

Securicor Custodial Services Limited

FINANCIAL STATEMENTS

for the year ended

30 September 1996



Company Registration No. 390328

Securicor Custodial Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

HW McKay
RF Powell
PM Stansfield
MWH Branch
RG Hawkins
AG French
JE Metcalfe
FM Walters
IS Parry
CH Petley

SECRETARY

AP Munson

REGISTERED OFFICE

Sutton Park House
15 Carshalton Road
Sutton
Surrey SM1 4LD

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Securicor Custodial Services Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Securicor Custodial Services Limited for the year ended 30 September 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company are those of prisoner escort and court custody services and prison management operations.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased to report another successful year for the company. Operations for the Metropolitan Court Escort Contract continues successfully and to high performance standards.

The Bridgend Prison Contract has started up successfully and future results will reflect improvement following the commencement of full operations once building is complete.

The company continues to pilot the electronic monitoring of offenders under Government guidelines and is hopeful of obtaining further contracts in this new market.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office during the year commencing 1 October 1995:

HW McKay	
RF Powell	
PM Stansfield	
MWH Branch	
RG Hawkins	
JE Metcalfe	(appointed 1 March 1996)
FM Walters	(appointed 1 March 1996)
AG French	(appointed 1 March 1996)
CH Petley	(appointed 1 March 1996)
IS Parry	(appointed 29 August 1996)
D Winter	(resigned 30 April 1996)
AI Perkins	(resigned 7 June 1996)
ILE Cowden	(resigned 7 June 1996)
DJ Beaton	(resigned 30 April 1996)
RJ Teal	(resigned 7 June 1996)

Securicor Custodial Services Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director, who is not also a holding company director, had any interest in the share capital of the company or its parent company Securicor plc.

No comparative figures are shown for the previous year as the directors' interests were, at that time, in shares of Securicor Group plc and Security Services plc.

During the year IS Parry, who is not a holding company director, exercised options held over 2,900 'A' non-voting shares in Securicor Group plc.

The following options were granted to directors, who are not holding company directors, over ordinary shares in Securicor plc during the year.

	Number of shares
RF Powell	38,260
PM Stansfield	19,790
MWH Branch	12,240
RG Hawkins	57,140
JE Metcalfe	15,760
FM Walters	9,730
AG French	16,070
CH Petley	9,730
IS Parry	18,360

PAYMENT OF SUPPLIERS

It is the company'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.

FIXED ASSETS

The significant changes in fixed assets during the year are detailed in note 5 to the financial statements.

EMPLOYEE INVOLVEMENT

The company keeps employees informed on a regular basis of current activities, progress and general matters of interest by various methods, including:

- a) the holding of regular regional and branch meetings within the Staff Association;
- b) the circulation on an individual basis of an annual report to employees and of the group's regular monthly in-house newsletter, 'Securicor News', and the company's in house newsletter, 'Cuffs and Stuff'.

DISABLED PERSONS

The company'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.

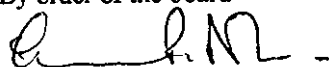
Securicor Custodial Services Limited

DIRECTORS' REPORT

AUDITORS

In accordance with Section 386, Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Baker Tilly, Chartered Accountants, are deemed to be reappointed for the succeeding financial year.

By order of the board



AP Munson
Secretary

10 January 1997

Securicor Custodial Services Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

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

AUDITORS' REPORT TO THE MEMBERS OF SECURICOR CUSTODIAL SERVICES LIMITED

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

10 January 1997

Securicor Custodial Services Limited
 PROFIT AND LOSS ACCOUNT
 for the year ended 30 September 1996

	Notes	1996 £	1995 £
TURNOVER	2	21,974,139	14,908,560
Cost of sales		(17,701,120)	(11,253,220)
Gross profit		<u>4,273,019</u>	<u>3,655,340</u>
Administration expenses		(3,337,320)	(3,175,539)
OPERATING PROFIT		<u>935,699</u>	<u>479,801</u>
Interest payable	1	(141,109)	(60,539)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>794,590</u>	<u>419,262</u>
Taxation	4	(289,835)	(145,325)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	12	<u><u>504,755</u></u>	<u><u>273,937</u></u>

The operating profit for the year arises from the company's continuing operations.

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

No separate reconciliation of shareholders' funds has been presented as the only movement in the year relates to the retained profit.

The results stated above represent the company's historical cost result for the year.

Securicor Custodial Services Limited

BALANCE SHEET

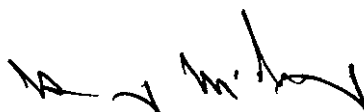
30 September 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	5	95,335	31,886
CURRENT ASSETS			
Stocks	6	71,597	27,465
Debtors	7	5,216,738	6,886,415
Cash at bank and in hand		8,108	503,395
		<u>5,296,443</u>	<u>7,417,275</u>
CREDITORS: Amounts falling due within one year	8	3,224,971	2,965,980
NET CURRENT ASSETS		<u>2,071,472</u>	<u>4,451,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,166,807	4,483,181
CREDITORS: Amounts falling due after more than one year	9	(1,000,000)	(3,821,129)
		<u>1,166,807</u>	<u>662,052</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,500,000	1,500,000
Profit and loss account	12	(333,193)	(837,948)
		<u>1,166,807</u>	<u>662,052</u>

Debtors and net current assets include amounts receivable in more than one year of £2,868,927 (1995: £4,508,314).

Approved by the board on 10 January 1997
and signed on its behalf by

Director



Director

Securicor Custodial Services Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

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

Fixtures, fittings and equipment	over 5 years
Furniture	over 4 years

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present location and condition. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

DEFERRED TAXATION

Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method, to the extent that it is probable that a liability will crystallise.

