

THORN SECURITY GROUP LIMITED

ANNUAL REPORT

For the year ended 30 September 2002

Registered number: 2899116



THORN SECURITY GROUP LIMITED

**Annual report
for the year ended 30 September 2002**

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THORN SECURITY GROUP LIMITED

Directors and advisers

Directors

D E Roberts

A S McNutt

J Boggess (USA) (Resigned 1 May 2003)

Registered Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Secretary and registered office

A B Alphonsus
Security House
The Summit
Hanworth Road
Surrey-on-Thames
Middlesex
TW16 5DB

Bankers

HSBC Bank plc
34 High Street
Walton on Thames
Surrey
KT12 1DD

THORN SECURITY GROUP LIMITED

Directors' report for the year ended 30 September 2002

The directors present their report and the audited financial statements for the year ended 30 September 2002.

Principal activities, review of business and future developments

The principal activity of the company is to act as a holding company of a group of companies engaged in the provision of security systems and services. Details of these subsidiaries are shown in note 8 to the financial statements.

Results and Dividends

The loss for the year was £36,354,000 (2001: £651,000) which has been transferred from reserves (2001: £651,000 from reserves). The directors do not propose a dividend in respect of the equity shares for the period ended 30 September 2002 (2001: £nil).

Directors

The directors of the company are listed on page 1.

Directors interests in shares of the company

No directors, or members of their families, hold any beneficial interests in the shares of any members of the group other than the ultimate holding company, Tyco International Limited. As permitted by statutory instrument, the register of directors' shareholdings maintained in accordance with Section 325 of the Companies Act 1985, does not include the interests of directors in the shares of the ultimate holding company.

Director's 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 or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently throughout the year with the exception of the changes arising on the adoption of new accounting standards in the year as explained on Page 7 under accounting policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002, that applicable accounting standards have been followed.

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 the 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.

THORN SECURITY GROUP LIMITED

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 16 April 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'A B Alphonsus', with a stylized flourish at the end.

A B Alphonsus
Company Secretary

14 August 2003

THORN SECURITY GROUP LIMITED

Independent auditors' report to the members of Thorn Security Group Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related accounting policies and notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 directors 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

THORN SECURITY GROUP LIMITED

Profit and loss account for the year ended 30 September 2002

	Notes	Year ended 30/09/02 £'000	Year ended 30/09/01 £'000
Other operating income/(expenses)		41	30
Exceptional item: write off of fixed asset investments	3	(35,616)	-
Operating profit	2	(35,575)	30
Interest receivable	5	150	145
(Loss)/profit on ordinary activities before taxation		(35,425)	175
Taxation on ordinary activities	6	(103)	-
(Loss)/profit for the financial period after taxation		(35,528)	175
Dividends	7	(826)	(826)
Retained loss for the period	13	(36,354)	(651)

All items noted above relate to continuing operations.

The company has no recognised gains and losses other than those shown above, and therefore no separate statement of total recognised gains and losses has been presented.


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

THORN SECURITY GROUP LIMITED

Balance sheet at 30 September 2002

	Notes	30/09/02 £'000	30/09/01 £'000
Fixed assets			
Investments	8	<u>75,502</u>	<u>111,118</u>
Current assets			
Debtors: amounts falling due within one year	9	-	103
Debtors: amounts falling due after one year	9	<u>33,113</u>	<u>32,952</u>
		33,113	33,055
Creditors: amounts falling due within one year	10	<u>(5)</u>	<u>(5)</u>
Net current assets		<u>33,108</u>	<u>33,050</u>
Total assets less current liabilities		108,610	144,168
Creditors: amounts falling due after more than one year	11	<u>(54,634)</u>	<u>(53,838)</u>
Net assets		<u><u>53,976</u></u>	<u><u>90,330</u></u>
Capital and reserves			
Called up share capital	12	11,095	11,095
Share premium account	13	7,772	7,772
Redemption reserve	13	466	466
Profit and loss account	13	<u>34,643</u>	<u>70,997</u>
Total shareholders' funds	14	<u><u>53,976</u></u>	<u><u>90,330</u></u>
Analysis of shareholders' funds			
Equity		36,580	72,934
Non-equity		<u>17,396</u>	<u>17,396</u>
		<u><u>53,976</u></u>	<u><u>90,330</u></u>

