

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported) April 1, 1997

WESTERN RESOURCES, INC.
(Exact Name of Registrant as Specified in Its Charter)

KANSAS (State or Other Jurisdiction of Incorporation or Organization)	1-3523 (Commission File Number)	48-0290150 (Employer Identification No.)
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818 KANSAS AVENUE, TOPEKA, KANSAS (Address of Principal Executive Offices)	66612 (Zip Code)
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Registrant's Telephone Number Including Area Code (913) 575-6300

WESTERN RESOURCES, INC.

Item 5. Other Events

Western Resources, Inc. herein files the following:

Exhibit 23 - Consent of Independent Public Accountants

Exhibit 99.1 - Unaudited Pro Forma Combined Financial Information of Western Resources, Inc.

Exhibit 99.2 - December 31, 1996 Annual Report on Form 10-K for Kansas City Power & Light Company

Exhibit 99.3 - December 31, 1996 Annual Report on Form 10-K for ADT, Limited

Exhibit 99.4 - Schedule 14A dated March 3, 1997 as filed by ADT, Limited

AVAILABLE INFORMATION

The reader's attention is directed to additional filings of Western Resources, Inc. (Western Resources), ADT Limited (ADT), and Kansas City Power & Light Company (KCPL).

Western Resources, ADT and KCPL are subject to the informational requirements of the Exchange Act, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by Western Resources, ADT and KCPL with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at the public reference facilities in the Commission's Regional Offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of information may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Because Western Resources, ADT and KCPL each file certain documents electronically with the Commission, reports, proxy and information statements and other information regarding Western Resources, ADT and KCPL may also be obtained at prescribed rates from the Commission at the Commission's Web site, <http://www.sec.gov>. The Western Resources Common Stock, the ADT Common Stock and the KCPL Common Stock are listed and traded on the NYSE. ADT Common Stock is also listed and traded on the London Stock Exchange, the Frankfurt Stock Exchange and the Bermuda Stock Exchange and the KCPL Common Stock is also listed on the Chicago Stock Exchange. Reports, proxy statements and other information filed by Western Resources, ADT and KCPL with the Commission may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005 and, concerning KCPL only, at the offices

of the CSE, 440 South LaSalle Street, Chicago, Illinois 60605.

INFORMATION ON ADT AND KCPL INCLUDED IN UNAUDITED PRO FORMA FINANCIAL
INFORMATION

On February 7, 1997, KCPL and Western Resources entered into an agreement whereby KCPL would be merged with and into Western Resources.

On March 14, 1997, Western Resources commenced an offer to exchange \$22.50 of Western Resources Common Stock and cash for each outstanding common share of ADT not already owned by Western Resources or its subsidiaries (ADT Offer). ADT shareowners would receive \$10 cash plus 0.41494 of a share of Western Resources Common Stock for each share of ADT tendered not already owned by Western Resources, based on the closing price of Western Resources Common Stock on March 13, 1997. ADT shareowners would not, however, receive more than 0.42017 shares of Western Resources Common Stock for each ADT common share.

Effective March 17, 1997 Tyco International Ltd. (Tyco) announced that they had entered into a definitive merger agreement with ADT in a stock-for-stock transaction. Based upon Tyco's closing stock price on April 1, 1997 of \$54.875, the terms of the agreement would result in a value of approximately \$26 per share to ADT shareholders. Western is currently reviewing the Tyco offer as well as considering its alternatives to such offer and assessing its rights as an ADT shareholder. At this date, the impact the Tyco offer will have on the ADT Offer and Tyco's ability to consummate this transaction in accordance with the specified terms is not known.

While Western Resources has included in Exhibit 99.1 filed beneath information concerning ADT and KCPL insofar as it is known or reasonably available to Western Resources, Western Resources is not affiliated with either ADT or KCPL. ADT has not to date permitted access by Western Resources to ADT's books and records for the purpose of preparing this document. In addition, Western Resources has not examined KCPL's books and records for the purpose of preparing this document. Therefore, information concerning ADT and KCPL which has not been made public was not available to Western Resources for the purpose of preparing this document. Although Western Resources has no knowledge that would indicate that statements relating to ADT or KCPL contained or incorporated by reference in Exhibit 99.1 in reliance upon publicly available information are inaccurate or incomplete, Western Resources was not involved in the preparation of such information and statements and, for the foregoing reasons, is not in a position to verify any such information or statements. In addition, Western Resources was not involved in the preparation of Exhibits 99.2, 99.3 or 99.4 and therefore is not in a position to verify any of the information contained therein.

Pursuant to Rule 409 promulgated under the Securities Act of 1933, Western Resources has requested that Coopers & Lybrand L.L.P., provide to Western Resources the information required for complete disclosure concerning the business, operations, financial condition and management of ADT. Neither ADT nor Coopers & Lybrand L.L.P. has yet provided any information in response to such request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Western Resources, Inc.

Date April 1, 1997

By /s/ Jerry D. Courington

 Jerry D. Courington
 Controller

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this report on Form 8-K of our report dated February 14, 1997, on our audit of the consolidated financial statements of Kansas City Power & Light Company and Subsidiary as of December 31, 1996 and 1995, and for the years ended December 31, 1996, 1995 and 1994, which report is included in the Kansas City Power & Light Company and Subsidiary's Annual Report on Form 10-K.

/s/ Coopers & Lybrand L.L.P.
COOPERS & LYBRAND L.L.P.

Kansas City, Missouri
April 1, 1997

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On February 7, 1997, Kansas City Power and Light Company (KCPL) and Western Resources, Inc. (Western Resources) entered into an agreement whereby KCPL would be merged with and into Western Resources (Merger).

On March 14, 1997, Western Resources commenced an offer to exchange \$22.50 of Western Resources Common Stock and cash for each outstanding share of ADT Limited (ADT) Common Stock not already owned by Western Resources or its subsidiaries (ADT Offer). ADT shareowners would receive \$10 cash plus 0.41494 of a share of Western Resources Common Stock for each share of ADT Common Stock tendered not already owned by Western Resources, based on the closing price of Western Resources Common Stock on March 13, 1997. ADT shareowners would not, however, receive more than 0.42017 shares of Western Resources Common Stock for each share of ADT Common Stock.

Effective March 17, 1997 Tyco International Ltd. (Tyco) announced that they had entered into a definitive merger agreement with ADT in a stock-for-stock transaction. Based upon Tyco's closing stock price on April 1, 1997 of \$54.875, the terms of the agreement would result in a value of approximately \$26 per share to ADT shareholders. Western is currently reviewing the Tyco offer as well as considering its alternatives to such offer and assessing its rights as an ADT shareholder. At this date, the impact the Tyco offer will have on the ADT Offer and Tyco's ability to consummate this transaction in accordance with the specified terms is not known.

The purpose of the ADT Offer is to enable Western Resources to acquire control of ADT. Western Resources presently intends, following consummation of the ADT Offer, to propose and seek to have ADT effect the Amalgamation, pursuant to which a newly created subsidiary of Western Resources incorporated under the laws of Bermuda will amalgamate with and into ADT, with the amalgamated company operating under the name of ADT (the Amalgamation).

The following unaudited pro forma combined financial information presents the consolidated balance sheets and statements of income for the following: (i) Western Resources and KCPL, assuming the Merger is accounted for as a pooling of interests; and (ii) Western Resources, KCPL and ADT, assuming the Merger is accounted for as a pooling of interests and the Amalgamation is accounted for as a purchase.

ADT's results of operations and financial position have been presented for the year ended December 31, 1996, as if the purchase was consummated on December 31, 1996. The unaudited pro forma combined statement of income adjusts the historical amounts to reflect the Amalgamation as if it had occurred at the beginning of 1996. The unaudited combined operating results of Western Resources and KCPL have been presented for each of the last three fiscal years, because the Merger will be accounted for as a pooling of interests. Pro Forma combined information which includes ADT is presented for the most recent year ended since the Amalgamation would be accounted for as a purchase.

The unaudited pro forma combined financial statements were prepared utilizing the historical audited financial statements, including the notes thereto, of Western Resources, KCPL and ADT. The information shown below should be read in conjunction with the consolidated historical financial statements of Western Resources, KCPL and ADT, as filed with the Securities and Exchange Commission (SEC). The following information is being presented for illustrative purposes only and is not necessarily indicative of the financial position or operating results that would have occurred had the Amalgamation and the Merger been consummated at the beginning of the periods for which the Merger and the Amalgamation are being given effect, nor is it necessarily indicative of future operating results or financial position.

The Merger

The Merger Agreement provides that each share of KCPL Common Stock will be exchanged for \$32.00 of Western Resources Common Stock, subject to certain limitations. Pro forma shares outstanding and related earnings and dividends per share information have been calculated assuming a Conversion Ratio of 1.05785 based on a closing price of \$30.250 per share of Western Resources Common Stock on February 28, 1997. The actual Conversion Ratio will be based on a 20 day average of the Closing price of Western Resources Common Stock calculated for a period beginning on the 29th business day prior to Closing and ending on the tenth business day prior to Closing.

The Merger is assumed to generate substantial cost savings. The assumed cost savings have not been reflected in the pro forma combined balance sheets and statements of income. Transaction costs associated with the Merger including fees for advisors, attorneys and other consultants and incremental direct costs of completing the Merger are estimated to approximate \$60 million.

There are no anticipated changes in either Western Resources' or KCPL's accounting policies as a result of the Merger. Both companies accrue unbilled revenue for energy delivered at the end of each reporting period, use composite depreciation methods at group rates specified pursuant to regulation and have certain other accounting policies which differ from each other as well as from other commercial enterprises due to the nature of how regulators have allowed certain costs to be recovered from customers.

Western Resources has joint interests with KCPL in the LaCygne Station and

Wolf Creek electric generating facilities. These generating facilities represent approximately 23% of Western Resources' total generating capacity, 39% of KCPL's total generating capacity and 29% of the combined company's total generating capacity.

The Amalgamation

Western Resources currently owns approximately 38.3 million shares of ADT Common Stock, or approximately 25% of the outstanding shares of ADT Common Stock after giving effect to the exercise of the Republic Warrant. This represents a \$589.4 million investment, at cost, in ADT. Western Resources proposes to acquire the remaining common equity interest of ADT for \$22.50 per share of ADT Common Stock, subject to adjustment, and account for such

acquisition as a purchase. ADT's shareholders would receive \$12.50 of value in Western Resources Common Stock, subject to certain limitations, and the balance of the purchase price (\$10.00 per share of ADT Common Stock) would be paid in cash. The pro forma combined balance sheet assumes the recorded amounts of ADT's assets and liabilities approximate their fair values. The preliminary purchase price allocation was made using only publicly available information for ADT and is subject to change. The pro forma combined financial statements do not give effect to any anticipated cost savings or revenue enhancements that may result from the Amalgamation.

During the first quarter of 1996, ADT recorded a non-cash charge of approximately \$744.7 million to recognize the impairment of certain long-lived assets. The impairment charge was largely attributable to reducing the amount of recorded goodwill and had no significant tax effect.

In September 1996, ADT acquired the entire equity interest in Automated Security (Holdings) PLC, a United Kingdom company ("ASH")(the ASH Transaction). ASH is engaged in the provision of electronic security services in North America and Europe. The ASH Transaction was accounted for by ADT as a pooling of interests. In connection with the ASH Transaction, ADT exchanged 7,034,940 shares of ADT Common Stock for the entire equity interest in ASH.

In November 1996, ADT's Chairman announced a plan to sell ADT's auto auction business. Consistent with ADT's announcement, Western Resources also plans to sell this business following the consummation of the Amalgamation since it does not fit into Western Resources' long-term strategic plans and such sale will allow management to focus on the delivery of security and energy services. According to ADT's 1996 Annual Report on Form 10-K, the auto auction business of ADT operates approximately 27 auction centers in the United States. Substantially all of the vehicles sold at ADT auction centers are passenger cars and light trucks. Heavy trucks and industrial vehicles comprise the balance of its sales. Western Resources estimates the sale of the auto auction business should generate after-tax proceeds of approximately \$450 million based on an estimated sales price of approximately \$500 million. In March 1997, ADT's Chairman announced that ADT had rescinded its prior plan to sell the auto auction business. Western Resources, however, will continue its plan to dispose of this business of ADT following consummation of the Amalgamation.

This cash sale is assumed to be completed at or near the closing of the Amalgamation. The estimated fair value of the net proceeds to be received as a result of this sale have been presented as property held for sale on the unaudited pro forma combined balance sheet and a pro forma adjustment to eliminate the operating results of the auto auction business is reflected in the unaudited pro forma combined statement of income. Estimated amounts have been disclosed based on Western Resources' expectation of value. Actual amounts could differ substantially from these estimates.

Other Transactions

In December 1996 Western Resources and ONEOK announced the formation of a proposed strategic alliance. Under the terms of the agreement, Western

Resources and ONEOK will each contribute essentially all of their natural gas assets to a new company controlled by ONEOK. Following the completion of the transaction, Western Resources will have a 45% equity interest in the combined new company. The new natural gas assets and earnings from this business unit will be replaced by equity investments, equity earnings and preferred dividends after this transaction closes. The cash flows from the strategic alliance are expected to exceed the cash flows historically provided to Western Resources by these assets. The proposed transaction is expected to close following approval by ONEOK's shareholders and appropriate regulatory approvals in the second half of 1997.

On December 31, 1996 Western Resources purchased the assets of Westinghouse Security Systems, Inc. Western Resources paid approximately \$358 million, subject to adjustment, and assumed certain liabilities in connection with this purchase. This acquisition significantly expands the scope of Western Resources' security operations. Based on a preliminary estimate of the purchase price allocation approximately \$275 million of goodwill has been recorded. Since the transaction closed on December 31, 1996, no operating results have been included on the accompanying pro forma combined statement of income for the year ended December 31, 1996.

WESTERN RESOURCES AND KCPL
UNAUDITED PRO FORMA COMBINED BALANCE SHEET

December 31, 1996
(in thousands)

ASSETS

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Current Assets:				
Cash and cash equivalents	\$ 3,724	\$ 23,571	\$ -	\$ 27,295
Accounts receivable and unbilled revenues (net).	318,966	63,206	-	382,172
Other current assets.	171,758	74,203	-	245,961
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Total current assets	494,448	160,980	-	655,428
Property, Plant and Equipment, net	4,356,518	2,343,494	-	6,700,012
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Deferred Charges and Other Assets:				
Goodwill, net	306,960	-	-	306,960
Regulatory asset-recoverable taxes.	217,257	126,000	-	343,257
Regulatory assets	241,039	37,747	-	278,786
Other assets.	1,031,559	246,291	(30,000)(k)	1,247,850
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Total deferred charges and other assets	1,796,815	410,038	(30,000)	2,176,853
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Total Assets	\$6,647,781	\$2,914,512	\$(30,000)	\$9,532,293
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LIABILITIES AND CAPITALIZATION

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Current Liabilities:				
Short-term debt	\$ 980,740	\$ -	\$ -	\$ 980,740
Long-term debt due within one year.	-	26,591	-	26,591
Accounts payable.	180,540	55,618	-	236,158
Other current liabilities	190,812	84,216	30,000(k)	305,028
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Total current liabilities.	1,352,092	166,425	30,000	1,548,517
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Other Liabilities and Deferred Credits:				
Deferred income taxes	1,110,372	643,189	-	1,753,561
Deferred investment tax credits	125,528	67,107	-	192,635
Other	458,668	94,144	-	552,812
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Total other liabilities and deferred credits.	1,694,568	804,440	-	2,499,008
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Capitalization:				
Long-term debt, net	1,681,583	944,136	-	2,625,719
Company-obligated mandatorily redeemable preferred securities.	220,000	-	-	220,000
Preferred and preference stock.	74,858	89,062	-	163,920
Common equity	1,624,680	910,449	(60,000)(k)	2,475,129
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Total capitalization	3,601,121	1,943,647	(60,000)	5,484,768
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Total Liabilities and Capitalization .	\$6,647,781	\$2,914,512	\$(30,000)	\$9,532,293
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The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES AND KCPL

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

December 31, 1995
(in thousands)

ASSETS

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Current Assets:				
Cash and cash equivalents	\$ 2,414	\$ 28,390	\$ -	\$ 30,804
Accounts receivable and unbilled revenues (net)	257,292	64,668	-	321,960
Other current assets	161,270	80,404	-	241,674
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Total current assets	420,976	173,462	-	594,438
	-----	-----	-----	-----
Property, Plant and Equipment, net	4,356,350	2,359,461	-	6,715,811
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Deferred Charges and Other Assets:				
Regulatory asset-recoverable taxes	282,476	123,000	-	405,476
Regulatory assets	262,393	38,342	-	300,735
Other assets	168,482	188,241	-	356,723
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Total deferred charges and other assets	713,351	349,583	-	1,062,934
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Total Assets	\$5,490,677	\$2,882,506	\$ -	\$8,373,183
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LIABILITIES AND CAPITALIZATION

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Current Liabilities:				
Short-term debt	\$ 203,450	\$ 19,000	\$ -	\$ 222,450
Long-term debt due within one year	16,000	73,803	-	89,803
Accounts payable	149,194	52,506	-	201,700
Other current liabilities	170,992	104,746	-	275,738
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Total current liabilities	539,636	250,055	-	789,691
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Other Liabilities and Deferred Credits:				
Deferred income taxes	1,167,470	648,374	-	1,815,844
Deferred investment tax credits	132,286	71,270	-	203,556
Other	432,054	88,720	-	520,774
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Total other liabilities and deferred credits	1,731,810	808,364	-	2,540,174
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Capitalization:				
Long-term debt, net	1,391,263	835,713	-	2,226,976
Company-obligated mandatorily redeemable preferred securities	100,000	-	-	100,000
Preferred and preference stock	174,858	90,436	-	265,294
Common equity	1,553,110	897,938	-	2,451,048
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Total capitalization	3,219,231	1,824,087	-	5,043,318
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Total Liabilities and Capitalization	\$5,490,677	\$2,882,506	\$ -	\$8,373,183
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The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES AND KCPL

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 1996
(in thousands except per share data)

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Operating Revenues:				
Electric	\$1,197,433	\$903,919	\$ -	\$2,101,352
Natural gas	849,386	-	-	849,386
Total operating revenues	2,046,819	903,919	-	2,950,738
Operating Expenses:				
Cost of sales	648,299	192,960	-	841,259
Operations, administrative and selling	804,169	349,462	-	1,153,631
Depreciation and amortization	201,266	115,529	-	316,795
Operating Income	393,085	245,968	-	639,053
Interest Expense	149,326	58,083	-	207,409
Other Income (Expenses)	11,293	(47,961)	-	(36,668)
Income Before Income Taxes	255,052	139,924	-	394,976
Income Taxes	86,102	31,753	-	117,855
Net Income	168,950	108,171	-	277,121
Preferred and Preference Dividends	14,839	3,790	-	18,629
Earnings Applicable to Common Stock	\$ 154,111	\$104,381	\$ -	\$ 258,492
Average Common Shares Outstanding	63,834	61,902	3,581(i)	129,317
Earnings Per Average Common Share	\$ 2.41	\$ 1.69		\$ 2.00

The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES AND KCPL

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 1995
(in thousands except per share data)

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Operating Revenues:				
Electric	\$1,145,895	\$885,955	\$ -	\$2,031,850
Natural gas	597,405	-	-	597,405
Total operating revenues	1,743,300	885,955	-	2,629,255
Operating Expenses:				
Cost of sales	510,948	178,154	-	689,102
Operations, administrative and selling	684,616	353,859	-	1,038,475
Depreciation and amortization	177,830	109,832	-	287,662
Operating Income	369,906	244,110	-	614,016
Interest Expense	122,095	54,522	-	176,617
Other Income (Expenses)	17,257	(199)	-	17,058
Income Before Income Taxes	265,068	189,389	-	454,457
Income Taxes	83,392	66,803	-	150,195
Net Income	181,676	122,586	-	304,262
Preferred and Preference Dividends	13,419	4,011	-	17,430
Earnings Applicable to Common Stock	\$ 168,257	\$118,575	\$ -	\$ 286,832
Average Common Shares Outstanding	62,157	61,902	3,581(i)	127,640
Earnings Per Average Common Share	\$ 2.71	\$ 1.92		\$ 2.25

The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES AND KCPL

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 1994
(in thousands except per share data)

	Western (Historical)	KCPL (Historical)	Pro Forma Adjustments	Total Combined
Operating Revenues:				
Electric	\$1,121,781	\$868,272	\$ -	\$1,990,053
Natural gas	642,988	-	-	642,988
	-----	-----	-----	-----
Total operating revenues	1,764,769	868,272	-	2,633,041
Operating Expenses:				
Cost of sales	562,342	169,035	-	731,377
Operations, administrative and selling	656,813	371,134	-	1,027,947
Depreciation and amortization	174,942	107,463	-	282,405
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Operating Income	370,672	220,640	-	591,312
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Interest Expense	118,917	47,416	-	166,333
Other Income (Expenses)	35,643	(2,072)	-	33,571
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Income Before Income Taxes	287,398	171,152	-	458,550
Income Taxes	99,951	66,377	-	166,328
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Net Income	187,447	104,775	-	292,222
Preferred and Preference Dividends	13,418	3,457	-	16,875
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Earnings Applicable to Common Stock	\$ 174,029	\$101,318	\$ -	\$ 275,347
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Average Common Shares Outstanding	61,618	61,903	3,581(i)	127,102
Earnings Per Average Common Share	\$ 2.82	\$ 1.64		\$ 2.17

The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES, KCPL AND ADT

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
December 31, 1996
(in thousands)

ASSETS

	Western (Historical)	KCPL (Historical)	ADT (Historical)	Pro Forma Adjustments	Total Combined
Current Assets:					
Cash and cash equivalents	\$ 3,724	\$ 23,571	\$ 215,900	\$ 165,120(a)(j)(k)(o)	\$ 408,315
Accounts receivable and unbilled revenues (net)	318,966	63,206	210,700	(78,200)(o)	514,672
Other current assets	171,758	74,203	156,200	(4,800)(o)	397,361
Total current assets	494,448	160,980	582,800	82,120	1,320,348
Property, Plant and Equipment, net					
Utility plant	4,356,518	2,343,494	-	-	6,700,012
Subscriber systems(n)	-	-	1,215,500	-	1,215,500
Other	-	-	298,100	(227,900)(o)	70,200
Total property, plant and equipment, net	4,356,518	2,343,494	1,513,600	(227,900)	7,985,712
Deferred Charges and Other Assets:					
Goodwill, net	306,960	-	458,000	2,214,700(b)	2,979,660
Regulatory asset-recoverable taxes	217,257	126,000	-	-	343,257
Regulatory assets	241,039	37,747	-	-	278,786
Property held for sale	-	-	-	450,000(o)	450,000
Other assets	1,031,559	246,291	176,000	(622,998)(h)(k)(o)	830,852
Total deferred charges and other assets	1,796,815	410,038	634,000	2,041,702	4,882,555
Total Assets	\$6,647,781	\$2,914,512	\$2,730,400	\$1,895,922	\$14,188,615

LIABILITIES AND CAPITALIZATION

	Western (Historical)	KCPL (Historical)	ADT (Historical)	Pro Forma Adjustments	Total Combined
Current Liabilities:					
Short-term debt	\$ 980,740	\$ -	\$ 209,200	\$(622,700)(h)(o)	\$ 567,240
Long-term debt due within one year	-	26,591	-	-	26,591
Accounts payable	180,540	55,618	138,000	(60,300)(o)	313,858
Other current liabilities	190,812	84,216	293,600	15,000(k)(o)	583,628
Total current liabilities	1,352,092	166,425	640,800	(668,000)	1,491,317
Other Liabilities and Deferred Credits:					
Deferred income taxes	1,110,372	643,189	91,500	97,933 (f)(o)	1,942,994
Deferred investment tax credits	125,528	67,107	-	-	192,635
Other	458,668	94,144	328,200	(6,200)(o)	874,812
Total other liabilities and deferred credits	1,694,568	804,440	419,700	91,733	3,010,441
Capitalization:					
Long-term debt, net	1,681,583	944,136	910,100	1,737,200(c)(o)	5,273,019
Company-obligated mandatorily redeemable preferred securities	220,000	-	-	-	220,000
Preferred and preference stock	74,858	89,062	-	-	163,920
Common equity	1,624,680	910,449	759,800	734,989(g)(j)(k)(o)	4,029,918
Total capitalization	3,601,121	1,943,647	1,669,900	2,472,189	9,686,857
Total Liabilities and Capitalization	\$6,647,781	\$2,914,512	\$2,730,400	\$1,895,922	\$14,188,615

The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

WESTERN RESOURCES, KCPL AND ADT

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended December 31, 1996
(in thousands except per share data)

	Western (Historical)	KCPL (Historical)	ADT (Historical)	Pro Forma Adjustments	Total Combined
Operating Revenues:					
Electric	\$1,197,433	\$903,919	\$ -	\$ -	\$2,101,352
Natural gas	849,386	-	-	-	849,386
Security and other	-	-	1,704,000	(297,800)(o)	1,406,200
	-----	-----	-----	-----	-----
Total operating revenues	2,046,819	903,919	1,704,000	(297,800)	4,356,938
Operating Expenses:					
Cost of sales	648,299	192,960	920,000	(157,200)(o)	1,604,059
Operations, administrative and selling	804,169	349,462	342,700	(102,400)(o)	1,393,931
Depreciation and amortization	201,266	115,529	224,800	43,400(d)	584,995
Restructuring and other non-recurring charges	-	-	982,000	(13,000)(o)	969,000
	-----	-----	-----	-----	-----
Operating Income (Loss)	393,085	245,968	(765,500)	(68,600)	(195,047)
	-----	-----	-----	-----	-----
Interest Expense	149,326	58,083	73,500	70,080(e)(o)	350,989
Other Income (Expenses)	11,293	(47,961)	130,500	(7,198)(h)	86,634
	-----	-----	-----	-----	-----
Income (Loss) Before Income Taxes	255,052	139,924	(708,500)	(145,878)	(459,402)
Income Taxes	86,102	31,753	(21,800)	88,433(f)(o)	184,488
	-----	-----	-----	-----	-----
Net Income (Loss) Before Extraordinary Item (1)	168,950	108,171	(686,700)	(234,311)	(643,890)
Preferred and Preference Dividends	14,839	3,790	-	-	18,629
	-----	-----	-----	-----	-----
Earnings (Loss) Applicable to Common Stock Before Extraordinary Item	\$154,111	\$104,381	\$(686,700)	\$(234,311)	\$(662,519)
	=====	=====	=====	=====	=====
Average Common Shares Outstanding	63,834	61,902	137,114	(73,988)(i)(j)	188,862
Earnings (Loss) Per Average Common Share Before Extraordinary Item	\$ 2.41	\$ 1.69	\$ (5.01)		\$ (3.51)

(1) ADT recorded an extraordinary item for the early extinguishment of debt in September 1996.

The accompanying Notes to Unaudited Pro Forma Combined Financial Information are an integral part of this statement and should be read in their entirety.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The pro forma adjustments have been made to the Unaudited Pro Forma Combined Financial Information to reflect the following:

(a) To record the net effect of the following:

- (i) The reduction in cash resulting from interest paid on short- and long-term debt as described in note (e) below.
- (ii) The receipt of approximately \$300 million from the exercise of the Republic Warrant.
- (iii) The receipt of interest income earned on excess cash balances primarily resulting from the exercise of the Republic Warrant at a market-based, short-term rate of 4.5% on an annual basis.

(b) To record goodwill resulting from the Amalgamation. Other than the auto auction assets discussed at (o) below, the net tangible assets of ADT are expected to approximate their fair value. Goodwill is based upon the total consideration paid in excess of the estimated fair value of the net assets acquired. Goodwill is calculated assuming Western Resources acquires all outstanding shares of ADT Common Stock which Western Resources and its affiliates do not presently hold, the conversion of ADT's outstanding Liquid Yield Option Notes ("LYONs") to shares of ADT Common Stock (see note (i)), the exercise of the Republic Warrant (see note (iii)) and the exercise of all outstanding options held principally by ADT's management, in each case for \$22.50 per share of ADT Common Stock. (See note (j) for a discussion of the Republic Warrant and ADT anti-takeover devices.)

Calculation of total outstanding shares of ADT Common Stock, and shares of ADT Common Stock to be purchased:

	(millions, except price per share)
Shares of ADT Common Stock outstanding.	141.4
Treasury shares (shares held by ADT Subsidiary)	(3.2)
LYONs convertible debt (i).	21.9
Conversion of option shares (ii).	7.3
Exercise of Republic Warrant (iii).	15.0

Total shares of ADT Common Stock outstanding.	182.4
Shares of ADT Common Stock already owned.	(38.3)

Net shares of ADT Common Stock to be purchased.	144.1
Purchase price per share.	\$ 22.50

Total cost of shares of ADT Common Stock not presently owned	\$3,242.3
Plus: Basis in 38.3 million shares of ADT Common Stock	
currently owned	589.4
Plus: Estimated transaction costs	40.0

Total purchase price.	\$3,871.7
Less: Estimated fair value of net assets acquired (iv).	1,130.5
Estimated goodwill.	\$2,741.2
Less: Existing ADT goodwill, net.	458.0
Less: Incremental goodwill amortization for 1996.	68.5
Adjustment.	\$2,214.7
	=====

- (i) LYONs are exchangeable for shares of ADT Common Stock or redeemable for cash at the option of the holder upon a change of control. Conversion terms allow the holder to exchange each LYON for 28.23 shares of ADT Common Stock. The pro forma calculation of total shares of ADT Common Stock outstanding assumes the LYONs are converted to shares of ADT Common Stock.
- (ii) Conversion of approximately 17.3 million outstanding option shares held by management has been calculated using the treasury stock method.
- (iii) Exercise of the Republic Warrant to purchase 15.0 million shares of ADT Common Stock. The pro forma calculation of total shares of ADT Common Stock outstanding includes Republic's exercise of the Republic Warrant for 15 million shares at \$20 per share. (See note (j) for a related discussion.)
- (iv) Includes estimated fair value of auto auction business of \$450 million.

(c) To record the additional long-term debt to be incurred for the Cash Consideration and to refinance short-term debt used to acquire existing shares of ADT Common Stock, less the elimination of the LYONs convertible debt securities which are expected to be converted to shares of ADT Common Stock.

	in (millions)
Additional long-term debt:	
144.1 million shares of ADT Common Stock times \$10.00 per share cash consideration.	\$1,441.0
Plus: Permanent financing of Western Resources' existing interest.	589.4
Estimated transaction costs	40.0
Less: Estimated LYONs debt outstanding at acquisition date.	(326.8)

Net additional debt	\$1,743.6
	=====

(d) To record the amortization of goodwill created in the purchase of ADT over a 40-year period. The annual goodwill amortization is expected to approximate \$68.5 million. The adjustment represents the difference between this amount, the historical amount recorded by ADT and the amounts recognized by Western Resources related to its investment in ADT.

(e) To record the net effect of interest expense resulting from the following:

(i) The reduction of interest expense associated with the short-term debt incurred by Western Resources to acquire its initial equity interest in ADT and the increase in interest expense in connection with the issuance of additional long-term debt as detailed in note (c) above to finance the exchange of shares of ADT Common Stock for the Cash Consideration and refinance short-term debt used to acquire shares of ADT Common Stock. (See note (c).) The interest rate on such borrowings is expected to be approximately 8%. The assumed interest rate is reasonable given current corporate bond rates for companies with credit ratings similar to Western Resources.

A one-eighth percent change in interest on the net additional debt used to finance the Amalgamation would impact the combined pro forma net income by approximately \$1.1 million on an annual basis. Pro forma earnings per share would be impacted by approximately \$0.01 per share on an annual basis.

(ii) The interest expense savings resulting from the conversion of the LYONS, which accreted interest at a rate of 6.5%.

(iii) The interest income earned on excess cash balances primarily resulting from the exercise of the Republic Warrant at a market-based, short-term rate of 4.5% on an annual basis.

