

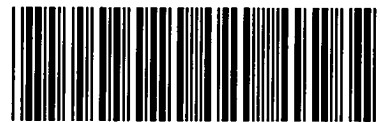
**Company Registration No. 1161045**

**ADT Fire and Security plc**

**Report and Financial Statements**

**For the 52 weeks ended 26 September 2014**

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# **ADT Fire and Security plc**

## **Report and financial statements 2014**

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# **ADT Fire and Security plc**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

T S Edwards  
S C Hughes  
I Hodgson  
K Taylor  
J Andreu  
A B Alphonsus  
M Briglia

#### **Secretary**

A B Alphonsus

#### **Registered Office**

Security House  
The Summit  
Hanworth Road  
Sunbury on Thames  
Middlesex  
TW16 5DB

#### **Bankers**

Barclays Bank PLC  
Corporate Banking Centre  
28 George Street  
Luton  
LU1 2AE

#### **Solicitors**

Eversheds  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL

#### **Auditor**

Deloitte LLP  
Chartered Accountants and statutory auditor  
Leeds

# ADT Fire and Security plc

## Directors' report

The directors present their annual report and the audited financial statements for the period from 28 September 2013 to 26 September 2014.

### Principal activities

The principal activity of the company is the installation, rental, maintenance and monitoring of electronic security systems, and associated building management systems. The company holds leading market share positions in both the commercial and residential markets for its systems and services.

### Results for the year

The company made a profit after taxation during the year of £20,320,000 (2013: £15,993,000). The directors do not recommend the payment of a dividend (2013: £nil).

### Directors of the company

The following served as directors of the company during the period and since the period end, except as noted:

J Bramall (resigned 14 November 2013)  
T S Edwards  
S C Hughes  
I Hodgson  
D Myers (resigned 13 July 2014)  
K Taylor (appointed 9 September 2014)  
J Andreu  
A B Alphonsus  
M Briglia

### Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Directors' statement on information given to the Company's auditor

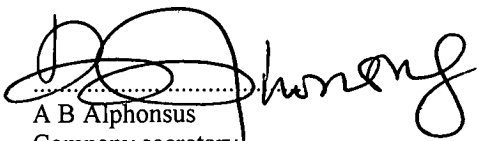
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26<sup>th</sup> March 2015  
and signed by order of the Board

  
A B Alphonsus  
Company secretary

# ADT Fire and Security plc

## Strategic report

### Introduction

The directors present their strategic report on the company for the period from 28 September 2013 to 26 September 2014.

### Business review and future developments

The results for the period are given in the profit and loss account on page 7. This shows the Company's sales increased by £5,606,000 to £347,588,000 in 2014 (2013: £341,982,000) and operating profit decreased by £255,000,000 to £12,253,000 (2013: £12,508,000).

The balance sheet shows that the net assets of the company increased by £14,708,000 in the period. At the period end, net assets were £556,898,000 (2013: £542,190,000).

On 19 November 2014 the company acquired the entire share capital of First Choice Facilities Ltd. This company provides design, installation, commissioning and maintenance of integrated fire and security solutions including fire detection and intruder alarm systems, gas suppression, access control and CCTV. The directors believe that by acquiring this company it will allow the Tyco group to gain market share in fire detection and provide long term opportunities to provide an increased set of solutions to a broader set of customers.

The level of business on hand at the period end and the period end financial position are both satisfactory and the directors aim for this to continue in the foreseeable future. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Tyco International manages its business on a divisional basis. For this reason the directors of the Company do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Europe, Middle East and Africa division, which includes the Company, is discussed in the Tyco International Ltd 2014 Annual Report, which does not form part of this report.

The Company is a wholly-owned subsidiary of Tyco International Ltd, a Securities Exchange Commission registered company, the shares of which are traded on the New York Stock Exchange. Tyco International Ltd ('Tyco') is registered in Switzerland.

ADT Fire and Security plc operates as part of Tyco International's Europe, Middle East and Africa division, and benefits from research and development conducted primarily in other Tyco International companies.

### Going concern

The directors have considered the financial position, cash flow and liquidity position of the Company and have prepared the financial statements on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

### Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company, which could result in losing key sales to competitors. The Company responds by offering leading edge products and by providing a range of added-value services to its customers.

The company is financed primarily by share capital and therefore faces no interest rate risk. There are balances owed to group undertakings which have arisen as a result of the hive up of assets and liabilities on business acquisitions. These balances do not carry any interest.

A large part of the Company's income is through recurring monthly fees for rentals of systems, monitoring and maintenance services. This provides the Company with a healthy cash inflow which further finances the Company's activities.

The Company is a net lender to other Tyco Group Companies. Because of the financial health of the Tyco Group, the directors do not believe that this presents a risk.

# ADT Fire and Security plc

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### *Legal risk*

In the normal course of business, we are subject to various legal proceedings and claims, including product and general liability matters, environmental matters, patent infringement claims, employment disputes, disputes on agreements and other commercial disputes.

In an attempt to reduce this risk, our alarm monitoring agreements and other contracts contain provisions limiting our liability in such circumstances. Furthermore, we have insurance arrangements with our ultimate parent entity in order to limit the liability payable by the Company.

Further risks faced by the Group are discussed in the Tyco International Ltd 2014 Annual Report, which does not form part of this report.

#### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company does not use derivative financial instruments.

#### *Cash flow risk*

The business operates primarily in the UK and has a large and diverse range of customers. It operates appropriate control over its debtor and creditor balances and therefore exposure to cash flow risk from realising its working capital is small.

#### *Credit risk*

The Company's principal financial assets are bank balances and cash, trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### *Liquidity risk*

The Company's liquidity risk is primarily attributable to its trade debtors. The Company has no significant concentration of liquidity risk, with exposure spread over a large number of counterparties and customers.

#### **Environmental matters, employees and social, community and human rights**

The directors have considered the Company's exposure to corporate and social responsibility and the Company, as a Tyco Group subsidiary, recognises the importance of its environmental and corporate and social responsibilities and the safety of its employees and as such it operates in accordance with Tyco policies, which are described on the Tyco website, [www.tyco.com](http://www.tyco.com) and are not included in this report.

This report was approved by the Board of Directors on  
and signed by order of the Board



A B Alphonsus  
Company secretary

26 March 2015

# **ADT Fire and Security plc**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 have elected to prepare 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 estimates that are reasonable and prudent;
- state whether applicable UK 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.

## **Independent auditor's report to the members of ADT Fire and Security plc**

We have audited the financial statements of ADT Fire & Security plc for the period ended 26 September 2014, set out on pages 7 to 35. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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 (APB's) Ethical Standards for Auditors.

### **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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 September 2014 and of its profit for the period 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.

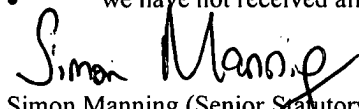
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and in the Strategic Report for the financial period 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.