The financial statements on pages 5 to 15 were approved by the board of directors on 14 August 2003, and were signed on its behalf by:


D E Roberts
Director

THORN SECURITY GROUP LIMITED

Notes to the financial statements for the year ended 30 September 2002

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, except for the adoption of FRS 19 'Deferred Taxation', is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting.

Investments

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

Cash flow statement

The company is a wholly owned subsidiary of Tyco Holdings (UK) Limited and the cash flows of the company are included in the consolidated cash flow statement of Tyco Holdings (UK) Limited. Consequently, Thorn Security International Limited is exempt, under the terms of Financial Reporting Standard No 1, from publishing a cash flow statement.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All gains and losses are charged directly to the profit and loss account.

Deferred taxation

The company has adopted FRS 19 "Deferred taxation" during the year. This change has had no effect on the operating profit reported for either 2002 or 2001.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, ie 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 by the company. Deferred tax assets and liabilities are not discounted.

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2. Operating profit/(loss)

	Year ended 30/09/02 £'000	Year ended 30/09/01 £'000
Operating profit/(loss) is stated after charging:		
Exchange gain/(loss) on repayment/retranslation of amounts owed by subsidiary undertakings	<u>41</u>	<u>30</u>

3. Exceptional items

The current year exceptional charge of £35,616,000 relates to the write down of the cost of investment relating to a number of trading group undertakings. The basis of the write down is to bring the investment in line with the net asset value of those group undertakings.

4. Directors and Employee Information

The directors received no emoluments for services to the company during either period. The company employed no staff in the year (2001: None)

5. Net interest receivable

	Year ended 30/09/02 £'000	Year ended 30/09/01 £'000
Interest receivable from group undertakings	<u>150</u>	<u>145</u>
	<u>150</u>	<u>145</u>

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6. Taxation

The corporation tax charge for the period is £103,000. The standard rate of corporation tax in the UK is 30% and the differences between the expected tax charge/credit and the actual tax charge/credit are explained below:

	Year ended 30/09/02 £'000	Year ended 30/09/01 £'000
Profit/(loss) on ordinary activities before tax	(35,425)	175
Profit on ordinary activities multiplied by standard rate of corporation Tax in the UK of 30% (2001: 30%)	(10,628)	53
Expenses not deductible for tax purposes – investment write down	10,685	-
Accelerated capital allowances/other timing differences	48	26
Unrecoverable advance corporation tax	103	-
Utilisation of brought forward losses	(105)	(79)
Current tax charge for the period	<u>103</u>	<u>-</u>

7. Dividends

	Year ended 30/09/02 £'000	Year ended 30/09/01 £'000
Non equity shares		
'A' preference shares	387	387
'B' preference shares	387	387
'A' cumulative redeemable preferred ordinary shares	38	38
'B' cumulative redeemable preferred ordinary shares	14	14
	<u>826</u>	<u>826</u>

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8. Investments

	£'000
Cost	
At 1 October 2001 and 30 September 2002	111,118
Provision for diminution in value	(35,616)
	<u>75,502</u>

The provision for diminution in value is due to a difference in net asset value of trading investments and the carrying value of those investments.

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the company if consolidated financial statements were prepared.

Name of undertaking	Principal Activity	Description of shares held	Proportion of nominal value of issued shares held %
Thorn Security Limited	Security systems	Ordinary	100
Thorn Security International Limited	Holding company	Ordinary	100
TSG Trustees Limited	Trustee	Ordinary	100
EMOS Information Systems Limited	Security systems	Ordinary	100

All of the companies operated principally in the United Kingdom, their country of incorporation. The investments of Thorn Security International Limited comprise of 100% of the ordinary shares in Thorn

Security Nederland BV which principally acts as a holding company for the foreign subsidiaries of Thorn Security Group Limited.

9. Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Advance corporation tax recoverable	<u>-</u>	<u>103</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>33,113</u>	<u>32,952</u>

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10. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Accruals and deferred income	<u>5</u>	<u>5</u>

11. Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Amounts owed to immediate parent company	50,802	49,976
Amounts owed to subsidiary undertakings	3,832	3,862
	<u>54,634</u>	<u>53,838</u>

These amounts are interest free and have no repayment date.

12. Called up share capital

	2002 £'000	2001 £'000
Authorised		
Equity shares		
88,095,200 'A' ordinary shares of 1p each	880	880
9,300,050 'B' ordinary shares of 1p each	93	93
50,000,000 'C' ordinary shares of 1p each	500	500
9,523,800 'D' ordinary shares of 1 each	95	95
43,582,108 'E' ordinary shares of 1p each	436	436
Total authorised equity share capital	<u>2,004</u>	<u>2,004</u>

Non equity shares

76,174,500 'A' cumulative redeemable preferred ordinary shares of 1p each	762	762
29,018,900 'B' cumulative redeemable preferred ordinary shares of 1p each	290	290
7,738,255 'A' preference shares of 50p each	3,869	3,869
7,738,250 'B' preference shares of 50p each	3,869	3,869
2,609 'C' preference shares of 50p each	1	1
39,900,000 deferred shares of 1p each	399	399
Total authorised non equity share capital	<u>9,190</u>	<u>9,190</u>
Total authorised share capital	<u>11,194</u>	<u>11,194</u>

THORN SECURITY GROUP LIMITED**12. Called up share capital (continued)****Issued and fully paid****Equity shares**

88,095,200 'A' ordinary shares of 1p each	880	880
9,300,050 'B' ordinary shares of 1p each	93	93
50,000,000 'C' ordinary shares of 1p each	500	500
9,523,800 'D' ordinary shares of 1p each	95	95
33,698,235 'E' ordinary shares of 1p each	337	337

Total issued and fully paid equity share capital	<u>1,905</u>	<u>1,905</u>
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Called up share capital (continued)

2002	2001
£'000	£'000

Non equity shares

76,174,500 'A' cumulative redeemable preferred ordinary shares of 1p each	762	762
29,018,900 'B' cumulative redeemable preferred ordinary shares of 1p each	290	290
7,738,255 'A' preference shares of 50p each	3,869	3,869
7,738,250 'B' preference shares of 50p each	3,869	3,869
2,609 'C' preference shares of 50p each	1	1
39,900,999 deferred shares of 1p each	399	399

Total issued and fully paid non equity share capital	<u>9,190</u>	<u>9,190</u>
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Total issued and fully paid share capital	<u><u>11,095</u></u>	<u><u>11,095</u></u>
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Non-equity share capital

On a return of capital the following order of priority shall apply:

- (i) payment of the paid up value of 'A' preference shares and 'A' cumulative redeemable preferred ordinary shares;
- (ii) payment of an amount equal to the redemption premium (if any) on the 'A' preference shares and 'A' cumulative redeemable preferred ordinary shares if the date of the return of capital is a redemption date;
- (iii) payment of an amount equal to any accrued, unpaid preference dividend on the 'A' preference shares and 'A' cumulative redeemable preferred ordinary shares calculated to the date of return of capital and payable whether or not the company has sufficient profits available for distribution to pay the accrued, unpaid preference dividend;
- (iv) payment of the paid up value of 'B' and 'C' preference shares and 'B' and 'C' cumulative redeemable preferred ordinary shares;
- (v) payment of an amount equal to the redemption premium (if any) on the 'B' and 'C' preference shares and 'B' and 'C' cumulative redeemable preferred ordinary shares if the date of the return of capital is a redemption date;

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12. Called up share capital (continued)

- (vi) payment of an amount equal to any accrued, unpaid preference dividend on the 'B' and 'C' preference shares and 'B' and 'C' cumulative redeemable preferred ordinary shares calculated to the date of return of capital and payable whether or not the company has sufficient profits available for distribution to pay the accrued, unpaid preference dividend; and
- (vii) Payment to the holders of any other class of shares.

