

Securicor Custodial Services Limited

FINANCIAL STATEMENTS

for the year ended

30 September 1998



Securicor Custodial Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

HW McKay
PM Stansfield
MWH Branch
JE Metcalfe
FM Walters
CH Petley
MA Ryan
JP Edwards
TL Dighton
JJ Pack
DJ Beaton
DG Cowden

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 1998.

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 increased growth and profitability during the year.

The operation of the Metropolitan Court Custody & Escort contract continues, attaining high levels of performance.

HMP Parc in Bridgend commenced operations, one month early, in November 1997. This Private Finance Initiative (PFI) contract runs for 25 years and requires the provision of 800 available prisoner places. Securicor worked together with Costain/Skanska JV, WS Atkins and John Seifert Architects to deliver this pathfinder project on time and to budget.

The company has successfully operated the pilot scheme of electronic monitoring of offenders. It has also been awarded the Northern region of the expanded scheme covering the implementation of Home Detention Curfew and the expansion of Criminal Justice Act Curfew Orders. This contract commences in January 1999 and constitutes nearly 35% of the national requirement.

The company looks forward to continuing success working closely with the Home Office in the provision of custodial and related services.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 7.

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office during the year:

HW McKay	
PM Stansfield	
MWH Branch	
JE Metcalfe	
CH Petley	
MA Ryan	
JP Edwards	
DG Cowden	(appointed 27 November 1998)
TL Dighton	(appointed 2 January 1998)
JJ Pack	(appointed 2 January 1998)
DJ Beaton	(appointed 29 July 1998)
FM Walters	
AG French	(resigned 30 April 1998)
RG Hawkins	(resigned 2 January 1998)
IS Parry	(resigned 2 January 1998)
RF Powell	(resigned 1 October 1998)

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 ultimate parent company, Securicor plc.

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

	Number of shares
PM Stansfield	8,490
MWH Branch	5,660
JE Metcalfe	4,680
CH Petley	4,980
MA Ryan	6,220
JP Edwards	5,370
TL Dighton	14,490
DJ Beaton	13,120
FM Walters	5,660

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.

The number of creditor days at 30 September 1998 was 22.

CHARITABLE DONATIONS

The total charitable donations made in the year amounted to £40,441.

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 in-house magazine, 'Securicor News', and the company's in-house newsletter.

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

YEAR 2000

A centrally managed programme is being undertaken to address the impact on the business of the Year 2000. Many of the company's systems are already compliant and the directors anticipate that the programme will be completed by the end of 1999.

INTRODUCTION OF THE EURO

All relevant parts of the company will be able to handle euro transactions when required.

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

11 January 1999

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 1998 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

11 January 1999

Securicor Custodial Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1998

	<i>Notes</i>	1998 £	1997 £
TURNOVER	2	39,705,603	25,592,500
Cost of sales		(33,294,849)	(20,418,858)
Gross profit		6,410,754	5,173,642
Administration expenses		(4,077,627)	(3,786,061)
OPERATING PROFIT		2,333,127	1,387,581
Interest payable	1	(30,878)	(4,172)
Interest receivable		5,366	103,894
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,307,615	1,487,303
Taxation	4	448,407	484,101
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	12	1,859,208	1,003,202

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

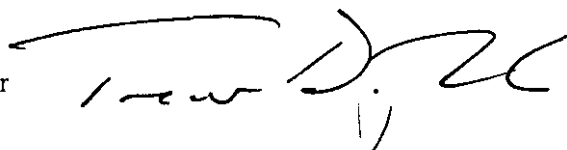
30 September 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	5	207,589	189,671
Investments	6	102	-
		<u>207,691</u>	<u>189,671</u>
CURRENT ASSETS			
Stocks	7	220,147	54,256
Debtors	8	8,936,169	7,848,682
Cash at bank and in hand		906,205	461,327
		<u>10,062,521</u>	<u>8,364,265</u>
CREDITORS: Amounts falling due within one year	9	(6,240,995)	(6,383,927)
NET CURRENT ASSETS		<u>3,821,526</u>	<u>1,980,338</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,029,217</u>	<u>2,170,009</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,500,000	1,500,000
Profit and loss account	12	2,529,217	670,009
		<u>4,029,217</u>	<u>2,170,009</u>

Debtors and net current assets include amounts receivable in more than one year totalling £3,480,794 (1997: £4,165,540).

Approved by the board on 11 January 1999
and signed on its behalf by

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 3 to 5 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. Provision is made for obsolete and slow-moving items.

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

LEASING

All company 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 1998

	1998	1997
	£	£
1 INTEREST PAYABLE		
On bank loans, overdrafts and other loans repayable within 5 years	30,878	4,172

	1998	1997
	£	£
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 102,443 49,134

Operating lease rentals:

land and buildings 404,743 439,149

plant and equipment 926,496 357,901

Auditors' remuneration

- audit 14,000 12,500

- other services 15,085 -

Turnover derived from the company's principal activity and all sales were made in the United Kingdom.

