

**ADT Fire and Security plc  
(formerly Electric Protection Services Limited)**

**Annual report**

**for the year ended 30 September 1998**

Registered no: 1161045



**ADT Fire and Security plc**  
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**Annual report**  
**for the year ended 30 September 1998**

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# **ADT Fire and Security plc** **(formerly Electric Protection Services Limited)**

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## **Directors' report** **for the year ended 30 September 1998**

The directors present their report and the audited financial statements for the year ended 30 September 1998.

### **Principal activities and business review**

The principal activities of the company are the installation, rental, maintenance and monitoring of electronic security systems. On 18 December 1997 the company re-registered as a public company. On 19 December 1997 the company changed its name to ADT Fire and Security plc.

During the year the company acquired the fire and security businesses of fellow Tyco Holdings (UK) Ltd. subsidiary companies Thorn Security Limited and Modern Security Systems. The company also acquired the entire share capital of Safeguard Electronics Limited and PMH Electronics Limited, and the businesses of Astor Security Group plc, Aseco Security Systems and Alarmcall, previously outside the Tyco Holdings (UK) Ltd. group. Details of the acquisitions are given in note 18 to the financial statements.

The results for the period are given in the profit and loss account on page 5. The level of business on hand at the period end and the period end financial position are satisfactory and the directors aim to continue to develop the business over the coming year.

### **Results and dividends**

The retained profit for the year amounted to £29,233,000 (1997: £86,400,000) which has been transferred to reserves. The directors do not recommend the payment of a dividend.

### **Post balance sheet events**

On 23 April 1999 the entire share capital of Argus Group plc was acquired for cash consideration of £19 million. The main trading activity of this group is the installation of fire equipment. On 27 May 1999 the entire share capital of Malgor Security plc was acquired for cash consideration of £2.6 million. The main trading activity of this company is the installation and maintenance of intruder alarm systems.

### **Directors and their interests**

The following served as directors of the company during the year or since the year end :

J B Crooks	(resigned 22 May 1998)
T W Godfray	(resigned 31 December 1997)
J Mathieson	(resigned 1 April 1999)
J Radford	(resigned 31 December 1997)
D E Roberts	(appointed 21 May 1998)
B Kalogerou	(appointed 3 February 1998)
A S McNutt	(appointed 1 April 1999)

### **Directors and their interests (continued)**

The directors do not have any interests in the share capital of the company.

The directors have taken advantage of the dispensation granted under statutory instrument number 802 made under the authority of Section 324(3) of the Companies Act 1985, in that their interests in the ultimate parent undertaking need not be disclosed.

### **Employees**

The awareness and involvement of employees in the company's performance and in the financial and economic factors that affect it is promoted by consultation and by the provision of information on matters of interest through a variety of internal publications and meetings involving employees at all levels.

The company has given full and fair consideration to applications for employment made by disabled persons and has carried out its duty towards disabled employees.

### **Creditor payment policy**

The company's current policy concerning the payment of trade creditors is to: (a) settle the terms of payment with those suppliers when agreeing the terms of each transactions; (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and (c) pay in accordance with its contractual and other legal obligations. The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 30 September 1998 and the amounts owed by its trade creditors at the end of the year was 57 days.

### **Year 2000**

Many computer systems and equipment containing micro-chips are date-sensitive. Often the last two digits are used to record the year. There is a risk that such systems and equipment will not recognise the year 2000 and will, as a result, fail to operate properly.

A programme of systems modifications to address the year 2000 issue was initiated by the company in 1997. The company is continuing its assessment of the potential impact of the year 2000 on its computer software programs and operating systems in its product development, financial business systems and administrative functions, and is in the process of implementing strategies to avoid adverse implications. This objective is expected to be achieved either by modifying present systems using external and internal programming resources or by installing new systems, and by monitoring supplier, customer and other third party readiness.

Whilst the company has incurred expenditure both of a revenue and a capital nature in upgrading and replacing some of its systems during the year, it is not possible to distinguish the portion required solely for the purpose of ensuring year 2000 compliance.

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## **Registered Office**

On 18 December 1997 the registered office of the company was changed to Security House, The Summit, Hanworth Road, Sunbury-on-Thames, Middlesex, TW16 5DB. Previously the registered office had been 19/21 Denmark Street, Wokingham, Berkshire, RG40 2QE.

