

ACCUREAD LIMITED
(REGISTERED NUMBER 3076187)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1997



ACCUREAD LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1997

The directors submit their report and the audited accounts of the company for the period from 1 October 1996 to 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 5 July 1995 but only commenced trading on 14 October 1996. Prior to that date, the company received no income and incurred no expenditure. Dormant company accounts were filed for the accounting period to 30 September 1996. These accounts cover the period from 1 October 1996 to 31 December 1997.

The principal activity of the company is the provision of meter reading services.

The directors will continue to seek opportunities to expand the customer base of the company and to generate additional income from new meter reading contracts and related activities.

The results for the period are set out in the profit and loss account on page 5.

DIVIDENDS AND TRANSFERS TO RESERVES

A dividend of £1,658,000 is proposed in respect of the current period. The amount transferred to reserves is set out in the profit and loss account on page 5.

DIRECTORS

The directors of the company during the period from 1 October 1996 to 31 December 1997 were:

Sir Peter Parker
N J Philip-Sorensen
J A Harrower
B A Wallin

S G Barney
L G Ottery
B P Murphy

M Edwards (resigned 9 October 1996)
A Garihy (resigned 9 October 1996)

DIRECTORS' INTEREST IN SHARES

The directors have no interests in the share capital of the company according to the register maintained by the company under Section 325 of the Companies Act 1985.

ACCUREAD LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1997 (CONTINUED)

EMPLOYMENT

It is company policy to give full and fair consideration to applications for employment made by disabled persons, having regard to the particular abilities and aptitudes of each applicant and to the requirements of the vacancies available. Also it is policy to ensure that suitable training career development and promotion is afforded to disabled employees.

During the period the company has maintained its obligations to develop and improve arrangements aimed at involving employees in its affairs. Methods of communication used include an in-house newsletter, bulletins and management briefings.

MILLENNIUM AND EUROPEAN MONETARY UNION

The directors are aware of the implications of the Millennium issue and European Monetary Union both for the information systems and other aspects of the company's operations. Management has assessed the risks associated with these issues and is reviewing the actions required to ensure that any necessary systems modifications and other initiatives are planned and completed within the time available. It is not anticipated that significant incremental expenditure will be incurred to ensure compliance with the necessary requirements within the context of ongoing expenditure plans to develop and upgrade the company's systems.

CHARITABLE AND POLITICAL DONATIONS

No donations were made for charitable or political purposes.

AUDITORS

The company's auditors Price Waterhouse are willing to continue in office and a resolution proposing their re-appointment will be put to the Annual General Meeting.

ACCUREAD LIMITED

DIRECTORS' REPORT FOR THE 15 MONTHS ENDED 31 DECEMBER 1997 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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:

- 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 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 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.

By Order of the Board



J.A. Harrower
Director

12 May 1998

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF ACCUREAD LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 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 as at 31 December 1997 and of its profit and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

12 May 1998

ACCUREAD LIMITED

PROFIT AND LOSS ACCOUNT PERIOD ENDED 31 DECEMBER 1997

	<u>Notes</u>	1 October 1996 to 31 December 1997 £'000
TURNOVER	2	98,446
Cost of sales		<u>(74,425)</u>
GROSS PROFIT		24,021
Administrative expenses		<u>(12,078)</u>
OPERATING PROFIT	4	11,943
Interest receivable and similar income	5	841
Interest payable and similar charges	5	<u>(32)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,752
Taxation on profit on ordinary activities	6	<u>(4,464)</u>
PROFIT FOR THE FINANCIAL PERIOD		8,288
Dividend proposed		<u>(1,658)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>6,630</u>

The movements on reserves are shown in note 13 to the financial statements.

All of the turnover and profit recorded is derived from continuing activities wholly within the UK.

