

Shorrock

Shorrock Security Systems Holdings Plc

Report and Financial Statements

31st December 1984

1707967/36

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

REPORT AND FINANCIAL STATEMENTS 1984

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SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Shorrock Security Systems Holdings PLC will be held at Lloyds Bank International Limited, 40 - 66 Queen Victoria Street, London EC4P 4EL on Thursday, 21st March 1985 at 2.45 p.m. for the following purposes:

1. To receive the financial statements for the year ended 31st December 1984, together with the reports of the directors and auditors thereon.
2. To re-appoint Touche Ross & Co. as auditors.
3. To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board


T. JOLLIFFE

Secretary

Shadsworth Road,
Blackburn,
Lancashire.
BB1 2PR

26th February 1985

Note:

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the company.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISERS

Directors

S. Shorrock (Chairman and Managing
Director)
D. Best (Technical Director)
C. Campbell-MacKenzie (Finance Director)
J. Berry (Non-executive)

Secretary

T. Jolliffe

Registered Office

Shadsworth Road,
Blackburn,
Lancashire.
BB1 2PR

Auditors

Touche Ross & Co.

Bankers

Lloyds Bank plc

Solicitors

Herbert Smith & Co.

Financial Advisors

Lloyds Bank International Limited

Stockbrokers

Grieveson, Grant and Co.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December 1984.

1. Change of name

The company was re-registered as a public limited company under the Companies Act 1980 on 25th January 1985, and resolved on 18th February 1985 to change its name to Shorrock public limited company.

2. Activities

The company acts as the holding company for Shorrock Security Systems Limited and its subsidiaries which are engaged in the design, manufacture, installation and maintenance of advanced electronic systems for security applications.

3. Review of developments

Group results

	<u>1984</u>	<u>1983</u>
	<u>£'000</u>	<u>£'000</u>
Consolidated profit before exceptional item and taxation	1,618	1,329
Exceptional NATO costs	292	105
Consolidated profit before taxation	1,326	1,224

The above 1983 figures include results of subsidiaries from 1st January 1983 to 29th April 1983 and have been adjusted to reflect the changes in accounting policy implemented during 1984. On the advice of the group's professional advisers the directors carried out a review of its accounting policies and the revised policies explained in notes 21 and 22 to the financial statements were adopted.

The corresponding figures for 1983 shown in the consolidated profit and loss account on page 7 and the consolidated statement of source and application of funds on page 10 are for the period from 29th April 1983 to 31st December 1983 only.

The group continued to expand sales of security systems to the U.K. government and major public and private sector concerns. Additionally the company created two new divisions to increase its sales of fire systems and sales of security equipment to the wholesale market.

The group demonstrated its standing in the electronic security industry by being short listed for a major NATO security contract for which most of the world's largest electronic companies applied. The exceptional costs relate to this contract. Details are given in note 5 of the financial statements.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

3. Review of developments (Continued)

Financial position

During the year to 31st December 1984 the net assets of the group have increased by £761,000 by profits retained in the year. The financial position of the group and the company is fully set out in the Balance Sheets on pages 8 and 9 of the financial statements. The substantial increase in trade debtors of the group resulted from the completion of a number of major projects during the last quarter of 1984.

4. Dividends

No dividend is proposed.

5. Research and development

The group has an active programme of research and development, the costs of which, net of recoveries from customers, in the year amounted to £284,000 (period to 31st December 1983 £101,000).

6. Future prospects

The directors have resolved to seek a listing for the ordinary shares of the company on the Stock Exchange. The directors view the future with confidence.

7. Fixed assets

Movements on fixed assets are set out in Note 9 to the financial statements.

8. Directors

The present membership of the Board is set out on page 2. All of these directors served throughout the year. T. M. Hayes was appointed on 3rd January 1984 and resigned on 26th February 1985.

The directors' interests, as defined by the Companies Act 1967, in the ordinary shares of the company were as follows:

	<u>Beneficial</u>		<u>Non-beneficial</u>	
	<u>£1 Ordinary shares</u>		<u>£1 Ordinary shares</u>	
	<u>31st December 1984</u>	<u>31st December 1983</u>	<u>31st December 1984</u>	<u>31st December 1983</u>
S. Shorrock	80,303	84,803	4,500	-
J. Berry	15,500	20,000	4,500	-
D. Best	15,500	20,000	4,500	-
C. Campbell-MacKenzie	32,833	37,333	4,500	-
T. M. Hayes	22,167	26,667	4,500	-

On 21st March 1984 each of the directors transferred 4,500 £1 Ordinary shares to discretionary trusts.