Simon Manning (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Leeds, United Kingdom

27 March 2015



# ADT Fire and Security plc

## Profit and Loss Account 52 weeks ended 26 September 2014

		52 weeks ended 26 September 2014 £'000	52 weeks ended 27 September 2013 £'000
<b>Turnover</b>		347,588	341,982
Cost of sales		(210,365)	(206,972)
<b>Gross profit</b>		137,223	135,010
Administrative expenses		(124,970)	(122,502)
<b>Operating profit</b>	2	12,253	12,508
Income from dissolution of subsidiary		2,691	-
Amounts written off investments	12	(179)	-
Interest receivable and similar income	6	8,206	8,239
Interest payable and similar charges	7	(442)	(458)
Other finance income	8	1,934	925
<b>Profit on ordinary activities before taxation</b>		24,463	21,214
Tax on profit on ordinary activities	9	(4,143)	(5,221)
<b>Profit for the financial period</b>	19	20,320	15,993

Turnover and operating profit derive wholly from continuing operations

## ADT Fire and Security plc

### Statement of Total Recognised Gains and Losses 26 September 2014

		26 September 2014 £'000	27 September 2013 £'000
	Notes		
Profit for the financial period		20,320	15,993
Actuarial loss recognised on defined benefit pension scheme	19	(5,906)	(9,278)
Deferred tax on actuarial loss recognised on defined benefit pension scheme		1,181	1,856
<b>Total recognised gains and losses relating to the year</b>		<b>15,595</b>	<b>8,571</b>

# ADT Fire and Security plc

## Balance sheet 26 September 2014

		26 September 2014 £'000	27 September 2013 £'000
	Notes		
<b>Fixed assets</b>			
Intangible fixed assets	10	42,671	50,241
Tangible fixed assets	11	39,912	40,841
Investments	12	121	300
		<u>82,704</u>	<u>91,382</u>
<b>Current assets</b>			
Stocks	13	11,110	8,968
Debtors: amounts falling due within one year	14	326,199	289,501
Debtors: amounts falling due after more than one year	14	431,626	450,878
Cash at bank and in hand		780	1,137
		<u>769,715</u>	<u>750,484</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(262,695)</u>	<u>(264,349)</u>
<b>Net current assets</b>		<u>507,020</u>	<u>486,135</u>
<b>Total assets less current liabilities</b>		<u>589,724</u>	<u>577,517</u>
Creditors: amounts falling due after more than one year	16	(13,826)	(14,327)
Provisions for liabilities	17	(5,114)	(6,905)
		<u>570,784</u>	<u>556,285</u>
<b>Net assets excluding pension liability</b>		<u>570,784</u>	<u>556,285</u>
Pensions liability	21	(13,886)	(14,095)
		<u>556,898</u>	<u>542,190</u>
<b>Net assets</b>		<u>556,898</u>	<u>542,190</u>
<b>Capital and reserves</b>			
Called up share capital	18	328,296	328,296
Profit and loss account	19	228,602	213,894
		<u>556,898</u>	<u>542,190</u>
<b>Shareholders' funds</b>		<u>556,898</u>	<u>542,190</u>

The financial statements of ADT Fire & Security plc, registered number 1161045 were approved by the Board of Directors and authorised for issued on 26<sup>th</sup> March 2015.

Signed on behalf of the Board of Directors

  
A B Alphonsus  
Director

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 1. Accounting policies

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards, and on the historical cost basis of accounting.

The financial statements are prepared to the last Friday of September. Since this is within seven days of 30 September each year, the requirements of the Companies Act with regard to the dating of the financial statements are met. Comparative data is for the 52 weeks ended 27 September 2013.

#### **Consolidated financial statements, cash flow 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 25), and as such is not required to produce consolidated financial statements under section 400 of the Companies Act 2006. For the same reasons, the company is also exempt, under the terms of the Financial Reporting Standard No 1 (Revised 1996), from preparing a cash flow statement.

The company is also a wholly owned subsidiary of Tyco International Limited, a company registered in Switzerland (see note 25). As such the company is also exempt, under the terms of Financial Reporting Standard No 8, from disclosing related party transactions with wholly owned entities that are part of Tyco International Limited.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position, and the primary risks faced by the company are set out in the Strategic Report on pages 3 to 4.

The financial position of the Company, its cash flows, and liquidity position are described in the Strategic Report, together with the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As is reflected in the Balance Sheet on page 10, the Company has considerable financial resources together with a diverse base of contracts with a large number of customers and suppliers across the UK and in a variety of industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Turnover**

Turnover comprises:

- earned monitoring income of monitoring services provided in the financial year, whether invoiced or due, excluding VAT;
- earned maintenance income of maintenance services provided in the financial year, whether invoiced or due, excluding VAT;
- earned installation fees relating to equipment on contract hire under operating leases, being the proportion of installation fees that relates to the financial year. In respect of rented equipment, installation fees are recognised on a straight-line basis over the 14 year period that a rented system is expected to be in place generating income. All amounts exclude VAT;
- earned installation fees relating to equipment sold on an outright basis are recognised proportionately to the stage of completion of the individual contracts, measured on a cost incurred to total forecast cost basis, such that income is recognised to the extent that a right to consideration has been obtained;
- earned systems-rental income of rental charges relating to the financial year, excluding VAT;
- the value of equipment and systems sold to customers, excluding VAT;

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 1. Accounting policies (continued)

#### Turnover (continued)

- where equipment is leased to customers under certain long-term contracts for the greater part of the equipment's economic life, the contracts are classified as finance leases and the net present value of future lease streams and interest is taken to turnover over the term of the lease so as to produce a constant rate of return on the net cash investment; and
- equipment leased to customers under operating leases (equipment on contract hire) is capitalised in accordance with the fixed assets and depreciation note below. The elements of invoiced amounts that have not been earned are accounted for as deferred revenue.

#### Goodwill

Goodwill represents the excess of fair value of the consideration given over the fair value of the identifiable net assets acquired.

Prior to 1 January 1998 purchased goodwill was written off to reserves and has not been reinstated. On disposal of the related businesses, the goodwill would be charged to the profit and loss account.

The Company also acquires contracts from "Authorised Dealers" and other third parties, entitling the Company to contracted income over a number of years. The expenditure in relation to such acquisitions is recognised as an intangible fixed asset, amortised on a declining balance basis over the first eight years then the remaining balance on a straight-line basis over the subsequent four years. This is designed to match the period that the contracts are expected to be in place generating income.

#### Amortisation

Goodwill is capitalised and eliminated by amortisation through the profit and loss account over its useful economic life which is estimated to be 20 years. This is considered to be the period over which benefit will be derived from the goodwill acquired.

#### Asset class

Purchased goodwill  
Dealership

#### Amortisation method and rate

Straight-line 5%  
Reducing balance for first 8 years then Straight-line 25%

#### Depreciation

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.

