

AccuRead Limited

Annual report

for the year ended 31 December 1998

Registered number: 3076187



AccuRead Limited

Annual report for the year ended 31 December 1998

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Directors' report for the year ended 31 December 1998

The directors present their report and the audited financial statements of the company for the year ended 31 December 1998.

Principal activities

The principal activity of the company during the year was the provision of meter reading services.

Review of business and future developments

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.

Results and dividends

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

No dividend is proposed in respect of the current year (1997 - £1,658,000). The amount transferred to reserves is set out in the profit and loss account on page 5.

Directors and their interests

The directors of the company during the year ended 31 December 1998 were:

Sir Peter Parker

S G Barney

N J Philip-Sorensen (resigned 31 December 1998)

L G Ottery

J A Harrower

B P Murphy

B A Wallin

S R Brown (appointed 31 December 1998)

R Foley (Alternate director)

S Ross (Alternate director)

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.

**Directors' report
for the year ended 31 December 1998 (continued)****Year 2000 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.

Disabled persons

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. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company to ensure that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

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.

Charitable and political donations

No donations were made for charitable or political purposes.

**Directors' report
for the year ended 31 December 1998 (continued)****Statement of directors' responsibilities**

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

- 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.

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm, PricewaterhouseCoopers and the directors have resolved to appoint PricewaterhouseCoopers to fill the casual vacancy created by the resignation. In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of PricewaterhouseCoopers as auditors to the Company will be put to the Annual General Meeting.

On behalf of the Board**Director**

2 July 1999

Report of the auditors to the members 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

The directors are responsible for preparing the Annual Report, including, as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 regarding directors' remuneration and transactions is not disclosed.

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

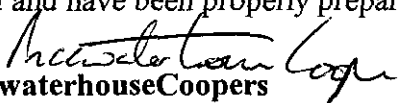
Basis of audit opinion

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 31 December 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
2 July 1999

**Profit and loss account
for the year ended 31 December 1998**

| | Note | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|---|------|--|---|
| Turnover | 2 | 66,495 | 98,446 |
| Cost of sales | | <u>(39,759)</u> | <u>(74,425)</u> |
| Gross profit | | 26,736 | 24,021 |
| Administrative expenses | | <u>(10,996)</u> | <u>(12,078)</u> |
| Operating profit | 3 | 15,740 | 11,943 |
| Interest receivable and similar income | 6 | 1,516 | 841 |
| Interest payable and similar charges | 6 | <u>-</u> | <u>(32)</u> |
| Profit on ordinary activities before taxation | | 17,256 | 12,752 |
| Tax on profit on ordinary activities | 7 | <u>(5,606)</u> | <u>(4,464)</u> |
| Profit for the financial period | | 11,650 | 8,288 |
| Dividends | 8 | - | (1,658) |
| Retained profit for the financial period | 14 | <u>11,650</u> | <u>6,630</u> |

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.


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

The movements on reserves are shown in note 14 to the financial statements.

Balance sheet as at 31 December 1998

| | Note | 31 December 1998 £'000 | 31 December 1997 £'000 |
|---|------|------------------------------|------------------------------|
| Fixed assets | | | |
| Tangible assets | 9 | <u>1,125</u> | <u>1,229</u> |
| Current assets | | | |
| Debtors | 10 | 8,755 | 2,333 |
| Cash at bank and in hand | | <u>24,496</u> | <u>40,781</u> |
| | | 33,251 | 43,114 |
| Creditors: Amounts falling due within one year | 11 | <u>(15,996)</u> | <u>(37,613)</u> |
| Net current assets | | 17,255 | 5,501 |
| Total assets less current liabilities | | <u>18,380</u> | <u>6,730</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 100 | 100 |
| Profit and loss account | 14 | <u>18,280</u> | <u>6,630</u> |
| Equity shareholders' funds | | <u>18,380</u> | <u>6,730</u> |

The financial statements on pages 5 to 18 were approved by the board of directors on 2 July 1999 and were signed on its behalf by:


J.A. Harrower
Director

Reconciliation of movements in equity shareholders' funds for the year ended 31 December 1998

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|--|---|
| Profit for the financial period | 11,650 | 8,288 |
| Dividends | - | (1,658) |
| Retained profit for the financial period | 11,650 | 6,630 |
| New share capital subscribed | - | 100 |
| Net addition to equity shareholders' funds | 11,650 | 6,730 |
| Equity shareholders' funds as at 1 January | 6,730 | - |
| Closing equity shareholders' funds at 31 December | 18,380 | 6,730 |