	1998	1997
	No.	No.
3 EMPLOYEES		

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

Office and management 39 35

Operational 1,250 969

1,289 1,004

1998 1997
£ £

Staff costs for the above persons:

Wages and salaries 19,672,382 13,875,342

Social security costs 1,834,719 1,310,654

Other pension costs 202,833 179,015

21,709,934 15,365,011

PENSIONS

The company's share of the costs of the Group's defined benefit pension scheme amounted to £151,995 (1997: £141,260).

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 1997. 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.

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

3 EMPLOYEES (*continued*)

DIRECTORS' REMUNERATION

1998	1997
£	£

Directors' emoluments (including pension contributions and benefits in kind)

995,536	480,222
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The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

1998	1997
£	£

The highest paid director

317,677	108,057
---------	---------

Compensation for loss of office

60,000	-
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The highest paid director
Accrued pension entitlement

20,197	15,778
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4 TAXATION

1998	1997
£	£

Based on the profit for the year:

UK corporation tax at 31% (1997: 32%)

448,407	484,101
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5 TANGIBLE FIXED ASSETS

Fixtures,
fittings &
equipment
£

Cost:

1 October 1997

315,196

Additions

115,181

Intra group transfers

9,559

30 September 1998

439,936

Depreciation:

1 October 1997

125,525

Charged in the year

102,443

Intra group transfers

4,379

30 September 1998

232,347

Net book value

30 September 1998

207,589

30 September 1997

189,671

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

6	INVESTMENTS	Subsidiary undertakings £
	Cost	
	1 October 1997	-
	Additions	102
	30 September 1998	<u>102</u>

	Percentage holding	Issued share capital	Activity
Securicar Limited	100%	100	Dormant
Securicom Limited	100%	2	Dormant

Both the above companies are registered in England and Wales.

The accounts present information about the company as an individual undertaking, as the company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985. The ultimate holding company, Securicor plc, which is registered in England and Wales, produces consolidated accounts in which Securicor Custodial Services Limited is included.

	1998 £	1997 £
7	STOCKS	
	Raw materials and consumables	220,147 54,256
		<u> </u> <u> </u>
	1998 £	1997 £
8	DEBTORS	
	Due within one year:	
	Trade debtors	1,179,141 1,790,231
	Amounts owed by fellow subsidiary undertakings	109,500 82,373
	Amounts owed by associated undertakings	2,261,834 -
	Other debtors	6,114 14,646
	Prepayments and accrued income	1,898,786 1,795,892
		<u>5,455,375</u> <u>3,683,142</u>
	Due in more than one year:	
	Prepayments and accrued income	- 1,229,540
	Amount owed by parent and fellow subsidiary undertakings	3,480,794 2,936,000
		<u>8,936,169</u> <u>7,848,682</u>

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

	1998 £	1997 £
9 CREDITORS: Amounts falling due within one year		
Trade creditors	844,763	693,983
Amounts owed to fellow subsidiary undertakings	1,420,508	1,485,285
Amounts owed to associated undertakings	8,368	14,076
Other taxation and social security costs	1,368,362	1,102,355
Corporation tax	450,492	486,085
Other creditors	76,206	39,301
Accruals and deferred income	2,072,296	2,562,842
	<u>6,240,995</u>	<u>6,383,927</u>

10 PROVISION FOR LIABILITIES AND CHARGES

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

	1998 Full potential liability £	Amount provided £	1997 Full potential liability £	Amount provided £
Differences between accumulated depreciation and capital allowances	29,000	-	7,000	-
Other timing differences	-	-	13,000	-
	<u>29,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>

11 SHARE CAPITAL

Authorised:

20,000,000 ordinary shares of £1 each

1998
£

20,000,000

Allotted, issued and fully paid:

1,500,000 ordinary shares of £1 each

1,500,000

12 PROFIT AND LOSS ACCOUNT

1 October 1997

Profit for the year

30 September 1998

1998
£

670,009

1,859,208

2,529,217

1997
£

(333,193)

1,003,202

670,009

Securicor Custodial Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

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 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £		1997 £	
	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment
expiring in the first year	-	268,537	41,900	81,454
expiring in the second to fifth year	470,622	-	421,488	-
	<u>470,622</u>	<u>268,537</u>	<u>463,388</u>	<u>81,454</u>

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.

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 stating that transactions do not need to be disclosed with companies where 90% or more of the voting rights are controlled within the group.

The company is related by way of a 40% group shareholding to Bridgend Custodial Services Limited and a 50% group shareholding to Phoenix World Travel Limited.

The following transactions occurred with these companies during the year, together with the related year end positions.

	Turnover £	Cost of sales £	Debtor £	Creditor £
Bridgend Custodial Services Limited	9,844,504	133	2,261,834	-
Phoenix World Travel Limited	-	111,810	-	8,368
	<u>9,844,504</u>	<u>111,810</u>	<u>2,261,834</u>	<u>8,368</u>