The directors have no interests in the £1 cumulative redeemable preference shares.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

DIRECTORS' REPORT (CONTINUED)

9. Current cost accounting

The company has not produced current cost financial statements as required by Statement of Standard Accounting Practice No. 16 as in the opinion of directors the current cost accounting adjustments are not significant.

10. Employment Act 1982

Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the group. In addition the board takes account of employees' interests when making decisions and the employees are informed of the group's performance on a regular basis. Suggestions from employees aimed at improving the group's performance are welcomed.

11. Employment of disabled persons

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who may become disabled, to promote their career development within the organisation.

12. Directors' interest in contracts

The directors had no interest in any contracts of the group in the year.

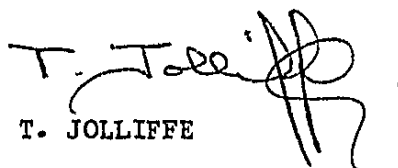
13. Post balance sheet event

On 18th January 1985 the Company adopted two share option schemes, the Shorrocks Sharesave Option Scheme for all employees of the group and the Shorrocks Executive Share Option Scheme under which, at the discretion of the Board, options over shares may be granted to senior executives.

14. Auditors

A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board


T. JOLLIFFE

Secretary

26th February 1985

Touche Ross & Co.

Chartered Accountants

P.O. Box 500 Abbey House

74 Mosley Street

Manchester M60 2AT

AUDITORS' REPORT TO THE MEMBERS

of

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

We have audited the financial statements on pages 7 to 22 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1984 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants

26th February 1985

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st December 1984

		<u>1984</u>	Period from 29th April 1983 to 31st December 1983
	<u>Note</u>	£'000	£'000
Turnover	2	12,918	7,648
Cost of sales		<u>9,465</u>	<u>5,487</u>
Gross profit		3,453	2,161
Distribution costs		78	52
Administrative expenses		<u>1,534</u>	<u>933</u>
		1,612	985
Operating profit		1,841	1,176
Interest payable	4	<u>223</u>	<u>85</u>
Profit on ordinary activities before exceptional item and taxation		1,618	1,091
Exceptional NATO costs	5	<u>292</u>	<u>105</u>
Profit on ordinary activities before taxation	6	1,326	986
Tax on profit on ordinary activities - Corporation tax	7	338	260
Deferred tax		<u>227</u> <u>565</u>	<u>-</u> <u>260</u>
Profit for the financial period retained	8	761	726
Profit and loss account brought forward as previously reported		581	-
Prior period adjustments			
Capitalisation of equipment	21	35	-
Write off of goodwill	22	<u>(592)</u>	-
Profit and loss account brought forward as restated		24	-
Goodwill written off	22	<u>-</u>	<u>(702)</u>
Profit and loss account carried forward		785	24
		==	==

SHORROCK SECURITY SYSTEMS HOLDINGS PLC
CONSOLIDATED BALANCE SHEET - 31st December 1984

		<u>1984</u>		<u>1983</u>	
	<u>Note</u>	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		5,228		4,485
CURRENT ASSETS					
Stocks	11	4,190		3,233	
Debtors	12	4,325		2,127	
Cash at bank and in hand	13	<u>119</u>		<u>134</u>	
		8,634		5,494	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank overdraft	14	2,822		1,318	
Maintenance payments received in advance		1,047		1,012	
Trade creditors		1,540		1,068	
Other creditors -					
Taxation and social security		1,121		664	
Accruals		<u>960</u>		<u>769</u>	
		7,490		4,831	
NET CURRENT ASSETS			<u>1,144</u>		<u>663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,372		5,148
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	15		360		124
PROVISION FOR LIABILITIES AND CHARGES					
	16		<u>227</u>		<u>-</u>
			5,785		5,024
CAPITAL AND RESERVES					
Called up share capital	17		5,000		5,000
Profit and loss account			<u>785</u>		<u>24</u>
			5,785		5,024

These financial statements were approved by the Board of Directors on 26th February 1985.