## **Statement of Directors' responsibilities**

Company Law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with 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**

Following the merger of Coopers & Lybrand and Price Waterhouse on 1 July 1998, Coopers & Lybrand resigned and the directors appointed the merged firm of PricewaterhouseCoopers as auditors. A resolution proposing that PricewaterhouseCoopers be reappointed as auditors will be put to the members at the next Annual General Meeting.

## **On behalf of the board**



D E Roberts  
Director  
15 June 1999

**Report of the auditors to the members of  
ADT Fire and Security plc**

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 3 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 directors' remuneration and transactions is not disclosed.

We read the 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.

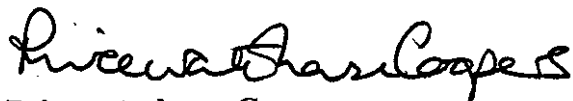
**Basis of audit opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1998 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
London  
15 June 1999

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**Profit and loss account for the year ended 30 September 1998**

		Notes	Year ended 30 September 1998 £'000	Year ended 30 September 1998 £'000	9 months ended 30 September 1997 £'000
<b>Turnover:</b>	Ongoing	2	46,741		
	Acquisitions		168,054		
				214,795	42,174
<b>Cost of sales:</b>	Ongoing		(34,453)		
	Acquisitions		(102,703)		
				(137,156)	(46,331)
<b>Gross profit/(loss):</b>	Ongoing		12,288		
	Acquisitions		65,351		
				77,639	(4,157)
<b>Administrative expenses:</b>	Ongoing		(2,191)		
	Acquisitions		(46,292)		
				(48,483)	(11,977)
<b>Operating profit/(loss):</b>	Ongoing		10,097		
	Acquisitions		19,059		
				29,156	(16,134)
Write down of tangible fixed assets		3		-	(8,068)
Forgiveness of amounts owed to group undertaking		3		-	110,545
Interest receivable		6		292	59
Interest payable		6		(215)	(2)
<b>Profit on ordinary activities before taxation</b>		7		29,233	86,400
Taxation		8		-	-
<b>Retained profit for the year</b>		20		29,233	86,400

All of the activities of the company are continuing.

The company has no recognised gains and losses other than those included in the results 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 profit for the period stated above, and their historical cost equivalents.

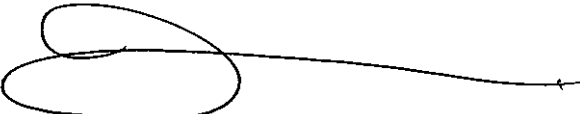
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**Balance sheet**  
**at 30 September 1998**

	Notes	30 September 1998 £'000	30 September 1997 £'000
<b>Fixed assets</b>			
Intangible Assets	9	2,647	-
Tangible assets	10	113,156	22,712
Investments	11	21,029	18,282
		<u>136,832</u>	<u>40,994</u>
<b>Current assets</b>			
Stocks	12	4,761	1,792
Debtors: amounts falling due after more than one year	13	160,220	100,000
Debtors: amounts falling due within one year	13	136,853	11,694
Cash at bank and in hand		14,518	5
		<u>316,352</u>	<u>113,491</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(189,762)</u>	<u>(14,786)</u>
<b>Net current assets</b>		<u>126,590</u>	<u>98,705</u>
<b>Total assets less current liabilities</b>		<u>263,422</u>	<u>139,699</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(87,805)</u>	<u>(26,208)</u>
<b>Provisions for liabilities and charges</b>	16	<u>(55,638)</u>	<u>(22,745)</u>
<b>Net assets</b>		<u>119,979</u>	<u>90,746</u>
<b>Capital and reserves</b>			
Called-up share capital	19	58,296	58,296
Profit and loss account	20	61,683	32,450
<b>Equity shareholders' funds</b>		<u>119,979</u>	<u>90,746</u>

The financial statements on pages 5 to 23 were approved by the board of directors on 15 June 1999 and were signed on its behalf by:

  
D E Roberts  
Director



**Notes to the financial statements**  
**for the year ended 30 September 1998**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom for the year ended 30 September 1998. Comparative data is for the nine months ended 31 December 1997. A summary of the more important accounting policies of the company is set out below.