(f) To adjust the income tax provision. The income tax provision exceeds the federal statutory rate of 35% primarily due to the non-deductible goodwill amortization and state income taxes.

(g) To reflect the net increase to common equity resulting from Western Resources issuing additional Western Resources Common Stock needed to acquire the net remaining shares of ADT Common Stock, to reflect the impact of the pro forma adjustments and eliminate ADT's stand-alone equity.

(h) To reflect the elimination of the equity investment and related equity earnings recorded by Western Resources for the 38.3 million shares of ADT Common Stock presently held as an equity investment and the related short-term debt incurred to finance this equity investment which is to be refinanced with long-term debt. (See note (c).)

(i) To reflect the issuance of Western Resources Common Stock in connection with the Merger and the Amalgamation:

	(in thousands, except price per share)
Value of Consideration to be paid in Western Resources	
Common Stock	\$ 12.50
Divided by the price per share of Western Resources	
Common Stock as of February 28, 1997.	\$ 30.250

Exchange Ratio41322
Multiplied by net shares of ADT Common Stock to be purchased by Western Resources.	144,100
Shares of Western Resources Common Stock needed to acquire net shares of ADT Common Stock.	59,545
ADT average common shares outstanding	137,114
Less: Shares of Western Resources Common Stock to be issued to ADT shareholders	59,545

	(77,569)
Plus: Additional shares of Western Resources	
Common Stock to be issued to KCPL shareholders.	3,581(*)
Adjustment	(73,988)

(*) Pro forma shares and related earnings per share have been calculated assuming a Conversion Ratio of 1.05785 based on the closing price per share of Western Resources Common Stock on February 28, 1997 of \$30.250. The actual Conversion Ratio will be based on a 20-day average of the price of Western Resources Common Stock calculated for a period beginning on the 29th business day prior to Closing and ending on the tenth business day prior to Closing.

(j) On July 1, 1996, ADT entered into an agreement with Republic (the "Republic Agreement"), pursuant to which a subsidiary of Republic was to be amalgamated with and into ADT with ADT being the surviving company. Under the terms of the Republic Agreement, ADT granted to Republic the Republic Warrant to purchase 15,000,000 Shares at a purchase price of \$20 per Share, subject to adjustment. The Republic Warrant was to become exercisable for a period of six months following the termination of the Republic Agreement. On September 30, 1996, ADT and Republic jointly announced the termination of the Republic Agreement, citing uncertainty attributable to market conditions, and amended the Republic Warrant to include certain restrictions on the issuance of shares of ADT Common Stock pursuant thereto and the transfer of such shares by Republic to persons with an interest in 10% or more of ADT. Western Resources has commenced litigation challenging the validity of the Republic Warrant. On March 21, 1997, Republic announced its exercise of the Republic Warrant and remitted \$300 million to ADT. The unaudited pro forma combined financial information reflects this exercise and the receipt of approximately \$300 million.

As described herein, Western Resources is initiating steps to hold a special meeting of the ADT Shareholders, and among other matters, Western Resources will be soliciting proxies in favor of the removal of the present members of the ADT Board of Directors and the election of the nominees of Western Resources to the ADT Board, who will then take steps needed to either redeem or amend a rights agreement (the "Rights Agreement"), pursuant to which ADT declared a dividend of one right for each outstanding ADT share of common stock on November 4, 1996, to make the Rights Agreement inapplicable to the ADT Offer.

(k) To reflect Western Resources' and KCPL's estimated direct merger costs of \$60 million as a reduction to equity.

(l) Prior to the consummation of the Merger, KCPL must redeem its preferred stock outstanding pursuant to the Merger Agreement. Because the basis of accounting for the Merger is a pooling of interests, the effect of this redemption is not required to be reflected in the unaudited pro forma combined financial statements. The required redemption price, as of December 31, 1996, is approximately \$90 million applicable to KCPL Preferred Stock. The ongoing effect of this redemption is anticipated to be immaterial.

(m) Intercompany transactions among Western Resources, KCPL and ADT are immaterial.

(n) Amounts related to ADT's subscriber systems represent the historical cost of equipment, installation labor and direct overheads capitalized upon acquiring a new customer. In accordance with the provisions specified in APB No. 16, "Accounting for Business Combinations," Western Resources has allocated value to the subscriber systems purchased from ADT at amounts that are believed to approximate the fair value of the acquired customer base. Western Resources believes the estimated fair value of ADT's historical balance for subscriber systems assets approximates the fair value of the acquired customer base. This amount will be amortized over the average customer life, which is estimated at approximately 10 years.

(o) To reflect the following:

(i) Presentation of assets and liabilities related to ADT's auto auction business as net property held for sale as Western Resources intends to sell such business at, or near, the closing date of the Amalgamation. These assets have been assigned a value of \$450 million, equal to the estimated sales proceeds, net of tax. The following reflects the reclassification of account balances to properly reflect the fair value of assets following the sale of ADT's auto auction business:

	(in millions)
Estimated sales proceeds, net of tax.	\$450.0
Less: Estimated net book value.	(349.2)
Estimated fair value of property held for sale in excess of recorded amounts	\$100.8

(ii) Elimination of historical amounts recorded for the results of operations related to ADT's auto auction business. The following amounts have been eliminated to properly reflect the historical results of operations of ADT's auto auction business as presented in ADT's 14(d) filing with the SEC dated March 4, 1997:

	For the year ended December 31, 1996 (in thousands)
Operating revenues.	\$ 297,800
Operating expenses.	(272,600)

Operating income.	\$ 25,200

Net income.	\$ 6,400
	=====

WESTERN RESOURCES AND KCPL SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

	Years Ended December 31,		
	1996	1995	1994
Pro Forma Combined (unaudited)			
Ratio of earnings to fixed charges (1) . .	2.37x	2.80x	2.99x
Ratio of earnings to combined fixed charges and preferred dividend requirements (1)	2.17x	2.54x	2.69x

(1) Earnings are deemed to consist of net income to which has been added income taxes (including net deferred investment tax credit) and fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense, and the portion of rental expense which represents an interest factor. Preferred and preference dividend requirements consist of an amount equal to the pre-tax earnings which would be required to meet dividend requirements on preferred and preference stock.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 1996

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-707

KANSAS CITY POWER & LIGHT COMPANY
(Exact name of registrant as specified in its charter)Missouri 44-0308720
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)1201 Walnut Street
Kansas City, Missouri 64106
(Address of principal executive offices)

Registrant's telephone number, including area code: 816-556-2200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Cumulative Preferred Stock par value \$100 per share - 3.80%, 4.50%, 4.35%	New York Stock Exchange
Common Stock without par value	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. X

On March 13, 1997, KCPL had 61,895,819 outstanding shares of common stock without par value, and the aggregate market value (based upon the closing price of these shares on the New York Stock Exchange) of voting securities held by nonaffiliates of KCPL was approximately \$1,763,113,626.

Documents Incorporated by Reference Portions of the 1997 Proxy Statement are incorporated by reference in Part III of this report.

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PART I

ITEM 1. BUSINESS

Kansas City Power & Light Company (KCPL) was incorporated in Missouri in 1922 and is headquartered in downtown Kansas City, Missouri. KCPL is a medium-sized public utility engaged in the generation, transmission, distribution and sale of electricity to over 435,000 customers in a 4,700 square mile area located in all or portions of 23 counties in western Missouri and eastern Kansas. About two-thirds of the total retail kilowatt-hour sales and revenues are from Missouri customers and the remainder from Kansas customers. Customers include approximately 381,000 residences, 51,000 commercial firms, and 3,000 industrials, municipalities and other electric utilities. Retail revenues in Missouri and Kansas accounted for approximately 91% of KCPL's total revenues in 1996. Wholesale firm power, bulk power sales and miscellaneous electric revenues accounted for the remainder of revenues. Low fuel costs and superior plant performance enable KCPL to serve its customers well while maintaining a leadership position in the bulk power market.

KCPL as a regulated utility does not have direct competition for retail electric service in its service territory; however, there is competition in the generation of electricity and between electric and gas as an energy source.

KLT Inc., a wholly-owned, unregulated subsidiary of KCPL, pursues opportunities in domestic and international energy-related ventures. See "Subsidiaries" on page 5 of this report. KCPL also owns 47% of Wolf Creek Nuclear Operating Corporation, the operating company for the Wolf Creek Generating Station (Wolf Creek).

Proposed Merger With Western Resources, Inc.

On February 7, 1997, KCPL and Western Resources, Inc.

(Western Resources) entered into an Agreement and Plan of Merger (the Merger Agreement) to form a strategic business combination. The effective time of the merger is dependent upon all conditions of the Merger Agreement being met or waived. At the effective time, KCPL will merge with and into Western Resources, with Western Resources being the surviving corporation.

Western Resources first delivered an unsolicited exchange offer to KCPL's Board of Directors during the second quarter of 1996. This initial offer, subject to numerous conditions, proposed the exchange of \$28 (later increased to \$31) worth of Western Resources common stock for each share of KCPL common stock. After careful consideration, both offers were rejected by KCPL's Board of Directors. In July 1996 Western Resources commenced an exchange offer for KCPL common stock. In late 1996 KCPL began discussing a possible merger with Western Resources leading to the Merger Agreement.

Under the terms of the Merger Agreement, KCPL common stock will be exchanged for Western Resources common stock valued at \$32.00, subject to a conversion ratio limiting the amount of Western Resources common stock that holders of KCPL common stock would receive per share of KCPL common stock to no more than 1.1 shares (if Western Resources' stock is priced at or below \$29.09 per share), and no less than 0.917 shares (if Western Resources' stock is priced at or above \$34.90 per share). However, there is a provision in the Merger Agreement that allows KCPL to terminate the merger if Western Resources' stock price drops below \$27.64 and either the Standard and Poor's Electric Companies Index increases or the decline in Western Resources stock exceeds by approximately 5% any decline in this index. Western Resources could avoid this termination by improving the conversion ratio.

The transaction is subject to several closing conditions including approval by each company's shareholders, approval by a number of regulatory authorities (statutory approvals) and dissenting shares equaling less than 5.5% of KCPL's outstanding shares. If the effective time has not occurred by June 30, 1998 (the termination date), either party may terminate the agreement as long as they did not contribute to the delay. This termination date will be automatically extended to June 30, 1999, if all of the Merger Agreement closing conditions have been met except for certain conditions relating to statutory approvals.

The Merger Agreement does not allow KCPL to increase its common stock dividend prior to the effective time or termination. It also requires KCPL to redeem all outstanding shares of preferred stock prior to completion of the merger.

If the Merger Agreement is terminated under certain circumstances, a payment of \$50 million will be due Western Resources if, within two and one-half years following

termination, KCPL agrees to consummate a business combination with a third party that made a proposal to combine prior to termination. Western Resources will pay KCPL \$5 to \$35 million if the Merger Agreement is terminated and all closing conditions are satisfied other than conditions relating to Western Resources receiving a favorable tax opinion, a favorable letter from its accountants regarding pooling accounting, favorable statutory approvals, or an exemption from the Public Utility Holding Company Act of 1935.

Regulation

KCPL is subject to the jurisdiction of the Public Service Commission of the State of Missouri (MPSC), the State Corporation Commission of the State of Kansas (KCC), the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and certain other governmental regulatory bodies as to various phases of its operations, including rates, service, safety and nuclear plant operations, environmental matters and issuances of securities.

Rates

KCPL's retail electric rates are regulated by the MPSC and KCC for sales within the respective states of Missouri and Kansas. FERC approves KCPL's rates for wholesale bulk electricity sales. Firm electric sales are made by contractual arrangements between the entity being served and KCPL.

KCPL has not increased any of its retail or wholesale rates since 1988. Pursuant to a stipulation and agreement with the MPSC, KCPL reduced Missouri retail rates by about 2.7% effective January 1, 1994, 2% effective July 9, 1996, and by about 2.5% effective January 1, 1997.

Environmental Matters

KCPL's operations must comply with federal, state and local environmental laws and regulations. The generation and transmission of electricity uses, produces and requires disposal of certain products and by-products, including polychlorinated biphenyl (PCBs), asbestos and other potentially hazardous materials. KCPL's policy is to act in an environmentally responsible manner and to use the latest technology available to avoid and treat contamination. The Federal Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law) imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. This liability extends to the current property owner as well as prior owners since the time of contamination. KCPL continually conducts environmental audits designed to detect contamination and ensure compliance with governmental regulations. However, compliance programs needed to meet future environmental laws

and regulations governing water and air quality, including carbon dioxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields, could require substantial changes to operations or facilities. KCPL cannot presently estimate any additional costs of meeting such new regulations or standards which might be established in the future, nor can it estimate the possible effect which any new regulations or standards could have upon its operations. However, KCPL currently estimates that expenditures necessary to comply with environmental regulations during 1997 will not be material with the possible exceptions set forth below.

Air

The Clean Air Act Amendments of 1990 contain two programs significantly affecting the utility industry. KCPL has spent approximately \$5 million for the installation of continuous emission monitoring equipment to satisfy the requirements under the acid rain provision. KCPL expects no further material expenditures for this project. The other utility-related program calls for a study of certain air toxic substances. Based on the outcome of this study, regulation of these substances, including mercury, could be required. KCPL cannot predict the likelihood of any such regulations or compliance costs.

Proposed regulations to revise the ozone and particulate matter, National Ambient Air Quality Standards, are scheduled to be issued by June 1997 and may require capital expenditures which cannot be estimated at this time.

Water

KCPL commissioned an environmental assessment of its Northeast Station and of its Spill Prevention Control and Countermeasure plan as required by the Clean Water Act. The assessment revealed contamination of the site by petroleum products, heavy metals, volatile and semi-volatile organic compounds, asbestos, pesticides and other regulated substances. Based upon studies and discussions with Burns & McDonnell, the cost of the cleanup could range between \$1.5 million and \$6 million.

Also, groundwater analysis has indicated that certain volatile organic compounds are moving through the Northeast site, just above bedrock, from unidentified sources off-site. The Missouri Department of Natural Resources (MDNR) was notified of the possible release of petroleum products and the presence of volatile organic compounds moving under the site. Monitoring and removal of free petroleum products continues at the site. MDNR has concluded that the volatile organic compounds originated from a source off-site. MDNR stated it will continue to investigate the source of the compounds. Because KCPL believes it will not have liability in this matter, it has not performed a study regarding the possible cost of remediation of the flow of organic

compounds.

Competition

See "Regulation and Competition" on page 12 of this report.

Fuel Supply

KCPL's principal sources of fuel for electric generation are coal and nuclear fuel. These fuels are expected to satisfy about 99% of the 1997 fuel requirements with the remainder provided by other sources including natural gas, oil and steam. The 1996 and estimated 1997 fuel mix, based on total Btu generation, are as follows:

	1996	Estimated 1997
Coal	76%	73%
Nuclear	23%	26%
Other	1%	1%

The fuel mix varies depending on the operation of Wolf Creek which requires a refueling and maintenance outage about every 18 months. The next outage is scheduled for the fourth quarter of 1997.

Coal

KCPL's average cost per million Btu of coal burned, excluding fuel handling costs, was \$0.85 in 1996 and \$0.89 in 1995 and 1994. KCPL's cost of delivered coal is about 63% of the regional average.

During 1997, approximately 10.4 million tons of coal (7.3 million tons, KCPL's share) are projected to be burned at KCPL's generating units, including jointly-owned units. KCPL has entered into coal-purchase contracts with various suppliers in Wyoming's Powder River Basin, the nation's principal supplier of low-sulfur coal. These contracts, with expiration dates ranging from 1997 through 2003, will satisfy approximately 95% of the projected coal requirements for 1997, 50% for 1998, 50% for 1999, and 20% thereafter.

Nuclear

The Wolf Creek Nuclear Operating Corporation (WCNOC), which operates Wolf Creek, has on hand or under contract 70% of the uranium required to operate Wolf Creek through September 2003. The balance is expected to be obtained through spot market and contract purchases.

Contracts are in place for 100% of Wolf Creek's uranium enrichment requirements for 1997 and 82% of such requirements for 1998 to March 2005. The balance of the 1998-2005 requirements is expected to be obtained through a

combination of spot market and contract purchases. The decision not to contract for the full enrichment requirements is one of cost rather than availability of service.

Contracts are in place for the conversion of uranium to uranium hexafluoride sufficient to meet Wolf Creek's requirements through 2001.

High-Level Waste

The Nuclear Waste Policy Act of 1982 established schedules, guidelines and responsibilities for the Department of Energy (DOE) to develop and construct repositories for the ultimate disposal of spent fuel and high-level waste. The DOE has not yet constructed a high-level waste disposal site and has announced that a permanent repository may not be in operation prior to 2010 although an interim storage facility may be available earlier. The DOE likely will not immediately begin accepting Wolf Creek's spent fuel upon opening of the permanent repository. Instead, KCPL expects to experience a multi-year transfer period beginning as much as six years after opening of the permanent repository. Wolf Creek contains an on-site spent fuel storage facility which, under current regulatory guidelines, provides space for the storage of spent fuel through 2005 while still maintaining fuel core off-load capability. KCPL believes adequate additional storage space can be obtained, as necessary.

Low-Level Waste

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact and selected a site in northern Nebraska to locate a disposal facility. The present estimate of the cost for such a facility is about \$154 million. WCNOG and the owners of the other five nuclear units in the compact have provided most of the pre-construction financing for this project. As of February 28, 1997, utilities in the compact have spent in excess of \$75 million, of which \$13 million was WCNOG's share.

There is uncertainty as to whether this project will be completed. Significant opposition to the project has been raised by the residents in the area of the proposed facility and attempts have been made through litigation and proposed legislation to slow down or stop development of the facility.

Employees

At December 31, 1996, KCPL and its wholly-owned subsidiaries had 2,297 employees (including temporary and

part-time employees), 1,474 of which were represented by three local unions of the International Brotherhood of Electrical Workers (IBEW). KCPL has labor agreements with Local 1613, representing clerical employees (which expires March 31, 1999), with Local 1464, representing outdoor workers (which expires January 8, 2000), and with Local 412, representing power plant workers (which expires February 28, 1998). KCPL is also a 47% owner of WCNOG, which employs 1,013 persons to operate Wolf Creek, 340 of which are represented by the IBEW.

Subsidiaries

KLT Inc. has six wholly-owned direct subsidiaries:

- KLT Investments Inc., a passive investor in affordable housing investments which generate tax credits.
- KLT Investments II Inc., a passive investor in economic, community-development and energy-related projects.
- KLT Energy Services Inc., a partner in an energy management services and lighting services business.
- KLT Power Inc., a participant in independent power and cogeneration projects. KLT Power Inc. has four subsidiaries, KLT Iatan Inc., which was formed for the co-development of the Iatan Unit 2 coal-fired power plant; KLT Power International, which participates in independent power projects located in China; KLT Power Asia which participates in independent power projects located in certain Asian countries; and KLT Power Latin American which participates in independent power projects located in Latin America.
- KLT Gas Inc., a participant in oil and gas reserves and exploration. KLT Gas Inc. has one wholly-owned subsidiary, FAR Gas Acquisitions Corporation which holds limited partnerships in coal seam methane gas wells that generate tax credits.
- KLT Telecom Inc., an investor in communications and information technology opportunities. KLT Telecom Inc. has two majority-owned subsidiaries, Municipal Solutions, an outsourcer of municipal services and Telemetry Solutions, a provider of services using Cellnet-related technology.

KCPL's equity investment in KLT Inc. at December 31, 1996, was \$61 million.

Officers of the Registrant

KCPL Officers

Name	Age	Positions Currently Held	Year Named Officer
Drue Jennings	50	Chairman of the Board, President and Chief Executive Officer	1980

Bernard J. Beaudoin	56	Executive Vice President - Chief Financial Officer	1984
Marcus Jackson	45	Executive Vice President - Chief Operating Officer	1989
J. Turner White	48	Executive Vice President - Corporate Development	1990
John J. DeStefano	47	Senior Vice President - Business Development	1989
Jeanie Sell Latz	45	Senior Vice President - Corporate Services, Corporate Secretary and Chief Legal Officer	1991
Frank L. Branca	49	Vice President - Wholesale and Transmission Services	1989
Steven W. Cattron	41	Vice President - Marketing and Sales	1994
Charles R. Cole	50	Vice President - Customer Services and Purchasing	1990
Douglas M. Morgan	54	Vice President - Information Technology	1994
Richard A. Spring	42	Vice President - Production	1994
Bailus M. Tate	50	Vice President - Human Resources	1994
Neil A. Roadman	51	Controller	1980
Mark C. Sholander	51	General Counsel and Assistant Secretary	1986
Andrea F. Bielsker	38	Treasurer	1996

KLT Inc. Officers

Name	Age	Positions Currently Held	Year Named Officer
Ronald G. Wasson	52	President	1995
Floyd R. Pendleton	53	Vice President-Business Development	1992
David M. McCoy	49	Vice President-Business Development	1996
Mark G. English	45	Vice President and General Counsel	1995
Janee C. Rosenthal	35	Corporate Secretary and Treasurer	1992
Teresa D. Cook	36	Controller	1997

All of the foregoing persons have been officers of KCPL or employees in a responsible position with KCPL for the past five years except for Mr. Spring. Mr. Spring was an employee of KCPL from 1978 to 1993, when he left KCPL to join Northern Indiana Public Service Company as Director of Electric Production. In July 1994, he rejoined KCPL as Vice President-Production.

The term of office of each officer commences with his or her appointment by the Board of Directors and ends at such time as the Board of Directors may determine.

ITEM 2. PROPERTIES

Generation Resources

KCPL's generating facilities consist of the following:

Unit	Year Completed	Estimated 1997 Megawatt(mw) Capacity	Fuel
Existing Units			
Base Load...Wolf Creek(a)	1985	548(b)	Nuclear
Iatan	1980	469(b)	Coal
LaCygne 2	1977	334(b)	Coal
LaCygne 1	1973	341(b)	Coal
Hawthorn 6	1997	142(d)	Gas/Oil
Hawthorn 5	1969	479	Coal/Gas
Montrose 3	1964	161	Coal
Montrose 2	1960	153	Coal
Montrose 1	1958	155	Coal
Peak Load...Northeast 13 and 14(c)	1976	110	Oil
Northeast 17 and 18(c)	1977	116	Oil
Northeast 15 and 16(c)	1975	111	Oil
Northeast 11 and 12(c)	1972	105	Oil
Grand Avenue (2 units)	1929 & 1948	73	Gas

Total		3,297	
		=====	

(a) This unit is one of KCPL's principal generating facilities and has the lowest fuel cost of any of its generating facilities. An extended shutdown of the unit could have a substantial adverse effect on the operations of KCPL and its financial condition.

(b) KCPL's share of jointly-owned unit.

(c) Combustion turbines.

(d) KCPL has entered into an operating lease with First Security Bank of Utah, N.A. for a V.84.3A combustion turbine-generator, to be in service in the year 1997, with an anticipated accredited capacity of approximately 142 mw.

KCPL's maximum system net hourly peak load of 2,987 mw occurred on July 19, 1996. The maximum winter peak load of

2,012 mw occurred on December 19, 1996. The accredited generating capacity of KCPL's electric facilities in the summer (when peak loads are experienced) of 1996 under MOKAN Power Pool standards was 3,134 mw.

KCPL owns the Hawthorn Station (Jackson County, Missouri), Montrose Station (Henry County, Missouri), Northeast Station (Jackson County, Missouri) and two Grand Avenue Station turbine generators (Jackson County, Missouri). KCPL also owns 50% of the 682-mw LaCygne 1 Unit and 668-mw LaCygne 2 Unit in Linn County, Kansas; 70% of the 670-mw Iatan Station in Platte County, Missouri; and 47% of the 1,167 mw Wolf Creek in Coffey County, Kansas.

Transmission and Distribution Resources

KCPL's electric transmission system is interconnected with systems of other utilities to permit bulk power transactions with other electricity suppliers in Kansas, Missouri, Iowa, Nebraska and Minnesota. KCPL is a member of the MOKAN Power Pool, which is a contractual arrangement among eleven utilities in western Missouri and Kansas which interchange electric energy, share reserve generating capacity, and provide emergency and standby electricity services to each other.

KCPL owns approximately 1,700 miles of transmission lines and approximately 9,000 miles of overhead distribution lines, and approximately 3,100 miles of underground distribution lines. KCPL has all franchises necessary to sell electricity within the territories from which substantially all of its gross operating revenue is derived.

General

KCPL's principal plants and properties, insofar as they constitute real estate, are owned in fee; certain other facilities are located on premises held under leases, permits or easements; and its electric transmission and distribution systems are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements or licenses (deemed satisfactory but without examination of underlying land titles) have been obtained.

Substantially all of the fixed property and franchises of KCPL, which consists principally of electric generating stations, electric transmission and distribution lines and systems, and buildings (subject to exceptions and reservations) are subject to a General Mortgage Indenture and Deed of Trust dated as of December 1, 1986.

ITEM 3. LEGAL PROCEEDINGS

Kansas City Power & Light Co. v. Western Resources, Inc.,

et. al

On May 20, 1996, KCPL commenced litigation in the United States District Court for the Western District of Missouri, Western Division (District Court), against Western Resources, Inc. (Western Resources) and Robert L. Rives (Rives) requesting the District Court to declare the Amended and Restated Agreement and Plan of Merger between KCPL, KC Merger Sub, Inc., UtiliCorp and KC United Corp., dated January, 1996, amended May 20, 1996 (Amended Merger Agreement), and the transactions contemplated thereby (collectively the Transaction) were legal and could not be reversed. On May 24, 1996, Jack R. Manson (Manson), filed an action to become a party to the above litigation as the shareholders' representative. Manson made claims against KCPL and all its directors stating they had violated their fiduciary duties, that their actions in adopting the Amended Merger Agreement were illegal and ultra vires; that the adoption of the Amended Merger Agreement illegally deprived shareholders of rights under Missouri law; and that the adoption of the Amended Merger Agreement was an excessive response to Western Resources' acquisition offer. On June 7, 1996, Western Resources and Rives each filed claims against KCPL, charging the same violations against the directors as Manson.

The District Court on August 2, 1996 ruled the transactions contemplated by the Amended Merger Agreement were legally valid and authorized under Missouri law; but the combined transactions resulted in a merger between KCPL and UtiliCorp, requiring, under Missouri law, approval by the holders of two-thirds of the outstanding shares of KCPL's stock.

By order dated November 25, 1996, the District Court allowed Manson to amend his original petition claiming the directors breached their fiduciary duties by refusing to meet with Western Resources and had committed reckless, grossly negligent, or negligent waste of corporate assets by pursuing the merger with UtiliCorp. In addition to requesting termination of the Amended Merger Agreement, Manson sought monetary damages in an unspecified amount. KCPL filed a motion on December 9, 1996 to dismiss Manson's claims and it is currently pending before the District Court. KCPL cannot predict the outcome of these proceedings at this time.

State of Missouri ex rel. Inter-City Beverage Co., Inc., et.
al vs. The Public Service Commission of the State of
Missouri, et. al;

Jewish Community Campus of Greater Kansas City, Inc. vs.
Kansas State Corporation Commission, et. al

On August 13, 1993, a lawsuit was filed by nine customers in the Circuit Court of Jackson County, Missouri against KCPL. The suit alleged the misapplication of

certain of KCPL's electric rate tariffs resulting in overcharges to industrial and commercial customers which had been provided service under those tariffs and requested certification as a class action. On December 3, 1993, the Court dismissed the matter for lack of subject matter jurisdiction. Plaintiffs appealed to the Missouri Court of Appeals, Western District. The Court of Appeals upheld the dismissal. Plaintiffs then filed a motion to transfer the case with the Missouri Supreme Court. The motion was denied.

Plaintiffs then took their claims to the state commissions filing complaints at the MPSC on August 23, 1995, and at the KCC on August 30, 1995. The MPSC complaint was dismissed May 1, 1996. The Cole County, Missouri Circuit Court affirmed the dismissal on January 29, 1997. The time for filing an appeal from such circuit court's decision has not yet lapsed. The KCC complaint was dismissed April 9, 1996. The Johnson County, Kansas District Court affirmed the dismissal on February 4, 1997. The Plaintiff filed a Notice of Appeal to the Kansas Court of Appeals on March 3, 1997.

Should the proceedings before the MPSC and KCC be overturned by the state courts, KCPL could be required to refund the alleged overcharges. KCPL believes it will be able to successfully defend these actions.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information:

(1) Principal Market:

Common Stock of KCPL is listed on the New York Stock Exchange and the Chicago Stock Exchange.

(2) Stock Price Information:

Quarter	Common Stock Price Range			
	1996		1995	
	High	Low	High	Low
First	\$27-1/4	\$24	\$24-1/2	\$22-1/8
Second	27-3/4	23-5/8	24-1/8	22-1/8
Third	28-3/8	26-1/4	24-3/8	21-1/2

Fourth 29-3/8 26-1/2 26-5/8 23-1/2

Holders:

At December 31, 1996, KCPL's Common Stock was held by 26,763 shareholders of record.

Dividends:

Common Stock dividends were declared as follows:

Quarter	1997	1996	1995
First	\$0.405	\$0.390	\$0.380
Second		0.390	0.380
Third		0.405	0.390
Fourth		0.405	0.390

KCPL's Restated Articles of Consolidation contains certain restrictions on the payment of dividends on KCPL's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	1996(a)	1995	1994(b)	1993	1992
	(dollars in millions except per share amounts)				
Operating revenues	\$ 904	\$ 886	\$ 868	\$ 857	\$ 803
Net income	\$ 108	\$ 123	\$ 105	\$ 106	\$ 86
Earnings per common share	\$ 1.69	\$ 1.92	\$ 1.64	\$ 1.66	\$ 1.35
Total assets at year-end	\$2,915	\$2,883	\$2,770	\$2,755	\$2,647
Total redeemable preferred stock and long-term debt (including current maturities)	\$ 971	\$ 911	\$ 833	\$ 870	\$ 817
Cash dividends per common share	\$ 1.59	\$ 1.54	\$ 1.50	\$ 1.46	\$ 1.43
Ratio of earnings to fixed charges	3.06	3.94	4.07	3.80	3.12

(a) In 1996, KCPL recorded \$31 million in merger related costs. (b) In 1994, KCPL recorded a \$22.5 million expense for a voluntary early retirement program.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REGULATION AND COMPETITION

As competition develops throughout the electric utility industry, we are positioning Kansas City Power & Light Company (KCPL) to excel in an open market. We are improving the efficiency of KCPL's core utility operations and creating growth through its unregulated

subsidiary. As competition presents new opportunities, we will also consider various strategies including partnerships, acquisitions, combinations, additions to or dispositions of service territory, and restructuring wholesale and retail businesses. In 1997 we will begin offering natural gas contracts to certain customers. We have entered an Agreement and Plan of Merger with Western Resources, Inc. (Western Resources). This agreement was reached after nine months of defending against an unsolicited exchange offer (see Note 11 to the Consolidated Financial Statements).

In December 1996 the Federal Energy Regulatory Commission (FERC) issued a statement concerning electric utility mergers. Under the statement, companies must demonstrate that their merger does not adversely affect competition or wholesale rates. As remedies, FERC may consider a range of conditions including transmission upgrades or divestitures of generating assets.

Competition in the electric utility industry was accelerated with the National Energy Policy Act of 1992. This gave FERC the authority to require electric utilities to provide transmission line access to independent power producers (IPPs) and other utilities (wholesale wheeling). KCPL, already active in the wholesale wheeling market, was one of the first utilities to receive FERC's approval of an open-access tariff for wholesale wheeling transactions. In April 1996 FERC issued an order requiring all owners of transmission facilities to adopt open-access tariffs and participate in wholesale wheeling; KCPL has made the necessary filings to comply with that order.

FERC's April order is likely to encourage more movement toward retail competition at the state level. An increasing number of states have already adopted open access requirements for utilities' retail electric service, allowing competing suppliers access to their retail customers (retail wheeling). Many other states are actively considering retail wheeling. Kansas has created a retail wheeling task force to study and report on related issues.