Shorrock S. SHORROCK

C. Campbell-Mackenzie C. CAMPBELL-MACKENZIE

)
) Directors

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

PARENT COMPANY BALANCE SHEET - 31st December 1984

		<u>1984</u>		<u>1983</u>	
	<u>Note</u>	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investment	10		4,984		4,984
CURRENT ASSETS					
Debtors	12	17		25	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Accruals		-		<u>10</u>	
NET CURRENT ASSETS			<u>17</u>		<u>15</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,001		4,999
			<u>=====</u>		<u>=====</u>
CAPITAL AND RESERVES					
Called up share capital	17		5,000		5,000
Profit and loss account			<u>1</u>		<u>(1)</u>
			5,001		4,999
			<u>=====</u>		<u>=====</u>

These financial statements were approved by the Board of Directors on 26th February 1985.

A. Shorrock S. SHORROCK

C. Campbell-Mackenzie C. CAMPBELL-MACKENZIE

)
) Directors
)

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31st December 1984

	1984	Period from 29th April 1983 to 31st December 1983
	£'000	£'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	1,326	986
Adjustments for items not involving the movement of funds:		
Depreciation	<u>730</u>	<u>449</u>
Total generated from operations	<u>2,056</u>	<u>1,435</u>
Disposal of tangible fixed assets	391	131
Receipts from share capital issue	-	5,000
Increase in creditors and lease liability other than corporation tax	<u>1,053</u>	<u>508</u>
	<u>3,500</u>	<u>7,074</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	1,864	869
Purchase of subsidiary	-	4,984
Increase in stocks	957	669
Increase in debtors	<u>2,198</u>	<u>538</u>
	<u>5,019</u>	<u>7,060</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS	<u>(1,519)</u>	<u>14</u>

(Net liquid funds comprise bank balances
less bank overdrafts)

The effect of the purchase of Shorrock Security Systems Limited is as follows:

	£'000
Tangible fixed assets	
Stock	4,195
Debtors	2,564
Cash	1,589
Creditors	(1,198)
	<u>(2,868)</u>
	4,282
Goodwill	<u>702</u>
Purchase price, discharged by cash	<u>4,984</u>

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1984

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements incorporate the proportion of profits of Shorrock Security Systems Limited and its subsidiary companies which have been earned since the acquisition of the company and its subsidiaries by Shorrock Security Systems Holdings Limited on 29th April 1983.

(c) Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Buildings	-	over 31 years from 1979
Equipment on rental	-	10% per annum
Plant and machinery	-	20% per annum
Aircraft	-	20% per annum
Motor vehicles	-	20% per annum
Equipment, fixtures and fittings	-	10% per annum

(d) Investments

Shares in group companies are stated at cost less provision for any permanent diminution in value.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Long term contract work in progress is valued at cost plus attributable profits, less provision for anticipated losses: progress claims are deducted separately. No profits are included until the outcome of contracts can reasonably be foreseen, at which time estimated profit proportional to the amount of work completed at the year end date is reflected in the financial statements.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

1. ACCOUNTING POLICIES (Contd.)

(f) Deferred taxation

Deferred taxation is provided at the appropriate tax rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements except where the tax reduction is expected to continue for the foreseeable future.

(g) Foreign exchange

All transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet dates are translated at year end rates of exchange. All exchange differences thus arising are reported as part of profit for the period.

(h) Pension costs

Retirement benefits to employees of the group are funded by contributions from the group companies and employees. Payments are made to pension trusts which are financially separate from the group. These payments, which are made in accordance with periodic calculations by consulting actuaries are charged against the profits of the period in which they become payable.

(i) Research and development costs

Research and development expenditure, other than that specifically recoverable under contracts, is written off as incurred.

(j) Lease and hire purchase liabilities

The lease and hire purchase liabilities represent the unpaid portion of the principal due on the purchase of the leasehold property and equipment and are equivalent to the future rentals less interest payable over the remainder of the contract terms. The interest element is charged annually to profit and loss account, for the property lease on the basis set out in the lease agreement, for the computer equipment and aircraft on a straight line basis.

Operating lease commitments are provided for in the balance sheet at the time the rental payments fall due. Such rental costs are charged to profit and loss as incurred.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

1. ACCOUNTING POLICIES (Contd.)

(k) Capitalisation of equipment

Equipment on rental included in tangible fixed assets comprises equipment which has been rented to customers and installed at their premises and which may be removed and re-utilised. The amount capitalised for each contract is the lower of cost and the net rental and maintenance income. Cost represents material, labour and attributable overhead incurred in the manufacture of the equipment. Net rental and maintenance income represents charges to customers over the expected life of the installation less the expected cost of meeting contractual maintenance obligations.

Installation labour, overhead and wiring costs are written off at the time of installation.

2. TURNOVER AND PROFITS

The group's turnover and profit before taxation wholly arises from the security business.

