

Securicor Vehicle Services Limited

FINANCIAL STATEMENTS

for the year ended

30 September 1998



Company Registration No. 1117740

Securicor Vehicle Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

A R Hines
K J Chatterton
C D Needs
J L Rogers
R C Casling
P D Howes

SECRETARY

A P Munson

COMPANY NUMBER

1117740 (England and Wales)

REGISTERED OFFICE

Sutton Park House
15 Carshalton Road
Sutton
Surrey SM1 4LD

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

Securicor Vehicle Services Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Securicor Vehicle Services Limited for the year ended 30 September 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the provision of a total transport management service to the operating companies within the Securicor Group involving the supply and maintenance of nearly 8,000 vehicles. In addition, vehicle maintenance and fleet management expertise is provided to third parties

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

This year has seen a major transition away from the provision of management services for highly specialised security vehicles. The company sold its fleet of security vehicles to one of its fellow subsidiaries at the start of the year.

The company has developed strong relationships in the motor industry which have allowed it to reduce the concentration on in house maintenance and to buy in services through vehicle suppliers. More attention can now be focussed on being a Fleet Management company, providing and managing the optimum vehicle to the customer.

Working closely with the government, the company has become the first major commercial fleet user of LPG fuelled vehicles. This year will see a further increase in the proportion of LPG powered vehicles in the company's fleet. With escalating fuel duty, fuel performance is high on the agenda of fleet operators. Significant progress has been made in the year to harness the services of a sister company to incorporate fuel performance information into the management of the fleet.

POST BALANCE SHEET EVENTS

In November 1998 Securicor plc entered into a conditional agreement to transfer this company into a joint venture company which will be under the joint control of Securicor plc and Deutsche Post AG.

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.

RESULTS AND DIVIDENDS

The trading loss for the year after taxation was £4,577,000. The directors do not recommend the payment of a dividend.

The directors consider that the company's state of affairs are satisfactory.

DIRECTORS

The following directors have held office since 1 October 1997:-

A R Hines	
A P Bristow	(Resigned 28 October 1998)
K J Chatterton	
D G Cowden	(Resigned 31 July 1998)
J L Rogers	
R C Casling	
P D Howes	
C D Needs	(Appointed 28 January 1998)

Securicor Vehicle Services Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

	<i>Number of Shares</i> 1998
AR Hines	16,070
CD Needs	5,700
KJ Chatterton	5,700
JL Rogers	4,810

FIXED ASSETS

Capital expenditure during the year amounted to £2,429,000 (1997: £13,005,000) of which £2,299,000 (1997: £12,631,000) related to vehicles. The movement of tangible fixed assets during the year is shown in note 8 to the financial statements.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the aggregate value of properties at 30 September 1998 is not less than the amount at which they are shown in the financial statements.

EMPLOYEE INVOLVEMENT

The company has continued its practice of keeping employees informed on a regular basis of current activities, progress and general matters of interest by various methods including the circulation on an individual basis of the in-house magazine, the 'Securicor News', conferences and regular area meetings.

EMPLOYMENT OF DISABLED PERSONS

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

PAYMENT OF SUPPLIERS

It is 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.

TAX STATUS

The directors consider that the company is not a 'close company' as defined by the Income and Corporation Taxes Act 1988.

Securicor Vehicle Services Limited

DIRECTORS' REPORT

SHARE CAPITAL

The authorised and issued share capital of the company at 30 September 1998 is shown in note 15 to the financial statements.

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, Registered Auditors, are deemed to be reappointed for the forthcoming year.

By order of the board



A P MUNSON
Secretary

29 December 1998

Securicor Vehicle 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, 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 VEHICLE SERVICES LIMITED

We have audited the financial statements on pages 7 to 17.

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 of 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 loss 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

29 December 1998

Securicor Vehicle Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1998

	<i>Notes</i>	1998 £'000	1997 £'000
TURNOVER	1	68,861	74,268
Cost of Sales		63,184	67,895
Gross profit		5,677	6,373
Other operating expenses (net)	2	4,713	3,480
OPERATING PROFIT		964	2,893
Exceptional item	3	(6,050)	-
Interest payable	4	1,361	3,449
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(6,447)	(556)
Taxation	7	(1,870)	(731)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED	16	(4,577)	175

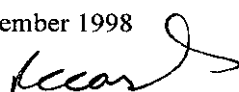
The operating profit for the year arises from the company's continuing operations.

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.