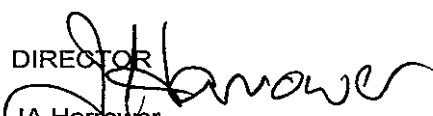
During the previous accounting period, the period to 30 September 1996, the company did not trade, received no income and incurred no expenditure and consequently was dormant.

ACCUREAD LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	31 December 1997 £'000	30 September 1996 £'000
FIXED ASSETS			
Tangible assets	7	1,229	-
CURRENT ASSETS			
Debtors	8	2,333	-
Cash at bank and in hand		<u>40,781</u>	<u>-</u>
		43,114	
CREDITORS (amounts falling due within one year)	10	<u>(37,613)</u>	<u>-</u>
NET CURRENT ASSETS		5,501	-
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,730	-
		<u> </u>	<u> </u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	11	100	-
Profit and loss account	12	<u>6,630</u>	<u>-</u>
SHAREHOLDERS' FUNDS		6,730	-
		<u> </u>	<u> </u>

Approved by the Board on 12 May 1998.

DIRECTOR

 JA Harrower

ACCUREAD LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 1997

There is no difference between the retained profit for the financial period and the total recognised gains and losses relating to the period.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the profit before taxation and the retained profit for the period as shown in the profit and loss account and their historical cost equivalents.

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 DECEMBER 1997

	1 October 1996 to 31 December 1997 £'000
Profit for the financial period	8,288
Dividend proposed	<u>(1,658)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD	6,630
New share capital subscribed	<u>100</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	6,730
OPENING SHAREHOLDERS' FUNDS	<u>-</u>
CLOSING SHAREHOLDERS' FUNDS	<u><u>6,730</u></u>

ACCUREAD LIMITED

CASHFLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 1997

	Notes	1 October 1996 to 31 December 1997 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	42,035
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received		668
Interest paid		<u>(32)</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		636
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets		<u>(1,990)</u>
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,990)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		40,681
FINANCING		
Issue of ordinary shares		<u>100</u>
NET CASH INFLOW FROM FINANCING		<u>100</u>
INCREASE IN CASH IN THE PERIOD		<u>40,781</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	19	
Increase in cash in the period		<u>40,781</u>
Movement in net debt in the period		40,781
Net debt at 1 October 1996		<u>-</u>
Net debt at 31 December 1997		<u>40,781</u>

The company received no income and incurred no expenditure in the previous period.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting and financial reporting standards.

(2) Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes.

(3) Pensions

The cost of providing retirement pensions and related benefits is charged against profits over the periods which benefit from the employees' services.

(4) Deferred taxation

Provision is made and assets recorded, under the liability method in respect of those timing differences which are expected to reverse in the foreseeable future.

(5) Depreciation

Depreciation is calculated so as to write off the cost less estimated residual value of other fixed tangible assets by the straight line method over the period of their useful lives, as follows:

Short leasehold property	Period of lease
Plant, equipment and vehicles	10-50% per annum

(6) Leased assets

Payments under operating leases are charged against profits in the period that the payments accrue.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

2 TURNOVER

Turnover arose from a single class of business originating in the United Kingdom.

3 EMPLOYEES

	Period ended 31 December 1997 £'000
Staff costs:	
Wages and salaries	24,820
Social security costs	1,969
Other pension costs	<u>3,280</u>
	30,069
	<u> </u>
	<u>Number</u>
Average number of employees:	
Direct	931
Indirect and administration	<u>131</u>
	1,062
	<u> </u>

Details of directors' emoluments during the period are as follows:

	Period ended 31 December 1997 £'000
Aggregate emoluments	267
Aggregate amounts receivable under long term incentive schemes	-
	<u> </u>
<u>Highest paid director</u>	
Total emoluments and amounts receivable under long term incentive schemes	202
	<u> </u>

Two of the directors of the company are members of the group defined benefit pension scheme. No contributions were paid to defined contribution pension schemes for the directors of the company in respect of qualifying services in the period. None of the directors received emoluments or other benefits in respect of services during the previous period.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

4 OPERATING PROFIT

Period ended
31 December
1997
£'000

This is stated after charging:

Depreciation of tangible fixed assets

761

Operating lease rentals:

Land and buildings

90

Plant and machinery

3,088

Auditors' remuneration for audit services

31

Auditors' remuneration for other services

-

Loss on sale of fixed assets

-

The result for the period has been adversely affected by £4,090,000 (net) relating to exceptional staff costs.