Geographical analysis of turnover is as follows:

	1984	Period from 29th April 1983 to 31st December 1983
	£'000	£'000
U. K.	11,593	6,927
North America	947	506
Other	378	215
	<u>12,918</u>	<u>7,648</u>

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<u>1984</u>	<u>Period from 29th April 1983 to 31st December 1983</u>
	£'000	£'000
Directors' remuneration		
Fees	-	-
Other emoluments	214	92
	==	==
Remuneration of the chairman and highest paid director	55	29
	==	==
Scale of other directors' remuneration:	No.	No.
£15,001 - £20,000	-	3
£35,001 - £40,000	4	-
Employee costs during the period	£'000	£'000
Wages and salaries	4,993	2,805
Social security costs	509	317
Other pension costs	122	73
	5,624	3,195
	==	==
	No.	No.
Average number of persons employed:		
Apprentices	25	31
Unskilled and semi-skilled	124	118
Skilled engineers	245	231
Surveyors	51	41
Administration	170	155
	615	576
	==	==

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

4. INTEREST PAYABLE

The interest is payable on the bank overdraft which is wholly repayable within five years.

5. EXCEPTIONAL NATO COSTS

The exceptional costs are travelling, accommodation and consultancy costs of arbitration procedures required by a procurement agency of NATO, arising out of tenders for a major electronic security contract. With the support of the Greyhound Corporation (its then holding company), Shorrock Security Systems Limited ("Systems"), in 1982, tendered for the contract and was on a short list of three companies who complied with the technical and financial requirements. However, once Systems ceased to be a subsidiary of The Greyhound Corporation its eligibility to tender was questioned. This led to unusual arbitration procedures of exceptional length and complexity within NATO as a result of which Systems have not been awarded the contract.

The directors consider these costs to be exceptional and non-recurring.

The costs of the original tender including technical development costs have not been included as part of the exceptional item.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1984</u>	<u>1983</u>
	£'000	£'000
Profit on ordinary activities before taxation is after charging:		
Hire of plant and machinery	424	151
Depreciation	730	449
Auditors' remuneration	27	24
	<u> </u>	<u> </u>

7. TAX ON ORDINARY ACTIVITIES

United Kingdom corporation tax at 46.25% (1983 52%) based on the profit for the period	332	260
Adjustment in relation to prior period	6	-
Deferred taxation	<u>227</u>	<u> </u>
	<u>565</u>	<u>260</u>
	<u> </u>	<u> </u>

The taxation charge has been reduced by £54,000 (1983 £246,000) in respect of capital allowances in excess of depreciation and other timing differences and by £36,000 (1983 £44,000) in respect of stock relief.

So far as the directors are aware the company is a close company for taxation purposes.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

8. PROFIT FOR THE FINANCIAL PERIOD CARRIED FORWARD

As permitted by Section 149(5) of the Companies Act 1948, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a profit of £2,000 (1983 loss of £1,000) which is dealt with in the financial statements of the parent company.

9. TANGIBLE FIXED ASSETS

	Total	Land and buildings	Equipment on rental	Plant and equipment	Aircraft and motor vehicles
The group	£'000	£'000	£'000	£'000	£'000
Cost					
At 1st January 1984 as previously reported	5,273	844	3,155	674	600
Prior period adjustment	<u>1,261</u>	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>-</u>
At 1st January 1984 as restated	6,534	844	4,416	674	600
Additions	1,864	21	1,245	385	213
Disposals	<u>(891)</u>	<u>(2)</u>	<u>(339)</u>	<u>(42)</u>	<u>(508)</u>
At 31st December 1984	<u>7,507</u>	<u>863</u>	<u>5,322</u>	<u>1,017</u>	<u>305</u>
Accumulated depreciation					
At 1st January 1984 as previously reported	1,675	66	959	354	296
Prior period adjustment	<u>374</u>	<u>-</u>	<u>374</u>	<u>-</u>	<u>-</u>
At 1st January 1984 as restated	2,049	66	1,333	354	296
Provisions	730	18	510	111	91
Disposals	<u>(500)</u>	<u>-</u>	<u>(174)</u>	<u>(25)</u>	<u>(301)</u>
At 31st December 1984	<u>2,279</u>	<u>84</u>	<u>1,669</u>	<u>440</u>	<u>86</u>
Net book value					
At 31st December 1984	<u>5,228</u>	<u>779</u>	<u>3,653</u>	<u>577</u>	<u>219</u>
At 31st December 1983 as previously reported	3,598	778	2,196	320	304
Prior period adjustment	<u>887</u>	<u>-</u>	<u>887</u>	<u>-</u>	<u>-</u>
At 31st December 1983 as restated	<u>4,485</u>	<u>778</u>	<u>3,083</u>	<u>320</u>	<u>304</u>

The prior period adjustment is explained in note 21.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

9. TANGIBLE FIXED ASSETS (Contd.)

Land and buildings comprise freehold land of £320,000 which is not being depreciated and short leasehold land and buildings.