Cash flow statement for the year ended 31 December 1998

| | Note | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|------|--|---|
| Net cash (outflow)/inflow from operating activities | 15 | (10,772) | 42,035 |
| Returns on investment and servicing of finance | | | |
| Interest received | | 1,652 | 667 |
| Interest paid | | - | (31) |
| Net cash inflow from returns on investments and servicing of finance | | 1,652 | 636 |
| Taxation | | (4,306) | - |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (1,201) | (1,990) |
| Net cash outflow for capital expenditure | | (1,201) | (1,990) |
| Equity dividends paid to shareholders | | (1,658) | - |
| Net cash (outflow)/inflow before use of liquid resources and financing | | (16,285) | 40,681 |
| Management of liquid resources | | | |
| Money market deposits | | 14,820 | (33,000) |
| | | 14,820 | (33,000) |
| Financing | | | |
| Issue of ordinary share capital | | - | 100 |
| Net cash inflow from financing | | - | 100 |
| (Decrease)/increase in net cash | | (1,465) | 7,781 |
| Reconciliation of net cash flow to movement in net funds | | | |
| (Decrease)/increase in cash in the period | | (1,465) | 7,781 |
| Movements in deposits | | (14,820) | 33,000 |
| Movement in net funds in the period | | (16,285) | 40,781 |
| Net funds at 1 Jan 1998/1 October 1996 | | 40,781 | - |
| Net funds at 31 December | 16 | 24,496 | 40,781 |

**Notes to the financial statements
for the year ended 31 December 1998****1 Accounting policies****Basis of accounting**

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

Turnover

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

Pensions

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

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.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost. Provision for depreciation is calculated so as to write off the cost of tangible fixed assets less estimated residual value on a straight line method over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | |
|--------------------------|-----------------|
| Short leasehold property | Period of lease |
| Plant and equipment | 10%-100% |

Operating leases

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

2 Turnover

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

Notes to the financial statements for the year ended 31 December 1998 (continued)

3 Operating profit

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|---|--|--|
| Operating profit is stated after charging: | | |
| Depreciation of tangible fixed assets | 1,305 | 761 |
| Operating lease charges | | |
| Land and buildings | 104 | 90 |
| Plant and machinery | 4,669 | 3,088 |
| Auditors remuneration: | | |
| Audit services | 18 | 31 |
| Non-audit services | 3 | - |
| | <hr/> | <hr/> |

The result for the year has benefited from the release of a surplus restructuring provision of £1,521,000. The result for the period ended 31 December 1997 was adversely affected by exceptional staff costs of £4,090,000.

4 Employee information

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|-----------------------|--|--|
| Staff costs: | | |
| Wages and salaries | 19,306 | 24,820 |
| Social security costs | 1,799 | 1,969 |
| Other pension costs | 1,794 | 3,280 |
| | <hr/> | <hr/> |
| | 22,899 | 30,069 |
| | <hr/> | <hr/> |

The average monthly number of persons (including executive directors) employed by the company during the year was:

| | Number | Number |
|-----------------------------|--------|--------|
| Direct | 1,090 | 931 |
| Indirect and administration | 126 | 131 |
| | <hr/> | <hr/> |
| | 1,216 | 1,062 |
| | <hr/> | <hr/> |

Notes to the financial statements for the year ended 31 December 1998 (continued)

5 Directors' emoluments

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|--|---|
| Aggregate emoluments | 194 | 267 |
| Aggregate amounts receivable under long term incentive schemes | 37 | - |

Two of the directors of the company are accruing pension benefits as members of the group defined benefit pension scheme (1997: 2). No contributions were paid to defined contribution pension schemes for the directors of the company in respect of qualifying services in the period.

6 Interest receivable and payable

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|--|---|
| Interest receivable: | | |
| Third parties | 1,516 | 841 |
| Interest payable: | | |
| Third parties on short-term borrowings | - | 32 |

7 Taxation on profit on ordinary activities

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|--|---|
| Taxation on the profit for the year | | |
| UK Corporation tax at 31% (1997: 31.5%) | 5,681 | 5,773 |
| Deferred tax (note 12) | (75) | (1,309) |
| | 5,606 | 4,464 |

Notes to the financial statements for the year ended 31 December 1998 (continued)

8 Dividends

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|--|--|---|
| Equity – Ordinary | | |
| Final £Nil (1997: £16.58) per £1 share | - | 1,658 |

9 Tangible fixed assets

| | Short Leasehold Property £'000 | Plant And Equipment £'000 | Total £'000 |
|----------------------------|---|------------------------------------|----------------|
| Cost | | | |
| At 1 January 1997 | 112 | 1,878 | 1,990 |
| Additions | 2 | 1,199 | 1,201 |
| Disposals | - | - | - |
| At 31 December 1998 | 114 | 3,077 | 3,191 |
| Depreciation | | | |
| At 1 January 1997 | 15 | 746 | 761 |
| Charge for the year | 26 | 1,279 | 1,305 |
| Disposals | - | - | - |
| At 31 December 1998 | 41 | 2,025 | 2,066 |
| Net book value | | | |
| At 31 December 1998 | 73 | 1,052 | 1,125 |
| At 31 December 1997 | 97 | 1,132 | 1,229 |

Notes to the financial statements for the year ended 31 December 1998 (continued)