Tangible fixed assets, other than freehold land, are stated at cost less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

#### Asset class

Freehold properties  
Short leasehold properties  
Fixtures and fittings  
Equipment on contract hire

#### Depreciation method and rate

Straight-line Nil to 1 % per annum  
Period of lease  
Straight-line 10 to 33% per annum  
Straight-line 7 to 10% per annum

#### Research and development

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 1. Accounting policies (continued)

#### **Fixed asset investments**

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

#### **Stock and work in progress**

Stocks comprise components for electronic security systems, fire detection systems and associated building management systems, and are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

The carrying value of work in progress equates to the turnover recognised but not yet invoiced.

#### **Deferred tax and current tax**

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

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed with reference to forecasts that have been prepared and approved by the board.

Deferred tax assets and liabilities are not discounted.

Current taxation is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date, to the extent that there are no tax losses available for claim or surrender within the subsidiaries of Tyco.

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that or, if appropriate, at the forward contract rate.

#### **Hire purchase and leasing**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

#### **Share-based payments**

Tyco International has a number of equity-settled share-based incentive schemes to which the management and employees of its overseas subsidiaries, including this company, are eligible to participate in.

Tyco International recharges back the cost incurred (being the intrinsic value at exercise) when the options are exercised and this amount is offset against the retained earnings reserve in the period to which it relates.

The fair value of each share-based payment grant is estimated using the Black-Scholes option pricing model at the date of grant. Assumptions for expected volatility, the average expected life, and the risk-free rate were made using the best estimate of management for the effects of non-transferability, exercise restrictions and behavioural considerations. The company has recognised the fair value liability for the discount on shares expected to vest on a straight-line basis over the vesting period.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 1. Accounting policies (continued)

#### Pensions

The Company operates a number of defined benefit pension schemes.

Where it is not possible to identify the Company's share of a multi-employer defined benefit scheme, such schemes are accounted for as if they were defined contribution schemes.

Defined benefit pension schemes are valued every three years using the projected unit method by qualified independent actuaries. The cost of providing defined benefit pensions is charged to administrative expenses to reflect the current and past service cost, with the return on the pension scheme investments shown as other financial income/expenses. Actuarial gains and losses are shown in the statement of total recognised gains and losses.

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. There has been no change to this policy during the period.

### 2. Operating profit

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
<b>Operating profit is stated after charging:</b>		
Operating leases – plant and machinery	10,494	9,727
Operating leases – other assets	3,019	3,666
Loss on disposal of fixed assets	2,865	1,200
Depreciation of owned assets	8,636	10,391
Amortisation	8,249	8,362
Auditor's remuneration (note 3)	367	326
Management charges payable	17,157	7,873
Restructuring, warranty and other provisions created	1,856	1,440

### 3. Auditor's remuneration

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Audit of the financial statements	218	181
<b>Other fees to auditor</b>		
The audits of subsidiary and fellow subsidiary companies pursuant to legislation	22	23
Reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes Oxley)	127	122
<b>Total auditor's remuneration</b>	<b>367</b>	<b>326</b>

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 4. Particulars of employees

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

	28 September 2013 to 26 September 2014 No	29 September 2012 to 27 September 2013 No
Sales, office, staff and management	1,705	1,754
Engineers	1,709	1,731
	<u>3,414</u>	<u>3,485</u>
	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
The aggregate payroll costs were as follows:		
Wages and salaries	118,277	119,858
Social security costs	11,429	11,924
Staff pensions	10,946	13,928
	<u>140,652</u>	<u>145,710</u>

### 5. Directors' remuneration

The directors' remuneration for the year was as follows:

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Remuneration (including benefits in kind)	1,064	971
Company contributions paid to money purchase schemes	40	41
	<u>1,104</u>	<u>1,012</u>
	28 September 2013 to 26 September 2014 No	29 September 2012 to 27 September 2013 No
During the period the number of directors who were receiving benefits and share incentives was as follows:		
Received or were entitled to receive shares under long term incentive schemes	5	5
Exercised share options	6	6
Accruing benefits under money purchase pension scheme	6	6



# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 5. Directors' remuneration (continued)

In respect of the highest paid director:

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Remuneration	246	254

During the period the highest paid director exercised share options. Two directors do not receive remuneration through the company.

### 6. Interest receivable and similar charges

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Interest from group companies	8,206	8,239

### 7. Interest payable and similar charges

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Interest payable to group undertakings	442	457
Other interest payable	-	1
	442	458

### 8. Other finance income/(expense)

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Expected return on fund assets	8,036	6,449
Interest on fund liabilities	(6,102)	(5,524)
	1,934	925

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 9. Taxation

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
<b>Tax on profit on ordinary activities</b>		
<b>Current tax</b>		
Adjustments in respect of previous years	(179)	(3,651)
<b>Total current tax</b>	<b>(179)</b>	<b>(3,651)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	3,534	3,480
Deferred tax adjustment relating to previous years	(393)	363
Effect of changes in tax rates	-	3,405
Deferred tax relating to FRS17	1,181	1,624
<b>Total deferred tax</b>	<b>4,322</b>	<b>8,872</b>
<b>Total tax on profit on ordinary activities</b>	<b>4,143</b>	<b>5,221</b>

#### Factors affecting current tax charge for the period

Tax on loss on ordinary activities for the year is lower than (2013 – lower than) the standard rate of corporation tax in the UK of 22% (2013 – 23.5%).

The differences are reconciled below:

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Profit on ordinary activities before taxation	24,463	21,214
Corporation tax at standard rate	5,382	4,985
Effects of:		
Accelerated capital allowances/other timing differences	(2,201)	(1,286)
Timing differences relating to pension contributions	(1,107)	(1,135)
Income not taxable	(2,893)	(2,460)
Expenses not deductible for tax purposes	1,414	1,569
Adjustment to tax charge in respect of previous period	(179)	(3,651)
Utilisation of losses	(595)	(1,673)
<b>Total current tax</b>	<b>(179)</b>	<b>(3,651)</b>

The reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 was substantively enacted on 2 July 2013. Further legislation has been enacted to reduce the corporation tax rate to 20% with effect from 1 April 2015.