Competition through retail wheeling could result in market-based rates below current cost-based rates. This would provide growth opportunities for low-cost producers and risks for higher-cost producers, especially those with large industrial customers. Lower rates and the loss of major customers could result in under-utilized assets (stranded investment) and place an unfair burden on the remaining customer base or shareholders. If an adequate and fair provision for recovery of these lost revenues is not provided, certain generating assets may have to be evaluated for impairment and appropriate charges recorded against earnings. In addition to lower profit margins, market-based rates could also require generating assets to be depreciated over shorter useful lives, increasing operating expenses.

Although Missouri and Kansas have not yet authorized retail wheeling, we believe KCPL is positioned well to compete in an open market with its diverse customer mix and pricing strategies. About 22% of KCPL's retail mwh sales are to industrial customers compared to the utility average of about 35%. KCPL has a flexible rate structure with industrial rates that are competitively priced within our region. In addition, long-term contracts are in place or under negotiation for a large portion of KCPL's industrial sales. There has not been direct

competition for retail electric service in our service territory although there has been competition in the bulk power market and between alternative fuels.

Increased competition could also force utilities to change accounting methods. Financial Accounting Standards Board (FASB) Statement No. 71 - Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. An entity's operations could stop meeting the requirements of FASB 71 for various reasons, including a change in regulation or a change in the competitive environment for a company's regulated services. For those operations no longer meeting the requirements of regulatory accounting, regulatory assets would be written off. KCPL's regulatory assets, totaling \$164 million at December 31, 1996, will be maintained as long as FASB 71 requirements are met.

It is possible that competition could eventually have a materially adverse affect on KCPL's results of operations and financial position. Should competition eventually result in a significant charge to equity, capital costs and requirements could increase significantly.

NONREGULATED OPPORTUNITIES

KLT Inc. is a wholly-owned subsidiary pursuing nonregulated, mainly energy-related business ventures. KLT's strategy capitalizes on new market opportunities by combining our expertise in energy-related fields with the knowledge of our joint venture partners. Existing ventures include investments in domestic and international nonregulated power production, energy services, oil and gas reserves, telecommunications, and affordable housing limited partnerships.

We had a total equity investment in KLT of \$61 million as of December 31, 1996, and expect that investment to grow to about \$210 million within the next five years. KLT's consolidated assets at December 31, 1996, totaled \$224 million. Within the next five years we expect KLT consolidated assets of about \$800 million, generated through the \$210 million of equity investment, subsidiary retained earnings and borrowings. The growth of KLT accounts for the majority of the increase in KCPL's consolidated investments and nonutility property.

EARNINGS OVERVIEW

Earnings per share (EPS) for 1996 of \$1.69 decreased \$0.23 from 1995. Terminating our merger agreement with UtiliCorp United Inc. (UtiliCorp) and defending against Western Resources' unsolicited exchange offer reduced 1996 EPS by \$0.31. Other factors contributing to the decrease included mild summer temperatures and the effects of a new stipulation and agreement with the Missouri commission. In addition, EPS for 1995 included a \$0.05 per share gain on the sale of rail cars. Despite the unfavorable weather and merger related charges, continued load growth contributed favorably to 1996 EPS.

EPS for 1995 of \$1.92 increased \$0.28 from 1994. This increase was due mostly to 1994's one-time \$22.5 million (\$0.22 per share) charge for the voluntary early retirement program (see Note 2 to the

Consolidated Financial Statements). Other factors increasing 1995 EPS included load growth, warmer summer temperatures, savings from the 1994 early retirement program and a net gain of \$0.05 per share from the sale of railcars. Partially offsetting these increases, 1995 EPS also reflected decreased bulk power sales and higher fuel and purchased power costs as a result of a forced outage at a coal plant.

MEGAWATT-HOUR (MWH) SALES AND ELECTRIC OPERATING REVENUES

Sales and revenue data:

	Increase (Decrease) from Prior Year			
	1996		1995	
	Mwh	Revenues	Mwh	Revenues
	(revenue change in millions)			
Retail:				
Residential	1 %	\$ -	6 %	\$ 17
Commercial	4 %	10	3 %	9
Industrial	6 %	5	- %	(1)
Other	(4)%	-	(6)%	-
Total retail	4 %	15	3 %	25
Sales for resale:				
Bulk power sales	1 %	6	(15)%	(11)
Other	29 %	-	(11)%	-
Total		21		14
Other revenues		(3)		4
Total electric operating revenues		\$18		\$18

During 1996 the Missouri Public Service Commission (MPSC) approved a new stipulation and agreement authorizing a \$20 million revenue reduction in two phases, and an increase in depreciation and amortization expense by \$9 million per year. In July 1996 we implemented phase one of the revenue reduction designed to reduce revenues from commercial and industrial customers by an estimated \$9 million per year. This decrease is achieved with an increase in summer revenues offset by a larger decrease in winter revenues. This design more closely follows our increased costs of generating electricity in the summer. The second phase of this stipulation, effective January 1, 1997, will further reduce Missouri residential, commercial and industrial revenues by an estimated \$11 million per year. The decrease in 1996 revenues as a result of this stipulation and agreement was about \$3 million.

These lower rates, combined with lower billed sales in December of 1996 versus December of 1995, resulted in a lower accounts receivable balance at December 31, 1996, compared with December 31, 1995.

During April and May of 1995 about 600 net commercial customers were reclassified to industrial to more appropriately reflect their business operations. This change resulted in the reclassification of about \$680,000 (10,300 mwh sales) from commercial to industrial in each subsequent month. Prior periods have not been restated.

Summer temperatures were very mild in 1996 compared with 1995, remaining below normal for the fourth consecutive year. Despite this mild weather pattern, retail mwh sales increased in each of the last four years due to load growth. Load growth consists of higher usage-

per-customer as well as the addition of new customers.

Retail mwh sales for 1996 increased 4% over 1995 while retail revenues increased only 2%. This difference is due largely to the Missouri revenue reductions discussed above and the effect of long-term sales contracts with certain major industrial customers. These contracts are tailored to meet customers' needs in exchange for their long-term commitment to purchase energy. Long-term contracts are in place or under negotiation for a large portion of our industrial sales.

Retail mwh sales and revenues for 1995 increased 3% over 1994. This increase was due mainly to improved weather and continued load growth. Similar to 1996, long-term contracts with major industrial customers resulted in a slight decrease in 1995 industrial revenues from 1994, despite an equal level of mwh sales.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and the requirements of other electric systems. A combination of these conditions contributed to record bulk power sales in 1994.

Changes in other revenues during 1996 and 1995 reflected changes in classification between other revenues and bulk power sales.

Total revenue per mwh sold varies with changes in the mix of mwh sales among customer classifications and the effect of declining price per mwh as usage increases. An automatic fuel adjustment provision is included in only sales for resale tariffs, which apply to less than 1% of revenues.

Future mwh sales and revenues per mwh will be affected by national and local economies, tariff changes, weather and customer conservation efforts. Competition, including alternative sources of energy such as natural gas, cogeneration, IPPs and other electric utilities, may also affect future sales and revenue.

FUEL AND PURCHASED POWER

Combined fuel and purchased power expenses for 1996 increased 8% or \$15 million from 1995, while total mwh sales (total of retail and sales for resale) increased only 3%.

This increase is largely attributable to an increase in capacity purchases. Capacity purchase contracts provide a cost-effective alternative to constructing new capacity and have contributed to increases in purchased power expenses. Additional capacity purchases increased purchased power expenses about \$9 million in 1996 and \$4 million in 1995.

Nuclear fuel costs per MMBTU remain substantially less than the MMBTU price of coal, despite increases of 26% during 1996 and 15% during 1995. Nuclear fuel costs per MMBTU averaged 59%, 45% and 40% of the MMBTU price of coal during 1996, 1995 and 1994, respectively. We expect this relationship and the price of nuclear fuel to remain fairly constant through the year 2001. During 1996 coal represented about 75% of generation and nuclear fuel about 25%. During 1995 nuclear fuel accounted for about 30% of generation as no refueling

outage was scheduled during that year (see Wolf Creek section).

The price of coal burned declined 4% during 1996 and increased 1% during 1995. Our coal procurement strategies continue to provide coal costs at or below the regional average. We expect coal costs to remain fairly consistent with 1996 levels through 2001.

Other items affecting the change in combined fuel and purchased power expenses from 1995 to 1996 include a \$2 million decrease in expense from coal inventory adjustments, an increase in replacement power expenses for Wolf Creek's spring 1996 refueling outage (see Wolf Creek section) and a 1995 forced generating station outage. During July 1995 a fire forced an outage at LaCygne I, a low-cost, coal-fired generating unit. We replaced the power by increasing the usage of higher-cost, coal-fired units and purchasing power on the wholesale market. Damage to the unit was covered by insurance. However, uninsured, incremental fuel and purchased power costs were about \$4 million.

Combined fuel and purchased power expenses for 1995 increased 5% or \$9 million from 1994, despite a 2% decrease in total mwh sales. Items contributing to this increase include the LaCygne forced outage, increases in capacity purchase contracts, increases in the cost of nuclear fuel and a \$3 million increase in fuel costs from coal inventory adjustments.

OTHER OPERATION AND MAINTENANCE EXPENSES

Combined other operation and maintenance expenses for 1994 were higher than 1995 and 1996 due mainly to the costs of the voluntary early retirement program in that year. Total program costs of \$22.5 million (\$0.22 per share) were expensed during 1994. The decrease in 1995 expenses from 1994 was partially offset by KCPL's \$2 million share of Wolf Creek's voluntary early retirement program recorded during 1995. Other cost variances in 1996 and 1995 resulted from the timing of scheduled maintenance programs.

We continue to emphasize new technologies, improved methods and cost control. We are changing processes to provide increased efficiencies and improved operations. Through the use of cellular technology, a majority of customer meters are read automatically. These types of changes have allowed us to assimilate work performed by those who elected to participate in the early retirement programs.

INCOME TAXES

Operating income taxes decreased \$9 million in 1996 from 1995. The decrease was primarily due to adjustments necessary to reflect the filing of the 1995 tax returns and the settlement with the Internal Revenue Service regarding tax issues included in the 1985 through 1990 tax returns. This settlement is also the primary reason for the decrease in accrued taxes.

GENERAL TAXES

Components of general taxes:

1996	1995	1994

(thousands)

Property	\$ 45,519	\$ 46,019	\$ 46,895
Gross receipts	42,554	41,416	40,397
Other	9,175	9,386	9,070
Total	\$ 97,248	\$ 96,821	\$ 96,362

OTHER INCOME

Miscellaneous Income

Miscellaneous income for 1995 includes a \$5 million gain from the sale of steel railcars, which were replaced by leased aluminum cars. Aluminum cars are lighter-weight and offer more coal capacity per car, contributing to lower delivered coal prices.

Miscellaneous Deductions

Miscellaneous deductions increased in 1996 from 1995 due primarily to the termination of the UtiliCorp merger agreement and defense against Western Resources' unsolicited exchange offer (see Notes 11 and 12 to the Consolidated Financial Statements). During the third quarter of 1996, \$13 million in previously deferred merger costs and a \$5 million termination fee were expensed. In addition, costs incurred to defend against the unsolicited exchange offer increased 1996 expenses by \$13 million. Also, subsidiary expenses increased about \$9 million reflecting increased investing activities. Total subsidiary expenses, including interest charges discussed below, are substantially offset by related tax benefits.

Miscellaneous deductions increased in 1995 over 1994 due to increases in charitable contributions, fees related to the sale of customer accounts receivable and growing subsidiary operations.

Income Taxes

We accrued tax credits in 1996, 1995 and 1994 of \$12, \$5 and \$1 million, respectively, related primarily to KLT's investments in affordable housing limited partnerships. Tax credits from the investments in affordable housing more than offset the increase in interest expense incurred from these investments. Nontaxable increases in the cash surrender value of corporate-owned life insurance contracts also affected the relationship between miscellaneous deductions and income taxes.

INTEREST CHARGES

Interest expense increased during 1996 reflecting higher average levels of long-term debt outstanding compared with 1995. The higher levels of debt resulted from additional financing by KLT to support expanding subsidiary operations and new investments in unregulated ventures.

Interest expense increased during 1995 reflecting higher average levels of long-term debt outstanding and higher weighted-average interest rates compared with 1994. The higher average level of outstanding debt was primarily due to subsidiary investments in affordable housing partnerships.

The average interest rate on long-term debt, including current

maturities, was 6.0% in 1996 and 1995 compared with 5.4% in 1994.

We use interest rate swap and cap agreements to limit the interest expense on a portion of our variable-rate long-term debt. We do not use derivative financial instruments for trading or other speculative purposes. Although these agreements are an integral part of our interest rate management, their incremental effect on interest expense and cash flows is not significant.

WOLF CREEK

Wolf Creek is one of KCPL's principal generating units representing about 18% of its accredited generating capacity. The plant's operating performance has remained strong, contributing about 25% of the annual mwh generation while operating at an average capacity of 88% over the last three years. It has the lowest fuel cost per MMBTU of any of KCPL's generating units.

Wolf Creek's eighth scheduled refueling and maintenance outage began in early February 1996 and was completed in April 1996 (64 days). The incremental operating, maintenance and replacement power costs are accrued evenly over the unit's operating cycle, normally 18 months. As actual outage expenses are incurred, the refueling liability and related deferred tax asset are reduced. The eighth outage started one month early when the plant was shut down after water flow from the cooling lake was restricted by ice buildup on an intake screen. This extended the length of the outage and was the primary reason for the increase in Wolf Creek related replacement power and maintenance expenses in 1996. Wolf Creek's ninth refueling and maintenance outage is scheduled for the fall of 1997.

Wolf Creek's assets and operating expenses represent about 45% and 20% of total assets and operating expenses, respectively. Currently, no major equipment replacements are expected, but an extended shutdown of the unit could have a substantial adverse effect on KCPL's business, financial condition and results of operations. Higher replacement power and other costs would be incurred as a result. Although not expected, an unscheduled plant shutdown could be caused by actions of the Nuclear Regulatory Commission reacting to safety concerns at the plant or other similar nuclear units. If a long-term shutdown occurred, the state regulatory commissions could consider reducing rates by excluding the Wolf Creek investment from rate base.

Ownership and operation of a nuclear generating unit exposes KCPL to risks regarding the cost of decommissioning the unit at the end of its life and to potential retrospective assessments and property losses in excess of insurance coverage. These risks are more fully discussed in the related sections of Notes 1 and 4 to the Consolidated Financial Statements.

ENVIRONMENTAL MATTERS

Our policy is to act in an environmentally responsible manner and use the latest technology available to avoid and treat contamination. We continually conduct environmental audits designed to ensure compliance with governmental regulations and detect contamination. However, these regulations are constantly evolving; governmental

bodies may impose additional or more rigid environmental regulations which could require substantial changes to operations or facilities.

The Clean Air Act Amendments of 1990 contain two programs significantly affecting the utility industry. We have spent about \$5 million for the installation of continuous emission monitoring equipment to satisfy the requirements under the acid rain provision. The other utility-related program calls for a study of certain air toxic substances. Based on the outcome of this study, regulation of these substances, including mercury, could be required. We cannot predict the likelihood of any such regulations or compliance costs.

Other proposed regulations to revise the ozone and particulate matter National Ambient Air Quality Standards, scheduled to be finalized in June 1997, may require capital expenditures which cannot be estimated at this time.

PROJECTED CONSTRUCTION EXPENDITURES

We are fully exploring alternatives to new construction. During 1995 we entered into an operating lease for a new 142 mw combustion turbine, scheduled to be placed in service during 1997. We have also contracted to purchase capacity through fixed-price agreements (see Note 4 to the Consolidated Financial Statements - Capacity Purchase Commitments). Compared to the long-term fixed costs of building new capacity, these contracts provide a cost-effective way of meeting uncertain levels of demand growth, even though there are risks associated with market price fluctuations.

Total utility capital expenditures, excluding allowance for funds used during construction, were \$101 million in 1996. The utility construction expenditures are projected for the next five years as follows:

	Construction Expenditures					Total
	1997	1998	1999	2000	2001	
	(millions)					
Generating facilities	\$ 35	\$ 27	\$ 35	\$ 33	\$ 19	\$149
Nuclear fuel	20	21	2	24	27	94
Transmission facilities	11	5	2	4	3	25
Distribution and general facilities	67	53	51	48	43	262
Total	\$133	\$106	\$ 90	\$109	\$ 92	\$530

This construction expenditure plan is subject to continual review and change. The next plan will be filed with the Missouri commission in July 1997.

CAPITAL REQUIREMENTS AND LIQUIDITY

As of December 31, 1996, KCPL's liquid resources included cash flows from operations, \$300 million of registered but unissued, unsecured medium-term notes and \$375 million of unused bank lines of credit. The unused lines consisted of KCPL's short-term bank lines of credit of \$280 million and KLT's long-term revolving line of credit of \$95 million.

KCPL continues to generate positive cash flows from operating activities, although individual components of working capital will vary with normal business cycles and operations including the timing of receipts and payments. Cash required to meet current tax liabilities has increased as we no longer receive the benefits of accelerated tax depreciation on any significant generating plant assets. Accelerated depreciation lowers tax payments in the earlier years of an asset's life while increasing deferred tax liabilities; this relationship reverses in the later years of an asset's life. Our last significant generating plant addition was the completion of Wolf Creek in 1985. The costs incurred to repair damages from an October 1996 snow storm also lowered cash flows from operating activities in 1996 and increased Other Regulatory Assets on the balance sheet. Amortization of these costs will begin in 1997 and be reflected as Amortization of Other in the Statement of Cash Flows. Amortization of Other decreased in 1996 as the deferred costs of the 1993 flood were fully amortized in 1995.

Cash used in investing activities varies with the timing of utility capital expenditures and KLT's purchases of investments and nonutility properties. The increase in nonutility properties during 1996 resulted mainly from KLT's purchase of certain oil and gas projects during the year.

Subsidiary obligations increased during 1996 to finance KLT's purchases of nonutility property and investments. KCPL's common dividend payout ratio was 94% in 1996, 80% in 1995 and 91% in 1994. Merger related costs in 1996 and costs of the voluntary early retirement program in 1994 contributed to the higher ratios in those years.

EPS for 1997 will be reduced by \$0.52 due to a \$53 million payment in February 1997 to UtiliCorp for terminating a merger agreement with them and then signing an agreement to combine with Western Resources. After taxes, the payment will reduce 1997 net income by \$32 million. We sold commercial paper to pay this termination fee.

Day-to-day operations, utility construction requirements and dividends are expected to be met with internally-generated funds. Uncertainties affecting our ability to meet these requirements with internally-generated funds include the effect of inflation on operating expenses, the level of mwh sales, regulatory actions, compliance with future environmental regulations, the availability of generating units, and the outcome of pending legal proceedings (see Note 13 to the Consolidated Financial Statements). The funds needed for the retirement of \$393 million of maturing debt through the year 2001 will be provided from operations, refinancings or short-term debt. We might incur additional debt and/or issue additional equity to finance growth or take advantage of new opportunities.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31

	1996	1995 (thousands)	1994
ELECTRIC OPERATING REVENUES	\$903,919	\$885,955	\$868,272
OPERATING EXPENSES			
Operation			
Fuel	140,505	139,371	135,106
Purchased power	52,455	38,783	33,929
Other	180,719	178,599	202,304
Maintenance	71,495	78,439	72,468
Depreciation	103,912	97,225	94,361
Income taxes	68,155	77,062	70,949
General taxes	97,248	96,821	96,362
Deferred Wolf Creek costs amortization	11,617	12,607	13,102
Total	726,106	718,907	718,581
OPERATING INCOME	177,813	167,048	149,691
OTHER INCOME			
Allowance for equity funds used during construction	2,368	2,279	2,087
Miscellaneous income	4,843	8,623	3,015
Miscellaneous deductions	(55,172)	(11,101)	(7,174)
Income taxes	36,402	10,259	4,572
Total	(11,559)	10,060	2,500
INCOME BEFORE INTEREST CHARGES	166,254	177,108	152,191
INTEREST CHARGES			
Long-term debt	53,939	52,184	43,962
Short-term debt	1,251	1,189	1,170
Miscellaneous	4,840	3,112	4,128
Allowance for borrowed funds used during construction	(1,947)	(1,963)	(1,844)
Total	58,083	54,522	47,416
Net Income	108,171	122,586	104,775
Preferred Stock Dividend Requirements	3,790	4,011	3,457
Earnings Available for Common Stock	\$104,381	\$118,575	\$101,318
Average Number of Common Shares Outstanding	61,902	61,902	61,903
Earnings per Common Share	\$1.69	\$1.92	\$1.64
Cash Dividends per Common Share	\$1.59	\$1.54	\$1.50

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Year Ended December 31		
	1996	1995	1994
	(thousands)		
Beginning Balance	\$449,966	\$426,738	\$418,201
Net Income	108,171	122,586	104,775
	558,137	549,324	522,976
Dividends Declared			
Preferred stock - at required rates	3,782	4,029	3,384
Common stock	98,421	95,329	92,854
Ending Balance	\$455,934	\$449,966	\$426,738

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS

December 31 December 31
1996 1995
(thousands)

ASSETS

UTILITY PLANT, at original cost		
Electric	\$ 3,472,607	\$ 3,388,538
Less-accumulated depreciation	1,238,187	1,156,115
Net utility plant in service	2,234,420	2,232,423
Construction work in progress	69,577	72,365
Nuclear fuel, net of amortization of \$84,540 and \$81,452	39,497	54,673
Total	2,343,494	2,359,461

REGULATORY ASSET - DEFERRED WOLF CREEK COSTS	0	8,880
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REGULATORY ASSET - RECOVERABLE TAXES	126,000	123,000
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INVESTMENTS AND NONUTILITY PROPERTY	231,874	166,751
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CURRENT ASSETS

Cash and cash equivalents	23,571	28,390
Customer accounts receivable, net of allowance for doubtful accounts of \$1,644 and \$1,574	27,093	32,830
Other receivables	36,113	31,838
Fuel inventories, at average cost	19,077	22,103
Materials and supplies, at average cost	47,334	47,175
Deferred income taxes	2,737	5,947
Other	5,055	5,179
Total	160,980	173,462

DEFERRED CHARGES

Regulatory assets		
Settlement of fuel contracts	9,764	13,007
KCC Wolf Creek carrying costs	1,368	4,104
Other	26,615	21,231
Other deferred charges	14,417	12,610
Total	52,164	50,952

Total	\$2,914,512	\$2,882,506
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CAPITALIZATION AND LIABILITIES

CAPITALIZATION (see statements)	\$1,943,647	\$1,824,087
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CURRENT LIABILITIES

Commercial paper	0	19,000
Current maturities of long-term debt	26,591	73,803
Accounts payable	55,618	52,506
Accrued taxes	18,443	39,726
Accrued interest	21,054	16,906
Accrued payroll and vacations	25,558	22,764
Accrued refueling outage costs	7,181	13,563
Other	11,980	11,787
Total	166,425	250,055

DEFERRED CREDITS AND OTHER LIABILITIES

Deferred income taxes	643,189	648,374
Deferred investment tax credits	67,107	71,270
Other	94,144	88,720
Total	804,440	808,364

COMMITMENTS AND CONTINGENCIES (note 4)

Total	\$2,914,512	\$2,882,506
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The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	1996	1995	1994
	(thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$108,171	\$122,586	\$104,775
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	103,912	97,225	94,361
Amortization of:			
Nuclear fuel	16,094	14,679	10,136
Deferred Wolf Creek costs	11,617	12,607	13,102
Other	5,507	8,152	9,608
Deferred income taxes (net)	(8,662)	(3,268)	20,524
Deferred investment tax credit amortization and reversals	(4,163)	(11,570)	(4,345)
Deferred storm costs	(8,885)	0	0
Allowance for equity funds used during construction	(2,368)	(2,279)	(2,087)
Cash flows affected by changes in:			
Receivables	1,462	(17,551)	1,543
Fuel inventories	3,026	(5,533)	(2,020)
Materials and supplies	(159)	(2,222)	(796)
Accounts payable	3,112	(20,980)	14,065
Accrued taxes	(21,283)	15,042	(3,116)
Accrued interest	4,148	4,697	(3,366)
Wolf Creek refueling outage accrual	(6,382)	11,443	(5,142)
Pension and postretirement benefit obligations	(84)	(4,176)	32,203
Other operating activities	11,846	4,325	(2,860)
Net cash from operating activities	216,909	223,177	276,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Utility capital expenditures	(100,947)	(134,070)	(124,965)
Allowance for borrowed funds used during construction	(1,947)	(1,963)	(1,844)
Purchases of investments	(35,362)	(56,759)	(67,560)
Purchases of nonutility property	(20,395)	0	0
Other investing activities	(931)	9,046	5,624
Net cash used in investing activities	(159,582)	(183,746)	(188,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	135,441	111,055	133,793
Repayment of long-term debt	(74,230)	(33,428)	(170,170)
Special deposits	0	0	60,118
Net change in short-term borrowings	(19,000)	(13,000)	3,000
Dividends paid	(102,203)	(99,358)	(96,238)
Other financing activities	(2,154)	3,473	335
Net cash used in financing activities	(62,146)	(31,258)	(69,162)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
	(4,819)	8,173	18,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	28,390	20,217	1,539
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	\$23,571	\$28,390	\$20,217
CASH PAID DURING THE YEAR FOR:			
Interest (net of amount capitalized)	\$52,457	\$48,200	\$48,246
Income taxes	\$58,344	\$67,053	\$53,720

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31 December 31
1996 1995
(thousands)

COMMON STOCK EQUITY

Common stock-150,000,000 shares authorized without par value-61,908,726 shares issued, stated value	\$ 449,697	\$ 449,697
Retained earnings (see statements)	455,934	449,966
Unrealized gain on securities available for sale	6,484	0
Capital stock premium and expense	(1,666)	(1,725)
Total	910,449	897,938

CUMULATIVE PREFERRED STOCK

\$100 Par Value		
3.80% - 100,000 shares issued	10,000	10,000
4.50% - 100,000 shares issued	10,000	10,000
4.20% - 70,000 shares issued	7,000	7,000
4.35% - 120,000 shares issued	12,000	12,000
No Par Value		
4.38%* - 500,000 shares issued	50,000	50,000
\$100 Par Value - Redeemable		
4.00% - (note 8)	62	1,436
Total	89,062	90,436

LONG-TERM DEBT (excluding current maturities)

General Mortgage Bonds		
Medium-term Notes due 1997-2008, 6.81% and 6.72% weighted-average rate at December 31	468,500	387,000
4.24%* Environmental Improvement Revenue Refunding Bonds due 2012-23	158,768	158,768
Guaranty of Pollution Control Bonds		
4.13%* due 2015-17	196,500	196,500
Subsidiary Obligations		
Affordable Housing Notes due 2000-05, 8.51% and 8.54% weighted-average rate at December 31	65,368	69,945
Bank Credit Agreement due 1999, 6.78% and 7.66% weighted-average rate at December 31	55,000	23,500
Total	944,136	835,713
Total	\$1,943,647	\$1,824,087

* Variable rate securities, weighted-average rate as of December 31, 1996

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Kansas City Power & Light Company is a medium-sized electric utility with more than 435,000 customers in western Missouri and eastern Kansas. About 95% of our retail revenues are from the Kansas City metropolitan area, an agribusiness center and major regional center for wholesale, retail and service companies. About two-thirds of our retail sales are to Missouri customers, the remainder to Kansas customers.

The consolidated financial statements include the accounts of Kansas City Power & Light Company and KLT Inc., a wholly-owned, nonutility subsidiary. The consolidated entity is referred to as KCPL. KLT was formed in 1992 as a holding company for various nonregulated business ventures. Currently, the electric utility accounts for about 92% of consolidated assets and substantially all results of operations. Intercompany balances and transactions have been eliminated. KLT's revenues and expenses have been classified as Other Income and Interest Charges in the income statement.

The accounting records conform to the accounting standards prescribed by the Federal Energy Regulatory Commission (FERC) and generally accepted accounting principles. These standards require the use of estimates and assumptions that affect amounts reported in the financial statements and the disclosure of commitments and contingencies.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with original maturities of three months or less.

Derivative Financial Instruments

We use interest rate swap and cap agreements to reduce the impact of changes in interest rates on variable-rate debt.

Interest rate swap agreements effectively fix the interest rates on a portion of KCPL's variable-rate debt. Interest rate caps limit the interest rate on a portion of KCPL's variable-rate debt by setting a maximum rate. The costs of rate caps are paid annually and included in interest expense. Any difference paid or received due to these agreements is recorded as an adjustment to interest expense.

These agreements are not marked to market value as they are used only to manage interest expense and the intent is to hold them until their termination date. We do not use derivative financial instruments for trading or other speculative purposes.

Fair Value of Financial Instruments

The stated values of financial instruments as of December 31, 1996 and 1995, approximated fair market values. KCPL's incremental borrowing rate for similar debt was used to determine fair value if quoted market prices were not available.

Securities Available for Sale

Certain investments in equity securities are accounted for as securities available for sale in accordance with Financial Accounting Standards Board (FASB) Statement No. 115 - Accounting for Certain Investments in Debt and Equity Securities. This requires adjusting the securities to market value with unrealized gains (or losses), net of deferred income taxes, reported as a separate component of shareholders' equity.

Investments in Affordable Housing Limited Partnerships

Through December 31, 1996, a subsidiary of KLT had invested \$97 million in affordable housing limited partnerships. About \$80 million of these investments were recorded at cost; the equity method was used for the remainder. Tax credits are recognized in the year generated. A change in accounting principle relating to investments made after May 19, 1995, requires limited partnership investments of more than 5% to use the equity method. Of the investments recorded at cost, \$70 million exceed this 5% level but were made prior to May 19, 1995.

Utility Plant

Utility plant is stated at historical costs of construction. These costs include taxes, an allowance for funds used during construction (AFDC) and payroll-related costs including pensions and other fringe benefits. Additions of, and replacements and improvements to units of property are capitalized. Repairs of property and replacements of items not considered to be units of

property are expensed as incurred (except as discussed under Wolf Creek Refueling Outage Costs). When property units are retired or otherwise disposed, the original cost, net of salvage and removal, is charged to accumulated depreciation.

AFDC represents the cost of borrowed funds and a return on equity funds used to finance construction projects. It is capitalized as a cost of construction work in progress. AFDC on borrowed funds reduces interest charges. AFDC on equity funds is shown as a noncash item of other income. When a construction project is placed in service, the related AFDC, as well as other construction costs, is used to establish rates under regulatory rate practices. The rates used to compute gross AFDC are compounded semi-annually and averaged 8.5% for 1996, 8.7% for 1995 and 7.8% for 1994.

Depreciation is computed using the straight-line method over the estimated lives of depreciable property based on rates approved by state regulatory authorities. Average annual composite rates were about 3.1% in 1996 compared with 2.9% in 1995 and 1994.

Wolf Creek Refueling Outage Costs

Forecasted incremental costs to be incurred during scheduled Wolf Creek Generating Station (Wolf Creek) refueling outages are accrued monthly over the unit's operating cycle, normally about 18 months. Estimated incremental costs, which include operating, maintenance and replacement power expenses, are based on budgeted outage costs and the estimated outage duration. Changes to or variances from those estimates are recorded when known or probable.

Nuclear Plant Decommissioning Costs

The Missouri Public Service Commission (MPSC) and the Kansas Corporation Commission (KCC) require the owners of Wolf Creek to submit an updated decommissioning cost study every three years. The most recent study was filed during 1996 and is currently under review by the MPSC and the KCC. Based on this study, total decommissioning costs are expected to increase to reflect 1996 dollars; however, no increase in the current level of funding and expenses is anticipated.

The following table shows the decommissioning cost estimates and the escalation rate and earnings assumptions approved by the MPSC and the KCC in 1994 with regard to the study filed in 1993. The decommissioning cost estimates are based on the immediate dismantlement method and include the costs of decontamination, dismantlement and site restoration. Plant decommissioning is not expected to start before 2025.

