Co House

Abloy Security Limited

Annual report

for the year ended 31 December 1998

Registered number 2078532

Abloy Security Limited

Annual report
for the year ended 31 December 1998

Abloy Security Limited

Directors' report

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

Principal activities and business review

The principal activity of the company is the sale of mechanical and electro-mechanical security devices.

Business review and future developments

The business has improved satisfactorily during the year and the forecast is to further increase sales and profits in the next twelve months.

Directors and directors' interests

The directors who held office during the period were as follows:

R C Rice
D R Horton
O Hansen

According to the register of director's interests, each director or their immediate families had the following ordinary shares, debentures or the rights to subscribe for shares of ASSA ABLOY AB, during the financial year.

Directors	Type of Shares	**At 1 January 1998**	At 31 December 1998
RC Rice	'B' Shares	-	-
DR Horton	'B' Shares	270,517	270,517
O Hansen	'B' Shares	71,720	71,720
RC Rice	Convertible Debentures	2,912	2,912
DR Horton	Convertible Debentures	66,513	66,513
O Hansen	Convertibles Debentures	64,938	64,938

The debentures are convertible to series 'B' shares after 5 years at a predetermined fixed price. There were no share options granted or exercised during the year. None of the directors had a disclosable interest in the shares of any other group company.

Dividends

The directors have declared and paid a dividend of £600,000 in the year. (1997 : Nil).

Abloy Security Limited

Charitable donations

During the year the company made charitable donations totalling £195 (1997: £625).

Year 2000

Formal procedures have been put in place to identify the full impact of the Year 2000 on the company. A project has been established and a timetable has been agreed. Progress against the timetable is monitored and it allows for all systems which have been identified as requiring an upgrade to be made compliant by 31 July 1999, to minimise any potential exposure to the Year 2000 effect. The cost is not expected to be significant to the company.

Statement of directors' responsibilities

The directors are required by UK Company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998.

The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors.

In accordance with S386 of Companies Act 1985 the company has elected to dispense with the annual appointment of auditors.

By order of the board

DG Woolley FCCA
Company Secretary
June 21 1999

2-3 Hatters Lane
Croxley Business Park
Watford
WD1 8YY

Abloy Security Limited

Report of the auditors to the members of Abloy Security Limited

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention as modified by the revaluation of the long leasehold investment property, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Croydon
28 June 1999

Abloy Security Limited

Profit and loss account for the year ended 31 December 1998

Continuing operations	Note	1998	1997
		£'000	£'000
Turnover	2	**5,848**	6,293
Cost of sales		**(3,203)**	(3,532)
Gross profit		**2,645**	2,761
Distribution costs		**(1,368)**	(1,309)
Administrative expenses		**(713)**	(1,002)
Operating profit		**564**	450
Interest receivable and similar income	5	**121**	69
Profit on ordinary activities before taxation	3	**685**	519
Taxation on profit on ordinary activities	6	**(219)**	(156)
Profit on ordinary activities after taxation		**466**	363
Dividend Paid		**(600)**	-
Retained (loss) / profit for the financial year	14	**(134)**	363

The company has no recognised gains or losses, other the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

Abloy Security Limited

Balance sheet
at 31 December 1998

	Note	1998		1997	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		**186**		199
Investments	8		**-**		-
Current assets					
Stocks	9	**569**		612	
Debtors	10	**958**		1,186	
Cash at bank and in hand		**397**		406	
		1,924		2,204	
Creditors: amounts falling due within one year	11	**892**		1,051	
Net current assets			**1,032**		1,153
Net assets			**1,218**		1,352
Capital and reserves					
Called up share capital	13		**275**		275
Share premium account	14		**398**		398
Profit and loss account	14		**545**		679
Total shareholders' funds	15		**1,218**		1,352

The financial statements on pages 6 to 15 were approved by the board of directors on 25 Feb 1999 and were signed on its behalf by:

RC Rice
Director

Abloy Security Limited

Notes to the financial statements

for the year ended 31 December 1998

1 Principle accounting policies

A summary of the more important accounting polices, which have been applied consistently is set out below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of the long leasehold investment property.

Group accounts

The company is exempt by virtue of S228 of the Companies Act 1985 from the obligation to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow

The company is exempt from the requirement, of Financial Reporting Standard 1, to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking of ASSA ABLOY AB, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover represents the total amount receivable in the ordinary course of business for goods sold, after deducting discounts given and credit notes issued, net of value added tax.

Depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of assets on a straight line basis over their anticipated useful lives as follows:

	Annual rate
Motor vehicles	25%
Plant, fixtures & fittings	15-25%

Short leasehold properties are amortised over the unexpired portion of the lease.

Investment property

In accordance with Statement of Standard Accounting Practice No.19 investment properties are stated at valuation. No depreciation is provided in respect of the long leasehold investment property.

This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value comprises anticipated proceeds of sales less anticipated costs relating thereto. Cost has been calculated on a weighted average basis.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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.

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 with 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.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates two defined contribution (money purchase) pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge in the profit and loss account represents contributions payable by the company to the funds.

2 Analysis of turnover

	1998	1997
	£'000	£'000
United Kingdom	5,544	5,909
Rest of Europe	304	384
	5,848	6,293

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	1998	1997
	£'000	£'000
Depreciation	34	36
Auditors' remuneration: Audit	12	11
Operating lease rentals - hire of plant and machinery	12	21
- other	268	227
Rent receivable	(71)	(45)
Loss on disposal of fixed assets	1	-

Remuneration of directors

	1998	1997
	£'000	£'000
Aggregate emoluments	89	104

There are no benefits accruing to the directors under the company's two defined contribution schemes.