## ADT Fire and Security plc

### Notes to the financial statements Year ended 26 September 2014

#### 10. Intangible fixed assets

	Goodwill	Dealership	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 28 September 2013	108,942	80,936	198,878
Additions	-	679	679
At 26 September 2014	<u>108,942</u>	<u>81,615</u>	<u>190,557</u>
<b>Amortisation</b>			
At 28 September 2013	70,119	69,518	139,637
Charge for the period	5,512	2,737	8,249
At 26 September 2014	<u>75,631</u>	<u>72,255</u>	<u>147,886</u>
<b>Net book value</b>			
At 26 September 2014	<u>33,311</u>	<u>9,360</u>	<u>42,671</u>
At 27 September 2013	<u>38,823</u>	<u>11,418</u>	<u>50,241</u>

During the year the Company acquired service contracts under its dealership programme and from other third parties for a total cash consideration of £679,400 (2013: £75,634). Under the Dealership programme, ADT fire & Security entered a service contract as agreed between an authorised dealer and third party customers for the provision of services of the maintenance and monitoring of electronic security system and fire detection systems. Other third party customer service contracts were acquired from third party security companies. The adjustment comprises the reversal of a difference between net assets of an acquired entity and the transfer of the liability of an intercompany creditor falling due in more than one year.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 11. Tangible fixed assets

	Freehold land and buildings	Leasehold short land and buildings	Equipment on contract hire	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 28 September 2013	626	5,815	131,696	36,045	174,182
Additions	-	342	9,619	647	10,608
Disposals	-	-	(34,827)	(20)	(34,847)
At 26 September 2014	<u>626</u>	<u>6,157</u>	<u>106,488</u>	<u>36,672</u>	<u>149,943</u>
<b>Depreciation</b>					
At 28 September 2013	32	3,460	99,441	30,408	133,341
Eliminated on disposals	-	-	(31,937)	(9)	(31,946)
Charge for the period	-	466	5,555	2,615	8,636
At 26 September 2014	<u>32</u>	<u>3,926</u>	<u>73,059</u>	<u>33,014</u>	<u>110,031</u>
<b>Net book value</b>					
At 26 September 2014	<u>594</u>	<u>2,231</u>	<u>33,429</u>	<u>3,658</u>	<u>39,912</u>
At 27 September 2013	<u>594</u>	<u>2,355</u>	<u>32,255</u>	<u>5,637</u>	<u>40,841</u>

#### Leased assets

Equipment on contract hire consists of assets held for use in operating leases.

### 12. Investments held as fixed assets

	Subsidiary undertakings £'000	Total £'000
<b>Shares in group undertakings</b>		
<b>Cost</b>		
At 28 September 2013 and 26 September 2014	<u>2,155</u>	<u>2,155</u>
<b>Provision for impairment</b>		
At 28 September 2013	1,855	1,855
Made during year	<u>179</u>	<u>179</u>
At 26 September 2014	<u>2,034</u>	<u>2,034</u>
<b>Net book value</b>		
At 26 September 2014	<u>121</u>	<u>121</u>
At 27 September 2013	<u>300</u>	<u>300</u>

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 12. Investments held as fixed assets (continued)

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
<b>Subsidiary undertakings</b>			
ACE Security Ltd England and Wales	Ordinary shares	100%	Dormant
Garfield Security Ltd England and Wales	Ordinary shares	100%	Dormant
CE Security Ltd England and Wales	Ordinary shares	100%	Dormant
Shearwater England and Wales	Ordinary shares	100%	Dormant

### 13. Stocks

	26 September 2014 £'000	27 September 2013 £'000
Work in progress	9,619	7,570
Finished Goods	1,491	1,398
	<u>11,110</u>	<u>8,968</u>

### 14. Debtors

	26 September 2014 £'000	27 September 2013 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	54,836	52,310
Amounts owed by group undertakings	254,249	219,314
Other debtors	602	613
Deferred tax	495	1,773
Prepayments and accrued income	10,303	10,539
Deferred expenses	5,714	4,952
	<u>326,199</u>	<u>289,501</u>

Included within amounts owed by group undertakings are amounts of £15,560,309 (2013: £15,560,309) owed by ADT Finance Plc. Interest is charge on these balances at the Bank of England base rate minus 1% one month behind any changes to the rate by the Bank of England and is repayable on demand. Also included within amounts owed by group undertakings is an amount of £62,248,360 (£2013: £70,901,101) owed by Tyco International Holdings S.a.r.l – Luxembourg, in respect of UK cash pooling arrangements. The deposits earn interest daily at a fixed margin over daily LIBOR and Tyco Treasury distributes this every three months to pool members pro-rata based on their average balances with the pool during the period.

All other amounts owed by group undertakings that fall due within one year are non-interest bearing and are repayable on demand.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 14. Debtors (continued)

	26 September 2014 £'000	27 September 2013 £'000
<b>Amounts falling due after more than one year</b>		
Deferred expenses	4,518	4,454
Amounts owed by group undertakings	411,621	429,074
Deferred tax	15,479	17,342
Prepayments and accrued income	8	8
	<u>431,626</u>	<u>450,878</u>

Included within amounts owed by group undertakings are amounts of £10,771,775 and £14,720,026 (2013: £10,546,209 and £14,411,807) owed by ADT Finance Plc and ADT Group Plc respectively where interest is charged at three month LIBOR plus 1.95% and amounts are repayable within five years. Also included within amounts owed by group undertakings is an amount of £310,829,530 (2013: £303,324,584) owed by Tyco Holdings UK Limited where interest is charged at LIBOR plus 2.35%. This loan is repayable after more than five years. All other amounts owed by group undertakings falling due in more than more year are non-interest bearing and are considered to be due after more than one year.

#### Deferred tax

The movement in the deferred tax asset in the year is as follows:

	£'000
At 28 September 2013	19,115
Deferred tax charged to the profit and loss account	(4,322)
Deferred tax credited to the STRGL	<u>1,181</u>
At 26 September 2014	<u>15,974</u>

#### Analysis of deferred tax

	26 September 2014 £'000	27 September 2013 £'000
Difference between accumulated depreciation and amortisation and capital allowances	21,449	23,101
Other timing differences	(5,611)	(4,363)
Tax losses available	<u>136</u>	<u>377</u>
	<u>15,974</u>	<u>19,115</u>

There was no unprovided deferred tax at either period end.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 14. Debtors (continued)

Disclosed as:

	26 September 2014 £'000	27 September 2013 £'000
Amounts falling due within one year	495	1,773
Amounts falling due after more than one year	15,479	17,342
	<u>15,974</u>	<u>19,115</u>

### 15. Creditors: amounts falling due within one year

	26 September 2014 £'000	27 September 2013 £'000
Trade creditors	25,410	22,378
Bank loans and overdrafts	24	70
Amounts owed to group undertakings	150,798	155,210
Other taxes and social security	13,588	14,721
Other creditors	12,206	5,403
Accruals and deferred income	7,665	11,922
Deferred income	52,056	54,017
Work in progress creditor	948	439
Corporation tax	-	189
	<u>262,695</u>	<u>264,349</u>

Deferred income includes the current component of revenue relating to installation income. Other creditors include insurance premiums payable, amounts received in respect of ongoing long-term contract activity and sundry liabilities arising from acquisitions.

Amounts owed to group undertakings that fall due within one year are non-interest bearing and are repayable on demand.