10. INVESTMENT HELD AS FIXED ASSETS

The investment is in a subsidiary company and is stated at cost. Subsidiary companies are as follows:

	<u>Country of incorporation and operation</u>	<u>Class of shares</u>	<u>Directly held</u>	<u>Through subsidiary</u>
			%	%
Shorrock Security Systems Limited	Great Britain	Ordinary	100	
Shorrock Developments Limited	Great Britain	Ordinary		100
Shorrock Security Systems (West Riding) Limited	Great Britain	Ordinary		100
Shorrock Security Systems (Southern) Limited	Great Britain	Ordinary		100

11. STOCKS

	<u>The Group</u>	<u>The Group</u>
	<u>1984</u>	<u>1983</u>
	£'000	£'000
Long term contract work in progress		
At cost plus attributable profit less provisions for losses	1,026	746
Payments on account	<u>(750)</u>	<u>(571)</u>
	276	175
Stock and work in progress		
Raw materials	353	338
Work in progress	1,125	788
Finished goods	<u>2,436</u>	<u>1,932</u>
	4,190	3,233

The inclusion of attributable profit in long term contract work in progress in accordance with SSAP 9 constitutes a departure from the statutory valuation rules and is required by S.149 (3) of the Companies Act 1948 to enable the financial statements to give a true and fair view. As progress payments cannot meaningfully be allocated between cost and profit it is impracticable to determine the effect of the departure on the amount at which long term contract work in progress is stated in the balance sheet.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

12. DEBTORS

	<u>The group</u>		<u>The company</u>	
	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors				
Due within one year	3,980	1,961	-	-
Due after more than one year	34	19	-	-
Amounts owed by group companies - subsidiaries	-	-	17	25
Other debtors	15	9	-	-
Prepayments and accrued income	296	138	-	-
	<u>4,325</u>	<u>2,127</u>	<u>17</u>	<u>25</u>

13. CASH AT BANK AND IN HAND

Cash at bank and in hand includes £102,000 foreign currency balances which are held in Nigeria and are subject to exchange control over remittance to the United Kingdom.

14. BANK OVERDRAFT

This obligation is secured by a fixed charge on the group's land and buildings and debtors and a floating charge on all the assets of the group.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>The group</u>	
	<u>1984</u>	<u>1983</u>
	<u>£'000</u>	<u>£'000</u>
Due between one and two years	55	7
Due between two and five years	155	17
Due five years or more	150	100
	<u>360</u>	<u>124</u>

These creditors represent property, aircraft and computer lease or hire purchase liabilities and are secured on the relevant assets.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

16. PROVISIONS FOR LIABILITIES AND CHARGES

The potential amounts of deferred taxation and the portions thereof provided in the financial statements in accordance with accounting policy 1(f) are:

	<u>1984</u>		<u>1983</u>	
	<u>Amount provided</u>	<u>Total potential tax</u>	<u>Amount provided</u>	<u>Total potential tax</u>
The group	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	238	1,304	-	1,090
Other timing differences	(11)	(11)	-	(10)
	227	1,293	-	1,080
	==	==	==	==

In addition Capital Gains Tax of £163,000 (1983 £163,000) would arise if the Group's properties were disposed of at their book values.

17. CALLED UP SHARE CAPITAL

	<u>Share capital</u>
	£'000
Authorised	
Ordinary shares of £1 each	571
Cumulative redeemable preference shares of £1 each	<u>4,750</u>
	5,321
	==
Allotted and fully paid	
Ordinary shares of £1 each	250
Cumulative redeemable preference shares of £1 each	<u>4,750</u>
	5,000
	==

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

17. CALLED UP SHARE CAPITAL (Contd.)

The holders of the cumulative redeemable preference shares have rights to subscribe for ordinary shares. The terms of the rights, which were determined in relation to the group results for 1983, are that the holders may subscribe for 150,000 ordinary shares, the proceeds of which will be used to redeem the 4,750,000 preference shares in issue.

Until 31st December 1994 redemption may only take place if the above rights are exercised; after that date it may take place, at the company's option, at par.