**Basis of accounting**

The financial statements have been prepared on the historical cost basis of accounting.

**Change of accounting policy: Goodwill**

Following the introduction of Financial Reporting Standard No10 (FRS 10), the company changed its policy for the treatment of purchased goodwill, which arises on the acquisition of unincorporated businesses. Previously the company did not recognise such acquired goodwill, writing it off on acquisition to the profit and loss reserve. The amount written off in this way was not material. The company has, as permitted under FRS 10, chosen not to reinstate previously written off goodwill. It is now the policy of the company to recognise goodwill arising on the purchase of unincorporated businesses and to amortise the goodwill over the period considered appropriate by the directors.

Had the previous accounting treatment continued to apply, profit on ordinary activities for the year would have been £139,000 higher, and the net assets of the company at 30 September 1998 would have been £2,647,000 lower.

**Turnover**

Turnover, which is stated exclusive of value added tax, comprises the invoiced value of installation fees, rental, maintenance and monitoring income in respect of electronic security systems adjusted for rentals and other income charged in advance, and the invoiced value of goods and services sold.

**Investments**

Fixed asset investments are stated at cost less any provision required for any permanent diminution in value.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost or estimated net realisable value.

**Deferred taxation**

Deferred income taxes are calculated by the liability method, and are provided on timing differences which will probably reverse in the foreseeable future, at the rates of tax likely to be in force at the time of reversal.

**Tangible fixed assets**

Equipment on contract hire installed by the company and which remains the property of the company is capitalised on the basis of the cost of materials, direct labour and attributable overheads subject to such costs not exceeding the recoverable value. Attributable overheads comprise costs relating directly to the installation of equipment on contract hire, and exclude any costs relating to the marketing, sales and servicing functions.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life. The principal annual rates used for this purpose are:

Freehold properties	2 per cent per annum
Short leasehold properties	Period of lease
Fixtures and fittings	7 to 20 per cent per annum
Equipment on contract hire	7 to 10 per cent per annum

**Pension Costs**

The company operates a number of defined benefit pension schemes. The funds are valued every 3 years by professional qualified independent actuaries, the rates of contribution payable being determined by the actuaries. In the intervening years the actuaries review the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining lives of members of the scheme.

The company also operates a number of defined contribution pension plans. The assets of the plans are held separately from those of the group in independently administered funds. The company's contributions to these plans are charged to the profit and loss account as they fall due.

**Leasing and hire purchase**

Assets obtained under finance leases and hire purchase contracts are capitalised and are depreciated over their useful lives. Finance charges are charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Lease rentals on operating leases are charged against income as incurred.

**Foreign currencies**

Transactions denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling when the transactions took place. Assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the balance sheet date and resulting profits and losses are recognised in the profit and loss account.

**Deferred revenue**

Deferred revenue comprises annual service charges. Annual service charges are billed to subscribers in advance and the amounts are deferred and taken into income evenly, on a time basis, over the period of the service charge.

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## Group financial statements, cashflow statement and related party transactions

The company is an indirect wholly owned subsidiary undertaking of a company registered in England and Wales, Tyco Holdings (UK) Ltd. (see note 26) and as such is not required to produce consolidated financial statements under Section 228 of the Companies Act 1985. For the same reasons, the company is also exempt, under the terms of Financial Reporting Standard No1 (Revised 1996), from preparing a cash flow statement.

The company is also a wholly owned subsidiary of Tyco International Ltd. , a company registered in Bermuda (see note 26). As such the company is also exempt, under the terms of Financial Reporting Standard No 8 from disclosing related party transactions with entities that are part of the Tyco International Ltd. or investees of the Tyco International Ltd group. Advantage has been taken of all these exemptions.

## 2 Turnover

All turnover is earned from the installation, rental, maintenance and monitoring of electronic security systems within the United Kingdom.