### 16. Creditors: amounts falling due after more than one year

	26 September 2014 £'000	27 September 2013 £'000
Amounts owed to group undertakings	7,920	7,065
Accruals and deferred income	5,906	7,262
	<u>13,826</u>	<u>14,327</u>

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 16. Creditors: amounts falling due after more than one year (continued)

Deferred income includes the current component of revenue relating to installation income that is receivable after more than one year.

Included in the above total is an amount of £1,275,961 (2013: £1,275,961) owed to Tyco Holdings (UK) Limited, which is repayable on 8 December 2015. Interest is charged on this loan at three month LIBOR plus 1%. All other amounts owed to group companies are non-trading balances which are non-interest bearing and are not due within one year.

### 17. Provisions

	Other provisions 2014 £'000	Restructuring provision 2014 £'000	Total 2014 £'000
At 28 September 2013	1,332	5,573	6,905
Charged to the profit and loss account	246	1,649	1,895
Utilised during period	(168)	(2,181)	(2,349)
Released/written back during the period	(113)	(1,224)	(1,337)
At 26 September 2014	1,297	3,817	5,114

Other provisions include amounts for contract and vacant premises costs which the directors expect to be utilised in full by 25 September 2015. Restructuring provisions relate to vacant premises costs resulting from the integration of acquired businesses in prior years and periodic reorganisation of the business. These restructuring provisions are expected to be utilised in full by 30 September 2017.

### 18. Share capital

#### Allotted, called and paid shares

	26 September 2014		27 September 2013	
	No	£'000	No	£'000
Ordinary shares of £1 each (£0.25 called-up and paid, and rank parri passu)	47,800	12	47,800	12
Ordinary shares of £1 each (called-up and paid)	328,284,494	328,284	328,284,494	328,284
	328,332,294	328,296	328,332,294	328,296



# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 19. Profit and loss account

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
At 28 September 2013	213,894	200,277
Profit for the period	20,320	15,993
Balance arising on transfer of Tyco UK Group Pension Scheme	-	5,800
Actuarial loss on pension schemes	(5,906)	(9,278)
Deferred tax relating to actuarial loss on pension schemes	1,181	1,856
Equity-settled share-based payment	(887)	(754)
At 26 September 2014	<u>228,602</u>	<u>213,894</u>

### 20. Reconciliation of movement in shareholders' funds

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
Profit attributable to the members of the company	20,320	15,993
Other recognised gains and losses relating to the period	(4,725)	(7,422)
Equity-settled share-based payment	(887)	(754)
Balance arising on transfer of Tyco UK Group Pension Scheme	-	5,800
Net addition to shareholders' funds	<u>14,708</u>	<u>13,617</u>
Shareholders' funds at start of period	542,190	528,573
Shareholders' funds at end of period	<u>556,898</u>	<u>542,190</u>

### 21. Pensions

#### CARE Scheme

#### Tyco Holdings (UK) Limited CARE Pension

The CARE Scheme is a defined benefit plan providing career average revalued earnings benefits. It is a multi-employer plan as defined under FRS17. The CARE Scheme is closed to new entrants. The CARE Scheme has been closed to future accrual since 30 April 2010. The assets are held in a separate trustee administered fund. An approximate actuarial valuation of the CARE Scheme was carried out by a qualified independent actuary as at 26 September 2014.

The Company is unable to identify the component of the CARE Scheme that exclusively relates to ADT Fire and Security plc. Following the guidance of FRS 17, the CARE Scheme has therefore been accounted for as a defined contribution scheme.

Regular employer contributions made during the period to the CARE Scheme were by ADT Fire and Security plc, were £nil (2013: £nil). In addition, lump sum annual and quarterly contributions of £2,465,818 (2013: £7,421,814) were paid during the period.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

	As at 26 September 2014	As at 27 September 2013	As at 28 September 2012
<b>Actuarial Assumptions</b>			
Retail price inflation rate, p.a	3.40%	3.50%	2.90%
Consumer price inflation rate, p.a	2.40%	2.50%	2.00%
Expected return on Scheme assets, p.a.	5.67%	6.13%	5.10%
Rate of revaluation in deferment, p.a	2.40%	2.50%	2.00%
Pension increase rates, p.a			
- price inflation, capped at 5% p.a	3.30%	3.00%	2.85%
- Consumer price inflation, capped at 5% p.a	2.45%	2.20%	2.06%
Discount rate, p.a	3.95%	5.30%	4.50%
Life expectancy at age 65:			
Current Pensioners			
-Men	22.70	22.70	22.30
-Women	25.10	25.00	24.70
Future Pensioners now aged 40			
-Men	24.40	24.40	23.60
-Women	27.10	27.00	26.30

#### Demographic assumptions

Life expectancy base table (post retirement only) 80% SIPXA.

Life expectancy improvements CIM (2010) rebased to 2008, and a 1% per annum long term trend rate.

The fair value of the assets of the CARE Scheme and the expected rate of return were:

	26 September 2014 £'000	27 September 2013 £'000	28 September 2012 £'000
Equities	8.05% 257,740	8.35% 255,296	7.40% 214,549
Property	7.05% -	7.35% -	6.40% 2
Government stock	2.80% 141,105	3.10% 128,682	2.15% 122,551
Bonds	3.55% 87,040	4.00% 78,153	3.70% 81,270
Cash	0.50% 4,521	0.50% 868	0.55% 2,306
Fair value of Assets	490,406	463,000	420,678
Present value of Scheme Liabilities	(537,950)	(498,124)	(454,962)
Deficit in the Scheme	(47,544)	(35,124)	(34,284)

The CARE Scheme deficit has increased in the period to 26 September 2014 as the CARE Scheme liabilities have increased by more than the CARE Scheme assets have increased. The main reasons for the marginal increase in net liability from 27 September 2013 to 26 September 2014 is a fall in the discount rate. This was partly offset by a fall in market implied inflation, payment of deficit funding contributions and asset returns being higher than the expected over the period.

The CARE Scheme does not invest in the company's own financial instruments, including property or other assets owned by the company.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

FRS17 requires the projected unit method to be used to determine liabilities.

In accordance with the current Schedule of Contributions dated October 2009 (including the Addendum to the Schedule of Contributions dated June 2011), the total employer contributions (i.e. not just the contributions expected to be paid by the company) currently expected to be paid to the CARE Scheme during the financial year ending 25 September 2015 is £900,000. This includes an estimate for the 2014/15 PPF levy that will be paid during the year.

#### Thorn Security Pension Fund

The Thorn Fund is a defined benefit plan which is closed to new entrants. The Thorn Fund also closed to future accrual from 30 April 2010. The assets are held in a separate trustee administered fund. An approximate actuarial valuation of the Thorn Fund was carried out by a qualified independent actuary as at 26 September 2014. This was based on the results of the formal actuarial valuation of the Thorn Fund as at 1 October 2009. The next formal actuarial valuation will be carried out no later than 1 October 2015.