Securicor Vehicle Services Limited

BALANCE SHEET

30 September 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	15,895	50,152
Investments	9	-	700
		<hr/> 15,895	<hr/> 50,852
CURRENT ASSETS			
Stocks	10	107	613
Debtors due within one year	11	8,897	10,088
Debtors due after more than one year	11	5,837	5,837
		<hr/> 14,841	<hr/> 16,538
CREDITORS: Amounts falling due within one year	12	18,045	13,898
		<hr/> (3,204)	<hr/> 2,640
NET CURRENT (LIABILITIES) / ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		12,691	53,492
CREDITORS: Amounts falling due after more than one year	13	9,882	46,106
		<hr/> 2,809	<hr/> 7,386
CAPITAL AND RESERVES			
Called up share capital	15	3,000	3,000
Profit and loss account	16	(191)	4,386
		<hr/> 2,809	<hr/> 7,386
EQUITY SHAREHOLDERS' FUNDS	17	<hr/> 2,809	<hr/> 7,386
Approved by the board on 29 December 1998			
Director			

Securicor Vehicle Services Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The company has taken advantage of the exemption conferred by Financial Reporting Standard No 1 and has not produced a cash flow statement.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

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

Freehold properties	over 50 years
Long term leasehold buildings	over 50 years
Short term leasehold buildings	over the period of the lease
Equipment	4 - 10 years
Motor vehicles	2 - 10 years
Computer equipment	4 - 5 years

STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. 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.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

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

PENSIONS CONTRIBUTIONS

The company is included in the Group defined benefit pension scheme. The contributions to the schemes are charged to the profit and loss account on a basis that spreads the expected cost of providing pensions over the employees' working lives with the Group.

TURNOVER

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

CONTRACT HIRE INCOME

Contract hire income is credited to the profit and loss account so that the income and expenditure are matched over the duration of the related contracts.

Securicor Vehicle Services Limited

ACCOUNTING POLICIES

MAINTENANCE OF CONTRACT VEHICLES

Income received in respect of maintenance is deferred and subsequently credited to the profit and loss account so that it matches expenditure to be incurred over the duration of the related contracts.

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity. Sales were all made in the UK.

2	OTHER OPERATING EXPENSES (NET)	1998 £'000	1997 £'000
	Administration expenses	5,478	6,853
	Other operating income	(765)	(3,373)
		<u>4,713</u>	<u>3,480</u>
		<u><u>4,713</u></u>	<u><u>3,480</u></u>
3	EXCEPTIONAL ITEM	1998 £'000	1997 £'000
	Restructuring	4,624	-
	Salaried bonus	1,426	-
		<u>6,050</u>	<u>-</u>
		<u><u>6,050</u></u>	<u><u>-</u></u>
4.	INTEREST PAYABLE	1998 £'000	1997 £'000
	Interest receivable from group undertakings	-	(21)
	Other interest receivable	(34)	(45)
	Interest paid to group undertakings	1,238	3,258
	Finance leases and hire purchase interest	23	71
	Interest on bank loans and overdrafts	134	186
		<u>1,361</u>	<u>3,449</u>
		<u><u>1,361</u></u>	<u><u>3,449</u></u>
5.	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1998 £'000	1997 £'000
	Loss on ordinary activities before taxation is stated after charging/(crediting):		
	Aggregate rentals receivable under operating leases	(52,652)	(57,964)
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the year:		
	owned assets	7,965	19,067
	Profit on disposals	(765)	(3,373)
	Operating lease rentals:		
	Vehicles, plant and machinery	26,150	17,865
	Land and buildings	1,075	1,179
	Auditors' remuneration	33	33
	Loss on disposal of investment (note 10)	150	-
		<u><u>150</u></u>	<u><u>-</u></u>

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

6.	EMPLOYEES	1998 No.	1997 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Management	8	31
	Administration	86	110
	Operational	268	370
		—	—
		362	511
		==	==
		1998	1997
		£'000	£'000
	Staff costs for the above persons:		
	Wages and salaries	7,386	9,695
	Social security costs	703	753
	Other pension costs	413	563
		—	—
		8,502	11,011
		==	==
	DIRECTORS' REMUNERATION	1998	1997
		£	£
	Aggregate emoluments	358,230	438,159
	Compensation for loss of office	-	60,000
		—	—
		358,230	498,159
		==	==
	Highest paid director		
	Aggregate emoluments	106,962	117,638
		==	==
	Accrued pension at end of year	16,899	16,555
		==	==
		1998	1997
	The number of directors to whom relevant benefits are accruing under defined benefit pension schemes was:	No.	No.
		6	6
		==	==

The company's share of the costs of the Group's defined benefit pensions schemes amounted to £413,000 (1997: £563,000).

The pension costs are assessed on the advice of independent qualified actuaries using the projected unit credit method. The most recent actuarial valuation was 6 April 1997. The assets of the schemes are held in separate trustee administered funds.

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

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

7.	TAXATION	1998 £000	1997 £000
	Based on the loss for the year:		
	Group relief receivable	(1,870)	(731)
		<u>(1,870)</u>	<u>(731)</u>