## 3 Restructuring

	1998 £'000	1997 £'000
Created in the year	-	(29,323)
Released in respect of prior years (note 16)	-	1,801
	-	(27,522)
Forgiveness of amounts owed to group undertaking	-	110,545
	-	83,023

In 1997 the charges related to the restructuring of the company following the merger of Tyco International Ltd. and ADT Limited in July 1997. As a result, Tyco International Ltd. decided to combine its UK security business with the on-going integration of the company and Automated Security (Holdings) PLC. Of that amount, £8,068,000 related to the write down of tangible fixed assets, £156,000 related to the write down of stocks, and the balance of £21,099,000 related to provisions of which £262,000 had been utilised by 30 September 1997. The provisions charge comprised £3,069,000 for property rationalisation, £1,776,000 for severance and other employee related costs, £3,726,000 for changes in branding, £11,038,000 for changes in information technology and £1,490,000 for other costs.

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Effective 30 September 1997, as part of a series of transactions relating to the restructuring of the UK group, the company borrowed £100 million in cash from the company's immediate parent Britannia Security Group Limited (BSG), which was then lent on to the company's intermediate parent ADT (UK) Holdings PLC as a non-interest bearing, unsecured and subordinated inter company loan repayable after more than one year.

Following the aforementioned transaction, effective 30 September 1997, BSG forgave the inter company loan of £100 million owed by the company to BSG together with a further £10,545,000 which was owed by the company to BSG. The forgiveness of the amounts owed by the company to BSG in the amount of £110,545,000 was credited to the profit and loss account.

### 4 Directors' emoluments

	1998	1997
	£'000	£'000
Aggregate emoluments (including benefits in kind)	<u>1,094</u>	<u>88</u>

Retirement benefits are accruing to 3 directors (1997: 1) under a defined benefit scheme.

Highest paid director:

	1998	1997
	£'000	£'000
Total emoluments (including benefits in kind)	<u>637</u>	<u>88</u>
Accrued pension at the end of the year under a defined benefit scheme	<u>29</u>	<u>-</u>

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**5 Employee information**

The average weekly number of persons employed by the company during the period was:

	1998 Number	1997 Number
Engineers	2,619	584
Guarding Staff	703	-
Sales, office staff and management	1,883	263
	<u>5,205</u>	<u>847</u>
	1998 £'000	1997 £'000
Staff costs (for the above persons):		
Wages and salaries	74,572	12,512
Social security costs	5,670	1,137
Other pension costs (note 22)	1,957	45
	<u>82,199</u>	<u>13,694</u>

**6 Interest receivable/payable**

	1998 £'000	1997 £'000
<b>Interest receivable</b>		
Receivable from group undertakings	-	53
Other	292	6
	<u>292</u>	<u>59</u>
<b>Interest payable</b>		
Payable to group undertakings	(174)	(2)
Bank loans and overdrafts	(34)	-
Other	(7)	-
	<u>(215)</u>	<u>(2)</u>

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## 7 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year on tangible fixed assets (note 10)	25,084	3,561
Amortisation of goodwill acquired businesses (note 9)	139	-
Profit on disposal of fixed assets	(3,464)	-
Auditors' remuneration:		
- Audit services	140	70
- Non audit work	295	-
Operating Leases:		
- Hire of plant and machinery	9,464	1,759
- Other	1,304	446
Management charges and other fees to group undertakings	3,768	1,038

The profit on disposal of fixed assets relates to the sale, on 30 June 1998, of the Guarding division. The effect of this disposal on operating profit is not considered material.

The breakdown of the operating profit/(loss) for the nine months ended 30 September 1997 was as follows:

	Before restructuring £'000	Restructuring (Note 3) £'000	Total 1997 £'000
Turnover	42,174	-	42,174
Cost of sales	(30,812)	(15,519)	(46,331)
Gross profit/(loss)	11,362	(15,519)	(4,157)
Administrative expenses	(8,042)	(3,935)	(11,977)
Operating profit/(loss)	3,320	(19,454)	(16,134)

## 8 Taxation

No liability to UK corporation tax arises in 1998 and 1997 because of tax losses and capital allowances available for offset.

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**9 Intangible Fixed Assets**

	Goodwill £'000
<b>Cost or valuation</b>	
At 1 October 1997	-
Additions	2,786
At 30 September 1998	<u>2,786</u>
<b>Amounts provided</b>	
At 1 October 1997	-
Amortisation in the year	139
At 30 September 1998	<u>139</u>
<b>Net book values</b>	
At 30 September 1998	<u>2,647</u>
At 30 September 1997	<u>-</u>

Additions during the year relate to the acquisitions as detailed in note 18. All goodwill is being amortised on a straight line basis over 20 years. This period is the period over which the directors estimate that the values of the underlying businesses are expected to exceed the value of the underlying assets. No goodwill had arisen previously.