Regular employer contributions made during the period to the Thorn Fund were by ADT Fire and Security plc, the principal employer, were £nil (2013: £nil). In addition, lump sum annual and quarterly contributions of £4,409,958 (2013: £4,973,619) were paid during the period.

#### Major financial assumptions used by the actuary in assessing the liabilities

	As at 26 September 2014	As at 27 September 2013	As at 28 September 2012
Retail price inflation rate, p.a	3.40%	3.50%	2.85%
Consumer price inflation rate, p.a	2.40%	2.50%	2.00%
Rate of revaluation in deferment, p.a	2.40%	2.50%	2.85%
Pension increase rates, p.a			
- price inflation, capped at 5% p.a	3.30%	3.35%	2.80%
- Consumer price inflation, capped at 3% p.a	2.35%	2.45%	1.80%
Expected return on Thorn assets	6.15%	6.44%	5.67%
Discount rate, p.a	3.95%	4.35%	4.35%
Life expectancy at age 65:			
Current Pensioners			
-Men	22.70	22.70	22.30
-Women	25.10	25.70	24.70
Future Pensioners now aged 40			
-Men	24.40	24.40	23.60
-Women	27.10	27.40	26.20

Life expectancy base table (post retirement only) 80% SIPXA.

Life expectancy improvements CIM (2010) rebased to 2008, and a 1% per annum long term trend rate.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

#### Assets and expected rates of return:

	Long term rate of return expected at 26 September 2014	Value at 26 September 2014 £'000	Long term rate of return expected at 27 September 2013	Value at 27 September 2013 £'000	Long term rate of return expected at 28 September 2012	Value at 28 September 2012 £'000
Equities	8.05%	82,501	8.35%	75,149	7.40%	65,783
Government stock	2.80%	24,403	3.10%	22,283	2.15%	18,179
Corporate Bonds	3.55%	27,981	4.00%	26,746	0.55%	23,693
Cash	0.50%	389	0.50%	662	0.50%	594
		<u>135,274</u>		<u>124,840</u>		<u>108,249</u>
<b>Pension Liability</b>		<b>Value at 26 September 2014 £'000</b>		<b>Value at 27 September 2013 £'000</b>		<b>Value at 28 September 2012 £'000</b>
Fair value of Thorn Fund Assets		135,274		124,840		108,249
Present value of Thorn Fund liabilities		<u>(152,632)</u>		<u>(142,398)</u>		<u>(122,512)</u>
Deficit in the Thorn Fund		(17,358)		(17,558)		(14,263)
Related deferred tax asset		<u>3,472</u>		<u>3,512</u>		<u>3,280</u>
Net pension liability		<u>(13,886)</u>		<u>(14,046)</u>		<u>(10,983)</u>

The overall expected rate of return on the assets is calculated as the average expected rate of return expected over the remaining life of the related obligation on the actual assets held by the scheme. It includes both income and changes in fair value but is net of scheme expenses. It is based on market expectations at the beginning of the reporting period. This assumption is used to determine the expected return on assets for the pension expense.

The Thorn Fund deficit has decreased in the period to 26 September 2014. The main reasons for the decrease in net liability is a fall in market implied inflation, payment of deficit funding contributions and asset returns being higher than expected. This was offset by a fall in the discount rate over the period.

New membership data was incorporated in the valuation which resulted in an increase in the liability of £10,234,000.

The Thorn Fund does not invest in the company's own financial instruments, including property or other assets owned by the company.

FRS17 requires the projected unit method to be used to determine liabilities.

The estimated pension expense currently expected to be paid to the Thorn Fund during the financial year ending 25 September 2015 is £2,088,000.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

The main reason for the reduction in the projected pension expense for 2015 compared to the pension expense for 2014 are the lower interest cost reflecting the lower discount rate (albeit offset by a higher scheme liability) and the increase in the expected return on assets reflecting the higher asset values (albeit offset by a lower return assumption).

#### Amounts recognised in the profit and loss account

	28 September 2013 to 26 September 2014 £'000	29 September 2012 to 27 September 2013 £'000
<b>Amounts recognised in operating profit</b>		
Current service cost	(272)	(225)
Recognised in arising at operating profit	(272)	(225)
<b>Amounts recognised in other finance cost</b>		
Recognised in other finance cost	1,934	925
Total recognised in the profit and loss account	1,662	700

#### Changes in present value of the defined benefit obligation

	26 September 2014 £'000	27 September 2013 £'000
At beginning of period	(142,398)	(122,512)
Current service cost	(272)	(225)
Interest cost	(6,102)	(5,238)
Actuarial (losses)	(8,366)	(18,829)
Benefits and expenses paid	4,506	4,406
At end of period	(152,632)	(142,398)

#### Changes in present value of the Thorn Fund assets

	26 September 2014 £'000	27 September 2013 £'000
At beginning of period	124,840	108,249
Expected return on assets	8,036	6,163
Employer contributions*	4,444	5,283
Actuarial gains	2,460	9,551
Benefits and expenses paid	(4,506)	(4,406)
At end of period	135,274	124,840

\* The employer contributions shown above represent all contributions paid in the period to the Thorn Fund, not just those paid to the Thorn Fund by the Company.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

#### Reconciliation of Thorn Fund deficit

	26 September 2014 £'000	27 September 2013 £'000
Deficit in Thorn Fund at start of period	(17,558)	(14,263)
Movement in period:		
Current service cost	(272)	(225)
Employer contributions	4,444	5,283
Net return on assets	1,934	925
Actuarial losses recognised	(5,906)	(9,278)
Deficit in Thorn Fund at end of period	<u>(17,358)</u>	<u>(17,558)</u>

#### Analysis of the amount recognised in the statement of total recognised gains and losses

	26 September 2014 £'000	27 September 2013 £'000
Actual return less expected return on assets	2,460	9,551
Experience (losses) arising on liabilities	-	4,653
Changes in assumptions underlying the present value of the liabilities	(8,366)	(23,482)
Net actuarial losses recognised in the period	<u>(5,906)</u>	<u>(9,278)</u>

#### History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous five periods are as follows:

#### Experience arising on Thorn Fund assets

	2014	2013	2012	2011	2010
Amount (£'000s)	2,460	9,551	6,010	(4,908)	2,929
Percentage of Thorn Fund's assets:	<u>2.00%</u>	<u>6.44%</u>	<u>5.6%</u>	<u>5.2%</u>	<u>3.2%</u>

#### Experience arising on Thorn Fund liabilities

	2014	2013	2012	2011	2010
Amount (£'000s)	-	4,653	(233)	(65)	496
Percentage of present value of funded obligations	<u>0.0%</u>	<u>3.0%</u>	<u>(0.2%)</u>	<u>0.0%</u>	<u>0.5%</u>

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

Total amount recognised in statement of total recognised gains and losses:

	2014	2013	2012	2011	2010
Amount (£'000s)	(5,906)	(9,278)	(8,491)	(1,416)	(2,255)
Percentage of present value of funded obligations	(3.9%)	(6.5%)	(6.9%)	(1.3%)	(2.1%)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Deficit in the Scheme</b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of liabilities	(152,632)	(142,398)	(122,512)	(105,929)	(108,377)
Fair value of assets	135,274	124,840	108,249	94,369	91,471
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Deficit in Thorn Fund	<u>(17,358)</u>	<u>(17,558)</u>	<u>(14,263)</u>	<u>(11,560)</u>	<u>(16,906)</u>

Comparative figures have not been restated as permitted by FRS 17.