4 Staff numbers and costs

The average number of employees (including directors under service contracts) during the year was as follows:

	Number of employees	
	1998	1997
Office and management	9	9
Warehouse and sales	42	41
	51	50

Abloy Security Limited

The aggregate payroll costs of these persons were as follows:-

	1998	1997
	£'000	£'000
Wages and salaries	**1,119**	1,101
Social security costs	**107**	107
Other pension costs (see note 19)	**49**	43
	1,275	1,251

5 Interest receivable and similar income

	1998	1997
	£'000	£'000
Interest receivable from short term deposits	**50**	24
Rent receivable from investment and short let property	**71**	45
	121	69

6 Taxation

	1998	1997
	£'000	£'000
UK corporation tax at 31 % (1997: 31.5%) on the profit for the year on ordinary activities	**219**	153
Adjustment relating to prior years	**-**	3
	219	156

Abloy Security Limited

7 Tangible fixed assets

	Long leasehold investment property	Short leasehold property	Motor vehicles	Plant fixtures & fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At beginning of year	95	24	24	624	767
Additions	-	-	-	23	23
Disposals	-	-	-	(30)	(30)
At end of year	**95**	**24**	**24**	**617**	**760**
Depreciation					
At beginning of year	-	10	6	552	568
Charge for year	-	1	6	27	34
Disposals	-	-	-	(28)	(28)
At end of year	-	**(11)**	**(12)**	**(551)**	**(574)**
Net book value					
At 31 December 1998	**95**	**13**	**12**	**66**	**186**
At 31 December 1997	95	14	18	72	199

The long leasehold investment property comprises:

	1998	1997
	£'000	£'000
Land	**16**	16
Buildings	**79**	79
Valuation	**95**	95

The long leasehold investment property has a cost of £95,000, and was valued at its open market value at 30 June 1988. The directors are of the opinion that this value is not materially different at 31 December 1998.

8 Investments

	£
Shares in subsidiary undertaking	
Cost at beginning and end of year	100

The company owns 100% of the called up ordinary shares of Abloy Security Limited, which is incorporated in the Republic of Ireland. The investment company's principal activity during the year was the supply of security products. The above investment is unlisted.

9 Stocks

	1998 £'000	1997 £'000
Finished goods	**569**	612

10 Debtors

Amounts falling due within one year:	1998 £'000	1997 £'000
Trade debtors	**736**	916
Amounts owed by group undertakings	**98**	132
Other debtors	**5**	18
Prepayments	**119**	120
	958	1,186

11 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	**133**	198
Amounts owed to group undertakings	**310**	281
Corporation tax	**99**	153
Other taxation and social security	**196**	163
Accruals	**154**	256
	892	1,051

Included within accruals is an amount of £63,000 (1997: £82,000) representing the amount by which future obligations relating to a leasehold property will exceed the amount recoverable through the rental of the property.

12 Deferred taxation

	Unprovided deferred tax liability / (asset)	
	1998 £'000	1997 £'000
Accelerated capital allowances on investment property	**25**	25
Depreciation in advance of tax allowances on other fixed assets	**(9)**	(9)
Other timing differences	**(33)**	(33)
	(17)	(17)

The potential deferred tax liability on the investment property has not been provided because the timing difference is not expected to reverse in the foreseeable future.

13 Called up share capital

	1998 £'000	1997 £'000
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	275	275

14 Reserves

	Profit and loss account £'000	Share premium account £'000
At 31 December 1997	679	398
Retained loss for the year	(134)	-
At 31 December 1998	545	398

15 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year after taxation	466	363
Dividend paid	(600)	-
Opening shareholders' funds	1,352	989
Closing shareholders' funds	1,218	1,352

16 Contingent liabilities

The company has given guarantees amounting to £40,000 (1997: £40,000) relating to deferred duty and value added tax and £70,000 (1997: £70,000) in respect of Bankers Automated Clearing Services.

17 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made:

	1998 £'000	1997 £'000
Contracted	2	1

18 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	6	-	19
In the second to fifth years inclusive	-	67	-	49
Over five years	188	-	188	-
	188	73	188	68

19 Pension Scheme

The company operates two money purchase pension schemes as described in note 1 and also contributes to some employees' personal pension schemes. The pension charge for the period represents contributions payable by the company to the schemes amounted to £49,000 (1997: £43,000).

An amount of £3,000 (1997: £3,000) was prepaid for contributions at the year end. There were no contributions outstanding (1997: £Nil).

20 Post balance sheet event

On 4 January 1999 the company acquired all the issued share capital of £100 of Medeco Security Locks Limited (formerly Warshaw Security Limited), from the immediate parent company, ASSA ABLOY Limited for consolidation of £100.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent undertaking is ASSA ABLOY Limited. The only group in which the accounts of Abloy Security Limited are consolidated is that headed by ASSA ABLOY AB, the company's ultimate parent undertaking, incorporated in Sweden. The consolidated accounts are available to the public and may be obtained from ASSA ABLOY AB, Klarabergsviadukten 90, Box 70340, S-10723 Stockholm, Sweden.

22 Related party transactions

The company has taken advantage of the exemption stated in FRS 8 that allows the non disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 90% of the companies voting rights are controlled within the group.