Dividends on the preference shares and cumulative redeemable preferred ordinary shares are payable at a rate of 5% per annum, payable half yearly on 1 May and 1 November. If in any financial year there are insufficient distributable profits available, the preference dividend on the preference shares will be paid first, and subject thereto, the preference dividend on the cumulative redeemable preferred ordinary shares. In the event that any amount of the preference dividend is not paid when due, the rate of 5% per annum shall be increased to 10% for so long as any amount is due and unpaid.

Tyco Holdings (UK) Limited waived its right for the redemption of 'A' and 'B' preference shares on 31 March 1999, 31 March 2000 and 31 March 2001.

In addition, the holders of a majority of the preference shares shall be entitled to require redemption of all or any of the preference shares, and the holders of not less than 75% of the 'A' and the holders of not less than 75% of the 'B' cumulative redeemable preferred ordinary shares shall be entitled to require redemption of all or any of the 'A' or 'B' cumulative redeemable preferred ordinary shares, by serving the appropriate notice, in circumstances specified in the company's Articles of Association.

On each redemption date the company shall pay the following amount in respect of each preference share and cumulative redeemable preferred ordinary share to be redeemed:

- (i) the paid up value of the share;
- (ii) a redemption premium of 25% of the paid up value and
- (iii) the amount of any arrears of preference dividend,

Preference shareholders are entitled to receive notice of and attend and speak at all general meetings of the company but may not vote at general meetings.

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13. Share premium account and other reserves

	Share premium £'000	Profit & loss account £'000	Redemption reserve £'000
At 30 September 2001	7,772	70,997	466
Loss for the period	-	(36,354)	-
At 30 September 2002	<u>7,772</u>	<u>34,643</u>	<u>466</u>

14. Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial period	(35,528)	175
Dividends paid or payable	(826)	(826)
Arrears on preference dividends now payable	-	-
Net increase/(reduction) to shareholders' funds	(36,354)	(651)
Opening shareholders' funds	<u>90,330</u>	<u>90,981</u>
Closing shareholders' funds	<u>53,976</u>	<u>90,330</u>
Equity shareholders' funds		
Ordinary share capital	1,905	1,905
Ordinary share premium	32	32
Profit and loss account	34,643	70,997
Equity shareholders' funds	<u>36,580</u>	<u>72,934</u>
Non-equity shareholders' funds		
Cumulative redeemable preferred ordinary share capital	1,052	1,052
Deferred share capital	399	399
Preference share capital	7,739	7,739
Preference share premium	7,740	7,740
Redemption reserve	466	466
Non-equity shareholders' funds	<u>17,396</u>	<u>17,396</u>
Total shareholders' funds	<u>53,976</u>	<u>90,330</u>

THORN SECURITY GROUP LIMITED

15. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose transactions or balances with related parties which would normally be excluded on consolidation.

16. Contingencies and Commitments

The company has a commitment as an affiliate guarantor to guarantee all amounts owed by a group company Tyco International Group S.A.

17. Ultimate parent company

The company's immediate parent company and controlling party is Tyco Holdings (UK) Limited a company incorporated in the United Kingdom, which is the smallest group of undertakings for which consolidated financial statements are available. Copies of these consolidated financial statements may be obtained from The Registrar of Companies, Crown Way, Cardiff, CF4 3UZ.

The ultimate parent company and controlling party is Tyco International Ltd, a company incorporated in Bermuda. Copies of the group financial statements may be obtained from the Company Secretary, Tyco International Ltd, The Zurich Centre, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM08, Bermuda.