#### Tyco UK Group Pension Scheme (Ex-Glynwed)

The TUKGPS has three defined benefit sections (Strip, Tube and Lindapter); however for the purposes of the company accounts the three sections are considered in aggregate.

The TUKGPS is closed to new entrants and future benefit accrual.

During the period 28 September 2012 to 27 September 2013, the directors reassessed which company should record the Tyco UK Group Pension Scheme and concluded that it should be recorded by a fellow group undertaking, Tyco Holdings UK Ltd. The transfer has been recorded during the period 28 September 2012 to 27 September 2013. There were no transactions thus no contributions were paid by the company to the TUKGPS during the current period, however the company remains responsible as a participating employer to ensure that the funding obligations to the scheme are met. At 26 September 2014 the deficit in the Tyco UK Group Pension Scheme was £6,619,000 (2013: £6,574,000).

An approximate actuarial valuation of the TUKGPS was carried out by a qualified independent actuary as at 26 September 2014. This was based on the initial results of the formal actuarial valuation of the TUKGPS as at 6 April 2011.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 21. Pensions (continued)

#### *Scheme liabilities*

#### Changes in the present value of the defined benefit obligation

	26 September 2014 £'000	27 September 2013 £'000
At beginning of period	-	(59,746)
Transfer of liabilities to Tyco Holdings (UK) Ltd during the period	-	59,746
At end of period	-	-

#### Changes in the fair value of the Scheme assets

	26 September 2014 £'000	27 September 2013 £'000
At beginning of period	-	52,210
Transfer of assets to Tyco Holdings (UK) Ltd during the period	-	(52,210)
At end of period	-	-

#### Reconciliation of Scheme deficit

	26 September 2014 £'000	27 September 2013 £'000
At beginning of period	-	(7,536)
Transfer of deficit to Tyco Holdings (UK) Ltd during the period	-	7,536
Deficit in scheme at end of period	-	-

ADT Fire & Security plc ('the company') participates in a number of pension schemes; a defined contribution scheme - Tyco UK Group Pension Scheme ('Tyco UKGPS') and three defined benefit schemes - Tyco Holdings (UK) Limited CARE Pension Scheme ('CARE Scheme'), Thorn Security Pension Fund ('Thorn Fund') and Tyco UK Group Pension Scheme (Ex-Glynwed) ('TUKGPS').

The company replaced Tyco Flow Control (UK) Ltd as the sole participating employer of the TUKGPS on 29 June 2012 and transferred all liabilities and responsibilities for this scheme on 29 September 2013. As such, the Company includes the pension disclosures for both the CARE Scheme and the Thorn Fund only as at 26 September 2014.

#### Tyco UK Group Pension Scheme

New employees joining the company are offered membership of the Tyco UKGPS, which is a defined contribution scheme. The cost of contributions in the period was £nil (2013: £nil).

As of 26 September 2014, contributions of £nil (2013: £nil) due in respect of the current reporting period had not been paid over to the schemes.



## ADT Fire and Security plc

### Notes to the financial statements Year ended 26 September 2014

#### 22 Share plans

On September 17, 2012, shareholders of Tyco International Limited, the Company's ultimate parent, approved the Tyco International 2012 Stock and Incentive Plan (the "2012 Plan") which replaces the 2004 Plan. Pursuant to the plan, effective October 1, 2012, 50 million common shares are available for equity-based awards, subject to adjustments as provided under the terms of the 2012 Plan. No additional shares are available under the 2004 Plan. In addition, any common shares which have been awarded under the 2004 Tyco International Ltd. Stock and Incentive Plan (the "2004 Plan") but which are not issued, owing to expiration, forfeiture, cancellation, return to the Company or settlement in cash in lieu of common shares on or after January 1, 2004 and which are no longer available for any reason will also be available for issuance under the 2012 Plan. When common shares are issued pursuant to a grant of a full value award (for example, restricted stock units and performance share units), the total number of common shares remaining available for grant will be decreased by 3.32 shares.

**Share Options** - Options are granted to purchase common shares at prices that are equal to or greater than the closing market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. Options are generally exercisable in equal annual instalments over a period of four years and will generally expire 10 years after the date of grant. Historically, the Company's practice has been to settle stock option exercises through either newly issued shares or from shares held in treasury.

The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model. The fair value is then amortised on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility is calculated based on an analysis of historic and implied volatility measures for a set of peer companies. The average expected life is based on the contractual term of the option and expected employee exercise and post-vesting employment termination behaviour. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The compensation expense recognised is net of estimated forfeitures. Forfeitures are estimated based on voluntary termination behaviour, as well as an analysis of actual share option forfeitures. The weighted-average assumptions used in the Black-Scholes option pricing model for 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Expected stock price volatility	33%	35%	36%
Risk-free interest rate	1.52%	0.93%	1.38%
Expected annual dividend per share	\$1.72	\$0.64	\$1.00
Expected life of options (years)	5.25	6.1	5.5

The weighted-average pre-conversion grant-date fair values of options granted during 2014, 2013 and 2012 was \$9.87, \$18.33 and \$12.21 respectively. The total intrinsic value of options exercised during 2014, 2013 and 2012 was \$3.76 million, \$1.22 million and \$0.88 million respectively. The related excess cash tax benefit classified as a financing cash inflow for 2014, 2013 and 2012 was not material. A summary of the option activity as of 26 September 2014, and changes during the period then ended is presented below:

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 22. Share plans (continued)

	Shares	Exercise price weighted- average	Remaining contractual weighted- average Term (in years)	Aggregate intrinsic value (\$ in millions)
Outstanding as of 28 September 2012	353,256	\$22.10	5.17	\$1.93
Granted	172,490	\$27.27		
Exercised	(143,051)	\$20.90		
Forfeited	(3,458)	\$23.98		
Net transfers	236,528			
Post-separation balance outstanding as of 27 September 2013	615,765	\$22.61	4.25	\$3.75
Granted	59,399	\$37.15		
Exercised	(185,004)	\$21.97		
Forfeited	(5,787)	\$19.09		
Net transfers	13,217			
Outstanding as of 26 September 2014	497,590	\$21.84	3.63	\$4.77

At 26 September 2014 there was £nil (2013: £nil) of total unrecognised compensation cost related to unvested options granted. The cost at 26 September 2014 was expected to be recognised over a weighted-average period of 2.48 fiscal years.