8. TANGIBLE FIXED ASSETS

	<i>Freehold Properties</i>	<i>Leasehold Long term</i>	<i>Properties Short term</i>	<i>Vehicles held for use in Operating Leases</i>	<i>Furniture fixtures & equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
1 October 1997	746	384	1,092	105,584	4,544	112,350
Additions	-	-	-	2,299	130	2,429
Disposals	-	-	-	(19,206)	(1,672)	(20,878)
Transfers to group companies	-	-	(442)	(54,820)	-	(55,262)
30 September 1998	<u>746</u>	<u>384</u>	<u>650</u>	<u>33,857</u>	<u>3,002</u>	<u>38,639</u>
Depreciation						
1 October 1997	202	67	566	58,313	3,050	62,198
Provision for year	32	7	57	7,415	454	7,965
Disposals	-	-	-	(15,121)	(1,412)	(16,533)
Transfer to group companies	-	-	(221)	(30,665)	-	(30,886)
30 September 1998	<u>234</u>	<u>74</u>	<u>402</u>	<u>19,942</u>	<u>2,092</u>	<u>22,744</u>
Net book value						
30 September 1998	<u>512</u>	<u>310</u>	<u>248</u>	<u>13,915</u>	<u>910</u>	<u>15,895</u>
30 September 1997	<u>544</u>	<u>317</u>	<u>526</u>	<u>47,271</u>	<u>1,494</u>	<u>50,152</u>

The Net Book Value of assets held under finance leases was £154,000 (1997:£730,000)

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

9.	FIXED ASSETS INVESTMENTS	£'000	
	Associated undertakings		
	Shares at cost		
	At 1 October 1997		700
	Disposals		(700)
	At 30 September 1998		-
	During the year the company disposed of its investment in Eurotruck Contract Hire (ECL), a 50:50 joint venture with Iveco Ford for £550,000 generating a loss of £150,000.		
10.	STOCKS	1998	1997
		£'000	£'000
	Raw materials, components and consumables	107	613
11.	DEBTORS	1998	1997
		£'000	£'000
	Due within one year		
	Trade debtors	719	837
	Amounts owed by group undertakings	4,240	5,119
	Other debtors	1,459	1,454
	Prepayments and accrued income	1,241	1,947
	Corporation tax repayment	1,238	731
		8,897	10,088
	Due in more than one year		
	Amount owed by group undertakings	5,837	5,837
		14,734	15,925
12.	CREDITORS: Amounts falling due within one year	1998	1997
		£'000	£'000
	Bank loans and overdrafts	1,759	1,812
	Trade creditors	1,996	1,458
	Amounts owed to group undertakings	937	1,775
	Other taxation and social security	192	223
	Other creditors	1,323	972
	Accruals and deferred income	2,749	7,255
	Amounts due under finance leases	69	403
		18,045	13,898

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

13.	CREDITORS: Amounts falling due in more than one year	1998 £'000	1997 £'000
	Amount owed to group undertakings	9,682	45,797
	Amounts due under finance leases:		
	in the first to second year	-	69
	Deferred income	200	240
		<hr/>	<hr/>
		9,882	46,106
		<hr/>	<hr/>

The 1997 comparative has been restated to show an amount of £45,797 owed to group undertakings as an amount due after more than one year which was previously shown as due in less than one year.

14. PROVISIONS FOR LIABILITIES AND CHARGES

No provision has been made in the financial statements for deferred taxation.

The amount of deferred taxation in respect of accelerated capital allowances and other timing differences calculated by the liability method for which no provision has been made is £992,000 (1997: £2,034,000).

15.	SHARE CAPITAL	1998 £'000	1997 £'000
	Authorised		
	5,000,000 ordinary shares of £1 each	5,000	5,000
		<hr/>	<hr/>
	Allotted, issued and fully paid		
	3,000,000 ordinary shares of £1 each	3,000	3,000
		<hr/>	<hr/>
16.	PROFIT AND LOSS ACCOUNT	1998 £'000	1997 £'000
	1 October 1997	4,386	4,211
	Retained (loss)/ profit for the year	(4,577)	175
		<hr/>	<hr/>
	30 September 1998	(191)	4,386
		<hr/>	<hr/>

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

17.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £'000	1997 £'000
	(Loss) / Profit after taxation	(4,577)	175
	Net (reduction)/addition to shareholders' funds	(4,577)	175
	Opening shareholders' funds	7,386	7,211
	Closing shareholders' funds	2,809	7,386

18.	CAPITAL COMMITMENTS	1998 £'000	1997 £'000
	Capital expenditure contracted for but not provided in the financial statements	-	32

19. COMMITMENTS UNDER OPERATING LEASES

At 30 September 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £'000	1997 £'000
Land and buildings		
expiring within 1 year	6	15
expiring between 2 and 5 years	313	146
expiring after five years	756	1,018
	1,075	1,179
Other:		
expiring within 1 year	4,683	2,160
expiring between 2 and 5 years	20,485	15,636
expiring after 5 years	515	360
	25,683	18,156

20. 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 together with certain other companies is jointly and severally liable under the terms of a guarantee provided in respect of a revolving credit loan facility granted to Security Services Plc, a fellow subsidiary of Securicor Plc.

Securicor Vehicle Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1998

21. ULTIMATE HOLDING COMPANY

The Company's immediate parent company is Securicor Distribution Services Ltd and its ultimate parent company is Securicor Plc, both companies being registered in England and Wales. Copies of the financial statements of Securicor Plc can be obtained from Sutton Park House, 15 Carshalton Road, Sutton, Surrey, SM2 4LD.

In November 1998 Securicor plc entered into a conditional agreement to transfer this company into a joint venture company which will be under the joint control of Securicor plc and Deutsche Post AG.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.