	KCC	MPSC
Future cost of decommissioning:		
Total Station	\$1.3 billion	\$1.8 billion
47% share	\$595 million	\$859 million
Current cost of decommissioning (in 1993 dollars):		
Total Station	\$370 million	\$370 million
47% share	\$174 million	\$174 million

Annual escalation factor	3.45%	4.50%
Annual return on trust assets	6.48%	7.66%

We contribute to a tax-qualified trust fund (about \$3 million for each of the last three years) to be used to decommission Wolf Creek. These costs were charged to other operation expenses and recovered in rates. Based on the 1993 study, contributions are expected to increase slightly beginning in 1997. These funding levels assume a certain return on trust assets. If the actual return on trust assets is below the anticipated level, we believe a rate increase will be allowed ensuring full recovery of decommissioning costs over the remaining life of the unit. This assumes we continue to be regulated.

As of December 31, 1996 and 1995, the trust fund balance, including reinvested earnings, was \$31 and \$26 million, respectively. These amounts are reflected in Investments and Nonutility Property. The related liabilities for decommissioning are included in Deferred Credits and Other Liabilities - Other.

In 1996 FASB issued an Exposure Draft of a proposed Statement of Financial Accounting Standards, Accounting for Certain Liabilities Related to Closure or Removal of Long-Lived Assets, that addressed the accounting for obligations arising from dismantlement, removal, site reclamation, and decontamination of certain long-lived assets. FASB hopes to finalize a statement or revised exposure draft in 1997. If current electric utility industry accounting practices for such decommissioning costs are changed: 1) annual decommissioning expenses could increase, and 2) trust fund income from the external decommissioning trusts could be reported as investment income. We are not able to predict what affect those changes would have on results of operations, financial position, or related regulatory practices until the final issuance of a revised accounting guidance. However, we do not anticipate results of operations to be significantly affected as long as we are regulated.

Nuclear Fuel

Nuclear fuel is amortized to fuel expense based on the quantity of heat produced for the generation of electricity. Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. We pay the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered and sold for future disposal of spent nuclear fuel. These disposal costs are charged to fuel expense and recovered through rates.

A permanent disposal site may not be available for the industry until 2010 or later, although an interim facility may be available earlier. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel on a priority basis; the owners of the oldest spent fuel will be given the highest priority. As a result, disposal services for Wolf Creek may not be available prior to 2016. Wolf Creek has an on-site, temporary storage facility for spent nuclear fuel. Under current regulatory guidelines, this facility can provide storage space until about 2005. Management believes additional temporary storage space can be built or obtained as necessary.

Regulatory Assets

FASB Statement No. 71 - Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. In accordance with this statement, certain items that would normally be reflected in the income statement are deferred on the balance sheet. These items are then amortized as the related amounts are recovered from customers through rates.

We recognize regulatory assets when allowed by a commission's rate order or when it is probable, based on regulatory precedent, that future rates will recover the amortization of the deferred costs. We continuously monitor changes in market and regulatory conditions and consider the effects of any changes in assessing the continued applicability of FASB 71. If we were unable to apply FASB 71, the unamortized balance of \$164 million of our regulatory assets, net of the related tax benefit, would be written off.

Deferred Wolf Creek Costs

The KCC and MPSC allowed continued construction accounting for ratemaking purposes after Wolf Creek's 1985 commercial in-service date. Certain other carrying costs were also deferred. The deferrals were amortized and recovered in rates from 1987 through 1996.

Recoverable Taxes

See the following Income Taxes section.

Settlement of Fuel Contracts

We deferred the cost of terminating certain coal purchase contracts. These costs are being amortized over various periods ending in 2002.

KCC Wolf Creek Carrying Costs

The KCC ordered certain Wolf Creek carrying costs to be deferred. These costs are being recovered and amortized over six years ending in June 1997.

Other

Other regulatory assets include premium on redeemed debt, deferred costs to decommission and decontaminate federal uranium enrichment facilities and other costs. These deferrals are amortized over various periods extending to 2023. Also included in other regulatory assets are incremental costs of \$8.9 million related to an October 1996 snow storm. We have received accounting authority orders from the KCC and MPSC approving the deferral of these costs. The costs will be amortized over five years beginning in January 1997.

Revenue Recognition

We use cycle billing and accrue estimated unbilled revenue at the

end of each reporting period.

Income Taxes

The balance sheet includes deferred income taxes for all temporary differences between the tax basis of an asset or liability and that reported in the financial statements. These deferred tax assets and liabilities are determined using the tax rates scheduled by the tax law to be in effect when the differences reverse.

Regulatory Asset - Recoverable Taxes mainly reflects the future revenue requirements necessary to recover the tax benefits of existing temporary differences previously passed through to customers. Operating income tax expense is recorded based on ratemaking principles. However, if the method used for the balance sheet were reflected in the income statement, net income would remain the same.

Investment tax credits are deferred when utilized and amortized to income over the remaining service lives of the related properties.

Environmental Matters

Environmental costs are accrued when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated. We believe all appropriate costs related to environmental matters have been recorded.

2. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

Early Retirement Program

In 1994, 332 employees retired under a voluntary early retirement plan. We expensed estimated pension and postretirement program costs of \$16.5 and \$6.0 million, respectively (\$0.22 per share).

In 1995, 56 employees retired under the Wolf Creek voluntary early retirement plan. We expensed our share of estimated program costs of \$2.1 million (\$0.02 per share) during the second quarter of 1995.

Pension Plans

KCPL has defined benefit pension plans for its employees, including officers. Benefits under these plans reflect the employees' compensation, years of service and age at retirement. KCPL satisfies at least the minimum funding requirements under the Employee Retirement Income Security Act of 1974.

Funded status of the plans:

December 31	1996	1995
	(thousands)	
Accumulated benefit obligation:		
Vested	\$247,264	\$251,042
Nonvested	6,526	6,474
Total	\$253,790	\$257,516
Determination of plan assets less obligations:		
Fair value of plan assets (a)	\$363,285	\$339,236

Projected benefit obligation (b)	307,050	315,395
Difference	\$ 56,235	\$ 23,841

Reconciliation of difference:

Accrued trust liability	\$(13,645)	\$(13,890)
Unrecognized transition obligation	10,541	12,612
Unrecognized net gain	63,022	29,293
Unrecognized prior service cost	(3,683)	(4,174)
Difference	\$ 56,235	\$ 23,841

- (a) Plan assets are invested in insurance contracts, corporate bonds, equity securities, U.S. Government securities, notes, mortgages and short-term investments.
- (b) Based on weighted-average discount rates of 8.0% in 1996 and 7.5% in 1995; and increases in future salary levels of 4% to 5% in 1996 and 1995.

Components of provisions for pensions (excluding 1995 and 1994 early retirement program costs):

	1996	1995	1994
	(thousands)		
Service cost	\$ 8,164	\$ 6,414	\$ 8,193
Interest cost on projected benefit obligation	23,379	22,593	20,759
Actual return on plan assets	(40,831)	(50,108)	(1,143)
Other	15,347	25,656	(22,297)
Net periodic pension cost	\$ 6,059	\$ 4,555	\$ 5,512

Long-term rates of return on plan assets of 8.5% to 9.25% were used.

Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, certain postretirement health care and life insurance benefits are provided for substantially all retired employees.

We accrue the cost of postretirement health care and life insurance benefits during an employee's years of service. These costs are currently recovered through rates on an accrual basis in Missouri and a pay-as-you-go basis in Kansas. In 1995 we began funding the year's overall net periodic postretirement benefit cost, subject to maximum deductible limits for income tax purposes.

Reconciliation of postretirement benefits to amounts recorded in the balance sheets:

December 31	1996	1995
	(thousands)	
Accumulated postretirement benefit obligation (APBO) (a):		
Retirees	\$ 20,582	\$22,515
Fully eligible active plan participants	3,149	2,659
Other active plan participants	8,459	9,315
Total APBO	32,190	34,489
Fair value of plan assets (b)	(3,620)	(2,189)
Unrecognized transition obligation	(18,791)	(19,965)

Unrecognized net gain	3,255	892
Unrecognized prior service cost	(709)	(786)
Accrued postretirement benefit obligation (included in Deferred Credits and Other Liabilities - Other)	\$ 12,325	\$12,441

- (a) Based on weighted-average discount rates of 8.0% in 1996 and 7.5% in 1995; and increases in future salary levels of 4% in 1996 and 1995.
(b) Plan assets are invested in certificates of deposit.

Net periodic postretirement benefit cost (excluding 1995 and 1994 early retirement program costs):

	1996	1995	1994
	(thousands)		
Service cost	\$ 574	\$ 435	\$ 645
Interest cost on APBO	2,520	2,423	2,305
Amortization of unrecognized transition obligation	1,174	1,175	1,175
Other	6	(60)	75
Net periodic postretirement benefit cost	\$4,274	\$3,973	\$4,200

Actuarial assumptions include an increase in the annual health care cost trend rate for 1997 of 10%, decreasing gradually over a four-year period to its ultimate level of 6%. The health care plan requires retirees to share in the cost when premiums exceed a certain amount. Because of this provision, an increase in the assumed health care cost trend rate by 1% per year would only increase the APBO as of December 31, 1996, by about \$704,000 and the combined service and interest costs of the net periodic postretirement benefit cost for 1996 by about \$80,000.

Long-term Incentive Plan

We have granted stock options where the exercise price equals the market price of KCPL's common stock on the grant date. One-half of all options granted vest one year after the grant date, the other half vest two years after the grant date. When exercised, recipients receive shares of stock and accumulated dividends (as though they had been reinvested). Unexercised options expire 10 years after the grant date.

KCPL follows APB Opinion 25 - Accounting for Stock Issued to Employees and related Interpretations in accounting for this plan. Because of the dividend provision, we expensed \$1.4, \$1.0 and \$0.4 million for 1996, 1995 and 1994, respectively. The expense includes accumulated and reinvested dividends plus the appreciation in stock price since the grant date. If the stock price fell below the exercise price, the cumulative expense related to those options is reversed.

If KCPL accounted for this plan using the optional, fair-value method of FASB Statement No. 123 - Accounting for Stock-Based Compensation, the fair value of options granted and related expense recorded for these plans would not be material.

For options outstanding at December 31, 1996, exercise prices range from \$20.625 to \$26.188 and the weighted-average remaining contractual life is 7 years.

Stock option activity over the last three years is summarized below:

	1996		1995		1994	
	shares	price*	shares	price*	shares	price*
Outstanding at January 1	266,125	\$22.14	197,375	\$21.87	145,125	\$22.60
Granted	59,000	26.19	68,750	23.06	69,125	20.63
Exercised	(26,250)	22.27	-	-	(6,000)	21.63
Canceled	-	-	-	-	(10,875)	23.88
Outstanding at December 31	298,875	\$22.96	266,125	\$22.18	197,375	\$21.87
Exercisable as of December 31	206,500	\$22.02	162,813	\$22.14	102,125	\$22.20

*weighted-average exercise price

3. INCOME TAXES

Income tax expense consisted of the following:

	1996	1995	1994
	(thousands)		
Current income taxes:			
Federal	\$35,816	\$69,697	\$42,736
State	8,762	11,944	7,462
Total	44,578	81,641	50,198
Deferred income taxes, net:			
Federal	(7,441)	(3,152)	17,005
State	(1,221)	(116)	3,519
Total	(8,662)	(3,268)	20,524
Investment tax credit amortization and reversals	(4,163)	(11,570)	(4,345)
Total income tax expense	\$31,753	\$66,803	\$66,377

KCPL's effective income tax rates differed from the statutory federal rates mainly due to the following:

	1996	1995	1994
Federal statutory income tax rate	35.0%	35.0%	35.0%
Differences between book and tax			
depreciation not normalized	(0.4)	1.2	1.2
Amortization of investment tax credits	(3.0)	(2.5)	(2.5)
Income tax credits	(9.1)	(2.3)	(0.2)
State income taxes	3.5	4.1	4.2
Other	(3.3)	(0.2)	1.1
Effective income tax rate	22.7%	35.3%	38.8%

The tax effects of major temporary differences resulting in deferred tax assets and liabilities in the balance sheets are as follows:

December 31	1996	1995
	(thousands)	
Plant related	\$562,287	\$572,792
Recoverable taxes	49,000	48,000
Other	29,165	21,635
Net deferred income tax liability	\$640,452	\$642,427

The net deferred income tax liability consisted of the following:

December 31	1996	1995
	(thousands)	
Gross deferred income tax assets	\$(60,979)	\$(61,181)
Gross deferred income tax liabilities	701,431	703,608
Net deferred income tax liability	\$640,452	\$642,427

4. COMMITMENTS AND CONTINGENCIES

Nuclear Liability and Insurance

Liability Insurance

The Price-Anderson Act currently limits the combined public liability of nuclear reactor owners to \$8.9 billion for claims that could arise from a single nuclear incident. The owners of Wolf Creek (the Owners) carry the maximum available commercial insurance of \$0.2 billion. The remaining \$8.7 billion balance is provided by Secondary Financial Protection (SFP), an assessment plan mandated by the Nuclear Regulatory Commission.

Under SFP, if there were a catastrophic nuclear incident involving any of the nation's licensed reactors, the Owners would be subject to a maximum retrospective assessment per incident of up to \$79 million (\$37 million, KCPL's share). The Owners are jointly and severally liable for these charges, payable at a rate not to exceed \$10 million (\$5 million, KCPL's share) per incident per year, excluding applicable premium taxes. The assessment, most recently revised in 1993, is subject to an inflation adjustment every five years based on the Consumer Price Index.

Property, Decontamination and Premature Decommissioning Insurance

The Owners also carry \$2.8 billion (\$1.3 billion, KCPL's share) of property damage, decontamination and premature decommissioning insurance for loss resulting from damage to the Wolf Creek facilities. Nuclear insurance pools provide \$0.5 billion of coverage, while Nuclear Electric Insurance Limited (NEIL) provides \$2.3 billion.

In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. KCPL's share of any remaining proceeds can be used for property damage and premature decommissioning costs. Premature decommissioning coverage applies only if an accident at Wolf Creek exceeds \$500 million in property damage and decontamination expenses, and only after trust funds have been exhausted (see Note 1 - Nuclear Plant Decommissioning Costs).

Extra Expense Insurance - Including Replacement Power

The Owners also carry additional insurance from NEIL to cover costs of replacement power and other extra expenses incurred in the event of a prolonged outage resulting from accidental property damage at Wolf Creek.

Retrospective Assessments

Under all NEIL policies, KCPL is subject to retrospective assessments if NEIL losses, for each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum amount of retrospective assessments to KCPL under the current policies could total about \$8 million.

Other

In the event of a catastrophic loss at Wolf Creek, the insurance coverage may not be adequate to cover property damage and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by KCPL and could have a material, adverse effect on our financial condition and results of operations.

Nuclear Fuel Commitments

As of December 31, 1996, KCPL's portion of Wolf Creek nuclear fuel commitments included \$130 million for enrichment and fabrication through 2025 and \$15 million for uranium and conversion through 2001.

Environmental Matters

KCPL's operations must comply with federal, state and local environmental laws and regulations. The generation and transmission of electricity uses, produces and requires disposal of certain products and by-products, including polychlorinated biphenyl (PCBs), asbestos and other potentially hazardous materials. The Federal Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law) imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. This liability extends to the current property owner as well as prior owners since the time of contamination. We continually conduct environmental audits designed to detect contamination and ensure compliance with governmental regulations. However, compliance programs needed to meet future environmental laws and regulations governing water and air quality, including carbon dioxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields, could require substantial changes to operations or facilities.

Long-term Coal Contracts

KCPL's share of coal purchased under long-term contracts was \$36, \$42 and \$21 million in 1996, 1995 and 1994, respectively. Under these coal contracts, KCPL's remaining share of purchase commitments totals \$113 million. Obligations for the years 1997 through 2001 total \$34, \$20, \$20, \$10 and \$10 million, respectively. The remainder of our coal requirements are fulfilled through spot market purchases.

Leases

KCPL has a transmission line lease with another utility whereby, with FERC approval, the rental payments can be increased by the lessor. If this occurs, we can cancel the lease if we are able to secure an alternative transmission path. Commitments under this lease total \$2 million per year and \$54 million over the remaining life of

the lease if it is not canceled.

Rental expense for other leases including railcars, computer equipment, buildings, transmission line and other items was \$18 to \$20 million per year during the last three years. The remaining rental commitments under these leases total \$174 million. Obligations for the years 1997 through 2001 average \$14 million per year. Capital leases are not material and are included in these amounts.

As the managing partner of three jointly-owned generating units, we have entered into leases for railcars to serve those units. The entire lease commitment is reflected in the above amounts although about \$2 million per year (\$31 million total) will be reimbursed by the other owners.

Purchased Capacity Commitments

We purchase capacity from other utilities and nonutility suppliers. Purchased capacity gives us the option to purchase energy if needed or when market prices are favorable. This provides a cost-effective alternative to new construction. As of December 31, 1996, contracts to purchase capacity total \$267 million through 2016. During 1996, 1995 and 1994, capacity purchases were \$26, \$17 and \$13 million, respectively. For the years 1997 through 2001, these commitments average \$22 million per year. For each of the next five years, net capacity purchases represent about 11% of KCPL's 1996 total available capacity.

Legal Proceedings

See Note 13.

5. SECURITIES AVAILABLE FOR SALE

KLT Inc., a wholly-owned subsidiary of KCPL, held a \$5 million investment in convertible preferred stock. In September 1996 the investee company completed a public offering triggering conversion of the preferred stock into common stock. As a result of the conversion, the carrying value of the investment at December 31, 1996, was adjusted to its market value of \$15.2 million. The \$10.2 million increase in market value over original cost resulted in an unrealized gain at December 31, 1996, of \$6.5 million (net of deferred taxes of \$3.7 million).

6. SALE OF ACCOUNTS RECEIVABLE

As of December 31, 1996 and 1995, an undivided interest in \$60 million of designated customer accounts receivable was sold with limited recourse. Related costs of \$3.5, \$3.8 and \$2.8 million for 1996, 1995 and 1994, respectively, were included in Other Income Miscellaneous deductions.

7. SHORT-TERM BORROWINGS

Short-term borrowings consist of funds borrowed from banks or through the sale of commercial paper as needed. The weighted-average interest rate on the short-term debt outstanding as of December 31, 1995, was 5.9%. As of December 31, 1996, under minimal fee

arrangements, unused bank lines of credit totaled \$280 million.

8. COMMON STOCK EQUITY, PREFERRED STOCK AND REDEEMABLE PREFERRED STOCK

Common Stock Equity

KCPL has shares of common stock registered with the Securities and Exchange Commission for a Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan allows common shareholders, directors and employees to purchase shares of the common stock by reinvesting dividends or making optional cash payments. We are currently purchasing shares for the Plan on the open market.

As of December 31, 1996 and 1995, KCPL held 12,907 and 6,643 shares of its common stock to be used for future distribution, respectively. The cost of these shares is included in Investments and Nonutility Property.

The Restated Articles of Consolidation contain a restriction relating to the payment of dividends in the event common equity falls to 25% of total capitalization.

If preferred stock dividends are not declared and paid when scheduled, KCPL could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect members to the Board of Directors.

Preferred Stock and Redeemable Preferred Stock

Scheduled mandatory sinking fund requirements for the redeemable 4% Cumulative Preferred Stock are 1,600 shares per year. Shares issued as of December 31 totaled 12,757 in 1996 and 14,357 in 1995. Shares held by KCPL at December 31 to meet future sinking fund requirements totaled 12,134 in 1996 and 3,192 in 1995. The cost of the shares held at the end of 1996 is reflected as a reduction of the capital account while at the end of 1995 is included in Investments and Nonutility Property.

As of December 31, 1996, 0.4 million shares of \$100 par Cumulative Preferred Stock, 1.6 million shares of Cumulative No Par Preferred Stock and 11 million shares of no par Preference Stock were authorized. We have the option to redeem the \$89 million Cumulative Preferred Stock at prices approximating par or stated value.

9. LONG-TERM DEBT

General Mortgage Bonds and Unsecured Notes

KCPL is authorized to issue mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented. The Indenture creates a mortgage lien on substantially all utility plant.

As of December 31, 1996, \$644 million general mortgage bonds were pledged under the Indenture to secure the outstanding medium-term notes and revenue refunding bonds.

KCPL is also authorized to issue up to \$300 million in unsecured medium-term notes under an indenture dated December 1, 1996. This indenture prohibits KCPL from issuing additional general mortgage bonds while any unsecured notes are outstanding. As of December 31, 1996, no unsecured notes had been issued.

Interest Rate Swap and Cap Agreements

As of December 31, 1996, we had entered into five interest rate swap agreements and three cap agreements to limit the interest rate on \$120 million of long-term debt. The swap agreements mature from 1997 to 1998 and effectively fix the interest rates on \$60 million of variable-rate debt to a weighted-average rate of 3.84% as of December 31, 1996. The cap agreements limit the interest rate on \$60 million of variable-rate debt to 5.0% expiring through 1998.

As of December 31, 1995, we had entered into eight interest rate swap agreements and three cap agreements limiting the interest rate on \$150 million of long-term debt. The swap agreements matured from 1996 to 1998 and effectively fixed the interest rates on \$90 million of variable-rate debt to a weighted-average rate of 3.7% as of December 31, 1995. The cap agreements limited the interest rate on \$60 million of variable-rate debt to 5.0% expiring through 1998.

These swap and cap agreements are with several highly rated financial institutions and simply limit our exposure to increases in interest rates. They do not subject KCPL to any material credit or market risks. The fair value of these agreements is immaterial and is not reflected in the financial statements. Although derivatives are an integral part of our interest rate management, their incremental effect on interest expense for 1996 and 1995 was insignificant.

Subsidiary Obligations

During 1995 KLT entered into a long-term revolving line of credit agreement for \$65 million collateralized by the capital stock of KLT's direct subsidiaries. During 1996 KLT amended this agreement, extending the amount of credit available to \$150 million. Other significant terms were not changed. The affordable housing notes are collateralized by the affordable housing investments.

Scheduled Maturities

Long-term debt maturities for the years 1997 through 2001 are \$27, \$73, \$136, \$66 and \$91 million, respectively.

10. JOINTLY-OWNED ELECTRIC UTILITY PLANTS

Joint ownership agreements with other utilities provide undivided interests in utility plants as of December 31, 1996, as follows (in millions of dollars):

	Wolf Creek Unit	LaCygne Units	Iatan Unit
KCPL's share	47%	50%	70%
Utility plant in service	\$1,344	\$ 287	\$ 244
Estimated accumulated depreciation			

(production plant only)	\$ 357	\$ 171	\$ 129
Nuclear fuel, net	\$ 39	\$ -	\$ -
KCPL's accredited capacity-megawatts	548	672	469

Each owner must fund its own portion of the plant's operating expenses and capital expenditures. KCPL's share of direct expenses is included in the appropriate operating expense classifications in the income statement. Western Resources, Inc. (Western Resources) also owns a 47% share of the Wolf Creek unit and a 50% share of the LaCygne units (see Note 11).

11. AGREEMENT AND PLAN OF MERGER WITH WESTERN RESOURCES

On February 7, 1997, KCPL and Western Resources entered into an Agreement and Plan of Merger (the Merger Agreement) to form a strategic business combination. The effective time of the merger is dependent upon all conditions of the Merger Agreement being met or waived. At the effective time, KCPL will merge with and into Western Resources, with Western Resources being the surviving corporation.

Western Resources first delivered an unsolicited exchange offer to KCPL's Board of Directors during the second quarter of 1996. This initial offer, subject to numerous conditions, proposed the exchange of \$28 (later increased to \$31) worth of Western Resources stock for each share of KCPL stock. After careful consideration, both offers were rejected by KCPL's Board of Directors. In July 1996 Western Resources commenced an exchange offer for KCPL common stock. In late 1996 KCPL began discussing a possible merger with Western Resources leading to the Merger Agreement.

Under the terms of the Merger Agreement, KCPL common stock will be exchanged for Western Resources common stock valued at \$32.00, subject to a conversion ratio limiting the amount of Western Resources common stock that holders of KCPL common stock would receive per share of KCPL common stock to no more than 1.1 shares (if Western Resources' stock is priced at or below \$29.09 per share), and no less than 0.917 shares (if Western Resources' stock is priced at or above \$34.90 per share). However, there is a provision in the Merger Agreement that allows KCPL to terminate the merger if Western Resources' stock price drops below \$27.64 and either the Standard and Poor's Electric Companies Index increases or the decline in Western Resources stock exceeds by approximately 5% any decline in this index. Western Resources could avoid this termination by improving the conversion ratio.

The transaction is subject to several closing conditions including approval by each company's shareholders, approval by a number of regulatory authorities (statutory approvals) and dissenting shares equaling less than 5.5% of KCPL's outstanding shares. If the effective time has not occurred by June 30, 1998 (the termination date), either party may terminate the agreement as long as they did not contribute to the delay. This termination date will be automatically extended to June 30, 1999, if all of the Merger Agreement closing conditions have been met except for certain conditions relating to statutory approvals.

The Merger Agreement does not allow KCPL to increase its common stock dividend prior to the effective time or termination. It also

requires KCPL to redeem all outstanding shares of preferred stock prior to completion of the merger.

If the Merger Agreement is terminated under certain circumstances, a payment of \$50 million will be due Western Resources if, within two and one-half years following termination, KCPL agrees to consummate a business combination with a third party that made a proposal to combine prior to termination. Western Resources will pay KCPL \$5 to \$35 million if the Merger Agreement is terminated and all closing conditions are satisfied other than conditions relating to Western Resources receiving a favorable tax opinion, a favorable letter from its accountants regarding pooling accounting, favorable statutory approvals, or an exemption from the Public Utility Holding Company Act of 1935.

In February 1997 KCPL paid UtiliCorp United Inc. (UtiliCorp) \$53 million for agreeing to combine with Western Resources within two and one-half years from the termination of KCPL's agreement to merge with UtiliCorp. This agreement was terminated due to failure of KCPL shareholders to approve the transaction with UtiliCorp.

12. QUARTERLY OPERATING RESULTS (UNAUDITED)

	1st	Quarter			4th
		2nd	3rd	(millions)	
1996					
Operating revenues	\$ 207	\$ 226	\$ 270	\$ 201	
Operating income	35	42	68	33	
Net income	25	27	36	20	
Earnings per common share	\$ 0.38	\$ 0.43	\$ 0.57	\$0.31	

	1st	Quarter			4th
		2nd	3rd	(millions)	
1995					
Operating revenues	\$ 199	\$ 205	\$ 278	\$ 204	
Operating income	29	31	72	35	
Net income	23	19	58	23	
Earnings per common share	\$ 0.35	\$ 0.29	\$ 0.91	\$ 0.37	

The quarterly data is subject to seasonal fluctuations with peak periods occurring during the summer months. As a result of terminating the merger agreement with UtiliCorp, \$13 million in previously deferred merger costs and a \$5 million termination fee were expensed lowering 1996 third quarter earnings. During 1996 about \$13 million in costs to defend against Western Resources' unsolicited exchange offer were expensed (\$5 million during the second quarter and \$8 million during the third quarter).

13. LEGAL PROCEEDINGS

Jack R. Manson (Manson), as a representative of KCPL's shareholders, alleged in a District Court proceeding, that KCPL and its directors breached their fiduciary duties in adopting the Amended Merger Agreement with UtiliCorp (Agreement). Manson also alleged

their actions 1) were illegal, 2) illegally deprived KCPL shareholders of voting and appraisal rights under Missouri law, and 3) were a disproportionate response to Western Resources' acquisition offer. Also, on June 7, 1996, Western Resources and Robert L. Rives each alleged against KCPL in the same court proceeding, that the Agreement was illegal under Missouri law and the directors had breached their fiduciary duties by adopting the Agreement.

By order dated November 25, 1996, the District Court allowed Manson to amend his allegation to allege that the directors breached their fiduciary duties by refusing to negotiate a merger with Western Resources and committed reckless, grossly negligent, or negligent waste of corporate assets by pursuing the merger with UtiliCorp. Manson seeks monetary damages in an unspecified amount for the waste of corporate assets. KCPL filed a motion on December 9, 1996, to dismiss Manson's amendment; it is currently pending before the District Court. The Company cannot predict the outcome of these proceedings at this time.

14. SUBSEQUENT EVENTS

In 1997 KLT closed investments totaling nearly \$60 million financed through additional borrowings.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Kansas City Power & Light Company:

We have audited the consolidated financial statements of Kansas City Power & Light Company and Subsidiary listed in the index on page 43 of this Form 10-K. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kansas City Power & Light Company and Subsidiary as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/Coopers & Lybrand L.L.P.
COOPERS & LYBRAND L.L.P.

Kansas City, Missouri
February 14, 1997

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

See General Note to Part III.

Executive Officers

See Part I, page 7, entitled "Officers of the
Registrant."

ITEM 11. EXECUTIVE COMPENSATION

See General Note to Part III.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT

See General Note to Part III.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

GENERAL NOTE TO PART III

Pursuant to General Instruction G to Form 10-K, the other information
required by Part III (Items 10, 11, and 12) of Form 10-K not disclosed above
will be either (i) incorporated by reference to the Definitive Proxy Statement
for KCPL's 1997 Annual Meeting of Shareholders, filed with the Securities and
Exchange Commission not later than April 30, 1997, or (ii) included in an
amendment to this report filed with the Commission on Form 10-K/A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND
REPORTS ON FORM 8-K

Page
No.