The preference shares carry no dividend rights until 1st January 1985, thereafter dividend accrues at 3% above LIBOR.

18. CAPITAL COMMITMENTS

	<u>The group</u>	
	<u>1984</u>	<u>1983</u>
	£'000	£'000
Contracted for but not provided in the financial statements	72	11
	==	==
Authorised but not contracted for	1	100
	==	==

19. LEASE COMMITMENTS

Minimum rental commitments at 31st December 1984 were as follows in respect of operating leases for motor vehicles:

	<u>The group</u>
	£'000
Year ending	
1985	441
1986	366
1987	276
1988	79

The group may terminate the lease at any time after 12 months subject to a guaranteed residual value being paid to the lessor. In the event of leases being terminated before the due expiry date, the directors are satisfied that there would be no material differences between sales proceeds and the amounts due to the lessors.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

20. PENSION COSTS

An actuarial valuation of the Shorrock Security Systems Limited Pension Scheme was carried out as at 31st December 1984. The directors have agreed to an increase in the group's contributions from 1st January 1985 of 1% of members' pensionable earnings, which it is anticipated will, over the remaining working life of the present employees, meet the actuarial deficiency indicated by the preliminary results of this valuation. Had the increased rate of contribution been paid in the year ended 31st December 1984 an additional £17,000 would have been charged against the profits of the year.

21. PRIOR YEAR ADJUSTMENT, CAPITALISATION OF EQUIPMENT

In previous years the amount capitalised in respect of equipment on rental was restricted to the net rental income to be earned over the life of the equipment. The directors have reviewed the accounting policy and considered that the nature of the group's rental transactions is more accurately reflected if in determining any restriction on the capitalisation of cost the whole of the net rental and maintenance income as defined in note 1(k) is taken into account. The resulting change in accounting policy has a material effect on the financial statements and the corresponding figures for 1983 have therefore been adjusted to reflect:

- i) The effects had the new policy been in operation in that period.
- ii) United Kingdom Corporation Tax due on the additional profit arising from the change in accounting policy after deducting additional capital allowances available.
- iii) The adjusted net book value of assets at the time of acquisition of Shorrock Security Systems Limited by Shorrock Security Systems Holdings Limited, with a corresponding effect on the goodwill on acquisition.

The effect of this change in accounting policy and the change in note 22 below on the previously reported results for 1983 is as follows:

	£'000
Profit on ordinary activities before taxation as previously reported	791
Additional capitalisation less depreciation (i)	85
Reversal of amortisation of goodwill (note 22)	<u>110</u>
Profit on ordinary activities before taxation as adjusted	986
Tax on profit on ordinary activities as previously reported	210
Tax on additional capitalisation (ii)	<u>50</u>
Tax on profit on ordinary activities as restated	<u>260</u>
Profit for the financial period retained as restated	<u>726</u>

The prior period adjustment in respect of capitalisation of equipment is the net of (i) and (ii) above.

SHORROCK SECURITY SYSTEMS HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31st December 1984

22. PRIOR YEAR ADJUSTMENT, WRITE OFF OF GOODWILL

Following the publication of Statement of Standard Accounting Practice No. 22, Accounting for Goodwill, the accounting policy has been changed from a policy of amortisation to a policy of immediate write off against reserves. Goodwill arising on the acquisition of subsidiaries at 29th April 1983 has been re-stated to reflect a re-assessment of the fair value of assets acquired following the adjustments to capitalised equipment set out in note 21 above. The corresponding figures for the period ended 31st December 1983 have been re-stated under the new policy for goodwill to write off the balance against reserves and reverse the amortisation charge in that period as follows:

	<u>£'000</u>
Goodwill arising at 29th April 1983 as previously reported	1,494
Adjustment in respect of net book value of equipment	<u>(792)</u>
Goodwill arising at 29th April 1983 as restated	702
Amortisation of goodwill in period to 31st December 1983 as previously reported	<u>(110)</u>
Prior year adjustment to write off goodwill	592
	<u>==</u>

23. CONTINGENT LIABILITY

The Group's freehold land, which is stated in these financial statements at £320,000, adjoins the site which houses its factories. When it was purchased from the Borough of Blackburn in May 1976 the Group covenanted with the vendor that they would carry out certain developments on the land within 14 years of that date. The potential cost of meeting this commitment cannot be determined. If the Group fails to comply with the covenant the Borough of Blackburn has the right to repurchase the land with vacant possession for the sum of £15,000.