However, where executives also participate in the ESOS in the same financial year, awards will not exceed half of basic salary, unless the Remuneration Committee determines that there are exceptional circumstances. No amount is payable by participants on allocation.

#### Performance conditions

The extent to which the initial allocations under the PSP vest will be determined by the company's normalised earnings per share growth (being before exceptional items, discontinued operations and goodwill amortisation) relative to the growth in RPI, and the following targets will apply for awards granted in 2003:

Average annual growth in EPS	Proportion of allocation vesting
RPI + 5% per annum (i.e. 15% over three years)	35%
RPI + 12% per annum (i.e. 36% over three years)	100%
RPI + 5%-12% per annum	Pro rata between 35% and 100%, calculated on a straight-line basis
Less than RPI + 5% per annum	Nil

These performance conditions will be measured over a single three-year period only. There will be no provision for retesting.

Unless the Remuneration Committee determines that there are exceptional circumstances, the performance conditions will continue to apply (pro rata to the time the allocation has been held) if an employee leaves the Securicor group, or in the event of a change of control or restructuring of the company.

The Remuneration Committee will review the performance targets each time allocations are to be made in order to ensure that the targets are challenging in the context of the company's business plans.

#### Cessation of employment

If a participant ceases to be employed within the Securicor group prior to the third anniversary of the making of the allocation, as a result of injury, disability, retirement, redundancy, sale of the business or subsidiary for which the participant works, death or other circumstances at the trustee's discretion, the trustee may release the shares held (subject to achievement of the performance conditions) to the participant.

#### Takeover and reconstruction

In the event of a takeover or restructuring of the company, the trustee may release the shares held (subject to performance) to the participant. In the event of a takeover or restructuring not involving a change of control the trustee may permit the PSP to continue with allocations over replacement shares.

#### Variation of share capital

The rights of participants following any rights issue or capitalisation issue or other variation of share capital may be adjusted in such manner as the trustee may determine.

## Notice of meeting (continued)

### Amendments

The Remuneration Committee may, with the concurrence of the trustee, amend the provisions of the PSP. However, the prior approval of shareholders in general meeting will be required for amendments to the advantage of participants relating to eligibility, participants' entitlements, individual limits, takeover provisions and variations of share capital (except for minor amendments to benefit the administration of the PSP, or any amendments to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the company or its subsidiaries).

### Employee benefit trust

An employee benefit trust will be established to operate in conjunction with the PSP, and may also be used in conjunction with the company's other share schemes. It will provide the company with flexibility in the sourcing of shares for the schemes. The trust may be used to benefit employees and former employees of the company and its subsidiaries.

The company and its subsidiaries may fund the trust by loan or gift to acquire shares in the company by market purchase or by subscription. Any options to subscribe for shares granted to the trust or shares issued to the trust (where the trust does not acquire shares by market purchase) will be treated as counting against the normal dilution limits contained in the rules of the relevant share schemes.

The trust will be constituted by trust deed to be entered into between the company and an independent professional trustee (which may be onshore or offshore) and shall be of 79 years duration. The company will have power to appoint and remove the trustee. The trust may be amended by the company and the trustee provided that no amendment shall have the effect of conferring any benefit on the company or causing the trust to cease to be an employees' share scheme within the meaning of s.743 of the Companies Act 1985 or a trust to which s.86 of the Inheritance Act 1984 applies.

The trust will not, without prior shareholder approval, make an acquisition of shares where it would then hold more than 5% of the company's issued share capital.

### Notes:

- (a) Every member entitled to attend and vote at the meeting may appoint another person as his/her proxy or proxies to attend and, on a poll, to vote thereat instead of him/her and such proxy or proxies need not be a member or members. Forms appointing proxies must be deposited at the office of the company's registrar by 11.00 am on 11 March 2003. The appointment of a proxy or proxies will not prevent a member from attending and voting at the annual general meeting should he or she decide to do so.
- (b) Copies of the following documents will be available for inspection at the registered office from the date of the above notice until the date of the meeting and at the place of the meeting from 15 minutes prior to until close of the meeting:
  - (i) the rules of the Securicor Executive Share Option Scheme marked up to show the proposed amendments;
  - (ii) the draft trust deed and rules of the Securicor 2003 Performance Share Plan;
  - (iii) copies of the directors' service contracts.
- (c) To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a person may cast), a person must have his or her name entered on the register of ordinary shares by no later than 11.00 am on 11 March 2003. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## Financial calendar and corporate addresses

### Results announcements

Interim results – late May  
Final results – early December

### Dividend payment

Interim paid – 30 September 2002  
Final payable – 4 April 2003

### Annual General Meeting

13 March 2003

### Registered office

Sutton Park House  
15 Carshalton Road  
Sutton  
Surrey SM1 4LD  
Telephone: 020 8770 7000

### Registrars and transfer office

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Telephone: 020 8639 2000

### Auditors

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

### Financial PR consultants

Citigate Dewe Rogerson  
3 London Wall Buildings  
London Wall  
London EC2M 5SY

### Stockbrokers

Cazenove & Co. Limited  
12 Tokenhouse Yard  
London EC2R 7AN

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

### Financial advisors

Morgan Stanley & Co. Limited  
25 Cabot Square  
Canary Wharf  
London E14 4QA

### Securicor web-site address

[www.securicor.com](http://www.securicor.com)

***securicor***

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Registered no. 3811216