Financial Statements

a. Consolidated Statements of Income and Consolidated Statements of Retained Earnings for the years ended December 31, 1996, 1995, and 1994	21
b. Consolidated Balance Sheets - December 31, 1996, and	22
c. Consolidated Statements of Cash Flows for the years ended	23

December 31, 1996, 1995, and 1994

d. Consolidated Statements of Capitalization - December 31, 1996 and 1995	24
e. Notes to Consolidated Financial Statements	25
f. Report of Independent Accountants	41

Exhibits

Exhibit
Number

Description of Document

2	*Amendment and Plan of Merger (Exhibit (2)-1 to Form 8-K dated February 11, 1997).
3-a	*Restated Articles of Consolidation of KCPL dated as of May 5, 1992 (Exhibit 4 to Registration Statement, Registration No. 33-54196).
3-b	*By-laws of KCPL, as amended and in effect on August 6, 1996 (Exhibit 3(ii) to Form 10-Q dated September 30, 1996).
4-a	*General Mortgage and Deed of Trust dated as of December 1, 1986, between KCPL and UMB Bank, n.a. (formerly United Missouri Bank) of Kansas City, N.A., Trustee (Exhibit 4-bb to Form 10-K for the year ended December 31, 1986).
4-b	*Third Supplemental Indenture dated as of April 1, 1991, to Indenture dated as of December 1, 1986 (Exhibit 4-aq to Registration Statement, Registration No. 33-42187).
4-c	*Fourth Supplemental Indenture dated as of February 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-y to Form 10-K for year ended December 31, 1991).
4-d	*Fifth Supplemental Indenture dated as of September 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q dated September 30, 1992).
4-e	*Sixth Supplemental Indenture dated as of November 1, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-z to Registration Statement, Registration No. 33-54196).
4-f	*Seventh Supplemental Indenture dated as of October 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q dated September 30, 1993).
4-g	*Eighth Supplemental Indenture dated as of December 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4 to Registration Statement, Registration No. 33-51799).
4-h	*Ninth Supplemental Indenture dated as of February 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4-h to Form 10-K for year ended

- December 31, 1993).
- 4-i *Tenth Supplemental Indenture dated as of November 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4I to Form 10-K for year ended December 31, 1994).
 - 4-j *Resolution of Board of Directors Establishing 3.80% Cumulative Preferred Stock (Exhibit 2-R to Registration Statement, Registration No. 2-40239).
 - 4-k *Resolution of Board of Directors Establishing 4% Cumulative Preferred Stock (Exhibit 2-S to Registration Statement, Registration No. 2-40239).
 - 4-l *Resolution of Board of Directors Establishing 4.50% Cumulative Preferred Stock (Exhibit 2-T to Registration Statement, Registration No. 2-40239).
 - 4-m *Resolution of Board of Directors Establishing 4.20% Cumulative Preferred Stock (Exhibit 2-U to Registration Statement, Registration No. 2-40239).
 - 4-n *Resolution of Board of Directors Establishing 4.35% Cumulative Preferred Stock (Exhibit 2-V to Registration Statement, Registration No. 2-40239).
 - 4-o *Certificate of Designation of Board of Directors Establishing the \$50,000,000 Cumulative No Par Preferred Stock, Auction Series A (Exhibit 4- a to Form 10-Q dated March 31, 1992).
 - 4-p *Indenture for Medium-Term Note Program dated as of April 1, 1991, between KCPL and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-42187).
 - 4-q *Indenture for Medium-Term Note Program dated as of February 15, 1992, between KCPL and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-45736).
 - 4-r *Indenture for Medium-Term Note Program dated as of November 15, 1992, between KCPL and The Bank of New York (Exhibit 4-aa to Registration Statement, Registration No. 33-54196).
 - 4-s *Indenture for Medium-Term Note Program dated as of November 17, 1994, between KCPL and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Smith Barney Inc. (Exhibit 4-s to Form 10-K for year ended December 31, 1994).
 - 4-t Indenture for Medium-Term Note Program dated as of December 1, 1996, between KCPL and The Bank of New York. (Exhibit 4 to Registration Statement, Registration No. 333-17285).
 - 10-a *Copy of Wolf Creek Generating Station Ownership Agreement between Kansas City Power & Light Company, Kansas Gas and Electric Company and Kansas Electric Power Cooperative, Inc. (Exhibit 10-d to Form 10-K for the year ended December 31, 1981).
 - 10-b *Copy of Receivables Purchase Agreement dated as of September 27, 1989, between KCPL, Commercial Industrial Trade-Receivables Investment Company and Citicorp North America, Inc., (Exhibit 10-p to Form

- 10-K for year ended December 31, 1989).
- 10-c *Copy of Amendment to Receivables Purchase Agreement dated as of August 8, 1991, between KCPL, Commercial Industrial Trade-Receivables Investment Company and Citicorp North America, Inc. (Exhibit 10-m to Form 10-K for year ended December 31, 1991).
 - 10-d *Long-Term Incentive Plan (Exhibit 28 to Registration Statement, Registration 33-42187).
 - 10-e Long-and Short-Term Incentive Compensation Plan, January 1, 1997.
 - 10-f *Copy of Indemnification Agreement entered into by KCPL with each of its officers and directors. (Exhibit 10-f to Form 10-K for year ended December 31, 1995).
 - 10-g *Copy of Severance Agreement entered into by KCPL with certain of its executive officers. (Exhibit 10 to Form 10-Q dated June 30, 1993).
 - 10-h *Copy of Amendment to Severance Agreement dated January 15, 1996, entered into by KCPL with certain of its executive officers. (Exhibit 10-h to Form 10-K dated December 31, 1995).
 - 10-i Copy of Amendment to Severance Agreement dated January, 1997 entered into by KCPL with certain of its executive officers.
 - 10-j *Copy of Supplemental Executive Retirement and Deferred Compensation Plan (Exhibit 10-h to Form 10-K for year ended December 31, 1993).
 - 10-k *Copy of \$50 million Letter of Credit and reimbursement agreement dated as of August 19, 1993, with The Toronto-Dominion Bank (Exhibit 10-i to Form 10-K for year ended December 31, 1993).
 - 10-l *Copy of \$56 million Letter of Credit and Reimbursement Agreement dated as of August 19, 1993, with Societe Generale, Chicago Branch (Exhibit 10-j to Form 10-K for year ended December 31, 1993).
 - 10-m *Copy of \$50 million Letter of Credit and Reimbursement Agreement dated as of August 19, 1993, with The Toronto-Dominion Bank (Exhibit 10-k to Form 10-K for year ended December 31, 1993).
 - 10-n *Copy of \$40 million Letter of Credit and Reimbursement Agreement dated as of August 19, 1993, with Deutsche Bank AG, acting through its New York and Cayman Islands Branches (Exhibit 10-l to Form 10-K for year ended December 31, 1993).
 - 10-o *Copy of Railcar Lease dated as of April 15, 1994, between Shawmut Bank Connecticut, National Association, and KCPL (Exhibit 10 to Form 10-Q for period ended June 30, 1994).
 - 10-p *Copy of Amendment No. 2 to Receivables Purchase Agreement between KCPL and Ciesco L.P. and Citicorp North America, Inc. (Exhibit 10 to Form 10-Q for period ended September 30, 1994).

- 10-q *Copy of Railcar Lease dated as of January 31, 1995, between First Security Bank of Utah, National Association, and KCPL (Exhibit 10-o to Form 10-K for year ended December 31, 1994).
- 10-r *Copy of Lease Agreement dated as of October 18, 1995, between First Security Bank of Utah, N.A., and KCPL (Exhibit 10 to Form 10-Q for period ended September 30, 1995).
- 12 Computation of Ratios of Earnings to Fixed Charges.
- 23-a Consent of Counsel.
- 23-b Consent of Independent Accountants--Coopers & Lybrand L.L.P.
- 24 Powers of Attorney.
- 27 Financial Data Schedules (filed electronically).

* Filed with the Securities and Exchange Commission as exhibits to prior registration statements (except as otherwise noted) and are incorporated herein by reference and made a part hereof. The exhibit number and file number of the documents so filed, and incorporated herein by reference, are stated in parenthesis in the description of such exhibit.

Copies of any of the exhibits filed with the Securities and Exchange Commission in connection with this document may be obtained from KCPL upon written request.

Reports on Form 8-K

No report on Form 8-K was filed in the last quarter of 1996; however, a report on Form 8-K was filed with the Securities and Exchange Commission on February 11, 1997, with attached copy of the Agreement and Plan of Merger dated as of February 7, 1997, by and among KCPL and Western Resources, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, and State of Missouri on the 17th day of March, 1997.

KANSAS CITY POWER & LIGHT COMPANY

By /s/Drue Jennings
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates

indicated.

Signature	Title	Date
/s/ Drue Jennings (Drue Jennings)	Chairman of the Board and President (Principal Executive Officer)))))
/s/ Bernard J. Beaudoin (Bernard J. Beaudoin)	Executive Vice President-Chief Financial Officer (Principal Financial Officer)))))
/s/ Neil A. Roadman (Neil A. Roadman)	Controller (Principal Accounting Officer)))))
David L. Bodde*	Director)))
William H. Clark*	Director) March 17, 1997))
Robert J. Dineen*	Director)))
Arthur J. Doyle*	Director)))
W. Thomas Grant II*	Director)))
George E. Nettels, Jr.*	Director)))
Linda Hood Talbott*	Director)))
Robert H. West*	Director)))

*By /s/ Drue Jennings
(Drue Jennings)
Attorney-in-Fact

FORM 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1996
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-16979

ADT LIMITED
(Exact Name of Registrant as Specified in its Charter)
BERMUDA Cedar House Not Applicable
(Jurisdiction of Incorporation or Organization) 41 Cedar Avenue (I.R.S. Employer Identification No.)
Hamilton HM12, Bermuda (Address of Principal Executive Offices)* Not Applicable
(Zip Code)
Registrant's telephone number, including area code 441-295-2244* *See page 2

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value \$0.10 per share	New York Stock Exchange
Series A First Preference Share purchase rights	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Based on the closing market price per Common Share of \$26 7/8 on March 24, 1997, the aggregate market value of the voting shares held by non affiliates of the registrant was \$4,125.7 million.

At March 24, 1997, the number of shares outstanding of the registrant's Common Shares par value \$0.10 per share was 156,696,447 shares. A subsidiary of ADT Limited owns 3,182,787 Common Shares which are included in the number outstanding.

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ADT LIMITED ANNUAL REPORT ON FORM 10-K

The consolidated financial statements of ADT Limited (ADT Limited and its subsidiaries, where appropriate, is sometimes referred to hereinafter as "ADT" or the "Company") appearing in this Annual Report have been prepared in United States dollars ("US dollars" or "\$") in accordance with generally accepted accounting principles in the United States.

This Annual Report contains translations of certain amounts from various currencies into US dollars. The translations of such foreign currencies into US dollars appearing in this Annual Report have been made in accordance with the principles set out in notes 2 and 3 of the notes to consolidated financial statements of the Company.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

INTRODUCTION

ADT, through its subsidiaries, is engaged in two service businesses, electronic security services in North America and Europe and vehicle auction and related services in the United States.

History of ADT Limited

ADT Limited was incorporated in Bermuda on September 28, 1984 under the name Hawley Group Limited. In December 1984, as part of a corporate reorganization, Hawley Group Limited became the parent company of the Hawley group of companies. Prior to this reorganization, the parent company of the Hawley group of companies was Hawley Group PLC ("Hawley Group"), a company into which new management had been introduced in 1977, headed by Mr. M.A. Ashcroft, Chairman and Chief Executive Officer of ADT Limited. At the time of the reorganization, the Hawley group of companies had a number of interests in service and other industries. ADT Limited became a publicly traded company under the name Hawley Group Limited on December 24, 1984 when its common shares were listed for trading on the London Stock Exchange. Prior to this date, the ordinary shares of Hawley Group had been listed on the London Stock Exchange. Hawley Group Limited changed its name to ADT Limited in 1988 after its acquisition in 1987 of ADT, Inc. (now named ADT Security Services, Inc., hereinafter "ADT Security Services"). ADT Limited's businesses are conducted through its subsidiaries.

ADT Limited operates under the Companies Act, 1981 of Bermuda (as amended).

Development of ADT's Electronic Security Services Business

The electronic security services division in North America principally consists of ADT Security Services, ADT Canada, Inc., Alert Centre, Inc. ("Alert") and API Security, Inc., a subsidiary of Automated Security (Holdings) PLC ("ASH"). ADT built the core of its North American electronic security services business by acquiring Electro-Protective Corporation of America in 1981, the business of Crime Control, Inc., and ADT Security Services in 1987. Between 1982 and 1985, ADT also acquired several small security services businesses in North America. The electronic security services division in Europe consists of ASH, principally doing business as Modern Security Systems Limited in the United Kingdom, and Electric Protection Services Limited doing business as ADT Security Systems in the United Kingdom ("Electric Protection") and other subsidiaries doing business under the ADT name in continental Europe. Electric Protection and the principal continental European subsidiaries were acquired as part of the acquisition of ADT Security Services in 1987.

In 1990, ADT acquired Britannia Security Group PLC ("Britannia"), operating principally in the United Kingdom and, in the third quarter of 1996 merged with and acquired ASH, which provides electronic security services in the United Kingdom and North America. In the fourth quarter of 1995, ADT disposed of its electronic article surveillance business which was based in Europe and which was previously acquired as part of Britannia. Alert, which provides electronic security services in the United States, was acquired in the fourth quarter of 1995.

Development of ADT's Vehicle Auction Business

ADT's auction division was established in 1987 by the acquisition of The British Car Auction Group PLC ("BCA") which, at that time, had 14 auction centers in the United Kingdom and 12 auction centers in the United States. BCA was established in the United Kingdom in 1946 and, during the period from 1946 to 1982, it expanded its vehicle auction business in the United Kingdom. In 1982, BCA entered the vehicle auction business in the United States by acquiring two vehicle auctions. From 1982 to 1987, BCA acquired and constructed additional auction sites in both the United States and the United Kingdom. Since 1987, the auction division has expanded its vehicle auction operations by the purchase of eight auction businesses and four auction centers in the United States, the development and construction of seven new auction centers and by internal growth. In the fourth quarter of 1995, ADT disposed of its vehicle auction businesses in the United Kingdom and continental Europe, retaining a 10 per cent equity interest. In the United States, the auction division consists of ADT Automotive Holdings, Inc. and its subsidiaries (formerly Anglo American Auto Auctions).

Registered and Principal Executive Offices

The registered and principal executive offices of ADT Limited are located at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda. The executive offices of the subsidiary which supervises ADT's North American activities are located in the United States at 1750 Clint Moore Road, PO Box 5035, Boca Raton, Florida 33431. The telephone number there is 561-988-3600.

BUSINESS DESCRIPTION

ADT, through its subsidiaries, is engaged in two service businesses, electronic security services in North America and Europe and vehicle auction and related services in the United States. In this business description, the term "ADT" is used to refer to the relevant operating subsidiary of ADT Limited engaged in that part of the business being described where the term appears.

ADT's principal activities in the electronic security services business are the electronic monitoring and maintenance of its installed base of security systems and the installation of new, monitored security systems to add to its installed base. Monitored systems may be sold or, as is most often the case, ADT may retain ownership of installed systems. ADT receives contractual recurring fees for monitoring security systems through its electronic customer monitoring centers and for maintenance of security systems installed at customer premises and other related services. ADT sells, installs and maintains monitored security systems, integrated electronic security systems and other electronic security products for additional fees. Annualized contractually recurring fees for electronic monitoring and maintenance of security systems installed at customer premises, and other related services, as of December 31, 1996, represented approximately 65 per cent of ADT's total electronic security services revenues in North America and Europe for 1996. The remainder of ADT's security revenues were derived from the outright sale and installation of security systems, the installation of security systems in accordance with monitoring service agreements and the maintenance of security systems on a non-contractual basis.

ADT's vehicle auction business operates a network of large modern auction centers in the United States which provide an organized wholesale marketplace for the sale and purchase of used vehicles. Principal sellers, or consignors, include new and used vehicle dealers, vehicle manufacturers, fleet operators, leasing companies, financial institutions and government agencies. Principal purchasers include franchise and nonfranchise vehicle dealers and distributors who acquire vehicles to sell in the retail market. The following table presents the proportion of revenues derived by ADT from electronic security services and vehicle auction services in 1995 and 1996.

	Proportion of total Electronic Security Services Revenues		Proportion of total Business Revenues	
	1995	1996	1995	1996
Electronic Security Services				
North America	71%	75%	54%	62%
United Kingdom and Continental Europe	29%	25%	22%	20%
Proportion of total Vehicle Auction Services Revenues				
Vehicle Auction Services				
United States	62%	100%	15%	18%
United Kingdom and Continental Europe	38%	*	9%	*

* ADT's vehicle auction services businesses in the United Kingdom and continental Europe were disposed of in the fourth quarter of 1995.

Electronic Security Services

The Industry

The security services industry encompasses a wide range of products and services, which can be broadly divided into electronic security products and services and highly labor intensive manned guarding and patrol services. ADT's electronic security services division competes primarily in the comparatively capital intensive electronic monitoring security services sector of the industry. Electronic security products and services consist of the sale, installation, continuous monitoring and maintenance of electronic security systems for commercial and residential use. This business utilizes modern electronic devices installed in customers' businesses and residences to provide detection of events, such as intrusion or fire, surveillance and control of access or articles. Event detection devices may be monitored by monitoring centers, such as ADT's customer monitoring centers, which are linked to the customer through telephone lines. These centers are often located at remote distances from the customer's premises. In some instances, the customer may monitor these devices at its own premises or the devices may be connected to local fire or police departments. The products and services marketed in the electronic security services industry range from residential systems that provide basic entry and fire protection to sophisticated commercial systems incorporating closed circuit television systems and access control.

The development of centrally monitored alarm systems began at the turn of the century and, historically, these systems were considered a relatively expensive form of security and were purchased primarily by businesses and affluent individuals. The industry continued to evolve as telephone networks spread and technology advanced. Progress continued steadily until the early 1970's when computer technology and semi-conductor components began to be incorporated into monitoring systems. Since then, the development of telecommunications technology and its application in security systems has accelerated, and technological advances have increased the availability of lower cost, sophisticated electronics. These advances have enabled the industry to access a wider market by providing a broader range of monitored security services at a variety of price levels. Concurrently with these technological advances, demand for security systems has grown with the increase in the general awareness of security issues and rising crime rates. Customers also purchase security systems due to the practice in the insurance industry of reducing premiums for customers who have a security system installed, or requiring the installation of a security system as a condition of coverage.

STAT Resources, Inc., an independent market research firm ("STAT Resources"), estimates that total United States commercial electronic security systems and services market revenues and total residential electronic security systems and services market revenues were approximately \$8.0 billion and \$5.0 billion, respectively in 1996. ADT accounted for approximately 7.7 per cent and 7.5 per cent of these amounts, respectively. Although a certain amount of industry consolidation has taken place, the industry in North America remains highly fragmented and STAT Resources estimates that there were approximately 13,000 companies in the United States electronic security systems and services market in 1996. The electronic security services industry in Europe is also highly fragmented.

Business Strategy

ADT[Registered] is a leading name in electronic security services, and ADT believes that its name is important in the marketing of its security services and in competing with other electronic security service providers. Before 1987, ADT's electronic security services business served predominantly commercial customers. Since 1987, ADT's goals have been to create a lower cost, more efficient operation, suitable for long-term growth and greater profitability, and to take advantage of the economies of scale resulting from increased utilization of its infrastructure. Since 1987, ADT has (i) reduced the number of central stations and equipped its customer monitoring centers with enhanced computer technology to further automate the monitoring process and thus provide increased monitoring capacity, (ii) modernized and streamlined its computer-based administration and control systems, (iii) enhanced customer service programs through improved training programs for sales, management, installation and service employees and (iv) intensively marketed electronic monitoring services to residential customers to take greater advantage of the increased monitoring capacity created by the monitoring center consolidation and modernization program.

Between 1987 and 1993, ADT significantly reduced the number of its central stations from 162 to 30 in North America and Europe while increasing monitoring capacity and maintaining geographical coverage. Since then ADT has continued to pursue its strategy of central station consolidation, although closures have taken place at a slower rate. Further opportunities for central station consolidation now exist following the acquisition of ASH. In the first quarter of 1997, ADT announced that it was investing in planned enhancements to its technological infrastructure to facilitate a further consolidation of its monitoring center network in order to provide for future anticipated growth opportunities while lowering costs and increasing monitoring capacity and operating efficiency.

As a result of ADT's program implemented in 1988 to target the residential sector in North America, as well as growth in the level of consumer concern over crime and security generally and the availability of lower priced systems, ADT has significantly expanded its residential customer base in North America. Since 1988, ADT has enjoyed an annual compound growth rate in residential unit sales in excess of 36 per cent. ADT believes that because of the success of its sales and marketing efforts since 1988, it is uniquely positioned to benefit from the range of technological developments that are expanding and diversifying the types of services that ADT is able to offer.

During the past several years, ADT's business has been evolving from that of primarily an intrusion alarm company into a data information company. ADT has, in the past few years, been offering energy management products and services to regulate the temperature and lighting in a customer's premises. This service has been achieved through the use of a communication protocol which utilizes the premises' existing alternating-current wiring. Another creative use of new technologies has permitted the launch of CarCop[Registered] which combines three significant infrastructures, cellular communications, the global positioning satellite system and ADT's 24 hour monitoring services, to provide a revolutionary new personal protection and vehicle security service. ADT believes that its broad customer base, its unique national distribution system and its highly skilled workforce provide it with a strong capacity to exploit new technologies and, given the rapid pace of technological change, ADT anticipates that it will explore partnering opportunities with premier companies in a variety of industries.

ADT's overall goal is to expand its customer base in both the commercial and residential sectors. The commercial sectors in North America, the United Kingdom and continental Europe represent well established markets with growth prospects closely related to the overall economic growth in these markets. ADT's strategy is to retain a high percentage of its existing commercial and residential customers by continuing to provide high quality service. As part of its strategy to maintain and enhance its commercial market position in North America, ADT has a national accounts sales team in place in the United States to serve customers that have multiple locations. ADT believes that the North American residential marketplace continues to represent a relatively unpenetrated market and ADT's strategy is to continue to market and install large numbers of new residential security systems, primarily in this market. ADT is continuing to implement this strategy through intensive advertising and marketing in metropolitan areas. ADT believes that incremental monitoring revenues from new customers should enhance operating margins because additional customers can be served through ADT's existing monitoring facilities with very little impact on ADT's total operating costs associated with monitoring security systems. ADT, however, incurs marketing costs associated with the sale of new systems and incremental installation costs in respect of each new system sold which are partly offset by a fee charged to the customer on installation of the system. In the first quarter of 1997, ADT announced that it was investing in planned enhancements to its technological infrastructure to facilitate monitoring center consolidation and provide increased capacity for future anticipated growth opportunities. Consistent with its strategy, ADT acquired Alert in the fourth quarter of 1995 and merged with ASH in the third quarter of 1996 adding, in aggregate, over 375,000 customers to ADT's customer base. The acquisition of Alert also provided ADT with an established dealer program under which security systems are installed by third parties with the monitoring contracts being onsold to ADT for monitoring. Such a program represents a cost effective way for ADT to further enhance its operating leverage. The acquisition of ASH gave ADT leadership in the electronic security services sector in the United Kingdom and will provide ADT with a new marketing opportunity in the UK residential market place.

The following table presents the approximate number of commercial and residential customers in North America and Europe contracting with ADT for the monitoring or maintenance of electronic security systems, together with the aggregate annualized service revenue under contract, as of December 31, 1996, and the annual combined discontinuance rate for commercial and residential contracts in respect of 1996.

Number of Commercial Customers	Number of Residential Customers	Annualized Service Revenue	Annual Combined Discontinuance Rate
672,000	1,149,000	\$920m	10.4%

Annualized service revenue and annual combined discontinuance rate are defined under "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations-Electronic Security Services".

Commercial

ADT provides electronic security services and products to financial institutions, industrial and commercial businesses and complexes, warehouses, facilities of federal, state and local government departments, defense installations, and health care and educational facilities. ADT conducts its commercial operations in the United States, Canada, the United Kingdom, Spain, France, Belgium, Greece, The Netherlands and the Republic of Ireland. ADT sells, installs, monitors and maintains electronic security systems and products located at its customers' premises. These systems and products are tailored to customers' specific needs and include electronic monitoring services that provide intrusion and fire detection, as well as card or keypad activated access control systems and closed circuit television systems. ADT also markets standard security packages for specific types of commercial customers, such as retailers and banks. Certain commercial customers require more complex electronic security systems. To meet this demand, ADT also sells integrated electronic security systems that combine a variety of electronic security services and products. These systems are integrated by ADT to provide a single computer controlled security system. Integrated security systems are typically owned by the customer and can range in price from a few thousand to several million dollars. Integrated security systems may be monitored by the customer at its premises or connected to an ADT monitoring center. In either case, ADT usually provides support and maintenance for these systems through service contracts.

The systems installed at commercial customers' premises may be owned by ADT or, as in the case of most integrated systems, by the customer. When the system is sold, the customer pays ADT the purchase price upon installation and the customer also pays an installation fee. When monitoring equipment is owned by ADT, as is most often the case, only an installation fee is charged. Most customers also agree to pay an annual service charge for monitoring and maintenance. Some customers elect to pay for maintenance on a per visit basis. Service contracts for integrated security systems are negotiated on an individual basis. For integrated systems, a separate fee is charged for systems integration and installation. Service contracts are negotiated on an individual basis depending upon the number of systems monitored, the type of alarm transmission and the level of response services required. STAT Resources estimates that total United States commercial electronic security systems and services market revenues were approximately \$8.0 billion in 1996. ADT accounted for approximately 7.7 per cent of this amount. Commercial customers are motivated to purchase security systems to protect their property, employees and customers and by their insurance carriers which may offer lower premium rates if a security system is installed or require that a system be installed as a condition to coverage. Of those insurance carriers in North America which offer lower premiums or will provide coverage only to customers with centrally monitored alarm systems, most require the monitoring center to be approved by Underwriters Laboratories, Inc. ("UL"). UL requires each monitoring center to meet specified design, technical and operational standards, including back up power capability. UL confirms compliance with its specifications through periodic on-site inspections. All of ADT's customer monitoring centers in the United States are UL approved. As of December 31, 1996, approximately 478,000 commercial customers, some of which have multiple locations, were under contract in North America, approximately 153,000 were under contract in the United Kingdom and approximately 41,000 were under contract in continental Europe. The electronic security services business in Europe services primarily commercial customers. In 1996, approximately 68 per cent of ADT's total electronic security services revenues in North America and Europe were derived from commercial customers. The electronic security services division is not dependent upon any single customer, as the revenue from any one customer does not exceed one per cent of the division's total net revenues. Contracts with commercial customers for monitoring and maintenance services are usually for an initial five-year term, automatically renewing on a year-to-year basis thereafter, unless canceled. A substantial number of contracts are now beyond their initial term and are therefore on an automatic renewal basis. It has been ADT's experience that monitoring contracts for security systems are generally renewed upon their expiration. Contract discontinuances, however, do occur, principally as a result of customer relocation or closure.

ADT markets its electronic security services to commercial customers through a direct sales force in North America and Europe and through direct mail and print advertising. Customers which have multiple locations in North America are serviced by a separate national accounts sales force.

Residential

Residential electronic security services are primarily marketed to customers in North America and consist of the sale, installation, monitoring and maintenance of electronically monitored security systems to detect intrusion and fire. Residential customer service and monitoring are performed from the same facilities as those used for commercial accounts.

STAT Resources estimates that total United States residential electronic security systems and services market revenues were approximately \$5.0 billion in 1996. ADT accounted for approximately 7.5 per cent of this amount. As part of its business strategy, ADT began to intensively market monitored security systems to residential customers in North America in 1988 and ADT believes that it has been able to sell a large number of residential security systems due to the growing level of consumer concern over crime and security generally and the availability of lower priced systems. In addition, residential customers are usually able to obtain more favorable insurance rates if an electronically monitored security system is installed in their home. ADT targets two groups of residential customers, those who typically require relatively inexpensive, standard electronically monitored security systems and a smaller group of residential customers who require more sophisticated systems.

In 1996, ADT contracted to install and monitor approximately 280,000 new residential security systems, principally in North America, and as of December 31, 1996, ADT had approximately 1,149,000 residential customers under contract for monitoring services, of which approximately 90 per cent were located in North America. In 1996, approximately 32 per cent of ADT's total electronic security services revenues in North America and Europe were derived from residential customers. On average, fees charged by ADT for residential monitoring services are lower than the fees charged for commercial monitoring services. Contracts for residential services entered into after 1990 have usually been for an initial three-year term, automatically renewing on a year-to-year basis thereafter, unless canceled. For contracts entered into after April 1992, automatic renewal has been for two-year terms, unless canceled. A substantial number of contracts are now beyond their initial term and are therefore on an automatic renewal basis. It has been ADT's experience that residential contracts are generally renewed upon their expiration. Contract discontinuances, however, do occur, principally as a result of customers relocating.

In North America, ADT usually retains ownership of standard residential systems whereas the more sophisticated systems are usually purchased by the customer. When the system is sold, the customer pays ADT the purchase price upon installation and the customer also pays an installation fee. When the system is owned by ADT, as is most often the case, only an installation fee is charged. Substantially all residential customers agree to pay an annual service charge for monitoring and may also subscribe for maintenance services. Uniform package prices are offered to residential customers who purchase ADT's standard residential security system which includes a fixed number of detection devices. Frequently, customers add detection devices to expand the coverage of the system for which ADT charges an additional installation fee and an additional sales charge if the system is purchased. Pricing for residential customers who require more sophisticated systems depends upon the monitoring components installed, the type of alarm transmission and other services required.

ADT markets its electronic security services to residential customers through television and radio advertising, print advertising, telemarketing, direct mail and through a direct residential sales force as well as through approximately 120 independent ADT authorized dealers and through third party affinity marketing arrangements.

Installation, Service and Maintenance

As part of its effort to provide high quality service to its commercial and residential customers, ADT maintains a trained installation, service and maintenance force of in North America and Europe. These employees are trained by ADT to install and service the various types of commercial and residential security systems which are marketed by ADT. ADT also uses sub-contracted personnel where appropriate.

Product Sourcing

ADT does not manufacture any of the components used in its electronic security services business, although it does provide its own specifications to manufacturers for certain security system components and undertakes some final assembly work in respect of more sophisticated systems. Due to the general availability of the components used in its electronic security services business, ADT believes that it is not consistent with its role as a services company to be involved in manufacturing. This policy allows ADT to obtain the components of its systems from a number of different sources and, by so doing, to supply its customers with the latest technology generally available in the industry. ADT is not dependent on any single source for its supplies and components and has not experienced any material shortages of components.

Monitored Electronic Security Systems

ADT's electronically monitored security systems involve the use on a customer's premises of devices designed to detect or react to various occurrences or conditions, such as intrusions, movement, fire, smoke, flooding, environmental conditions (including temperature or humidity variations), industrial operations (such as water, gas or steam pressure and process flow controls) and other hazards. In most systems, these detection devices are connected to a microprocessor based control panel which communicates through telephone lines to an ADT monitoring center where alarm and supervisory signals are received and recorded. Systems may also incorporate an emergency "panic button", which when pushed causes the control panel to transmit an alarm signal that takes priority over other alarm signals. In most systems, control panels can identify the nature of the alarm and the areas within a building where the sensor was activated and transmit the information to an ADT customer monitoring center. Depending upon the type of service for which the subscriber has contracted, monitoring center personnel respond to alarms by relaying appropriate information to the local fire or police departments, notifying the customer or taking other appropriate action, such as dispatching employees to the customer's premises.

In most systems, the control panel communicates with an ADT customer monitoring center through one of four telephone line transmission systems, direct wire, multiplex, digital communicator or derived channel. Direct wire and multiplex systems are used mainly for commercial customers who require a higher level of security, whereas digital communicator or derived channel systems are used primarily in systems where cost is more important. Direct wire transmission uses a dedicated leased telephone line and is the most expensive form of monitoring connection. The multiplex system uses a remote device to receive signals from multiple customers' premises and concentrate and retransmit them over a dedicated leased telephone line to an ADT customer monitoring center. These two transmission methods allow ADT to continuously monitor the customer's security system to confirm that the connection to the monitoring center is functioning properly. The multiplex system provides the same level of security as direct wire but is less costly due to the reduced number of dedicated telephone lines which are necessary to monitor the same number of customers. ADT has a continuing selective conversion program to replace direct wire transmission systems with lower cost multiplex or digital systems. These conversions typically replace older equipment and result in a reduction in telephone line costs and in the frequency of customer service calls.

A security system which utilizes a digital communicator responds to an event by dialing the monitoring center through the customer's regular telephone line. Unlike multiplex and direct wire systems, these systems are not continuously monitored, and if a control panel or the telephone line is not functioning properly the monitoring center may not be alerted. The derived channel system, which is not available in all markets, ties into the existing regular telephone line network but allows parallel simultaneous communication on one line using separate distinct frequencies. Using the derived channel system, it is possible to continuously monitor a digital communicator connection over the customer's regular telephone line. In certain markets ADT also offers systems with backup transmission capability through radio frequency transmission or the local cellular telephone network.

Other Security Businesses

ADT entered the mobile security services market in 1996 with the launch of CarCop[Registered], a vehicle security system introduced in the fourth quarter of 1996 in conjunction with Mobile Security Communications, Inc. which is responsible for the sale and installation of the CarCop product. CarCop combines ADT's 24 hour monitoring services with cellular communications technology and the Global Positioning Satellite system to provide constant security coverage for a vehicle and its occupants whether the vehicle is parked, unattended or in use. The system can detect a range of emergency situations and, through utilizing ADT's 24 hour monitoring services and employing satellite tracking technology, the appropriate assistance can be dispatched to the vehicle's exact location at any time, day or night. Competition

The electronic security services business in North America is highly competitive. New competitors, who have not necessarily had any previous involvement in the provision of electronic security services, are continually entering the field. Competition is based primarily on price in relation to quality of service. ADT believes that the quality of its services is higher than that of many of its competitors. Accordingly, ADT's prices may therefore be higher than those charged by many of its competitors. Sources of competition in the security services business are other providers of central monitoring services, systems directly connected to police and fire departments, local alarm systems and other methods of protection, such as manned guarding. ADT believes the number of local police and fire departments that perform monitoring has been declining for some years.

