Security Monitoring Centres Limited
(Registered Number: 318215)

Annual report
for the year ended 31 December 2010

Security Monitoring Centres Limited

Security Monitoring Centres Limited

Directors' report
for the year ended 31 December 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

Principal activities

The principal activities of the company are the provision of integrated monitoring and emergency response services

Review of business and future developments

The directors are satisfied with the level of business activity, the results for the year, the year end financial position and anticipate satisfactory sustained performance in the foreseeable future

Future developments in the business of the company will continue to focus on the provision of high technology based monitoring and emergency response services to our customers These activities complement the fire and electronic security equipment installation and service businesses that are also part of the wider UK security industry

The UK monitored alarms security market is currently estimated to be reducing in line with the reduced level of overall business activity within the UK economy and is also suffering from monitoring over capacity resulting in downward pressures on price It is against this scenario that the company's results should be assessed

Key performance indicators

The key financial highlights and performance indicators of the business are as follows

	2010	2009	2008
Turnover	**£43,269,000**	£45,736,000	£42,539,000
Turnover growth	**(5 4)%**	7 5%	48 5%
Operating profit margin	**17 7%**	18 7%	21 8%
Operating profit	**£7,652,000**	£8,543,000	£9,260,000

Results and dividends

The company's profit for the financial year is £7,992,000 (2009 profit £9,253,000), which will be transferred to reserves

A dividend of £1 60 per £1 share amounting to £9,252,479 was paid on 6th August 2010 (2009 £1 59 per £1 share amounting to £9,189,759)

Directors

The directors of the company during the year and up to the date of signing these financial statements were as follows

J S Savage
C A Bagguley (appointed 2nd February 2010)
S Bennison (resigned 2nd February 2010)

Directors' indemnities

The Company maintains liability insurance for its directors and officers The Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 These liability and indemnity provisions remain in force at the date of this report

Directors' report
for the year ended 31 December 2010 (continued)

Research and development

The company continues to commit resources to research and development where this activity is necessary to the growth of its business

Supplier payment policy

The company's policy is to agree payment terms with suppliers at the outset and to abide by these agreed terms of payment Trade creditors at 31 December 2010 were equivalent to 40 (2009 33) days purchases, based on the average daily amount invoiced by suppliers during the year

Employee involvement

The company places considerable value on the involvement of its employees Appropriate personnel and remuneration policies are in place to ensure that the company can attract, retain and motivate personnel, irrespective of their race, age, sex, marital status or national origin

The company recognises the need to ensure effective communication and consultation with employees, and continues to keep employees informed on matters affecting them as employees and on the various factors affecting the performance of the company and of the group This is achieved through formal and informal employees meetings Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Employment of disabled persons

It is the policy of the company to give full and fair consideration to applications for employment from people with disabilities, and also in relation to training, promotion and career development, having regard to their aptitudes and disabilities, special arrangements are made to support the continued employment of those who become disabled

Financial risk management policies

The directors review the company's financial risk profile and agree policies for managing financial risks

Credit risk

The company's principal financial assets are cash at bank, intercompany debt, trade debtors and other debtors The credit risk is primarily attributable to its trade debtors The amounts presented in the balance sheet are net of allowances for doubtful debts Cash collections are monitored on a regular basis

Liquidity risk

Liquidity risk is managed centrally by the company's ultimate parent

Foreign exchange risk

The majority of the company's transactions are denominated in sterling, the directors do not believe that there is a significant foreign exchange risk

Directors' report
for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that,

1) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and

2) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Approved by the Board of Directors and signed on its behalf by:

C A BAGGULEY

DIRECTOR

29TH JULY 2011

Independent auditors' report to the members of Security Monitoring Centres Limited

We have audited the financial statements of Security Monitoring Centres Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Martin

David Martin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

29 July 2011

Security Monitoring Centres Limited

Profit and loss account for the year ended 31 December 2010

	Note	**2010 £'000**	2009 £'000
Turnover	*2*	**43,269**	45,736
Cost of sales		**(29,266)**	(30,776)
Gross profit		**14,003**	14,960
Selling and Distribution costs		**(654)**	(513)
Administrative expenses		**(5,697)**	(5,904)
Operating profit	*3*	**7,652**	8,543
Income from shares in group undertakings		**300**	428
Profit on ordinary activities before taxation		**7,952**	8,971
Tax on profit on ordinary activities	*6*	**40**	282
Profit for the financial year	*16*	**7,992**	9,253