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**10 Tangible fixed assets**

	Freehold Properties £'000	Short leasehold properties £'000	Fixtures and fittings £'000	Equipment On Contract Hire £'000	Total £'000
<b>Cost</b>					
At 1 October 1997	1,534	943	3,940	73,564	79,981
Additions	-	1,066	5,011	12,466	18,543
Transfers	1,756	3,192	15,746	202,477	223,171
Disposals	(1,484)	(1,711)	(1,574)	(25,542)	(30,311)
At 30 September 1998	<u>1,806</u>	<u>3,490</u>	<u>23,123</u>	<u>262,965</u>	<u>291,384</u>
<b>Depreciation</b>					
At 1 October 1997	424	422	2,581	53,842	57,269
Charge for the period	40	197	2,442	22,405	25,084
Transfers	346	1,356	11,767	109,499	122,968
Eliminated in respect of disposals	(16)	(1,013)	(1,625)	(24,439)	(27,093)
At 30 September 1998	<u>794</u>	<u>962</u>	<u>15,165</u>	<u>161,307</u>	<u>178,228</u>
<b>Net book values</b>					
At 30 September 1998	<u>1,012</u>	<u>2,528</u>	<u>7,958</u>	<u>101,658</u>	<u>113,156</u>
At 30 September 1997	<u>1,110</u>	<u>521</u>	<u>1,359</u>	<u>19,722</u>	<u>22,712</u>



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## 11 Fixed asset investments

	Group Undertakings £'000	Total £'000
<b>Cost or valuation</b>		
At 1 October 1997	18,282	18,282
Additions	2,747	2,747
At 30 September 1998	<u>21,029</u>	<u>21,029</u>

Additions in the year relate to the acquisitions of the entire the share capital of Safeguard Electronics Limited and PMH Electronics Limited (see note 18), and investments acquired from Modern Security Systems that are dormant companies.

Each group undertaking is wholly owned and registered in England and Wales and is non trading. Amounts owed to these group undertakings totalling £21,682,000 (1997: £21,659,000) are held in creditors falling due after more than one year. Amounts due from these group undertakings totalling £168,545 (1997: £ Nil) are held in debtors falling due after more than one year. A full list of non trading group undertakings can be obtained from the company's registered office.

## 12 Stocks

	1998 £'000	1997 £'000
Finished goods and goods for resale	3,182	483
Work in progress	1,579	1,309
	<u>4,761</u>	<u>1,792</u>

## 13 Debtors

	1998 £'000	1997 £'000
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertaking	<u>160,220</u>	<u>100,000</u>
<b>Amounts falling due within one year</b>		
Trade debtors	75,094	8,709
Prepayments	6,994	587
Other debtors	3,255	621
Amounts owed by group undertakings	<u>51,510</u>	<u>1,777</u>
	<u>136,853</u>	<u>111,694</u>

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**14 Creditors: amounts falling due within one year**

	1998	1997
	£'000	£'000
Bank loans and overdrafts	-	205
Trade creditors	23,292	1,106
Amounts owed to group undertakings	78,950	1,164
Other taxation and social security	9,413	418
Accruals and other creditors	32,593	3,836
Deferred income	45,514	8,057
	<u>189,762</u>	<u>14,786</u>

**15 Creditors: amounts falling due after more than one year**

	1998	1997
	£'000	£'000
Amounts owed to group undertakings	<u>87,805</u>	<u>26,208</u>

**16 Provisions for liabilities and charges**

	Warranty, Contract and Other Provisions £'000	Restructuring £'000	Total £'000
At 1 October 1997	-	22,745	22,745
Acquired during the year (see note 18)	8,072	51,060	59,132
Utilised/ paid during the year	(3,656)	(22,583)	(26,239)
At 30 September 1998	<u>4,416</u>	<u>51,222</u>	<u>55,638</u>

Provisions at 1 October 1997 relate to the restructuring of the business following the acquisition of Automated Security (Holdings) PLC by ADT Limited in September 1996, restructuring charges relating to a further reorganisation following the merger of ADT Limited and Tyco International Ltd. in July 1997 and various other immaterial operating provisions.