#### Employee Stock Purchase Plans

Employees of ADT Fire & Security plc are entitled to participate in the Tyco International Ltd Savings Related Share Option Scheme (the 'SAYE Plan'). This share scheme was run successfully for several years until it was closed in 2009. Under the SAYE plan, eligible employees were granted options to purchase shares at the end of three years of service at 85% of the market price at the time of grant. Options under the SAYE Plan are generally exercisable after a period of three years and expire six months after the date of vesting. All of the shares purchased under the SAYE Plan were purchased on the open market.

The grant-date-fair value of each option grant is estimated using the Black-Scholes option pricing model. Assumptions for expected volatility, the average expected life, the risk-free rate, as well as the expected annual dividend per share were made using the same methodology as previously described under Share Options.

There were no options granted under the SAYE Plan during 2014, 2013 and 2012. The total intrinsic value of options exercised during 2014, 2013 and 2012 was \$nil \$nil and \$0.56 million respectively. The related excess cash tax benefit classified as a financing cash inflow for 2014, 2013 and 2012 was not material. As of 26 September 2014, there were no shares outstanding (2013: no shares outstanding) and no unrecognised compensation cost (2013: £nil) related to the SAYE Plan.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 22. Share plans (continued)

**Restricted Share Awards** - Restricted share awards, including restricted stock units and performance share units are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant. Restrictions on the award generally lapse upon normal retirement, if more than twelve months from the grant date, death or disability of the employee.

The fair market value of restricted awards, both time vesting and those subject to specific performance criteria, are expensed over the period of vesting. Restricted stock units, which vest based solely upon passage of time generally vest over a period of four years. The fair value of restricted stock units is determined based on the closing market price of the Company's shares on the grant date.

Performance share units, which are restricted share awards that vest dependent upon attainment of various levels of performance that equal or exceed targeted levels generally vest in their entirety three years from the grant date. The fair value of performance share units is determined based on the Monte Carlo valuation model. The compensation expense recognised for all restricted share awards is net of estimated forfeitures.

Recipients of restricted stock units have no voting rights and receive dividend equivalent units ("DEUs"). Recipients of performance share units have no voting rights and may receive DEUs depending on the terms of the grant.

A summary of the activity of the Company's restricted stock unit awards as of September 26, 2014 and changes during the period then ended is presented in the tables below:

#### Non-vested Restricted Share Awards to employees of ADT Fire & Security plc

	Shares	Weighted Average Grant-Date Fair Value
Non-vested as of 28 September 2012	72,923	\$19.96
Granted	45,837	\$27.14
Exercised	(59,974)	\$17.49
Forfeited	(3,510)	\$21.26
Net transfers	75,144	\$21.26
Non-vested as of 27 September 2013	130,420	\$22.29
Granted	14,547	\$37.15
Exercised	(61,295)	\$19.62
Forfeited	(2,049)	\$22.13
Net transfers	2,250	\$22.13
Non-vested as of 26 September 2014	83,873	\$26.85

The weighted-average pre-conversion grant-date fair value of restricted stock units granted during 2014 and 2013 was \$37.15 and £27.14 respectively. The total fair value of restricted stock units vested during 2014 and 2013 was \$2.43 million and £1.79 million respectively. Vested awards include approximately 3.71 million shares (2013: 4.56 million shares) that have been fully earned, but had not been delivered as of September 26, 2014.

As of 26 September 2014, there was \$nil of total unrecognised compensation cost related to all unvested restricted share awards. The cost is expected to be recognised over a weighted-average period of 1.86 fiscal years.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 22. Share plans (continued)

A summary of the activity of the Company's performance share unit awards as of 26 September 2014 and changes during the period then ended is presented in the table below:

#### Non-vested Performance shares held by employees of ADT Fire & Security plc

	Shares	Grant-Date Fair Value
Non-vested as of 28 September 2012	-	-
Granted	28,854	\$30.36
Forfeited	(392)	\$30.36
	<hr/>	
Non-vested as of 27 September 2013	28,462	\$30.36
Granted	19,154	\$39.01
Forfeited	(440)	\$32.23
Transfers	397	\$32.23
	<hr/>	
Non-vested as of 26 September 2014	47,573	\$33.86

The weighted-average pre-conversion grant-date fair value of performance share units granted during 2014 and 2013 was \$39.01 and \$30.36 respectively. The total fair value of performance share units vested during 2014 was \$0.85 million (2013: \$0.49 million).

At 27 September 2014, there was \$0.94 million (2013: \$0.94 million) of total unrecognised compensation cost related to both non-vested restricted share awards and performance shares held by employees of ADT Fire & Security plc. That cost is expected to be recognised over a weighted average period of 2.24 fiscal years (2013: 2.24 fiscal years).

The expense recognised during the period arising from share-based payment transactions amounted to £1.39 million (2013: £0.64 million).

### 23. Contingent liabilities

A claim for compensation in the region of £1.13m from a customer was made during the year. The case was discontinued on 8 October 2014 and no further liability for ADT Fire & Security plc exists as at the year end.

# ADT Fire and Security plc

## Notes to the financial statements Year ended 26 September 2014

### 24 Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £512,844 (2013:£1,599,388). This figure excludes capital expenditure on subscriber systems which will be incurred as electronic security services not sold in the ordinary course of business.

#### Operating lease commitments

As at 26 September 2014 the company had annual commitments under non-cancellable operating leases as follows:

	26 September 2014 £'000	27 September 2013 £'000
<b>Land and buildings</b>		
Within one year	271	726
Within two and five years	1,867	1,732
Over five years	1,679	1,311
	<u>3,817</u>	<u>3,769</u>
<b>Other</b>		
Within one year	5,708	-
Within two and five years	6,168	7,788
	<u>11,876</u>	<u>7,788</u>

### 25 Control

The company's ultimate parent and controlling party is Tyco International Plc. On 9 September 2014, at a Special General Meeting of the shareholders, Tyco International Plc. resolved to change its jurisdiction of incorporation from Switzerland to Ireland. The change in jurisdiction of incorporation became effective in 17 November 2014.

Copies of the consolidated financial statements of Tyco International Ltd. are available at its registered office: Unit 1202, Building 1000, City Gate, Mahon, Cork, Ireland.

The Company's immediate parent undertaking is Tyco Holdings (UK) Limited.

### 26 Post Balance sheet events

On 19 November 2014 the company acquired 100% of the ordinary share capital of First Choice Facilities Ltd, a company registered in England and Wales, for a consideration of £16,915,000. First Choice Facilities Ltd provides design, installation, commissioning and maintenance of integrated fire and security solutions including fire detection and intruder alarm systems for both commercial and residential customers in the UK.