All items dealt with in the profit and loss account relate to continuing operations

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

The Company has no recognised gains and losses other than those included in the results above and therefore no statement of recognised gains and losses has been presented

Security Monitoring Centres Limited

Registered Number : 318215

Balance sheet at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	*8*	**7,010**	9,353
Tangible assets	*9*	**1,014**	974
Investments	*10*	**-**	-
		8,024	10,327
Current assets			
Stock	*11*	**2**	3
Debtors	*12*	**25,656**	26,010
Cash at bank and in hand		**18,276**	15,353
		43,934	41,366
Creditors amounts falling due within one year	*13*	**(35,328)**	(33,955)
Net current assets		**8,606**	7,411
Total assets less current liabilities		**16,630**	17,738
Provisions for liabilities	*14*	**(26)**	(136)
Net assets		**16,604**	17,602
Capital and reserves			
Called up share capital	*15*	**5,790**	5,790
Revaluation reserve	*16*	**7**	7
Share premium account	*16*	**2,552**	2,552
Capital contribution	*16*	**262**	-
Profit and loss account	*16*	**7,993**	9,253
Total shareholders' funds	*17*	**16,604**	17,602

The financial statements on pages 5 to 19 were approved by the Board of Directors on 29th July 2011 and were signed on its behalf by

C A BAGGULEY - DIRECTOR

29TH JULY 2011

Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies

A summary of the principal accounting policies which have been consistently applied are as follows

Basis of accounting

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and Companies Act 2006

Turnover

Turnover is stated net of value added tax and trade discounts Turnover from the sale of goods is recognised when the goods are physically delivered to the customer Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due Where a contract has only been partly completed at the balance sheet date turnover represents the value of service provided to date based on a proportion of the total contract value Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of "Creditors amounts falling due within one year "

Research and Development

Research and development expenditure, other than that specifically recoverable under contracts, is expensed to the profit and loss account in the year in which it is incurred

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful lives using the straight line basis

The principal estimated useful economic lives used for this purpose are

	No of years
Freehold buildings	10-20
Leasehold land and buildings	Over the term of the lease
Plant, machinery and equipment	3-10
Fixtures, fittings and computer equipment	3-5
Software	3-5
Equipment on lease or hire	Over the term of the lease

Freehold land is not depreciated

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value Where necessary, provision is made for obsolete, slow moving and defective stock

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, represents the excess of the fair value of purchase consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised to the profit and loss account, in equal instalments over its useful economic life, which is 5 years Provision is made for any impairment

Goodwill is reviewed for impairment at the end of the year of acquisition and then at any other time where events or changes in circumstances indicate that the carrying value may be impaired Any impairment adjustment is charged to the profit and loss account in the period in which it arises

Investments

Fixed asset investments are held at historical cost less provision for improvement

The Directors consider the carrying value of fixed asset investments on an annual basis and where it is considered that the carrying value exceeds replacement cost or net value in use the value is adjusted accordingly

Foreign currencies

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

1 Principal accounting policies (continued)

Finance Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease" The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

Share based payments

The Company participates in an equity settled, share based compensation plan The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the profit and loss account The credit entry is taken to reserves because the equity is issued by the parent Company, United Technologies Corporation

Provision for liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Pension costs

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge disclosed in note 20 represents contributions payable by the company into the fund

The majority of the Company's employees are members of either the Chubb Security Pension Fund or the Chubb Pension Plan These defined benefit schemes are funded by contributions partly from the employees and partly from the Company at rates determined by an independent actuary The assets of the scheme are held separately from those of the company in independently administered funds

As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme Contributions are charged to the profit and loss account in the year to which they relate

The defined benefit pension schemes are no longer open to new employees

The Company provides no other post retirement benefits to its employees

Security Monitoring Centres Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

Subsidiary undertakings and consolidation

The financial statements contain information about Security Monitoring Centres Limited as an individual Company and do not contain consolidated financial information as the parent of a group Security Monitoring Centres Limited is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, United Technologies Corporation, a Company incorporated in the United States of America, and whose financial statements are drawn up in accordance with the provisions of the European Union Seventh Company Law Directive