## 17 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	-	5,646	205
Other	-	-	39,224	(2,033)
	<u>-</u>	<u>-</u>	<u>44,870</u>	<u>(1,828)</u>

The potential deferred tax asset in 1998 arises principally as a result of timing differences on the restructuring provisions.

## 18 Acquisitions

The company made the following acquisitions during the year:

	Date	Consideration £'000
Domestic fire and security division of Thorn Security Ltd	1 January 1998	(9,042)
Entire business and assets of Modern Security Systems	1 January 1998	19,706
Entire business and assets of Aseco Security Systems	26 February 1998	330
Entire share capital of Safegaurd Electronics Limited *	10 March 1998	1,100
Future business and assets of Alarmcall	27 March 1998	610
Entire business and assets of Astor Security Group plc	29 May 1998	1,660
Entire share capital of PMH Electronics Ltd *	1 August 1998	1,625

As a post acquisition reorganisation the businesses and assets of these two companies were sold to ADT Fire and Security plc in consideration for which intercompany balances were established.

All of the acquisitions have been accounted for using acquisition accounting.

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Details of the assets and liabilities transferred are as follows:

	From Thorn Security Limited	From Modern Security Systems	Other acquisitions:			Total
	£'000	£'000	Book values £'000	Revaluations £'000	Fair value £'000	£'000
Fixed Assets	8,112	92,115	377	(97)	280	100,507
Stocks	5,990	2,437	110	(167)	(57)	8,370
Debtors	67,805	38,062	785	(133)	652	106,519
Cash	858	24,073	6	-	6	24,937
Current Assets	74,653	64,572	901	(300)	601	139,826
Creditors	(91,807)	(136,981)	(709)	(503)	(1,212)	(230,000)
Net Current Assets	(17,154)	(72,409)	192	(803)	(611)	(90,174)
Net Assets	(9,042)	19,706	569	(900)	(331)	10,333
Satisfied by:						
Inter co balances	9,042	(19,706)			145	(10,519)
Cash	-	-			(2,450)	(2,450)
Deferred Consideration	-	-			(150)	(150)
Total consideration	9,042	(19,706)			(2,445)	(13,119)
Goodwill arising	-	-			(2,786)	(2,786)

No fair value adjustments were made on the acquisitions of the assets of the Fire and Security Division of Thorn Security Limited, of Modern Security Systems, of PMH Electronics Limited and of Safeguard Electronics Ltd.

On the acquisition of the assets of Aseco Security Systems, Alarmcall and Astor Security Group plc fair value adjustments were made. All of the adjustments were to effect revaluations of the assets to estimated realisable value.

In its last financial period for the 10 months to September 1997 Modern Security Systems made a loss after tax of £1,287,130. The results for the period from that date to the date of acquisition are shown in the extracts from management accounts in the table below.

In its last financial period for the fifteen months to June 1997 Thorn Security Systems made a loss after tax of £23,468,000. The results for the period from that date to the date of acquisition are shown in the extracts from management accounts in the table below.

The effect on profit of the other acquisitions noted above is not considered material.

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	Fire and Security Division of Thorn Security Limited £'000	Modern Security Systems £'000
Turnover	52,432	27,500
Operating Profit	7,591	5,709
Profit before taxation	7,556	5,709
Taxation	(16)	-
Profit	7,540	5,709

Among the assets acquired from Thorn Security Limited and Modern Security Systems were unutilised restructuring provisions.

The provisions relating to Thorn Security Limited had been established in September 1997 following the merger of Tyco International Ltd. and ADT Limited in July 1997 described in note 3. The amounts transferred to this company are shown below.

The provisions relating to Modern Security Systems were established in relation both to the combination of Tyco's UK security businesses and to the acquisition by ADT limited of Modern Security Systems in September 1996. The unutilised amounts transferred to this company are shown below.