5 INTEREST RECEIVABLE/PAYABLE

Period ended
31 December
1997
£'000

Interest receivable:

Third parties

841

Interest payable:

Third parties on short-term borrowings

32

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Period ended
31 December
1997
£'000

UK Corporation tax at 31.5%

5,773

Deferred tax (note 10)

(1,309)

4,464

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and equipment £'000	Total £'000
<u>Cost</u>			
Additions	112	1,878	1,990
	<hr/>	<hr/>	<hr/>
At 31 December 1997	112	1,878	1,990
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
Charge for the year	15	746	761
	<hr/>	<hr/>	<hr/>
At 31 December 1997	15	746	761
	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>			
At 31 December 1997	97	1,132	1,229
	<hr/>	<hr/>	<hr/>
<u>Future capital expenditure authorised by the directors:</u>			
			<u>1997</u>
			£'000
Contracted for but not provided for in the accounts			193
			<hr/>

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

8 DEBTORS

	<u>1997</u> £'000
Amounts due within one year:	
Trade debtors	1,678
Other debtors	173
Prepayments and accrued income	<u>482</u>
	<u>2,333</u>

9 CREDITORS

	<u>1997</u> £'000
Amounts falling due within one year:	
Trade creditors	1,911
Amount owed to group undertakings	2,138
Corporation tax	4,464
Other taxation and social security	564
Other creditors	3,867
Accruals and deferred income	23,011
Proposed dividend	<u>1,658</u>
	<u>37,613</u>

All of the amounts above are unsecured. None of the company's assets bear charges or have been used as security for the liabilities of the company or any other party.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

11 DEFERRED TAXATION

	<u>£'000</u>
Profit and loss account:	
Credited during the period (note 6)	<u>(1,309)</u>
Balance at 31 December 1997	<u>(1,309)</u>

The asset recorded in the accounts and full potential deferred taxation asset calculated at 31% are as follows:

	Assets recorded <u>1997</u>	Full potential <u>1997</u>
Accelerated capital allowances	-	(74)
Other timing differences	<u>(1,309)</u>	<u>(1,557)</u>
	<u>(1,309)</u>	<u>(1,631)</u>

12 SHARE CAPITAL

	31 December <u>1997</u> £	30 September <u>1996</u> £
Authorised:		
Ordinary shares of £1 each	<u>100,000</u>	<u>100</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>100,000</u>	<u>2</u>

The authorised and issued share capital consists of 49,000 'A' ordinary shares held by GB Gas Holdings Limited, a wholly owned subsidiary of Centrica plc, and 51,000 'B' ordinary shares held by Group 4 Utility Services Limited. 'A' and 'B' ordinary shares rank equally with regard to voting and dividend rights and entitlement in the event that the company is wound up.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

13 RESERVES

	Profit and loss <u>account</u> £'000
Retained profit for the period	6,630
At 31 December 1997	6,630

14 PENSION ARRANGEMENTS

The company participates in a funded defined benefit scheme operated by Group 4 for employees in the United Kingdom. The assets of the scheme are held separately from the assets of the company or group.

Benefits provided under the scheme are based on final pensionable salaries. Pensions payable are increased in line with annual RPI indexation for the Guaranteed Minimum Pension with any additional pension increased by 3% per annum. The contribution rate is calculated using the projected unit method and in accordance with the recommendations of the independent consulting actuary.