The financial statements of the parent Company are publicly available

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 Cash Flow Statement (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of United Technologies Corporation The parent Company has prepared a consolidated cash flow statement including the cash flows of this Company for the year ended 31 December 2010 The financial statements of the parent Company are publicly available

2 Turnover

Turnover arises from sales in the United Kingdom of the installation, rental, maintenance and monitoring of intruder detection systems, which comprise one class of business

3 Operating profit

	2010	2009
	£'000	£'000
Operating profit is stated after charging		
Amortisation of goodwill (note 8)	**2,343**	2,345
Depreciation of tangible fixed assets – owned assets (note 9)	**198**	360
Auditors' remuneration		
For audit services	**25**	25
For non audit services	**-**	-
Payments under operating leases		
Land and buildings	**65**	67
Plant and machinery	**610**	315

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Directors' emoluments

The emoluments paid to the Directors of Security Monitoring Centres Limited were

	2010 £'000	2009 £'000
Aggregate Directors' emoluments	**154**	31
Company pension contributions to defined contribution schemes	**8**	3

Retirement benefits are accruing to 2 (2009 one) Directors under a defined contribution scheme No directors are members of a defined benefits scheme

The number of directors who exercised share options in the parent company during the year was 1 (2009 nil)

5 Employee information

	2010 £'000	2009 £ 000
Staff costs		
Wages and salaries	**9,043**	8,742
Social security costs	**874**	794
Other pension costs (Note 20)	**239**	672
Employee share option scheme	**262**	-
	10,418	10,208

The average monthly number of persons (including Directors) employed by the Company during the year was

	2010 Number	2009 Number
By activity		
Operational staff	**399**	391
Selling and distribution	**23**	10
Administration	**29**	41
	451	442

6 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
United Kingdom corporation tax on profits of the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**200**	145
Effects of rate change	**29**	-
Adjustment in respect of prior years	**(269)**	(427)
Total deferred tax credit	**(40)**	(282)
Tax on profit on ordinary activities	**(40)**	(282)

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Tax on profit on ordinary activities (continued)

There is no corporation tax provision in the current year due to the availability of group relief for which the company is not required to make a reimbursement

Factors affecting current tax charge for the year

The tax assessed for the year is lower (2009 lower) than the standard rate of corporation tax in the United Kingdom of 28% (2009 28%)

The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	**7,952**	8,971
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom 28% (2009 28%)	**2,227**	2,512
Effects of		
Expenses not deductible for tax purposes	**661**	-
Excess capital allowances over depreciation	**(200)**	(145)
Transfer pricing adjustment	**47**	42
Short term timing differences	**-**	(107)
Group relief claims (received)	**(2,735)**	(2,302)
Current tax charge for the year	**-**	-

Deferred taxation

The deferred taxation is fully provided in the financial statements The asset is recognised as follows

	Amount provided 2010 £'000	**Amount provided 2009 £'000**
Depreciation in excess of capital allowances	**777**	751
Other short term timing differences	**14**	-
	791	751

	2010 £'000	**2009 £'000**
At start of period	**751**	469
Deferred tax charge in profit and loss for the period	**40**	282
At end of period	**791**	751

Notes to the financial statements for the year ended 31 December 2010 (continued)

6. Tax on profit on ordinary activities (continued)

The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the rate of corporation tax would be reduced by 1 percentage point each year until 2014, down to a rate of 24% On 27 July 2010 the emergency budget measures were partially enacted and so, in accordance with relevant accounting standards, the calculation of the deferred tax provision at 31 December 2010 has been calculated at 27% In his 2011 budget the Chancellor further announced that the effective tax rate from 1 April 2011 would be further reduced from 27% to 26% This was enacted substantively on 29 March 2011 The impact of the proposed changes is not expected to be material to the balance sheet

The Directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

7. Dividends

	2010	2009
	£'000	£'000
Ordinary Shares		
Final paid £1 60 (2009 £1 59) per £1 share	9,252	9,190
	9,252	9,190

8. Intangible fixed assets

	Goodwill
	£'000
Cost	
At 1 January 2010	15,381
Additions	-
At 31 December 2010	**15,381**
Accumulated amortisation	
At 1 January 2010	6,028
Amortisation for the year	2,343
At 31 December 2010	**8,371**
Net book value	
At 31 December 2010	**7,010**
At 31 December 2009	9,353