The central monitoring sector of the electronic security services business is characterized by high fixed costs but has low marginal costs associated with monitoring additional customers. Opportunities exist within the industry to achieve economies of scale by consolidation of monitoring and administrative functions and a certain amount of industry consolidation is currently taking place. The industry in both North America and Europe, however, remains highly fragmented. ADT believes that it services more customers through its customer monitoring centers in North America than any other company. Individual competitors, however, may service more customers in a given local market.

ADT competes with other major firms in North America, which have substantial financial resources, including Ameritech Corporation (operating under the SecurityLink from Ameritech[Registered] brand name); Borg-Warner Security Corporation (operating under the Wells Fargo[Registered] and Pony Express[Registered] brand names); the Honeywell Protection Services division of Honeywell, Inc.; the Brink's Home Security division of The Pittston Company; and approximately 13,000 smaller regional and local companies. ADT also competes with several national companies and several thousand regional and local companies in the United Kingdom and continental Europe.

In February 1996, a federal telecommunications reform bill was enacted which contained provisions specific to the electronic security services industry. Ameritech Corporation was prohibited from acquiring additional equity or financial interests in alarm monitoring companies for five years from the date of enactment of the law and the other regional Bell operating companies are barred from acquiring more than a 10 per cent equity interest in alarm monitoring companies or otherwise entering the business for five years from the same date.

Regulation

ADT's operations are subject to a variety of federal, state, county and municipal laws, regulations and licensing requirements in the United States and national and local government laws, regulations and licensing requirements in countries outside the United States. Many of the states and countries in which ADT operates, as well as certain local authorities, require ADT to obtain licenses or permits to conduct its security services business. Certain governmental entities also require persons engaged in the alarm business to be licensed and to meet certain standards in the selection and training of employees and in the conduct of business. ADT believes that it is in substantial compliance with all such licensing and regulatory requirements in each jurisdiction in which it operates. In addition, there has been a trend recently on the part of municipalities and other localities to attempt to reduce the level of false alarms through various measures such as the licensing of individual alarm systems and the imposition of fines upon customers, revocation of licenses or non-response to alarms after a certain number of false alarms. While such statutes and ordinances have not had a material adverse affect on ADT's business operations to date, ADT is unable to predict whether such statutes or ordinances, or any similar statutes or ordinances enacted by other jurisdictions, will adversely affect ADT's business and operations in the future. The alarm industry is also subject to the oversight and requirements of various insurance, approval, listing and standards organizations. Adherence to the standards and requirements of such organizations may be mandatory or voluntary depending upon the type of customer served, the nature of security service provided and the requirements of the local governmental jurisdiction. ADT has not had any material difficulties in complying with such standards and requirements in the past.

ADT's electronic security business relies upon the use of telephone lines to transmit signals, and the cost of such lines and the type of equipment which may be utilized are currently regulated by both the federal and state governments in the United States and national and local governments in other countries.

Risk Management

The nature of the services provided by ADT potentially exposes it to greater risks of liability for employee acts or omissions or product liability than may be inherent in many other service businesses. To attempt to reduce this risk, ADT's electronic security service contracts contain provisions limiting its liability and requiring indemnification by its customers. ADT also carries insurance of various types, including general liability and errors and omissions insurance, to protect it from product defects and negligent acts of its employees. ADT obtains such insurance at rates and upon terms negotiated periodically with various underwriters. The loss experience of ADT and, to some extent, other security services companies, may affect premium rates charged to ADT. As of December 31, 1996 such policies provided that ADT retain liability for the first \$1.0 million per occurrence. Certain of ADT's insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other kinds of damages arising from employee misconduct. In addition, in some states ADT's limitation of liability clause may be ineffective in cases of gross negligence and in certain other situations.

Patents and Trademarks

ADT Security Services holds approximately 40 active patents worldwide and has several pending patent applications. No patents are due to expire in the near future that would materially affect the operations of ADT's electronic security services business. The ADT[Registered] trademark and service mark are important to ADT's electronic security business. ADT Security Services uses several other trademarks and service marks in marketing its products and services, including Focus[Registered], Centrascan[Registered], Safewatch[Registered] and Customer Link[Registered]. ADT believes that the rights in these trademarks and service marks, including Focus, Centrascan, Safewatch and the ADT trademark are adequately protected.

Employees

As of December 31, 1996, the electronic security services division had approximately 16,000 employees, of whom approximately 12,000 were based in North America and approximately 4,000 were based in Europe. The majority of these employees are not represented by unions or covered by collective bargaining agreements. ADT believes its relations with employees and their unions are generally good.

Vehicle Auction Services

The Industry

Vehicle auctions constitute a principal channel of distribution and redistribution for used vehicles. An auction brings together, in one location, dealers seeking to restock and diversify their inventory of used cars with a high volume of various makes and models provided by sellers seeking to dispose of their vehicles. The vehicle auction industry provides a reliable marketplace where many dealers participate in the auction's bid process and thus establish true wholesale prices for used vehicles. Vehicle auctions are preferred by many dealers, financial institutions and other sellers because an auction provides an efficient, cost-effective and convenient method of vehicle resale at the prevailing market price. The principal sources of vehicles for sale through auctions are consignments by new and used vehicle dealers, vehicle manufacturers, corporate owners of vehicles such as fleet operators, daily rental companies, leasing companies, banks and other financial institutions, manufacturers' credit subsidiaries and government agencies. The vehicles consigned by dealers include vehicles of all types and ages and include vehicles that have been traded in against new car sales. Vehicles consigned by corporate and financial owners include both repossessed and off-lease vehicles and, as a result, are normally in the range of one to four years old. The principal purchasers of vehicles at ADT's auctions are new and used vehicle dealers and distributors.

ADT believes that the consignment of vehicles from dealers is the foundation of the auction industry. Dealers rely on the sale of used vehicles for a significant proportion of their profits and are both buyers and sellers at auction.

A significant number of vehicles sold at auction in recent years has been attributable to vehicles being disposed of by domestic and import manufacturers who contract with certain auctions to sell used vehicles on their behalf. In the late 1980's, vehicle manufacturers found it advantageous to produce more vehicles than were necessary to satisfy immediate retail demand. These vehicles were either sold to daily rental car companies with a guarantee by such manufacturers to repurchase the vehicles or were leased to the daily rental car companies ("Program Cars"). Upon repurchase, the vehicle manufacturers chose to remarket these late-model cars to their dealers primarily through the vehicle auction network. Program Car auctions are restricted to each manufacturer's franchised dealers with the exception of auctions for some small volume import manufacturers. According to industry sources, the number of vehicles coming to auction from this source reached a peak of 1.6 million units in 1991. As the industry came out of recession in 1992, volumes reduced and have stabilized at around 1.1 million vehicles per year. When the number of cars available to daily rental companies through manufacturers' guaranteed repurchase programs was at its peak, many of the top rental companies obtained large numbers of their vehicles through such programs. As manufacturers have reduced their buy back programs, the daily rental companies have been obliged to purchase more vehicles in their own names and, consequently, their need to remarket vehicles at the end of their life cycle has increased.

Vehicles owned by corporations and financial institutions represent another major source of vehicles for sale at auction and include vehicles owned by daily rental companies, vehicles from company fleets, end of term or early termination vehicles from leasing companies, including manufacturers' finance subsidiaries, vehicles from finance companies, including repossessed vehicles, and vehicles from the public sector. The dynamics of this segment are changing, particularly as the trend towards leasing new vehicles by individuals under manufacturers' lease programs increases.

ADT Auctions

As of December 31, 1996, ADT operated 27 vehicle auction centers in the United States where it is the second largest provider of vehicle auction services. In 1996 the aggregate value of vehicles sold through ADT auction centers was approximately \$8.7 billion. Substantially all of the vehicles sold at ADT auction centers are passenger cars and light trucks with the balance consisting of heavy trucks and industrial vehicles.

The following table presents the approximate number of vehicles entered and sold through all of ADT's vehicle auction centers in the United States during 1994, 1995 and 1996.

	1994	1995	1996
Vehicles Entered	1,660,000	1,798,000	1,881,000
Vehicles Sold	967,000	994,000	1,064,000
Business Strategy			

ADT has been a leader in developing the wholesale vehicle auction business in the United States. ADT aims to provide a wholesale redistribution system for used vehicles which is efficient, economical and reliable. ADT's specific strategies are (i) to maintain and further strengthen its current relationships with vehicle manufacturers, fleet/lease operators, daily rental companies and other significant vehicle suppliers and dealers that both supply vehicles for auction and purchase vehicles at auction and (ii) to increase ADT's share of total used vehicle transactions. ADT is pursuing these strategies in part by encouraging more vehicle dealers to attend its auctions. Where possible, ADT categorizes its auction sales in order to facilitate the matching of appropriate buyers with vehicles being offered for sale. Auctions may be categorized by the type of vehicle being sold or by age of vehicle, mileage or source, for example ex-rental vehicles. ADT maintains a record of dealers that are authorized to bid at its auctions and employs direct marketing techniques to target dealers who are known buyers for the category of vehicle being auctioned and who are registered with ADT as approved buyers. ADT also holds closed sales for manufacturers' vehicles, including Program Cars and fleet vehicles, restricted to dealers holding a franchise from that particular manufacturer.

ADT keeps its site location strategy and real estate requirements under continuous review together with the potential benefits of expanding its network through the acquisition of vehicle auction businesses and the development of new auction centers. ADT however believes that the geographic coverage of its auction network in the United States is substantially complete.

Auction Operations

ADT operates a network of large modern auction centers and provides a comprehensive range of vehicle redistribution services. These services include collection and transportation of a seller's vehicles to an auction center, reconditioning the vehicles to retail standards, matching the vehicles with the auction market most likely to generate the highest amount of sale proceeds and delivering the vehicles to the buyer. Separate fees are charged for each of these services. ADT acts solely as an agent in auction transactions and does not purchase vehicles for its own account. ADT repurchases a small number of vehicles under its buyer protection programs which require it to repurchase vehicles that have suffered odometer tampering or that have an undisclosed salvage history. See "Vehicle Auction Services-Services and Fees- Insurance." ADT operates almost exclusively in the wholesale marketplace. In general, the public is not permitted to attend auctions.

When a vehicle arrives at an ADT auction center, it is checked in and assigned a computer tracking number. A seller may instruct ADT to perform various services including vehicle appraisal, appearance reconditioning and paint or body work to prepare the vehicle for auction. The title is checked against a computer database held by ADT. If a salvage history appears, the seller must either disclose the damage or withdraw the vehicle from the auction. ADT completes all requested services and holds the vehicles in secure parking areas until the scheduled auction day. The auction centers use computerized control systems to track vehicles through each step of the auction process. ADT is responsible for the vehicles while they are under its control.

Generally, ADT's auction centers hold regularly scheduled auctions for vehicles from specific market sources. Additional auctions are scheduled as necessary, including auctions for specific types or categories of vehicles, such as heavy trucks, municipal and agricultural equipment and classic cars. A typical auction center consists of an auction hall, large paved areas for the storage of vehicles, facilities for reconditioning and separate areas for parking vehicles immediately prior to auction, some of which are covered. Auction halls typically have a number of lanes through which vehicles are normally driven, and where the auction bidding process takes place. This is a continuous process that enables a large number of vehicles to be auctioned quickly and efficiently. The auction hall building also contains the cashiers and other administrative personnel, as well as cafeteria and other customer facilities. When a vehicle is sold, the paperwork associated with a sale, including conveyance instruments, title or title applications and tag applications, is generally processed within one hour of the sale and immediate delivery arrangements are made. A particular vehicle may pass through the auction system more than once prior to being sold to a new owner. ADT is responsible for payment to sellers upon presentation of title after a vehicle is sold. If purchases are made other than on a cash basis, ADT determines in advance the credit-worthiness of the buyer. It is customary for buyers at ADT's auctions to pay by banker's draft. The auction collects funds on drafts within an average of ten working days. ADT's bad debt experience on these transactions is negligible.

Sources of Vehicles

The principal sources of vehicles for sale at ADT's auctions are consignments by new and used vehicle dealers, vehicle manufacturers, corporate owners such as fleet operators, daily rental companies, leasing companies, banks and other financial institutions, manufacturers' credit subsidiaries and government agencies.

The supply of consignment vehicles from dealers is relatively constant throughout the year. The number of Program Cars and vehicles consigned to auction by corporate fleet owners may fluctuate considerably throughout the year. As a consequence, auction revenues may fluctuate from quarter to quarter and at certain times during the year ADT may be storing large numbers of vehicles awaiting auction.

ADT contracts with vehicle manufacturers for the auction of Program Cars. These contracts, which do not require the manufacturers to sell any minimum number of vehicles through ADT's auctions, generally have a term of one year and may be terminated upon 30 days' notice. In 1996, approximately 27 per cent of the vehicles sold at ADT auctions were Program Cars, compared to approximately 31 per cent in 1995. ADT also auctions vehicles from the manufacturers' own fleets and from manufacturers' affiliates such as their credit subsidiaries.

During 1996, General Motors Corporation and its credit subsidiaries accounted for approximately 8 per cent of the vehicle auction division's United States revenues. ADT believes that its relationship with General Motors Corporation and the other vehicle manufacturers with which it does business is good. The loss of General Motors Corporation's business would, however, have a material adverse effect on the auction division's operations.

Services and Fees

Auction Services: ADT receives a variety of fees for its auction services. Entry fees are set charges assessed on the majority of vehicles registered for auction, except Program Cars, and are payable irrespective of whether the vehicle is sold. If the vehicle is sold, ADT also receives an auction fee from the seller and a fee from the buyer of the vehicle. At most sales, the buyer's auction fee is based upon the sale price of the vehicle, except for Program Cars where a fixed fee is charged. At most sales, other than fleet/lease consignment sales and Program Car sales, the seller's auction fee is based on the sale price of the vehicle. For fleet/lease consignment sales, the seller's auction fees are based on a fixed fee for national fleet/lease consignors and on the sale price of the vehicle for local fleet/lease consignors. For sales of Program Cars, auction fees are fixed periodically by agreement with the vehicle manufacturers on a per vehicle sold basis.

Reconditioning Services: Customers may request ADT to prepare, for a fee, a detailed condition report on vehicles entered for auction. For a separate fee, ADT also performs on-site reconditioning services. The largest portion of reconditioning revenue relates to appearance reconditioning and paint and body work but more extensive body work services including body panel painting and repair of minor collision damage are also carried out. Appearance reconditioning services include engine steam-cleaning, washing, detailing, buffing and waxing, and upholstery cleaning. Other services at certain centers include replacement of parts, upholstery, tires and glass. Most manufacturers' vehicles and some fleet/lease vehicles receive appearance reconditioning and, if necessary, paint and body work. The reconditioning of manufacturers' Program Cars generates a significant portion of ADT's reconditioning revenues. Program Cars are delivered to the auction centers directly from rental car lots or marshaling yards, financial institutions deliver vehicles directly off-lease or after repossession and fleet operators deliver vehicles immediately from use. These vehicles generally require reconditioning to bring them up to sale standards. In many instances, these sellers do not have the facilities necessary to recondition the vehicles expediently or economically. ADT does not usually recondition vehicles consigned by dealers, who generally bring fully serviced cars to auction directly from their lots. Dealers who purchase reconditioned vehicles are able to place them in their showrooms or lots immediately, thereby minimizing the time between purchase and retail sale.

ADT also provides high quality vehicle paint and body repair services under the Quality Image Services name for vehicles other than those going through the auction process, principally for fleet owners and insurance companies. The service, which is aimed at new customers in addition to traditional auction customers, utilizes ADT's existing reconditioning facilities and expertise.

Transportation Services: ADT collects and delivers customers' vehicles and believes that its ability to provide transportation services at competitive prices is extremely valuable to its marketing efforts. ADT operates a fleet of vehicle transporters and sub-contracts any additional vehicle transportation requirements that cannot be met by this fleet. Insurance: ADT offers, for a fee, a 15-day power and drive train service contract provided by a third party. ADT also undertakes to repurchase vehicles that have suffered odometer tampering or have an undisclosed prior salvage history. ADT also assists sellers in complying with laws regarding title and odometer readings by providing forms which include the necessary representations as part of the paperwork signed and delivered in connection with the auction sale. ADT's liability for losses arising from title and odometer insurance, power and drive train service contracts and prior salvage history has been negligible.

Valuation and Appraisal: ADT provides valuation and appraisal advice to customers in connection with their vehicle disposal programs with a view to assisting its customers to obtain the best possible price for their vehicles.

Specialized Services: Specialized auctions carried out by the division include sales of government vehicles, to which the general public is invited, sales of plant and equipment, sales of construction vehicles, sales of heavy trucks, sales of municipal and agricultural equipment and sales of classic cars. ADT provides a vehicle repossession service whereby vehicles are recovered from a defaulting party and delivered directly to an auction center for liquidation. ADT's market expertise allows it to offer a comprehensive vehicle remarketing service to fleet operators, ranging from collection of vehicles leaving the fleet to advice on vehicle replacement cycles.

Competition

ADT considers its competition to be two other significant auction chains and a large number of independently owned local auctions which are members of the National Auto Auction Association. The competing auction chains are Manheim Auctions, a subsidiary of Cox Broadcasting Company, and ADESA Corporation, a subsidiary of Minnesota Power & Light Company. Competition is based primarily on price in relation to the quality and range of services offered to sellers and buyers of vehicles and ease of accessibility of auction locations. ADT believes it provides a higher quality of service than its competitors and its prices may therefore be higher.

Regulation

Each auction center is licensed by the state in which it is located, in most cases as a vehicle auction or dealer. These licensing authorities may revoke a license if an auction is not conducted according to regulations then in effect. In addition, ADT's vehicle transportation fleet is regulated by the Interstate Commerce Commission. ADT believes that it is in substantial compliance with the regulations to which it is subject and has not had any material difficulties with these regulatory authorities.

Employees

As of December 31, 1996, the vehicle auction division in the United States employed approximately 3,900 persons on a full-time basis and approximately 2,400 persons on a part-time basis. The part-time employees are utilized primarily on auction sale days. The majority of these employees are not represented by unions or covered by collective bargaining agreements. ADT believes its relations with employees and their unions are generally good.

ITEM 2. DESCRIPTION OF PROPERTIES

In North America, as of December 31, 1996, ADT, through its subsidiaries, owned 2 customer monitoring centers, leased 19 customer monitoring centers, owned 22 offices and other properties and leased 315 offices and other properties which were used in connection with the electronic security services business. In the United States, as of December 31, 1996, ADT, through its subsidiaries, owned 21 auction centers, leased 6 auction centers and owned or leased 6 offices and other properties, which were used in connection with the vehicle auction business. In Europe, as of December 31, 1996, ADT, through its subsidiaries, owned 5 customer monitoring centers, leased 8 customer monitoring centers, owned 11 offices and other properties and leased 107 offices and other properties which were used in connection with the electronic security services business. In addition, as of December 31, 1996, ADT, through its subsidiaries, owned approximately 1,294 acres of land and leased approximately 284 acres of land in the United States used in connection with the vehicle auction business.

ITEM 3. LEGAL PROCEEDINGS

On December 27, 1996, Westar Capital, Inc. ("WCI") filed a complaint in the U.S. District Court for the Southern District of Florida (the "Court") against the Company, the directors of the Company and Republic Industries, Inc. ("Republic"). The complaint alleges that the Company and its directors breached their fiduciary duties to WCI and the Company's other shareholders (i) by issuing to Republic a share purchase warrant for 15,000,000 Common Shares (the "Republic Warrant") in connection with a proposed amalgamation with Republic in July 1996 (the "Republic Merger"), (ii) by adopting the Rights Plan, and (iii) by holding shares of the Company in one of the Company's subsidiaries with the intention of voting those shares as needed to entrench existing management. The complaint seeks a court order (i) declaring the Republic Warrant null and void or preventing the Company and Republic from exercising their rights under the Republic Warrant, (ii) directing the Company to redeem the Rights Plan, and (iii) preventing the Company from voting the shares held by its subsidiary.

On January 3, 1997, WCI filed an amended complaint which, in addition to the allegations made in the prior complaints, alleges that the Company and its directors have attempted to interfere with WCI's voting rights by seeking certain information from WCI pursuant to procedures established in the Company's Bye-Laws. The amended complaint seeks the same relief as the prior complaint and also requests that the Court confirm WCI's voting rights.

On January 21, 1997, the Court granted WCI leave to file a second amended complaint. The second amended complaint contains the same allegations as the amended complaint and in addition alleges (i) that the Company and its directors breached their fiduciary duties by setting a July 8, 1997 date for a meeting of the Company's shareholders, and (ii) that the Company and its directors violated Section 14(d) of the Securities Exchange Act of 1934, as amended, by making a recommendation to the Company's shareholders regarding the tender offer without first making certain filings with the Securities and Exchange Commission ("SEC"). WCI asks for a court order (i) enjoining the Company from holding the shareholders meeting (the "Special General Meeting") on July 8, 1997, (ii) compelling the Company to hold the special General Meeting on or before March 20, 1997, and (iii) declaring that the Company has violated Section 14(d) and enjoining the Company from making any further recommendations relating to the tender offer until the required SEC filings are made.

On January 23, 1997, WCI filed a motion for a preliminary injunction asking the Court to enjoin the Company from holding the Special General Meeting on July 8, 1997, and compelling the Company to hold the Special General Meeting on or before March 20, 1997. On March 4, 1997, WCI filed a supplemental brief in support of its motion for a preliminary injunction representing that WCI is no longer seeking a Special General Meeting on or before March 20, 1997 on the grounds that such a meeting date would now be impractical. In its supplemental brief, WCI requests that the meeting date be set 30 days after its proxy materials for the Special General Meeting are distributed. As of this date, the Court has not rendered any decision with respect to plaintiff's motion for a preliminary injunction.

On January 27, 1997, the Company and its directors filed a motion to dismiss the second amended complaint based on, among other things, the Court's lack of personal jurisdiction over the Company and its directors and for failure to state a claim upon which relief can be granted. WCI has filed papers in opposition to the motion. On February 21, 1997, the Court entered an order ruling that the second amended complaint did not adequately plead personal jurisdiction over the ADT defendants. On February 27, 1997, WCI filed a third amended complaint. The third amended complaint contains the same allegations as the second amended complaint and contains additional allegations relating to personal jurisdiction.

On March 11, 1997, the court granted WCI leave to file a fourth amended complaint. The fourth amended complaint contains the same allegations as those in the third amended complaint as well as additional allegations relating to the Amendment to the Rights Plan implemented by the Company on March 3, 1997. In addition to the relief previously requested, the fourth amended complaint seeks judicial nullification of the Amendment to the Rights Plan and a rescission of actions by ADT if it is shown that a subsidiary of ADT cast decisive votes as a shareholder with respect to those actions. On March 17, 1997, the Company and its directors filed a motion to dismiss the fourth amended complaint based on, among other things, the Court's lack of personal jurisdiction over the Company and its directors and for failure to state a claim upon which relief can be granted.

The Company and the Board believe that the allegations in the WCI's fourth amended complaint are without merit and intend to vigorously defend against them.

On March 24, 1997, WCI filed a motion for a preliminary injunction (i) preventing Republic from selling or transferring any of the warrant shares it currently owns, and (ii) preventing the Chairman of ADT from exercising the proxy on the warrant shares. The Company and the Board have yet to respond to this motion.

On December 26, 1996, Charles Gachot filed a complaint in the Circuit Court for the Fifteenth Judicial Circuit in Palm Beach County, Florida against the Company, certain of its directors, Western and WCI. The complaint was brought on behalf of a class of all shareholders of the Company and alleges that Western and WCI have breached their fiduciary duties to the Company's shareholders by offering an inadequate price for the outstanding Common Shares. The complaint seeks to enjoin Western and WCI from acquiring the outstanding Common Shares. The complaint also alleges that the Company and its directors have refused to negotiate with Western and WCI and that the Republic Warrant and the Rights Plan are improper. The complaint seeks unspecified monetary relief from all defendants. The Company and the Board believe that the allegations in Gachot's complaint against the Company and the directors are without merit and intend to vigorously defend against them.

On February 7, 1997, ADT Operations, Inc. ("ADT Operations"), a subsidiary of ADT, filed a complaint in the Supreme Court of the State of New York, County of New York against The Chase Manhattan Bank, N.A. ("Chase"). The complaint states that Chase has been an important lender and financial advisor to ADT Operations since 1993, and that in the course of this business relationship, ADT Operations has disclosed confidential business information to Chase. The complaint asserts that ADT Operations and Chase expressly agreed that Chase would not aid any third party in a hostile takeover bid for ADT. The complaint alleges that Chase is currently aiding Western in its attempt to take control of ADT and that Chase's actions constitute: (i) a breach of an express agreement between Chase and ADT Operations; (ii) a breach of the implied covenant of good faith that is part of the express agreement between Chase and ADT Operations; and (iii) a breach of the fiduciary duties that Chase owes to ADT Operations. The complaint seeks \$50 million in monetary damages. The complaint also seeks to enjoin Chase from advising, funding, or participating in Western's attempts to take control of ADT and from disclosing any confidential information regarding ADT Operations and ADT. On March 3, 1997, Chase filed a motion for dismissal of ADT Operations' complaint or, alternatively, summary judgment. This motion is scheduled to be heard on April 11, 1997.

On February 7, 1997, ADT Operations filed a motion for a preliminary injunction, seeking to enjoin Chase from: (i) advising, funding, or assisting Western in its efforts to take over ADT or participating in these efforts; and (ii) using or disclosing any confidential information that ADT Operations provided to Chase. The motion was argued before the Court on February 24, 1997 and is currently pending.

On March 11, 1997, Crandon Capital Partners ("CCP") filed a complaint in the Circuit Court for the Fifteenth Judicial Circuit in Palm Beach County, Florida against the Company, certain of its current and former directors, and Republic. The complaint was brought by CCP in a derivative capacity on behalf of ADT. The complaint alleges that ADT's directors breached their fiduciary duties and wasted corporate assets in connection with (i) the granting of options to certain officers of ADT in 1996, (ii) the issuance of the Republic Warrant, (iii) the implementation of the Rights Plan, and (iv) harassing and attempting to disenfranchise WCI. The complaint seeks an unspecified amount of damages and a court order directing ADT's directors to establish a system of internal controls to prevent repetition of the alleged breaches of fiduciary duty and corporate waste.

The Company and its directors believe that the allegations in the complaint brought by CCP are without merit and intend to vigorously defend against them.

ADT Limited and various of its subsidiaries are defendants in a number of other pending legal proceedings incidental to present and former operations, acquisitions and dispositions. ADT does not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect upon ADT's consolidated results of operations and cash flows or its consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the last quarter of the period covered by this Annual Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS
 ADT Limited's common shares ("Common Shares") have been listed on the New York Stock Exchange ("NYSE") since August 1991 and on the London Stock Exchange since December 1984.

The following table sets forth, for the periods indicated, the high and low sales prices for the Common Shares as reported in the consolidated transaction reporting system on the NYSE.

	High \$	Low \$
1995		
First Quarter	12 1/4	9 5/8
Second Quarter	12 1/4	10 1/8
Third Quarter	14 1/8	11 5/8
Fourth Quarter	15 1/4	13
1996		
First Quarter	18	14
Second Quarter	19 1/2	16 1/4
Third Quarter	24 3/4	15 7/8
Fourth Quarter	23 1/4	18 1/2
1997		
First Quarter to March 24	27 5/8	21 1/4

At March 24, 1997, 156,696,447 Common Shares were held of record by 15,749 record holders. Since a number of the Common Shares were held by brokers or other nominees, the number of record holders may not be representative of the number of beneficial holders. A subsidiary of ADT Limited owns 3,182,787 Common Shares which are included in the number outstanding.

Dividends

ADT Limited has not declared any dividends on the Common Shares since April 1991. ADT Limited has no present intention to pay any dividends on the Common Shares but will keep its dividend policy under review in the light of prevailing circumstances. Under the terms of the senior notes and revolving bank credit agreement ADT Limited may not declare, pay or make any dividend or distribution with respect to its Common Shares, except in certain defined circumstances (see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources").

Exchange Controls and Other Limitations Affecting Security Holders ADT Limited has been designated as a non-resident for exchange control purposes by the Bermuda Monetary Authority, Foreign Exchange Control. There are no limitations on the rights of non-Bermuda owners of the Common Shares arising out of such designation to hold or vote their shares. Because ADT Limited has been designated as a non-resident for Bermuda exchange control purposes, there are no exchange control restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to United States residents who are holders of the Common Shares, except that ADT Limited may not hold Bermuda dollars except external Bermuda dollars.

The transfer of Common Shares already issued between persons regarded as resident outside Bermuda for exchange control purposes and the issue of Common Shares for which consent has already been granted to such persons, may be effected without specific consent under the Exchange Control Act of 1972 and regulations thereunder. All further issues of Common Shares and any transfers of Common Shares involving any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Exchange Control Act of 1972.

In accordance with Bermuda law, share certificates are only issued in the names of corporations, partnerships or individuals. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, ADT Limited is not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

Shares purchased for those under 21 years of age must be registered in the name of the parent or guardian but may be designated with the minor's initials for the purpose of identification. ADT Limited will take no notice of any trust applicable to the shares represented by such certificates. As an "exempted company", ADT Limited is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-residents of Bermuda, but as an exempted company ADT Limited may not participate in certain business transactions, including (i) the acquisition or holding of land in Bermuda (other than that required for its business and held by way of lease or tenancy for terms of not more than 21 years) without the express authorization of the Bermuda legislature or the Minister of Finance; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000; (iii) the acquisition of securities created or issued by, or any interest in, any local company or business, other than certain types of Bermuda Government securities or securities of another "exempted" company, partnership or any other corporation resident in Bermuda but incorporated abroad; or (iv) the carrying on of business of any kind in Bermuda, except as necessary in furtherance of the business of the ADT Limited carried on outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

Under current Bermuda law, no Bermuda withholding tax will be imposed upon payment of dividends by ADT Limited to its common shareholders. Furthermore, ADT Limited has received from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event of there being enacted in Bermuda any legislation imposing any tax computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital assets, gain or appreciation, or any tax in the nature of an estate or inheritance tax or duty, the imposition of such tax shall not be applicable to ADT Limited or any of its operations, nor to the Common Shares, preference shares or other obligations of ADT Limited, until the year 2016. This undertaking does not, however, prevent the application of Bermuda taxes to persons ordinarily resident in Bermuda.