10 Debtors

| | 31 December 1998 £'000 | 31 December 1997 £'000 |
|--------------------------------|------------------------------|------------------------------|
| Trade debtors | 8,343 | 1,678 |
| Other debtors | 41 | 173 |
| Prepayments and accrued income | 371 | 482 |
| | <u>8,755</u> | <u>2,333</u> |

11 Creditors: Amounts falling due within one year

| | 31 December 1998 £'000 | 31 December 1997 £'000 |
|------------------------------------|------------------------------|------------------------------|
| Trade creditors | 1,116 | 1,911 |
| Amount owed to group undertakings | 456 | 2,138 |
| Corporation tax | 5,843 | 4,464 |
| Other taxation and social security | 846 | 564 |
| Other creditors | 3,054 | 3,867 |
| Accruals and deferred income | 4,681 | 23,011 |
| Proposed dividend | - | 1,658 |
| | <u>15,996</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.

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

12 Deferred taxation

| | £'000 |
|-------------------------------------|--------------------|
| As at 1 January 1998 | (1,309) |
| Transferred to corporation tax | 1,309 |
| Credited to profit and loss account | (75) |
| As at 31 December 1998 | <u>(75)</u> |

The asset recorded in the accounts and full potential deferred taxation asset calculated at 30% (1997 : 31%) are as follows:

| | Assets Recorded 1998 £'000 | Full Potential 1998 £'000 | Assets Recorded 1997 £'000 | Full Potential 1997 £'000 |
|--------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| Accelerated capital allowances | - | (185) | - | (74) |
| Other timing differences | (75) | (255) | (1,309) | (1,557) |
| | <u>(75)</u> | <u>(440)</u> | <u>(1,309)</u> | <u>(1,631)</u> |

13 Share capital

| | 31 December 1998 £'000 | 31 December 1997 £'000 |
|---|------------------------------|------------------------------|
| Authorised, allotted, issued and fully paid: | | |
| 100,000 Ordinary shares of £1 each | <u>100</u> | <u>100</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.

Notes to the financial statements for the year ended 31 December 1998 (continued)

14 Reserves

| | Profit and loss account £'000 |
|------------------------------|-------------------------------------|
| As at 1 January 1998 | 6,630 |
| Retained profit for the year | 11,650 |
| As at 31 December 1998 | <u>18,280</u> |

15 Net cash flow from operating activities

| | Year ended 31 December 1998 £'000 | 15 months ended 31 December 1997 £'000 |
|---|--|---|
| Operating profit | 15,740 | 11,943 |
| Depreciation charges | 1,305 | 761 |
| Increase in debtors | (6,479) | (2,160) |
| (Decrease)/increase in creditors | <u>(21,338)</u> | <u>31,491</u> |
| Net cash (outflow)/inflow from operating activities | <u>(10,772)</u> | <u>42,035</u> |

16 Analysis of changes in net funds

| | As at 1 January 1998 £'000 | Cash Flows £'000 | As at 31 December 1998 £'000 |
|--------------------------|-------------------------------------|------------------------|---------------------------------------|
| Cash at bank and in hand | 7,781 | (1,465) | 6,316 |
| Liquid resources | <u>33,000</u> | <u>(14,820)</u> | <u>18,180</u> |
| | <u>40,781</u> | <u>(16,285)</u> | <u>24,496</u> |

Liquid resources comprise short term deposits with banks which mature within 12 months of the date of inception.

Notes to the financial statements for the year ended 31 December 1998 (continued)

17 Pension commitments

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 £1,794,000 (1997: £3,280,000).

18 Capital commitments

| | 1998 £'000 | 1997 £'000 |
|---|---------------|---------------|
| Contracted for but not provided for in the accounts | 528 | 193 |

Notes to the financial statements for the year ended 31 December 1998 (continued)

18 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable leases expiring as follows:

| | 1998 | | 1997 | |
|----------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Within one year | 27 | 1,597 | 10 | 1,044 |
| Between two and five years | 95 | 3,067 | 91 | 2,827 |
| | <u>122</u> | <u>4,664</u> | <u>101</u> | <u>3,871</u> |

19 Related party transactions

During the year to 31 December 1998 the company entered into the following transactions and recorded the following balances with related parties:

| Related party | Description of transaction | Income/ (expenditure) £'000 | Balance receivable/ (payable) £'000 |
|--|---|-----------------------------------|--|
| Centrica plc (and subsidiaries thereof) | Meter reading services | 55,516 | 4,815 |
| Group 4 Securitas (Int'l) BV | Business support services | (1,330) | (312) |
| Group 4 Securitas NV (and subsidiaries thereof) | Management and Administrative services | <u>(604)</u> | <u>(57)</u> |

**Notes to the financial statements
for the year ended 31 December 1998 (continued)****20 Ultimate 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 Philip-Sorensen, JA Harrower, I Bogaert and JP van Hilten, who are also officers of Group 4 Securitas group, as well as Skagen Trustee Company Limited.