LEASING

All leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

PENSION CONTRIBUTIONS

The company is included in the group defined benefit pension schemes.

The costs of providing pensions for employees are charged to the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is amortised over the remaining average working life of employees.

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

	1996 £	1995 £
1 INTEREST PAYABLE		
On bank loans, overdrafts and other loans repayable within 5 years	141,109	60,539
	<u>141,109</u>	<u>60,539</u>
	1996 £	1995 £
2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Charge for the year:		
owned assets	18,328	6,065
Operating lease rentals:		
land and buildings	384,576	347,000
other	194,099	89,000
Auditors' remuneration		
- audit	13,000	12,600
- other services	-	2,675
	<u>13,000</u>	<u>12,600</u>
	<u>141,109</u>	<u>60,539</u>
Turnover derived from the company's principal activity and all sales were made in the United Kingdom.		
	1996 No.	1995 No.
3 EMPLOYEES		
The average weekly number of persons (including directors) employed by the company during the year was:		
Office and management	30	30
Operational	1,034	777
	<u>1,064</u>	<u>807</u>
	<u>1,064</u>	<u>807</u>
	1996 £	1995 £
Staff costs for the above persons:		
Wages and salaries	13,303,294	9,535,556
Social security costs	1,291,537	933,736
Other pension costs	141,878	67,767
	<u>14,736,709</u>	<u>10,537,059</u>
	<u>14,736,709</u>	<u>10,537,059</u>

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

PENSIONS

The company's share of the costs of the Group's defined benefit pension scheme amounted to £141,878 (1995: £67,767).

The pension costs are assessed on the advice of independent qualified actuaries using the projected unit credit method. The most recent actuarial valuation was 5 April 1994. The assets of the scheme are held in separate trustee administered funds.

Full particulars of the pension scheme are disclosed in the published accounts of Securicor plc.

DIRECTORS' REMUNERATION	1996 £	1995 £
Directors' emoluments (including pension contributions and benefits in kind)	299,004	184,340

The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The Chairman	Nil	Nil
The highest paid director	82,276	71,655

The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:

	1996	1995
£0 - £5,000	7	6
£20,001 - £25,000	2	-
£25,001 - £30,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-

4	TAXATION	1996 £	1995 £
	Based on the profit for the year:		
	UK corporation tax	290,050	145,037
	(Over)/underprovided in earlier years	(215)	288
		289,835	145,325

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

5	TANGIBLE FIXED ASSETS		Fixtures, fittings & equipment £
	Cost:		
	1 October 1995		41,898
	Additions		81,777
	30 September 1996		<u>123,675</u>
	Depreciation:		
	1 October 1995		10,012
	Charged in the year		18,328
	30 September 1996		<u>28,340</u>
	Net book value		
	30 September 1996		<u>95,335</u>
	30 September 1995		<u>31,886</u>
		1996	1995
		£	£
6	STOCKS		
	Raw materials and consumables	71,597	27,465
		<u>1996</u>	<u>1995</u>
		£	£
7	DEBTORS		
	Due within one year:		
	Trade debtors	688,742	559,191
	Amounts owed by fellow subsidiary undertakings	809	-
	Other debtors	3,035	4,917
	Prepayments and accrued income	1,655,225	1,813,993
		<u>2,347,811</u>	<u>2,378,101</u>
	Due in more than one year:		
	Prepayments and accrued income	2,868,927	4,508,314
		<u>5,216,738</u>	<u>6,886,415</u>

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

	1996 £	1995 £
8 CREDITORS: Amounts falling due within one year		
Bank overdraft (secured)	19,413	-
Trade creditors	207,728	171,739
Amounts owed to fellow subsidiary undertakings	1,275,843	1,164,020
Amounts owed to associated undertakings	4,046	780
Other taxation and social security costs	906,623	950,382
Corporation tax	291,689	145,325
Other creditors	25,832	62,957
Accruals and deferred income	493,797	470,777
	<u>3,224,971</u>	<u>2,965,980</u>

	1996 £	1995 £
9 CREDITORS: Amounts falling due in more than one year		
Amounts owed to parent undertaking	1,000,000	3,821,129

The amount of £1,000,000 represents an interest free loan from Security Services plc, which is repayable after one year.

10 PROVISION FOR LIABILITIES AND CHARGES

The provision for deferred taxation calculated on the liability method is set out below:

	1996 Full potential liability £	Amount provided £	1995 Full potential liability £	Amount provided £
Differences between accumulated depreciation and capital allowances	5,196	-	2,255	-
Other timing differences	13,000	-	-	-
	<u>18,196</u>	<u>-</u>	<u>2,255</u>	<u>-</u>

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1996

11	SHARE CAPITAL	1996 £	1995 £
	Authorised: 20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
	Allotted, issued and fully paid: 1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
12	PROFIT AND LOSS ACCOUNT	1996 £	1995 £
	1 October 1995	(837,948)	(1,111,885)
	Profit for the year	504,755	273,937
	30 September 1996	(333,193)	(837,948)

13 PARENT UNDERTAKING

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

14 COMMITMENTS UNDER OPERATING LEASES

At 30 September 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996 £		1995 £	
	Land and buildings	Other	Land and buildings	Other
expiring in the first year	15,000	93,006	14,200	86,000
expiring in the second to fifth year	300,608	-	240,000	-
expiring after five years	120,880	-	110,880	-
	436,488	93,006	365,080	86,000

15 CONTINGENT LIABILITIES

- The company is included in a Group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' unpaid debts in this connection.
- The company is included within a divisional composite banking arrangement with certain fellow subsidiary undertakings and has provided an unlimited guarantee.