Under current Bermuda law, ADT Limited is required to pay the Bermuda Government an annual registration fee, which is calculated by a reference to the authorized capital and share premium of ADT Limited. ADT Limited pays the maximum fee, which is currently \$25,000 per annum.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below has been derived from the audited consolidated financial statements of the Company. The information presented below should be read in conjunction with, and is qualified by reference to, the consolidated financial statements of the Company and the related notes thereto and the consolidated financial statement schedules and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Consolidated income statement data

Year ended December 31	1996	1995	1994	1993	1992
	\$m	\$m	\$m	\$m	\$m
Net sales	1,704.0	1,783.8	1,629.4	1,528.5	1,552.2
Operating (loss) income (i)	(765.5)	200.8	206.0	186.8	165.3
Interest income	27.5	16.2	15.2	13.3	25.3
Interest expense	(101.0)	(116.3)	(99.3)	(76.7)	(95.7)
Gain (loss) on disposal of businesses (ii)	1.7	(36.6)	(0.3)	-	60.5
Other income less expenses (iii)	128.8	(5.0)	(4.1)	9.8	23.8
(Loss) income before income taxes	(708.5)	59.1	117.5	133.2	179.2
Income taxes	21.8	(28.1)	(34.9)	(22.5)	(20.1)
(Loss) income from continuing operations	(686.7)	31.0	82.6	110.7	159.1
Loss from discontinued operations (iv)	-	-	(3.3)	-	(2.7)
(Loss) income before extraordinary items	(686.7)	31.0	79.3	110.7	156.4
Extraordinary items (net of income taxes) (v)	(8.4)	(9.8)	-	-	5.6
Net (loss) income	(695.1)	21.2	79.3	110.7	162.0
	\$	\$	\$	\$	\$
Primary (loss) earnings per common share (vi):					
(Loss) income from continuing operations	(5.01)	0.22	0.51	0.74	1.19
Loss from discontinued operations	-	-	(0.03)	-	(0.02)
Extraordinary items	(0.06)	(0.07)	-	-	0.05
Net (loss) income per common share	(5.07)	0.15	0.48	0.74	1.22

Consolidated balance sheet data

At December 31	1996	1995	1994	1993	1992
	\$m	\$m	\$m	\$m	\$m
Total assets (vii)	2,730.4	3,419.7	3,412.3	3,477.4	3,368.9
Long-term debt (including current portion)	1,068.7	1,180.3	1,211.4	953.4	1,067.8
Convertible redeemable preference shares (viii)	-	4.9	5.2	427.2	434.6
Non-voting exchangeable shares	-	-	-	15.0	15.1
Exchangeable redeemable preference shares	-	-	-	-	21.0
Total shareholders' equity (ix)	759.8	1,425.3	1,376.5	1,264.8	1,054.4

(i) Operating loss in 1996 included restructuring and other non-recurring charges of \$237.3 million relating principally to the electronic security services divisions in the United States and the United Kingdom, and a charge of \$744.7 million relating to the impairment of long-lived assets following the adoption by the Company of Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). Operating income in 1995 included restructuring and other non-recurring charges of \$34.2 million relating principally to the United States electronic security services division and to corporate restructuring in Europe. Operating income in 1994 included restructuring and other non-recurring charges of \$4.5 million relating to corporate restructuring in Europe.

(ii) Loss on disposal of businesses in 1995 included a net loss of \$65.8 million relating to the disposal by the Company of an interest in its United Kingdom and Continental European vehicle auction services businesses offset by a net gain of \$31.4 million relating to the disposal by the Company of its entire European electronic article surveillance business. Gain on disposal of businesses in 1992 related to the disposal by the ASH group of its entire European loss prevention business.

(iii) Other income less expenses in 1996 included a net gain of \$53.4 million relating to the disposal of the Company's entire investment in Limelight Group plc, and a net settlement gain of \$65.0 million relating to an agreement in full and final settlement of the Company's litigation against BDO Binder Hamlyn ("BDO"). Other income less expenses in 1994 included net gains of \$21.5 million arising from the ownership of investments and a net write off of \$30.7 million relating to the Company's entire equity investment in Arius, Inc. which was held by the ASH group. Other income less expenses in 1992 included a \$50.9 million deferred net gain arising from the Company's investment in Quoteplan PLC and a net write off of \$33.7 million of the Company's equity investment in Nu-Swift plc.

(iv) Discontinued operations comprised the disposal during 1994 of all the Company's non-core businesses, principally Insight Travel Group. The company no longer has any interests in non-core businesses. Included in the loss from discontinued operations for 1994 were net losses on disposal of the non-core businesses amounting to \$3.7 million. Net sales from discontinued operations amounted to \$80.6 million in 1994, \$96.9 million in 1993 and \$101.4 million in 1992. These net sales are not included in net sales in the consolidated income statement data.

(v) Extraordinary items principally were comprised of the gains and losses arising on reacquisition/ repayment and the write off of net unamortized deferred refinancing costs relating to the early extinguishment of certain amounts outstanding under the Company's long-term debt obligations, and were stated net of applicable income taxes.

(vi) The calculation of primary earnings per common share was based on the weighted average number of common shares in issue during the period. Such weighted average number of common shares in issue for the years ended December 31, 1996, 1995, 1994, 1993 and 1992 was 137,114,415, 138,283,458, 136,148,361, 122,043,139 and 113,480,672 common shares, respectively.

(vii) Following the adoption of SFAS 121 during 1996, the Company recorded a charge of \$744.7 million relating to the impairment of long-lived assets. (viii) During 1994 the Company redeemed a significant proportion of its convertible redeemable preference shares. The net effect of this transaction was to reduce the carrying value of the convertible redeemable preference shares by \$422.0 million. The Company funded the redemption from cash on hand and through the drawdown of long-term debt facilities.

(ix) During 1993 the Company issued common shares for cash resulting in net proceeds of \$154.8 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

In September 1996 the Company merged with and acquired the whole of the issued capital of ASH, a United Kingdom quoted company. ASH is engaged in the provision of electronic security services in North America and Europe. The merger with and acquisition of ASH by the Company has been accounted for by means of the pooling of interests method of accounting pursuant to Accounting Principles Board Opinion No. 16. The pooling of interests method of accounting assumes that the combining companies have been merged since their inception, and the historical consolidated financial statements for periods prior to consummation of the merger are restated as though the companies have been combined since their inception. Accordingly, the accompanying consolidated financial statements give effect to the transaction by means of the pooling of interests and have been restated.

During 1995 management commenced a strategic review of the Company's business operations and its corporate organizational structure with a view to developing a business strategy which would place the Company in a stronger position to deal with the changing business environment and challenges facing its core service businesses in the late 1990s. As part of this strategic review, management approved the redeployment of certain of the Company's assets in order to further concentrate the Company's resources on the electronic security services operations, principally in the United States, where management believes the greatest potential for future growth lies. Consequently, Actron Group, the Company's European electronic article surveillance business, was disposed of in November 1995 and in December 1995 the Company disposed of an interest in its European vehicle auction services businesses.

During the fourth quarter of 1995, the Company entered into an agreement for the acquisition of Alert, the tenth largest electronic security services company in the United States, with a predominantly residential customer base located principally in Texas, Florida and Georgia.

As part of the strategic review of its business operations undertaken during 1995, and in the context of the acquisition of Alert and the disposal of an interest in the European vehicle auction services businesses, management commenced an evaluation of the entire group corporate structure, and the administrative, accounting and management information systems of its United States electronic security services division (the "Re-Engineering Project"). The Re-Engineering Project, which is on-going, is intended to modify and improve the entire structure of the business operations in order to create a more profitable, efficient organization with significantly improved marketing, selling, installation and servicing capabilities supported by upgraded management information systems.

During 1996 the restructuring in the electronic security services division included a reorganization of senior management, the closure of a major corporate office in Parsippany, New Jersey, and a realignment of the organizational structure along the functional business lines of residential, commercial and customer service, rather than along geographic lines.

During 1996, as a result of the acquisition of ASH and the further development of the Re-Engineering Project under the control of new senior management, the Company identified the need to extend the process of strategic change to include a significantly expanded agenda. As a result, various strategic initiatives have been added to the corporate plan and the implementation of these plans is currently in progress and will continue throughout 1997. In the United States the plans relate principally to a significant investment in technological infrastructure enhancements to facilitate further consolidation of the Company's entire customer monitoring center network down to four, state of the art, customer service centers, and to place the Company in a stronger position to take advantage of the significant opportunities in the changing market place. In Europe, the plans relate principally to the merger, integration and consolidation of the Company's existing electronic security services businesses with that of ASH.

RECENT DEVELOPMENTS

In November 1996 the Company announced that it intended to dispose of the vehicle auction services operations in the United States in order to concentrate further on the expansion of the Company's electronic security services business. Accordingly, the Company's vehicle auction services business segment was then initially reclassified as a discontinued operation for all years presented. The preliminary, summarized consolidated results of operations of the Company for the year ended December 31, 1996 were announced on March 3, 1997, and were filed under Schedule 14A. On March 17, 1997 the Company announced that the aforementioned intention had been rescinded and that the vehicle auction services operations in the United States would no longer be disposed of. Accordingly, all consolidated financial information set forth in this Form 10-K, including the audited consolidated financial statements of the Company, is presented with the Company's vehicle auction services business segment classified as a continuing operation for all years presented. There is no net effect on the reported net income and total shareholders' equity when comparing the preliminary, summarized consolidated results of operations of the Company referred to above and the consolidated financial information set forth in this Form 10-K. All differences relate to the reclassification of the vehicle auction services business segment from discontinued operations to continuing operations.

In December 1996 Western Resources, Inc. ("Western") announced its intention to commence an offer to exchange all of ADT Limited's outstanding common shares for consideration consisting of cash and shares of Western common stock. On March 3, 1997 the Company announced that its board of directors had determined that the offer made by Western was inadequate and not in the best interests of ADT Limited's shareholders. On March 17, 1997 the offer made by Western commenced.

On March 17, 1997 the Company announced that it had entered into a definitive merger agreement, subject to shareholder approval and other customary matters, with Tyco International Ltd. ("Tyco"), a United States quoted company engaged in the manufacture of industrial and commercial products. Tyco shareholders will receive one common share in the combined company for each Tyco common share and ADT Limited shareholders, through a reverse stock split, will receive 0.48133 common shares in the combined company for each ADT Limited common share.

The information presented below should be read in conjunction with, and is qualified by reference to, the consolidated financial statements of the Company and the related notes thereto and the consolidated financial statement schedules.

RESULTS OF OPERATIONS

The following discussion of results of operations addresses net sales, operating (loss) income and certain other line items in the consolidated financial statements.

Net sales

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Electronic security services	1,406.2	1,350.9	1,253.3
Vehicle auction services	297.8	432.9	376.1
	-----	-----	-----
	1,704.0	1,783.8	1,629.4
	=====	=====	=====

Operating (loss) income and (loss) income before income taxes

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Electronic security services	(756.5)	172.4	182.1
Vehicle auction services	27.1	70.2	62.7
Corporate expenses	(36.1)	(41.8)	(38.8)
	-----	-----	-----
Operating (loss) income	(765.5)	200.8	206.0
	-----	-----	-----
Interest income	27.5	16.2	15.2
Interest expense	(101.0)	(116.3)	(99.3)
Gain (loss) on disposal of businesses	1.7	(36.6)	(0.3)
Other income less expenses	128.8	(5.0)	(4.1)
	-----	-----	-----
(Loss) income before income taxes	(708.5)	59.1	117.5
	=====	=====	=====
Restructuring and other non-recurring charges	237.3	34.2	4.5
Charge for the impairment of long-lived assets	744.7	-	-
Depreciation and amortization	224.8	247.9	226.7
Capital expenditures	344.4	325.8	282.6

Electronic Security Services

Net sales derived from the electronic security services division are dependent on the volume of new customer installations and the number of customers under contract for the provision of electronic monitoring services. A majority of the division's revenues are derived from contractually recurring fees for electronic monitoring and maintenance of security systems installed at customer premises and other related services. The remainder of the division's revenues are derived from the outright sale and installation of security systems, the installation of security systems in accordance with a monitoring service agreement and the maintenance of security systems on a non-contractual basis. Security system installation revenues are recognized when the installation of a system is complete. Where a system has been installed in accordance with the terms of a monitoring service agreement, the Company retains ownership of the system and all direct installation costs, which include materials, labor and installation overheads, are capitalized and recorded as a fixed asset under subscriber systems. These subscriber systems are depreciated over their estimated useful life, which is principally 14 years and 10 years for commercial and residential systems, respectively, or, in the case of commercial systems, the actual contract duration if shorter. All selling and marketing costs are expensed in the year incurred.

The following table presents the approximate number of commercial and residential customers in North America and Europe contracting with the Company for the monitoring or maintenance of electronic security systems together with the annualized service revenue under contract as of December 31, 1996, and the annual combined discontinuance rate for commercial and residential contracts in respect of 1996.

Number of Commercial Customers	Number of Residential Customers	Annualized Service Revenue	Annual Combined Discontinuance Rate
672,000	1,149,000	\$920m	10.4%

ADT defines annualized service revenue as the annualized service billing arising from its customer base at a point in time for monitoring, maintenance and related services. The aggregate annualized service billings amount takes account of cancellations or terminations, increases in contract revenues due to new contracts, additional services to existing customers and rate variations at the date of computation. The actual amount of service revenue for future periods will vary in accordance with changes in the customer base and fees charged.

ADT calculates the annual combined discontinuance rate by dividing the annualized service revenue from contracts cancelled or reduced in price during the year by the annualized service revenue in force at the beginning of the year, expressed as a percentage.

Since 1987 the division's goals have been to create a lower cost, more efficient operation, suitable for long-term growth and greater profitability, and to take advantage of the economies of scale resulting from the utilization of the existing infrastructure which services its commercial customer base. During this period the Company equipped its regional customer monitoring centers with enhanced computer technology to further automate the monitoring process and increase monitoring capacity. As a result of increased monitoring and service capacity, and a lower cost structure due to manpower reductions and reduced facility costs, in the early 1990s the Company began marketing electronically monitored security systems and services at lower installation price points to residential customers throughout North America. As a result of the rapid expansion of the Company's business during the recent past and a broader business strategy adopted by the Company in a changing market place, the Company has identified the need to improve and expand its technological and physical capacity in order to expand its customer base and product range. Consequently, the Company has approved a plan to significantly enhance its monitoring capacity, service quality and ability to expand its service and product range. The Company will continue to aggressively market residential security systems in North America, while also focusing on opportunities for growth in the commercial sector as the economies in North America and Europe improve.

Further details of the electronic security services division's business strategy are set out under "Description of Business - Business Description - Electronic Security Services."

1996 compared with 1995

Net sales of the division increased 4.1 per cent in 1996 to \$1,406.2 million from \$1,350.9 million in 1995. This sales increase was attributable to an increase of \$102.1 million in the sales of the North American operations offset by a \$46.8 million decline in the sales of the European operations, which was due to the exclusion of sales of the European electronic article surveillance operation and certain businesses operating in the ASH group, all of which were disposed of during 1995. In North America the increase in sales was principally due to the first time inclusion of the sales of Alert which was acquired in December 1995, as well as increased recurring monitoring and maintenance revenues arising from a larger base of residential security systems. Although unit residential security systems sales in North America increased in 1996 compared to 1995, due to price competition in the market place, residential installation revenues in North America showed a modest decline in 1996 compared with 1995. The commercial business in the United States remained flat in both new system sales and installation revenues, and growth in recurring commercial revenues continues to be affected by these factors. In Europe, after allowing for business disposals and the effect of foreign exchange, sales showed a modest increase in 1996 compared with 1995.

Operating results of the division declined from \$172.4 million income in 1995 to a \$756.5 million loss in 1996, principally due to a charge for the impairment of long-lived assets of \$731.7 million and restructuring and other non-recurring charges of \$232.5 million in 1996.

Operating income of the division before the charge for the impairment of long-lived assets and restructuring charges increased 7.2 per cent in 1996 to \$207.7 million from \$193.8 million in 1995. Operating income before the charge for the impairment of long-lived assets and restructuring charges as a percentage of net sales ("operating margin") increased to 14.8 per cent in 1996 from 14.3 per cent in 1995. The increase in operating income before the charge for the impairment of long-lived assets and restructuring charges principally reflected the first time inclusion of Alert, the disposal of the European electronic article surveillance operation in November 1995, and the continuing success of the North American residential security systems sales program, which has achieved further advances in recurring revenues in 1996. However, this improvement has been offset by continued price competition and by increased marketing and selling costs, which have caused the contribution from residential installation revenues and outright residential sales to show a modest decline. The North American commercial installation revenues and outright sales remained flat. The contribution in Europe showed a modest increase.

1995 compared with 1994

Net sales of the division increased 9.2 per cent in 1995 to \$1,350.9 million from \$1,236.6 million in 1994 (excluding net sales of \$16.7 million relating to the Company's electronic security services businesses in Australia and New Zealand, disposed of in June 1994). This increase was attributable to increases in net sales of \$90.2 million and \$24.1 million in North America and Europe, respectively. The sales increase in North America was principally due to increased recurring monitoring and maintenance revenues arising from a larger base of residential security systems. In addition, the commercial business in the United States experienced improved growth in new system sales and installation revenues. However, corporate downsizing and cost containment has meant that growth in recurring revenues from the commercial sector has been modest. Sales in Canada, however, have marginally declined. The increase in sales in Europe was due to increased sales in the commercial business, particularly in the United Kingdom, as well as increased recurring monitoring and maintenance revenues from commercial customers, and the strengthening of European currencies against the US dollar.

Operating income of the division declined from \$182.1 million in 1994 to \$172.4 million in 1995, principally due to restructuring and other non-recurring charges of \$21.4 million in 1995.

Operating income of the division before restructuring charges increased 6.5 per cent in 1995 to \$193.8 million from \$181.9 million in 1994 (excluding operating income of \$0.2 million relating to Australia and New Zealand, disposed of in June 1994). Operating margin declined from 14.7 per cent in 1994 (after excluding Australia and New Zealand) to 14.3 per cent in 1995 reflecting the higher cost of adding new residential customers in North America during 1995. The increase in operating income before restructuring charges in North America reflected the continuing success in the United States of the residential security systems sales program and growth in the sale of new systems and installation revenues in the commercial sector. The growth in residential and commercial sales resulted in increased installation fees and related monitoring and maintenance revenues and increased utilization of the monitoring network in the United States. In Canada, however, sales and margins have fallen and the overall business performance was disappointing. In Europe operating income before restructuring charges showed a modest increase despite pressure on margins in the electronic article surveillance business. In November 1995 the Company disposed of its entire electronic article surveillance business.

Restructuring and other non-recurring charges

During 1995, the Company commenced a strategic review of its business operations with a view to developing a business strategy which would place the Company in a stronger position to deal with the changing business environment and challenges facing its core electronic security services businesses in the late 1990s. This strategic review process continued during 1996 following the completion of the acquisition of Alert, the senior management reorganization which took place in the first quarter of 1996, and the identification by the new senior management team of the need to expand significantly the terms of reference of the restructuring in the United States. The effects of the Re-Engineering Project and the consequent restructuring are more fully described in note 5(i) of the notes to consolidated financial statements. As a consequence of the Re-Engineering Project, in each of the fourth quarters of 1996 and 1995, senior executive management approved a restructuring plan which resulted in a charge for restructuring and other non-recurring items of \$134.7 million and \$21.4 million, respectively.

During the fourth quarter of 1996, the Company commenced a strategic and detailed review of the electronic security services businesses acquired as part of the acquisition of ASH in September 1996. In December 1996 senior executive management approved a restructuring plan which is intended to merge and integrate fully the ASH group into the ADT group by the end of 1997. As a consequence of the restructuring plan a charge for restructuring and other non-recurring items of \$97.8 million was recorded in the fourth quarter of 1996. Details of the restructuring are more fully described in note 5(i) of the notes to consolidated financial statements.

Charge for the impairment of long-lived assets

Effective January 1, 1996, the Company was required to adopt SFAS 121. Following the adoption of SFAS 121, in the first quarter of 1996 the Company recorded an aggregate non-cash charge for the impairment of long-lived assets of \$731.7 million in the electronic security services division with a consequential tax credit of \$10.8 million. The impairment charge comprised \$397.1 million relating to the ADT group, principally all of which related to the carrying value of goodwill and other intangibles, and \$334.6 million relating to the ASH group, of which \$121.0 million related to the carrying value of subscriber systems installed at customers' premises which are included in property, plant and equipment, and \$213.6 million related to the carrying value of goodwill and other intangibles. Further details are set out in note 6(i) of the notes to consolidated financial statements.

Vehicle Auction Services

Net sales of the vehicle auction services division are a function of the number of vehicles handled, the number of vehicles sold at auction and the number of vehicles handled for which ancillary services are provided. The Company charges an entry fee for the majority of vehicles entered at auction. On the sale of a vehicle at auction, the Company charges a separate seller's and buyer's fee for each vehicle sold. This fee per vehicle sold is either a fixed fee or a variable fee directly related to the sale price achieved. The fee structure for each vehicle transaction is based upon the contractual relationship with the customer. Revenues from additional services, which include reconditioning, body repair, inspection, transportation and insurance are related to the number of vehicles handled and are an additional integral source of the division's revenue.

In December 1995 the Company disposed of an interest in its United Kingdom and Continental European vehicle auction services businesses.

1996 compared with 1995

Net sales of the division declined from \$432.9 million in 1995 to \$297.8 million in 1996 due to the exclusion of the sales of European Auctions which was sold in December 1995.

Net sales of the United States vehicle auction services business increased 10.4 per cent in 1996 to \$297.8 million from \$269.8 million in 1995. The volume of vehicles sold increased by approximately 7 per cent which was principally due to an increase in the volume of vehicles sold for fleet lease customers of approximately 35 per cent, while the volume of vehicles sold for vehicle manufacturers and new and used vehicle dealers declined by approximately 5 per cent and approximately 2 per cent, respectively. Operating income of the division declined from \$70.2 million in 1995 to \$25.2 million in 1996 due to a charge for the impairment of long-lived assets of \$13.0 million (see note 6(ii) of the notes to consolidated financial statements) and the exclusion of the operating income of European Auctions.

Operating income before the charge for the impairment of long-lived assets of the United States vehicle auction services business increased 11.4 per cent in 1996 to \$38.2 million from \$34.3 million in 1995. Operating margin increased to 12.8 per cent in 1996 from 12.7 per cent in 1995. The increase in operating income and operating margin were due principally to the increase in the volume of vehicles sold and to an increase in the ratio of vehicles sold to vehicles entered for sale ("conversion ratio") to 56.6 per cent in 1996 from 55.3 per cent in 1995, which was due to a higher proportion of vehicles entered for sale by fleet lease customers.

In December 1995 the Company disposed of an interest in European Auctions for an aggregate consideration of \$334.9 million. The net loss on disposal of \$65.8 million included \$136.5 million relating to the write off of net unamortized goodwill and other intangibles and a \$23.2 million charge relating to cumulative currency translation adjustments.

1995 compared with 1994

Net sales of the division increased 15.1 per cent in 1995 to \$432.9 million from \$376.1 million in 1994. This increase was attributable to increases in net sales of \$40.3 million and \$16.5 million in Europe and the United States, respectively. The increase in Europe was primarily attributable to an increase in the number of vehicles sold in 1995 of approximately 7 per cent, the inclusion of the vehicle reconditioning and transportation business in the United Kingdom which was acquired in December 1994 and the strengthening of European currencies against the US dollar. In Europe the volume of vehicles sold for new and used vehicle dealers, fleet lease customers and vehicle manufacturers increased by approximately 5 per cent, approximately 10 per cent and approximately 8 per cent, respectively. In the United States the volume of vehicles sold increased by approximately 3 per cent. This was principally due to an increase in the volume of vehicles sold for fleet lease customers of approximately 30 per cent, offset by a decline, in each case, in the volume of vehicles sold for vehicle manufacturers and new and used vehicle dealers of approximately 5 per cent.

Operating income of the division increased 12.0 per cent in 1995 to \$70.2 million from \$62.7 million in 1994. Operating income in Europe increased by \$6.9 million due to the increase in revenue per vehicle sold at auctions, the inclusion of the vehicle

reconditioning and transportation business in the United Kingdom, effective overhead containment and the strengthening of European currencies against the US dollar. Operating income in the United States increased by \$0.6 million and operating margin declined from 13.3 per cent to 12.7 per cent. This was principally due to a decline in the conversion ratio from 58.3 per cent in 1994 to 55.3 per cent in 1995 which was due to a lower proportion of vehicles entered for sale by manufacturers and to lower dealer conversion ratios.

Corporate expenses

Corporate expenses comprise administrative, legal and general corporate expenses net of other income and include all central costs incurred not directly connected with the operational management of the Company's two businesses which are responsible for their own corporate overheads. The effects of the Re-Engineering Project and the merger of the ASH group into the ADT group resulted in a charge for restructuring and other non-recurring items at the corporate level in the fourth quarter of 1996 of \$4.8 million. During 1995 management evaluated the Company's entire group corporate structure, in particular in the United Kingdom. As a result, in December 1995, senior executive management approved a restructuring plan which resulted in a charge for restructuring and other non-recurring items at the corporate level of \$12.8 million. The corporate restructuring charge in 1994 of \$4.5 million was principally attributable to the Company's corporate administration in the United Kingdom. Details of the restructurings are more fully described in note 5(ii) of the notes to consolidated financial statements. OTHER ITEMS - INCOME STATEMENT

Interest income and interest expense

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Interest income	27.5	16.2	15.2
Interest expense	(101.0)	(116.3)	(99.3)

Interest income increased in 1996 compared with 1995 principally due to the effects of the disposal of the European vehicle auction division and the European electronic article surveillance business in the fourth quarter of 1995, and the inclusion of \$8.9 million interest income in 1996 related to the ITS Vendor Note. Interest income increased in 1995 to compared with 1994 principally due to the increase in the level of cash deposits held by the Company in 1995.

Interest expense declined in 1996 compared with 1995 principally due to the effects of the refinancing which took place in the third quarter of 1995. In 1996 interest expense included \$20.3 million (1995 - \$9.4 million) relating to Liquid Yield Option Notes discount amortization, and \$3.7 million (1995 - \$5.3 million) relating to refinancing costs amortization. Interest expense increased in 1995 compared with 1994 principally due to the effects of the financing of the redemption of a significant proportion of the Company's convertible redeemable preference shares in 1994. In 1995 interest expense included \$9.4 million (1994 - nil) relating to Liquid Yield Option Notes discount amortization, and \$5.3 million (1994 - \$5.7 million) relating to refinancing costs amortization. The Company holds no derivative financial instruments.

See Liquidity and Capital Resources and notes 21 and 23 of the notes to consolidated financial statements which provide details of short-term and long-term debt, respectively.

Disposal of businesses

In December 1995 the Company disposed of an interest in its United Kingdom and Continental European vehicle auction services businesses for an aggregate consideration of \$334.9 million (see notes 18 and 34 of the notes to consolidated financial statements for further details). The net loss on disposal of \$65.8 million included \$136.5 million relating to the write off of net unamortized goodwill and a \$23.2 million charge relating to cumulative currency translation adjustments.

In November 1995 the Company disposed of its entire European electronic article surveillance business for an aggregate consideration of \$54.0 million. The net gain on disposal of \$31.4 million included a \$2.1 million gain relating to cumulative currency translation adjustments.

Other income less expenses

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Gains and losses arising from the ownership of investments	54.4	(5.0)	21.5
Write off in value of associate	-	-	(30.7)
Settlement gain	65.0	-	-
Gains and losses on currency transactions	9.7	0.9	2.1
Other income less expenses - net	(0.3)	(0.9)	3.0
	-----	-----	-----
	128.8	(5.0)	(4.1)
	=====	=====	=====

During 1996 gains arising from the ownership of investments included a net gain of \$53.4 million relating to the disposal in November 1996 of the Company's entire investment in Limelight Group plc. The write off in value of associate in 1994 related to the Company's entire equity investment in Arius, Inc. which was held by the ASH group. In December 1996 the Company and BDO entered into an agreement in full and final settlement of the Company's litigation against BDO. The net gain arising on this settlement, after the write off of certain deferred legal costs, amounted to \$69.7 million, of which \$65.0 million was included in other income less expenses and \$4.7 million was included in interest income. See note 8 of the notes to consolidated financial statements for further details of other income less expenses. Income taxes

Current income taxes principally relate to state, local and other tax liabilities incurred in the United States and other non-US tax liabilities. The Company's effective income tax rate as adjusted for financial reporting purposes has increased in 1996, 1995 and 1994. This effective tax rate increase principally arose from an increase in the deferred tax charge. During 1996 the Company's deferred income tax charge was impacted by tax effects of the restructuring in the United States and other non-US tax jurisdictions. See note 9 of the notes to consolidated financial statements for further details of income taxes.

Discontinued operations

Discontinued operations comprised the disposal during 1994 of all the Company's non-core businesses. The Company no longer has any interests in non-core businesses. Included in the loss from discontinued operations for 1994 were net losses on disposal of the non-core businesses amounting to \$3.7 million, which included \$19.1 million relating to the write off of net unamortized goodwill and other intangibles on the disposal of the non-core businesses. The net income from operations for 1994 included in the loss from discontinued operations amounted to \$0.4 million on net sales of \$80.6 million.

Extraordinary items

Extraordinary items in 1996 and 1995 included net losses amounting to \$1.2 million and \$1.5 million, respectively, arising on the reacquisition of certain of the Company's senior subordinated notes. Further details are provided in notes 11 and 23(ii) of the notes to consolidated financial statements.

In September 1996 the Company repaid in full all amounts owed by the ASH group under its senior notes and bank credit agreement. Further details on the net loss amounting to \$4.6 million which arose on these transactions are provided in notes 11 and 23(vi) of the notes to consolidated financial statements. In December 1996 the Company gave notice that it would redeem in full all amounts outstanding to the convertible capital bond holders owed by the ASH group. Further details on the net loss amounting to \$1.6 million which arose on this transaction are provided in notes 11 and 23(v) of the notes to consolidated financial statements.

In July 1995 and December 1996 the Company repaid in full and cancelled certain bank credit agreements as part of refinancing arrangements at the time. Further details of the net losses amounting to \$8.3 million in 1995 and \$1.0 million in 1996 which arose on these transactions are provided in notes 11, 23(iii) and 23(iv) of the notes to consolidated financial statements. Dividends on preference shares

As a result of the redemption of a significant proportion of the Company's convertible redeemable preference shares in 1994, dividends payable on the balance of such shares outstanding were negligible in 1996 and 1995. Effects of inflation

Due to the relatively low levels of inflation experienced in 1994, 1995 and 1996 in the major markets in which the Company operates, inflation did not have a significant effect on the results of the Company in these years.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flow information

The net decrease in cash and cash equivalents amounted to \$135.0 million, after the positive effect of currency translation on cash and cash equivalents of \$1.4 million. Net cash of \$308.7 million provided by operating activities was offset by net cash utilized by investing activities of \$328.4 million and net cash utilized by financing activities of \$116.7 million. Net cash provided by operating activities of \$308.7 million principally included cash provided by the Company's electronic security services and vehicle auction services divisions less other expenses and adjusted for the net increase in working capital. Within the net increase of \$32.7 million in working capital were increases in accounts receivable of \$11.9 million and inventories and other assets of \$15.0 million and a net decrease in liabilities of \$5.8 million, principally relating to increases in accounts payable and deferred revenue and a decrease in other liabilities. The movement in accounts receivable was principally due to an increase in accounts receivable in the vehicle auction services division. The movement in deferred revenue was principally due to the timing of billings within the electronic security services division.

Net cash utilized by investing activities of \$328.4 million was principally due to capital expenditures of \$314.2 million and \$25.7 million in the electronic security services and vehicle auction services divisions, respectively, \$25.5 million relating to the acquisition of the minority interest in Alert and \$34.6 million relating to the purchase of customer contracts to provide electronic security monitoring. These were principally offset by \$15.4 million received on the disposal of certain investments in and loans to associates and \$54.1 million received on the disposal of other investments, principally Limelight Group plc.

Net cash utilized by financing activities of \$116.7 million was principally due to the repayments of long-term debt of \$209.9 million, principally relating to the ASH group, and the purchase of \$23.1 million of the Company's senior subordinated notes at a cost of \$24.0 million. These were principally offset by \$86.8 million relating to the proceeds from long-term debt and \$24.7 million realized on the issue of common shares.

Cash, liquid resources and sources of finance

Liquid assets available to the Company at December 31, 1996 represented cash and cash equivalents of \$215.9 million. At December 31, 1996 the Company had available but undrawn facilities of \$35.9 million under its revolving bank credit agreement.

In July 1996, as part of the then agreement to combine with Republic Industries, Inc. ("Republic"), ADT Limited granted to Republic a warrant to acquire 15 million common shares of ADT Limited at an exercise price of \$20 per common share. Following termination of the agreement to combine with Republic, the warrant vested and was exercisable by Republic in the six month period commencing September 27, 1996. On March 21, 1997 the warrant was exercised by Republic and the Company received \$300 million in cash.

Future commitments and cash requirements

Capital expenditures during 1997 are estimated to be approximately \$487 million which represent normal replacement needs and the purchase of additional equipment, facilities and customer contracts necessary to meet planned increases in sales. Approximately 90 per cent of the capital expenditures projected for electronic security services relates to installation of subscriber systems at customers' premises. This amount does not include any amounts for acquisitions which the Company may pursue from time to time.