The Directors are satisfied that the carrying value of the goodwill is recoverable

Security Monitoring Centres Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

9. Tangible fixed assets

	Freehold premises	Short leasehold land and buildings	Plant and equipment,	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2010	799	45	3,972	4,816
Additions	-	-	245	245
Disposals	-	-	(46)	(46)
At 31 December 2010	**799**	**45**	**4,171**	**5,015**
Accumulated depreciation				
At 1 January 2010	594	41	3,207	3,842
Charge for year	8	4	186	198
Disposals	-	-	(39)	(39)
At 31 December 2010	**602**	**45**	**3,354**	**4,001**
Net book value				
At 31 December 2010	**197**	**-**	**817**	**1,014**
At 31 December 2009	205	4	765	974

10. Investments

	Interests in subsidiary undertakings
	£'000
Cost	
At 1 January 2010 and 31 December 2010	632
Provision at 1 January 2010 and 31 December 2010	(632)
Net book amount at 31 December 2009 and 31 December 2010	**-**

Interests in subsidiary undertakings

Name of undertaking	% ownership of ordinary shares	Country of incorporation	Principal activity
Mentor Business Systems Limited	100%	UK	Development and sale and support of software products to the security industry

11. Stocks

	2010	2009
	£'000	£'000
Finished goods	2	3

There is no material difference between the balance sheet value of stock and its replacement cost

Notes to the financial statements for the year ended 31 December 2010 (continued)

12. Debtors

	2010 £'000	2009 £'000
Trade debtors	**4,932**	5,530
Amounts owed by group undertakings	**17,913**	18,040
Deferred taxation (note 6)	**791**	751
Prepayments and accrued income	**2,020**	1,689
	25,656	26,010

The amounts owed by group undertakings are unsecured, interest free and repayable on demand The amounts include a loan of £16,363,000 (2009 £16,363,000) to a group undertaking

13 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**4,629**	2,635
Amounts owed to group undertakings	**25,049**	25,125
Taxation and social security	**591**	566
Other creditors	**623**	1,173
Accruals and deferred income	**4,436**	4,456
	35,328	33,955

The amounts owed to group undertakings unsecured and repayable on demand Interest payable on group loans was £nil (2009 £nil)

14 Provisions for liabilities

	Litigation £'000
1 January 2010	**136**
Charged to profit and loss account	**-**
Unused amounts reversed	**(1)**
Utilised during the year	**(109)**
31 December 2010	**26**

Litigation

These balances are held to cover claims filed against the company It is anticipated that the majority of these items will be settled within the next 5 years

Security Monitoring Centres Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Called up share capital

	2010 £'000	2009 £'000
Authorised		
7,000,000 Ordinary shares of £1 each	7,000	7,000
Allotted and fully paid		
5,790,000 Ordinary shares of £1 each	5,790	5,790

16 Reserves

	Capital contribution £,000	Share premium account £'000	Revaluation reserve £'000	Profit and Loss Account £'000
At 1 January 2010	-	2,552	7	9,253
Profit for the financial year	-	-	-	7,992
Dividends paid	-	-	-	(9,252)
Capital contribution	262	-	-	-
At 31 December 2010	**262**	**2,552**	**7**	**7,993**

17 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Opening shareholders' funds	17,602	17,539
Profit for the financial year	7,992	9,253
Dividends paid	(9,252)	(9,190)
Capital contribution from parent company	262	-
Closing shareholders' funds	16,604	17,602

The capital contribution is in respect the cost of share options relating to shares in the parent undertaking granted to employees of the Company by the parent Company undertaking which are not recharged

18 Contingent liabilities

The Company is party to a group arrangement with its bankers, whereby any in-hand balance may be applied against the overdraft of Chubb Ltd

Chubb Ltd is an intermediate holding Company of Security Monitoring Centres Limited

19 Financial commitments

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as follows

	2010 Land and buildings	2010 Other	2009 Land and buildings	2009 Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	42	58	10
In the second to fifth year inclusive	-	385	3	119
Over five years	-	-	-	-
	-	427	61	129

20 Pensions and similar obligations

The Company participates in a number of pension schemes operated by the Chubb Security Group which cover the majority of its employees The schemes are of the defined benefit and defined contribution types and are operated on a pre-funded basis Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries

These schemes include the Chubb Security Pension Fund and the Chubb Pension Plan These are the principal pension plans operated for employees of the Chubb Limited Group The contributions paid by the Company are accounted as if the scheme was a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme

The amount charged to the profit and loss account in the year, for both defined benefit and defined contribution pension schemes, were £178,000 and £61,000 respectively (2009 £632,000 and £40,000) These are calculated at 7% of pensionable salary and are based on pension costs across the Chubb Limited Group as a whole At 31 December 2010 there were accrued contributions due to the funds of £201,000 (31 December 2009 £442,000)

Full actuarial valuations of the pension schemes were carried out at 31 March 2006 by Mercer Human Resource Consulting, an independent firm of actuaries, using the projected unit method This valuation was updated as at 31 December 2010 by Towers Watson, another independent firm of actuaries The financial assumptions adopted were that over the long term, the rate of return on investments would be 6 9% pa, the increase in pensionable pay 4 5% pa, the increase in pensions in payment 3 15% pa, price inflation 3 25% pa and the discount rate of 5 7% pa

On the basis of these assumptions the funded status of the plan at 31 December 2010 shows an asset of £41,200,000 (2009 asset £29,000,000)

The schemes were closed to new entrants in 1997 Future contributions will be made at the rate of 25%-35% of pensionable salaries

21 Share based payments

The ultimate parent Company United Technologies Corporation provides employees share options that need to be accounted for under Financial Reporting Standard 20 'Share based payments' Share options are granted to Directors and selected employees Options are conditional on the employee completing a specified period of service (the vesting period) and have a contractual term of three years The United Technologies Corporation Group has no legal or constructive obligation to repurchase or settle the options in cash

The expense relates to the cost borne in share options granted to employees of the Company in the ultimate parent undertaking The parent undertaking has not recharged the Company for these expenses and as a result the

21 Share based payments (continued)

share options are shown as a capital contribution from the parent undertaking to the profit and loss account within these financial statements This treatment is in line with the guidance given in UITF 44

The weighted average fair value of options granted in the year determined using the binomial lattice valuation model was £14 47 (2009 £11 09)

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	2010 Number	Weighted average exercise price £	2009 Number	Weighted average exercise price £
Outstanding at 1 January	**25,600**	**34.35**	23,430	33 45
Granted	**3,213**	**44.09**	3,230	32 93
Forfeited	**(220)**	**-**	(710)	-
Exercised	**(750)**	**30 84**	(350)	30 84
Outstanding at 31 December	**27,843**	**35 84**	25,600	34 35
Exercisable at 31 December	**19,150**	**33 48**	22,900	33 10

A charge of £262,000 has been recognised in the profit and loss account, representing the cumulative expense of the recognition of the cost of the share option scheme in these financial statements This expense is analysed as a charge of £30,000 for 2010, £30,000 for 2009 and the balance of £202,000 for 2008 and prior years

No adjustment has been made to prior years for the cumulative charge of £232,000 to employment costs of the share option scheme, as in the opinion of the directors, this is not fundamental to the results or net assets

22 Related party transactions

In accordance with the exemption allowed by Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the United technologies Corporation group have not been disclosed in these financial statements on the grounds that the Company is a wholly owned subsidiary of a group (United Technologies Corporation), whose financial statements are publicly available

23 Post balance sheet events

On 31 March 2011 Chubb Security Personnel Limited, a group undertaking was sold to an affiliate of Securitas AB At 31 December 2010 Security Monitoring Centres Limited owed £12,832,000 to Chubb Security Personnel Limited, included under Creditors Amounts falling due within one year, amounts owed to group undertakings As part of the divestiture arrangement, Chubb Security Personnel Limited agreed to waive repayment of this amount in return for nil consideration The resulting adjustment will be reflected in the financial results of Security Monitoring Centres Limited in the year ending 31 December 2011

24 Ultimate parent undertaking and controlling party

At the year-end, Chubb Group Security Limited, a Company registered in England and Wales was the immediate parent undertaking

The Company's ultimate parent undertaking and controlling party is United Technologies Corporation, a Company incorporated in the United States of America Copies of the United Technologies Corporation group financial statements are publicly available and can be obtained from

United Technologies Corporation
United Technologies Building
Hartford
Connecticut 06103
USA

United Technologies Corporation is the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2010