The assets and liabilities of the scheme relating to employees of the company who transferred from British Gas plc have been allocated to a separate plan within the group pension scheme which is closed to any new members. The latest actuarial valuation of this plan was carried out by the independent consulting actuary as at the date of transfer, being 14 October 1996. At that date, the market value of the plan's assets was £18.9 million, and amounted to 100% of the actuarial value of the benefits that had accrued to members, after allowing for expected future increases in earnings and pensions in payment. The main long term actuarial assumptions were an annual rate of return on investments of 9.5%, increases in pensionable salaries of 7% per annum and increases in pensions in payment of 3%. The next actuarial valuation is due on 6 April 1999.

All new employees of the company who participate in the group pension scheme are members of the principal plans, where contributions are based on pension costs across the group as a whole. The latest actuarial valuation of these plans was carried out as at 6 April 1996. Details of this last actuarial valuation are contained in the financial statements of Group 4 Total Security. The next actuarial valuation is due as at 6 April 1999.

The total pension cost charged in the profit and loss account in the current period was £3,280,000. This includes £300,000 included in Accruals and Deferred Income in respect of the amortisation of funding deficits identified subsequent to 14 October 1996 that are being spread over the three years to the next actuarial valuation.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

15 OBLIGATIONS UNDER LEASES

The group has entered into operating leases and has annual commitments under leases expiring as follows:

	1997	
	<u>Land and buildings</u>	<u>Other</u>
	£'000	£'000
Within one year	10	1,044
Between one and five years	<u>91</u>	<u>2,827</u>
	101	3,871
	<u> </u>	<u> </u>

16 PARENT UNDERTAKING

The company is a joint venture between GB Gas Holdings Limited, a subsidiary of Centrica plc, and Group 4 Utility Services Limited, a member of the Group 4 Securitas NV group. The company is a subsidiary of Group 4 Utility Services, which holds 51% of the issued ordinary share capital. Group 4 Utility Services Limited is incorporated in England and Wales.

The accounts of the company are consolidated by Group 4 Securitas (International) BV, a company which is registered in the Netherlands. The largest group of undertakings for which published consolidated financial statements are available is Group 4 Securitas NV, which is registered in the Netherlands Antilles. A copy of the group accounts of Group 4 Securitas NV is available from the Company Secretary, Group 4 Limited, Farncombe House, Broadway, Worcestershire, WR12 7LJ.

The ultimate parent company of Group 4 Securitas NV is Secom Investments II NV which is incorporated in the Netherlands Antilles. Voting rights in Secom Investments II NV are controlled by Skagen Stichting Administratiekantoor, a foundation established under Curacao law which is administered by a management board. This management board comprises NJ Phillip-Sorensen, JA Harrower and JP Van Hilten, who are also officers of the Group 4 Securitas group, as well as Skagen Trustee Company Limited.

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

17 RELATED PARTY DISCLOSURES

During the period to 31 December 1997 the company entered into the following transactions and recorded the following balances with related parties:

<u>Related party</u>	<u>Description</u>	<u>Income/ (expenditure) £'000</u>	<u>Balance receivable/ (payable) £'000</u>
Centrica plc (and subsidiaries thereof)	Meter reading services	80,031	817
As above	Facilities and other services	(3,319)	(255)
Group 4 Securitas NV (and subsidiaries thereof)	Management and administrative services	(2,759)	(2,111)

18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1997 £'000</u>
Operating profit	12,078
Depreciation charges	761
Increase in stocks	-
Increase in debtors	(2,333)
Increase in creditors	31,491
Other non-operating cashflow	<u>38</u>
Net cash inflow from operating activities	<u>42,035</u>

ACCUREAD LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

19 ANALYSIS OF CHANGES IN NET DEBT

	1 October <u>1996</u> £'000	Cash <u>flows</u> £'000	31 December <u>1997</u> £'000
Cash at bank and in hand	-	40,781	40,781
	<u> </u>	<u> </u>	<u> </u>