	Balances acquired from Thorn Security Limited £'000	Balances acquired from Modern Security Systems £'000	Total £'000
Property rationalisation provision	4,511	8,383	12,894
Severance and other employee related costs provision	9,797	57	9,854
Provision for changes in branding	5,563	5,485	11,048
Provision for changes in information technology	1,434	-	1,434
Provision for other costs	816	873	1,689
Relating to ADT Limited/ Automated Security (Holdings) plc merger	-	14,141	14,141
	<b>22,121</b>	<b>28,939</b>	<b>51,060</b>

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**19 Called-up share capital**

	1998	1997
	£'000	£'000
<b>Authorised</b>		
60,000,000 ordinary shares of £1 each	60,000	60,000
<b>Allotted</b>		
58,332,294 ordinary shares of £1 each	58,332	58,332
<b>Called-up</b>		
58,284,494 ordinary shares of £1 each (£1 called-up and paid)	58,284	58,284
47,800 ordinary shares of £1 each (£0.25 called-up and paid)	12	12
	<u>58,296</u>	<u>58,296</u>

**20 Profit and loss account**

	1998	1997
	£'000	£'000
At 1 October 1997/ 1 January 1997	32,450	(53,950)
Retained profit for the year/ period	29,233	86,400
At 30 September 1998	<u>61,683</u>	<u>32,450</u>

## **21 Reconciliation of movement in shareholders' funds**

	1998	1997
	£'000	£'000
Retained profit/(loss) for the year	29,233	86,400
Opening shareholders' funds	90,746	4,346
Closing shareholders' funds	<u>119,979</u>	<u>90,746</u>

## **22 Pension and similar obligations**

The group operates a number of pension schemes. The three main schemes are the ADT Pension Scheme, the Automated Security (Holdings) PLC pension scheme and the Thorn Security Pension Fund. These cover the vast majority of scheme members, and are of the defined benefit type. The assets of the schemes are held in separate trustee administered funds.

For the defined benefit schemes, pension costs are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. They are determined by a qualified actuary using the projected unit method. The pension credit in respect of employees in the three main schemes was £928,000. This amount includes a credit of £6,180,000 in respect of the surplus in the funds which is being recognised over the remaining service lives of employees. No contributions were paid by the company.

The defined benefit schemes are valued by an independent professionally qualified actuary every three years. The latest actuarial assessment of the schemes was carried out as at 30 September 1997 using the projected unit method. As at that date, the market value of the funds' assets amounted to £126,666,000. The actuarial value of the assets was sufficient to cover 136% of the value of the benefits that had accrued to members after allowing for assumed increases in earnings.

There is a balance sheet provision of £1,825,230 representing the difference between the accumulated amount recognised as cost and the amount actually contributed by the company. This is held within sundry creditors.

The company also contributes to several defined contribution arrangements for which the pension cost represents the contributions paid by the company. During the period, these contributions amounted to £297,778 including that for the largest such arrangement; the Wormald Ansul (UK) Limited Employees Retirement Benefits Scheme. The pension cost for these employees borne by the company was £244,992.

## **23 Related party transactions**

The company is exempt from the requirement to disclose related party transactions with other group undertakings under Financial Reporting Standard No. 8, as it is an indirect wholly owned subsidiary undertaking.

## **24 Capital commitments**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>305</u>

This figure excludes capital expenditure on subscriber systems which will be incurred as electronic security services are sold in the ordinary course of business.



## **24 Post balance Sheet Events**

Details of post balance sheet events are given in the Directors Report.

## **25 Financial commitments**

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

	1998		1997	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	152	1,518	139	-
Expiring between two and five years	988	6,638	231	1,706
Expiring in over five years	2,227	-	473	-
	<u>3,367</u>	<u>8,156</u>	<u>843</u>	<u>1,706</u>

In January 1997 the company became a guarantor on behalf of ADT Finance PLC, a fellow subsidiary undertaking, for a borrowing facility of up to £27 million through a third party banking facility. In March 1997 this borrowing facility was increased to £90 million. The borrowing facility was paid in full on 28 May 1998.

## **26 Ultimate and intermediate parent undertakings**

The company's ultimate parent undertaking is Tyco International Ltd. (formerly named ADT Limited) (a company incorporated in Bermuda). Copies of the consolidated financial statements of Tyco International Ltd. are available at its registered office: Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

The company's parent undertaking that prepares consolidated financial statements is Tyco Holdings (UK) Ltd. (a company registered in England and Wales). Copies of the consolidated financial statements of Tyco Holdings (UK) Ltd. are available at its registered office: 7<sup>th</sup> Floor, International Financial Centre, London.