The Company believes that the working capital at December 31, 1996, its available credit facilities and the current cash flows from operations are adequate for the Company's normal growth and operating needs, the funding of its capital expenditures budget and the current servicing of its debt requirements.

ADT Limited has no present intention to pay any dividends on its common shares but will keep its dividend policy under review in the light of prevailing circumstances. Under the terms of the senior notes and revolving bank credit agreement ADT Limited may not declare, pay or make any dividend or distribution with respect to its common shares, except in certain defined circumstances. See note 23 of the notes to consolidated financial statements for further details.

Forward looking information

Certain statements in this Form 10-K constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In particular any statements contained herein regarding the consummation and benefits of future acquisitions, as well as expectations with respect to future sales, operating efficiencies and product expansion, are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward looking statements included, among others, overall economic and business conditions, the demand for the Company's service, competitive factors in the industry, regulatory approvals and the uncertainty of consummation of future acquisitions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ADT Limited's consolidated financial statements are included on pages F-1 to F-77 and its consolidated financial statement schedules are included on pages F-78 and F-79. Information required by Item 302 of Regulation S-K is included in note 35 of the notes to consolidated financial statements and under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Executive Officers

Set forth below are the names, ages, positions and certain other information concerning the current directors and executive officers of the Company and three executive officers of subsidiaries of the Company as at December 31, 1996.

Name	Age	Position with Company
Michael A. Ashcroft	50	Chairman of the Board; Chief Executive Officer
John E. Danneberg	50	Director
Raymond A. Gross	47	Senior Vice President of ADT Security Services, Inc.
Alan B. Henderson	63	Director
Ronnie G. Lakey	42	Director of ADT (UK) Holdings PLC
James S. Pasman, Jr.	66	Director
Michael J. Richardson	60	President and Chief Executive Officer of ADT Automotive, Inc.
Stephen J. Ruzika	41	Chief Financial Officer; Executive Vice President; Director
W. Peter Slusser	67	Director
William W. Stinson	63	Director
Raymond S. Trough	70	Director

Mr. Ashcroft has been Chairman and Chief Executive Officer of the Company since 1984 and is Chairman of the Executive Committee. He was Chairman and Chief Executive Officer of the Company's predecessor company, Hawley Group PLC, from 1977 to 1984. He is the non-executive Chairman of BHI Corporation.

Mr. Danneberg has been a director of the Company since December 1991 and was previously a director of the Company from 1984 to June 1991. He was the President of Foliage Plant Systems, Inc., an interior landscape contractor, from 1988 to October 1995 and has been Chief Executive Officer of Sonitrol Corporation since August 1996, under a consulting agreement with ADT, Inc.

Mr. Gross has been a Senior Vice President of ADT Security Services, Inc. since March 1, 1996. From August 1993, he was President and Chief Executive Officer of Alert Centre, Inc., which was acquired by ADT in December 1995, and prior to that he was President/General Manager of Cellular One of Ohio from November 1988.

Mr. Henderson has been a director of the Company since 1992 and is a member of the Audit and Remuneration Committees. He is Chairman of Ranger Oil (UK) Limited, an oil exploration and production company, and has been a director of Ranger Oil (UK) Limited since 1972. He is also Chairman of Abtrust Emerging Economies Investment Trust Plc and Abtrust New Thai Investment Trust Plc, and is a director of Abtrust New Dawn Investment Trust Plc, Energy Capital Investment Company PLC and Greenfriar Investment Company PLC.

Mr. Lakey has been a director of ADT (UK) Holdings PLC since its incorporation in 1996. He has operational responsibility for the Company's electronic security services operations in Canada and Europe. He has held various positions with the Company since joining in 1987.

Mr. Pasman has been a director of the Company since 1992 and is a member of the Audit and Remuneration Committees. He was President and Chief Operating Officer of National Intergrupp, Inc., an industrial holding company, from 1989 to 1991 and was Chairman and Chief Executive Officer of Kaiser Aluminum and Chemical Corp., an aluminum and chemical company, from 1987 to 1989. He is a director of BEA Income Fund, Inc., BEA Strategic Income Fund, Inc. and BT Insurance Funds Trust.

Mr. Richardson has been the President and Chief Executive Officer of ADT Automotive, Inc., which supervises the United States vehicle auction services business, since 1982.

Mr. Ruzika has been a director and Executive Vice President of the Company since 1987, has been Chief Financial Officer since 1989 and President of ADT Security Services, Inc. since 1996. He is a member of the Executive Committee. He was previously Chief Financial Officer of the Company's United States operations. He is also a non-executive director of BHI Corporation.

Mr. Slusser has been a director of the Company since 1992 and is a member of the Audit and Remuneration Committees. He has been the President of Slusser Associates, Inc., a private investment banking firm in New York City, since 1988 and was previously a managing director and head of mergers and acquisitions at Painewebber Incorporated. He is a director of Ampex Corporation, a leading producer of high performance television and data storage recording systems.

Mr. Stinson has been a director of the Company since 1991. He retired as Chairman and Chief Executive Officer of Canadian Pacific Limited in 1996 after serving as Chief Executive Officer for 11 years. He remains a director of that company. He is also a director of Laidlaw, Inc., Western Star Trucks Inc., Sun Life Assurance Company of Canada, and a number of other corporations.

Mr. Troubh has been a director of the Company since 1991 and is a member of the Audit and Remuneration Committees. He has been an independent financial consultant since 1974. He is a director of America West Airlines, Inc., ARIAD Pharmaceuticals, Inc., Becton, Dickinson and Company, Diamond Offshore Drilling, Inc., Foundation Health Corporation, General American Investors Company, Inc., Olsten Corporation, Petrie Stores Corporation, Time Warner Inc., Triarc Companies, Inc. and WHX Corporation.

Each director is currently serving a term which expires at the next annual general meeting. Each such director is eligible for re-election. Under the Bye-Laws of the Company, no person other than a director retiring at a General Meeting of the Company shall, unless recommended by the directors, be eligible for election to the office of director unless, between six and 28 days before the meeting date, the Secretary of the Company has been given, by a shareholder of the Company (other than the person to be proposed) entitled to attend and vote at the annual general meeting or special general meeting, written notice of his intention to propose such person for election and also written notice, signed by the person to be proposed, of his willingness to be elected. A director may hold any other office or position of profit under the Company (other than the office of Auditor) in conjunction with this office of director for such period and on such terms as the Company may from time to time determine in general meeting.

Meetings and Committees of the Board

During 1996, there were eleven meetings of the Board. All directors attended at least 75 per cent of the meetings of the Board and of the committees of which they were members.

The Board has several committees, including an Audit Committee and a Remuneration Committee. The Audit Committee, formed in 1991, and the Remuneration Committee, formed in 1992, consist of Messrs. Henderson, Pasman, Slusser and Troubh each of whom is an independent director. During 1996, there were four meetings of the Audit Committee and four meetings of the Remuneration Committee. The function of the Audit Committee is to review the services performed by the Company's independent accountants and to review and act or report to the Board with respect to the scope of audit procedures and accounting practices. The function of the Remuneration Committee is to review and approve compensation and other employment benefits afforded certain executive officers. The Company has no standing nominating committee. Compensation of Directors

Directors who are not employees of the Company are paid an annual director's fee of \$25,000 each and are reimbursed for reasonable and customary travel and other expenses incurred in performing their duties. In addition, Messrs. Henderson, Pasman, Slusser and Troubh are each paid an annual sum of \$15,000 for their services on the Audit and Remuneration Committees.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation

Summary Compensation Table

Shown below is information concerning the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended December 31, 1996, 1995 and 1994, of those persons who were, at December 31, 1996 (i) the Chief Executive Officer and (ii) the other four most highly compensated executive officers of the Company, including three executive officers of a subsidiaries of the Company (the "Named Officers").

Name and principal position	Year	Annual Compensation(1)		Long-Term Compensation Awards	
		Salary	Bonus	Securities Underlying Stock Options (#)	All Other Compensation
Michael A. Ashcroft(2) Chairman of the Board; Chief Executive Officer	1996	\$1,143,844	\$2,344,880	5,000,000	\$1,330,380(3)
	1995	\$1,089,375	\$2,233,219	1,500,000	\$1,921,939
	1994	\$1,037,500	1,945,313	750,000	\$ 783,403
Raymond A. Gross Senior Vice President of ADT Security Services, Inc.	1996	\$ 183,353(4)	\$ 82,500	100,000	-0-
	1995	-0-	-0-	-0-	-0-
	1994	-0-	-0-	-0-	-0-
Ronnie G. Lakey Director of ADT (UK) Holdings PLC	1996	\$ 248,962	\$ 125,000	100,000	\$ 27,020(5)
	1995	\$ 195,866	\$ 140,000	20,000	\$ 14,822
	1994	\$ 188,827	\$ 135,000	25,000	\$ 14,138
Michael J. Richardson(6) Chief Executive Officer of ADT Automotive, Inc.	1996	\$ 335,000	\$ 222,705	40,000	\$ 6,461(7)
	1995	\$ 314,000	\$ 145,245	50,000	\$ 6,461
	1994	\$ 300,000	\$ 115,000	45,000	\$ 6,480
Stephen J. Ruzika(8) Chief Financial Officer; Executive Vice President; Director	1996	\$ 686,306	\$1,100,000(9)	208,333	\$ 40,323(10)
	1995	\$ 653,625	\$ 250,000	500,000	\$ 37,432
	1994	\$ 622,500	\$ 200,000	250,000	\$ 35,639

(1) While officers enjoy certain perquisites, such perquisites did not exceed the lesser of \$50,000 or 10 per cent of each officer's salary and bonus. Except as set forth below under "Employment Contracts, Termination of Employment and Change in Control Arrangements", a change in control of the Company does not of itself require the payment of any moneys to any of the Named Officers. However, such an event does accelerate the vesting of certain pension rights and the exercisability of certain stock options.

- (2) The salary, bonus and all other compensation shown in respect of 1994 and 1995 represent Mr. Ashcroft's entitlement to those amounts. Mr. Ashcroft utilized \$2,500,000 of the compensation due to him for 1995, being the whole of his bonus entitlement of \$2,233,219 and \$266,781 of his other compensation to subscribe for options, at the rate of \$2.50 per option, to subscribe for Common Shares. Mr. Ashcroft also utilized \$2,500,000 of the compensation due to him for 1994, being the whole of his bonus entitlement of \$1,945,313 and \$554,687 of his other compensation entitlement to subscribe for these options.
- (3) The other compensation due to Mr. Ashcroft in respect of 1996 represents the US dollar equivalent of Pound Sterling 851,344 being an amount in lieu of providing Mr. Ashcroft with retirement and death benefits under a defined pension plan. The amounts in respect of 1995 and 1994, and which are referred to in note (2) above, were the equivalents of Pound Sterling 1,217,341 and Pound Sterling 511,126, respectively.
- (4) Represents salary since joining ADT Security Services, Inc. in March 1996. Mr. Gross' annualized salary for 1996 was \$220,000.
- (5) Represents the amount contributed to Mr. Lakey's retirement income plan (1995 - \$14,822, 1994 - \$14,138).
- (6) The salary amount shown for 1996 represents Mr. Richardson's entitlement to salary in the year. Prior to becoming entitled to receive certain salary, however, Mr. Richardson elected to receive options at the rate of \$2.50 per option, to subscribe for Common Shares at an exercise price of \$8.625 per share, in lieu of receiving \$69,444 in salary (1995 - \$83,333, 1994 - \$97,222).
- (7) Represents \$4,500 contributed to a defined contribution 401(k) pension benefit plan (1995 - \$4,500, 1994 - \$4,500) and \$1,961 which is the aggregate incremental cost to the Company of providing Mr. Richardson with enhanced group term life insurance benefits (1995 - \$1,961, 1994 - \$1,980).
- (8) The salary amount shown for 1996 represents Mr. Ruzika's entitlement to salary in the year. Prior to becoming entitled to receive certain salary, however, Mr. Ruzika elected to receive options at the rate of \$2.50 per option, to subscribe for Common Shares at an exercise price of \$8.625 per share, in lieu of receiving \$80,136 in salary (1995 - \$104,167, 1994 - \$128,198).
- (9) Mr. Ruzika earned a bonus for 1996 of \$1,100,000 (1995 - \$250,000) under a bonus arrangement by which payments are related directly to the performance of the Common Share price.
- (10) Represents \$37,639 contributed to Mr. Ruzika's retirement income plan (1995 - \$35,777, 1994 - \$34,003) and \$2,684 which is the estimated aggregate incremental cost to the Company of providing Mr. Ruzika with supplemental term life insurance (1995 - \$1,655, 1994 - \$1,636).

Option Grants in Last Fiscal Year

Shown below are all grants of share options to the Named Officers during the fiscal year ended December 31, 1996. The following table shows, along with certain information, hypothetical realizable values of share options granted for the last fiscal year, at assumed rates of cumulative share price appreciation over the ten-year life of such options. These assumed rates of appreciation are set by the rules of the SEC and are not intended to forecast appreciation of the price of the Common Shares. These hypothetical values have not been discounted to reflect their present values.

Individual Grants					Potential Realizable Value at Assumed Annual Rates of Share Price Appreciation for Option Term(2)	
Name	Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/share)	Expiration Date	5%	10%
Michael A. Ashcroft	5,000,000	78.3%	\$15.00	Aug 4, 2003	\$30,968,000	\$74,713,000
Raymond A. Gross	100,000	1.6%	\$16.50	May 6, 2006	\$ 1,017,000	\$ 2,597,000
Ronnie G. Lakey	100,000	1.6%	\$16.50	May 6, 2006	\$ 1,017,000	\$ 2,597,000
Michael J. Richardson	40,000	0.6%	\$16.50	May 6, 2006	\$ 407,000	\$ 1,039,000
Stephen J. Ruzika	208,333	3.3%	\$15.00	April 29, 2004	\$ 1,452,000	\$ 3,567,000

(1) The options granted to Mr. Ashcroft and Mr. Ruzika represent the net increase in the number of options which were received by Mr. Ashcroft and Mr. Ruzika in connection with an amendment to a previously granted option on 3,000,000 and 125,000 Common Shares, respectively. At the same time as the number of options was increased, the exercise price was also increased from \$8.625 to \$15.00. All the other terms and conditions of the options, including the expiry dates, remained unchanged.

Of the options granted to Mr. Gross, Mr. Lakey and Mr. Richardson, 50 per cent are exercisable after three years from the date of grant, 25 per cent are exercisable after 4 years from the date of grant and 25 per cent are exercisable after five years from the date of grant.

(2) Gains are reported net of the option exercise price but before taxes associated with exercise. The amounts shown represent certain assumed rates of appreciation only. Actual gains, if any, on option exercises are dependent on the future price performance of the Common Shares as well as the option holders' continued employment through the vesting period. The potential realizable values reflected in this table may not necessarily be achieved.

Aggregate Option Exercises in Last Fiscal Year and Year-End Option Values
 Shown below is information with respect to aggregate option exercises by the
 Named Officers in the fiscal year ended December 31, 1996 and with respect to
 unexercised options to purchase Common Shares granted in fiscal 1996 and prior
 years to the Named Officers and held by them at December 31, 1996.

Name	Shares Acquired on Exercise of Options in Fiscal Year	Value Realized on Exercise of Options in Fiscal Year	Number of Unexercised Options at Fiscal Year End		Value of Unexercised In-the- Money Options at Fiscal Year End(1)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael A. Ashcroft	825,000	\$6,626,250	9,700,000	1,550,000	\$78,437,190	\$17,493,125
Raymond A. Gross	-0-	-0-	-0-	100,000	-0-	\$ 637,500
Ronnie G. Lakey	32,000	\$ 256,016	15,000	145,000	\$ 208,125	\$ 1,209,375
Michael J. Richardson	45,000	\$ 318,125	270,000	135,000	\$ 3,496,750	\$ 1,441,875
Stephen J. Ruzika	12,000	\$ 54,900	1,141,663	516,670	\$12,951,731	\$ 5,831,080

(1) Based on the closing price of \$22.875 per Common Share on December 31, 1996.

(2) Messrs. Ashcroft, Richardson and Ruzika were granted certain options for which they have paid a subscription price of \$2.50 per option which has been taken into account for the purpose of valuing these options.

Certain Defined Benefit Plans

The Company does not maintain any defined benefit or actuarial retirement plans ("pension plans"). However, Mr. Lakey, Mr. Richardson and Mr. Ruzika participate in pension plans that are maintained by indirect, wholly owned subsidiaries of the Company. Certain information is set forth below regarding the pension plans in which Mr. Lakey, Mr. Richardson and Mr. Ruzika, as well as other employees of the Company's subsidiaries, participate.

Mr. Richardson is a participant in the ADT Pension Plan maintained by ADT Group PLC ("ADT Group"). Mr. Richardson is the only Named Officer who participates in the ADT Group's Pension Plan (the "ADT Group Plan"). The ADT Group Plan provides Mr. Richardson an annual benefit payable for life beginning at age 60. The annual benefit is equal to 66.7 per cent of base salary for the three years of the most recent ten years prior to retirement that produce the highest average. Mr. Richardson's annual benefit payable at age 60 for life is Pound Sterling 146,095. Since Mr. Richardson has already attained age 60, the benefit payable to him upon his actual retirement will be adjusted based upon his actual retirement date. Benefits payable under the ADT Group Plan are not offset by Social Security benefits.

ADT, Inc. maintains a supplemental executive retirement plan (the "ADT SERP"). Mr. Lakey and Mr. Ruzika are the only Named Officers who participate in the ADT SERP. Benefits for Mr. Ruzika under the ADT SERP are also supplemented under a Supplemental Benefit Agreement between Mr. Ruzika and ADT Management Services Limited (the "Supplemental Benefit Agreement").

The ADT SERP provides benefits to Mr. Lakey for a total of 20 years, beginning at age 60. This annual benefit is equal to 60 per cent of Mr. Lakey's base salary for the three consecutive years that produce the highest average. This benefit is reduced by the value of any benefits derived from employer contributions under any other retirement plan maintained by ADT, Inc. or its affiliates. Mr. Lakey's estimated annual benefit payable at age 60 for a total of 20 years, net of the estimated offset attributable to employer contributions under certain defined contribution plans, is \$30,764. The estimated offset is based on the assumption that Mr. Lakey will have 27 years of service at age 60. Benefits are not offset by Social Security benefits.

The ADT SERP and Supplemental Benefit Agreement together provide benefits payable to Mr. Ruzika for a total of 20 years beginning at age 55. This annual benefit is equal to 65 per cent of base salary and bonuses for the three consecutive years that produce the highest average. Effective for benefits accrued after December 31, 1994, the benefit is calculated using base salary including, for this purpose, the purchase price of any options to purchase the Company's shares received in lieu of base salary. This benefit is reduced by the value of any benefits derived from employer contributions under any other retirement plan maintained by ADT, Inc. or its affiliates.

Mr. Ruzika's estimated annual benefit payable at age 55 for a total of 20 years, net of the estimated offset attributable to employer contributions under certain defined contribution plans, is \$361,802. The estimated offset is based upon the assumption that Mr. Ruzika will have 28 years of service at age 55. Benefits are not offset by Social Security benefits.

Compliance with Reporting Requirements

The Company believes that, during 1996, all filing requirements under Section 16(a) of the Exchange Act applicable to its officers, directors and beneficial owners of more than 10 per cent of equity securities were complied with on a timely basis.

Employment Contracts, Termination of Employment and Change in Control Arrangements

The Company has entered into a written employment agreement with Mr. Ashcroft, dated as of May 8, 1993. An amendment to the agreement was approved on November 4, 1996, which provides that Mr. Ashcroft shall serve as Chairman of the Board and Chief Executive Officer until March 31, 2000, subject to renewal for additional two-year terms thereafter. Mr. Ashcroft's initial base salary was \$1,000,000 per annum subject to annual review and adjustment by the Board but may only be reduced by a maximum of 15 per cent during the term of the agreement without Mr. Ashcroft's consent. During 1996, Mr. Ashcroft's base salary was increased to \$1,157,625 per annum. Mr. Ashcroft is also eligible for annual bonus payments based upon an earnings-per-share target for the Common Shares set each year, subject to a maximum bonus of \$4,000,000. The maximum bonus is payable upon attaining 117.5 per cent of the targeted earnings per share. As a term of the contract, Mr. Ashcroft was granted options to purchase 1,000,000 Common Shares under the ADT 1993 Long Term Incentive Plan, with 50 per cent of such options exercisable at market value on the date of grant, as defined, 25 per cent exercisable at 110 per cent of market value, and 25 per cent exercisable at 120 per cent of market value, vesting in equal annual installments over a three-year period commencing one year from the date of grant and exercisable over a ten-year period. The Company will make annual payments to Mr. Ashcroft calculated to provide him with retirement and death benefits no less favorable than if he were a member of ADT Group Plan. Such annual payments will not be less than \$450,000. The Company may terminate the agreement upon Mr. Ashcroft's death, when Mr. Ashcroft attains the age of 60, if Mr. Ashcroft is unable to perform his duties for 180 days due to ill health, accident or otherwise, if Mr. Ashcroft fails to discharge his duties or engages in conduct that is materially injurious to the Company, or if Mr. Ashcroft willfully and continually commits a material breach of the agreement. Mr. Ashcroft may terminate the agreement upon, among other reasons, a breach by the Company which breach (except for a material breach) is not cured within 30 days, if he is removed from his position as Chairman of the Board or his position as Chief Executive Officer, or if the scope of his duties and responsibilities becomes inconsistent with his position as an officer of the Company. Mr. Ashcroft may also terminate the agreement without cause at any time upon 90 days notice. In the event the agreement is terminated pursuant to its terms by the Company or without cause by Mr. Ashcroft upon 90 days notice, Mr. Ashcroft will be entitled to the pro rata portion of his base salary, bonus payment, pension payment and other benefits but will not be entitled to any additional payments. If the agreement is terminated due to a disability, Mr. Ashcroft will be entitled to an additional payment equal to two times his highest base salary. In the event the agreement is terminated by the Company without cause or by Mr. Ashcroft with cause, Mr. Ashcroft will be entitled to a severance payment equal to two times his highest base salary and average bonus payment, annual pension payments for the year of termination and the following two years, and one year of any other benefits previously provided.

Mr. Ruzika entered into an employment agreement with ADT as of February 26, 1997. The agreement provides that Mr. Ruzika will serve as Chief Financial Officer of ADT and as President of ADT Security Services, Inc., ADT Operations, Inc. and ADT, Inc., subsidiaries of ADT, from March 1, 1997 until February 28, 1999, subject to renewal for additional two-year terms thereafter. Mr. Ruzika's initial annual base salary will be \$694,500 and will be subject to annual review for possible adjustments. Mr. Ruzika will also be eligible for annual bonus payments at the discretion of the Company as well as other compensation and benefit plans of the Company including stock option plans. The termination provisions of this agreement provide that in the event that agreement is terminated by ADT without cause or by Mr. Ruzika with cause, Mr. Ruzika will be entitled to receive a severance payment equal to twice his base salary and certain fringe benefits.

Mr. Lakey entered into an employment agreement with ADT, Inc. as of January 16, 1997. The agreement provides that Mr. Lakey will have operational responsibility for ADT's electronic security operations in Canada and Europe from January 16, 1997 until December 31, 1999, subject to renewal for additional two-year terms thereafter. Mr. Lakey's initial annual base salary will be \$265,000. Mr. Lakey will also be eligible for annual bonus payments at the discretion of the Company as well as certain other enumerated benefits and relocation expenses. The termination provisions of this agreement include a term to the effect that, in the event that agreement is terminated by ADT without cause or by Mr. Lakey with cause, Mr. Lakey will be entitled to receive his base salary and certain fringe benefits for two years.

Under the ADT SERP (and, in the case of Mr. Ruzika, the Supplemental Benefit Agreement), Mr. Ruzika and Mr. Lakey become fully vested in the accrued benefits thereunder upon a Change in Control (as defined below) of the Company or ADT, Inc. Mr. Ruzika also becomes fully vested upon a Change in Control (as defined below) of ADT Management Services Limited. If Mr. Ruzika or Mr. Lakey's employment is terminated within one year from the date of a Change in Control, the terminated executive will receive, in lieu of all other amounts due to him under the ADT SERP (and, in Mr. Ruzika's case, the Supplemental Benefit Agreement), a lump-sum distribution equal to the present value of his accrued benefit and an additional amount calculated under a formula intended to put him in the same after-tax position that he would have been in if he had received a lump-sum distribution of his accrued benefit on his normal retirement date. Under this formula Mr. Ruzika would currently receive an additional amount of approximately \$653,295 and Mr. Lakey would currently receive an additional amount of approximately \$54,253.

A "Change in Control" is deemed to have occurred under the ADT SERP if : (1) any person (other than Laidlaw, Inc. or its affiliates, collectively the "Laidlaw Group") acquires more than 40 per cent of the Company's voting stock (the triggering percentage has been reduced from 40 per cent to 35 per cent because the Laidlaw Group's beneficial ownership of the Company's voting stock is less than 20 per cent); (2) the Laidlaw Group becomes the beneficial owner of more than 45 per cent of the Company's outstanding voting stock; (3) there is a change of 50 per cent or more in the composition of the Company's directors during any 3-year period (unless the change in directors was approved by two thirds of the directors in office at the beginning of such 3-year period or directors who had previously been elected with the requisite two thirds approval); (4) a person acquires the legal right to direct the management and policies of the Company (other than by virtue of membership on the board of directors or a committee of the board); (5) the Company ceases to own, directly or indirectly through subsidiaries, at least 80 per cent of the voting stock of ADT, Inc. or (6) the shareholders of either the Company or ADT, Inc. approve a merger, consolidation or a sale or disposition of all, or substantially all, of the assets of the Company or ADT, Inc. as the case may be, with the relevant company not surviving. In the case of Mr. Ruzika, the provisions of (4), (5), and (6) above include a change in the ownership of ADT Management Services Limited (as well as the Company or ADT, Inc.).

Mr. Richardson entered into an employment agreement with ADT Automotive Holdings, Inc. ("ADT Automotive Holdings"), the corporate parent of ADT Automotive, Inc., as of November 30, 1993. The agreement provides that Mr. Richardson will serve as Chief Executive Officer of ADT Automotive Holdings and its subsidiaries from December 1, 1993 until July 31, 1996, subject to renewal for additional one-year terms thereafter. The agreement was renewed on a year-to-year basis as of July 31, 1996. The agreement provides that the term will be extended for an additional one year period thereafter unless either ADT Automotive Holdings or Mr. Richardson shall have given the other notice of intention not to extend the term six months prior to July 31, 1997. On January 29, 1997, ADT Automotive Holdings and Mr. Richardson entered into an agreement which provides that Mr. Richardson's time to give such notice is extended to and including April 30, 1997. Mr. Richardson's initial annual base salary will be \$300,000 and will be subject to annual review for possible increases. Mr. Richardson will also be eligible for annual bonus payments at the discretion of the Company. The termination provisions of this agreement include a term to the effect that, in the event that agreement is terminated by ADT Automotive Holdings without cause or by Mr. Richardson with cause, Mr. Richardson will be entitled to receive his base salary and certain fringe benefits for two years or the remaining term of the agreement, whichever is longer.

Mr. Richardson has also entered into an incentive compensation agreement for payment upon the successful sale of ADT Automotive Holdings by the Company. To the extent that the gross consideration for such sale exceeds \$430 million, on completion of the sale, ADT has agreed to pay Mr. Richardson one-half of one per cent of such excess. Gross consideration is deemed to be the aggregate of proceeds received by ADT and debt remaining in the auctions group which is assumed by the purchaser other than debt considered to be a component of working capital, including bank overdrafts. The Remuneration Committee of the Board has considered the recommendations of the Company's outside independent human resources consultants, and has reviewed industry practices concerning change in control severance benefits. In view of the need to minimize employee distractions and to retain employee loyalty and dedication to the Company and to assure attention to the Company's performance pending resolution of the Western Offer, on February 27, on the recommendation of the Remuneration Committee, the Board unanimously approved a severance agreement between Mr. Gross and ADT Security Services, Inc. in the event of a change of control, which severance arrangement it has determined is fair and consistent with industry practices. The agreement provides that in the event that there is a "Severance Change in Control" (as defined below) of ADT prior to February 9, 2000, and either (x) Mr. Gross's employment is terminated without cause or (y) Mr. Gross terminates his employment for good reason, Mr. Gross shall be entitled to (a) an amount of severance pay equal to twice the total of (i) the higher of his annual full base salary as of the date of termination or as of the date of the Severance Change in Control, calculated on an annualized basis, plus (ii) the amount of the bonus awarded to Mr. Gross, if any, in the year prior to the date of termination and (b) for the twelve-month period following such termination, benefits substantially similar to the higher of those which Mr. Gross is receiving immediately prior to the date of termination or as of the date of the Severance Change in Control. A "Severance Change in Control" is deemed to have occurred under the severance agreement if: (1) any person becomes the beneficial owner of more than 50 per cent of ADT's then-outstanding voting securities; (2) there is a change of 50 per cent or more in the composition of the Company's directors during the term of the agreement (unless the change in directors was approved by two thirds of the directors in office at the beginning of such term or directors who had previously been elected with the requisite two thirds approval); (3) a person acquires the legal right to direct the management and policies of the Company (other than by virtue of membership on the board of directors or a committee of the board); or (4) the shareholders of ADT approve a merger, consolidation or a sale or disposition of all, or substantially all, of the assets of ADT in which ADT is not the surviving entity.

In 1996, the Remuneration Committee of the Board resolved to increase the subscription price and size of certain share options held by Mr. Ashcroft and Mr. Ruzika. In 1993, Mr. Ashcroft and Mr. Ruzika were granted options to subscribe for 3,000,000 and 125,000 Common Shares respectively at an exercise price of \$8.625 per share for which each was required to pay \$2.50 per option, representing a total payment of \$7,500,000 and \$312,500 respectively, as a condition of vesting. In 1996, the exercise price of these options was increased to \$15 and the number of related shares was increased to 8,000,000 and 333,333 respectively. All the other material terms and conditions remained unchanged. These changes were approved by the shareholders of the Company. At the time that the Remuneration Committee approved these changes, the closing price of the Common Shares was \$14.75. In November 1996, the Remuneration Committee resolved that the options of Mr. Ashcroft be transferable and, at the same time, in return, Mr. Ashcroft agreed to extend the termination date of his employment agreement from March 31, 1998 to March 31, 2000.

In November 1996, the Remuneration Committee also approved a bonus plan under which Mr. Ruzika is to receive a bonus of \$200,000 when the Common Share price exceeds \$21.00 for a continuous period of 30 trading days and \$200,000 each time the Common Share price exceeds by \$1.00 for a continuous period of 30 trading days the share price level at which a bonus payment was previously made. The plan is due to expire in 2001 or such earlier date as the Common Share price exceeds \$30.00 for a continuous period of 30 trading days. Should the share price exceed \$30.00 within two and one half years, Mr. Ruzika will receive an additional payment of \$1,000,000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
 Security Ownership of Certain Beneficial Owners and Management The following table sets forth certain information, with respect to beneficial ownership (determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Common Shares by any person known by the Company to beneficially own more than five per cent of the outstanding Common Shares (i) as at December 31, 1996 by FMR Corp. ("FMR"); (ii) as at March 17, 1997 by WCI; (iii) as at March 21, 1997 by Republic; and (iv) as at March 24, 1997 by (a) all directors of the Company, (b) the named directors and officers of the Company, including three executive officers of subsidiaries of the Company and (c) all directors and executive officers of the Company as a group. An asterisk indicates ownership of less than one per cent of outstanding Common Shares.

Name of Beneficial Owner or Identity of Group -----	Number of Common Shares Beneficially Owned(1),(2) -----	Per cent of Class(3) -----
Westar Capital, Inc. (4) 818 Kansas Avenue Topeka, Kansas 66601	38,287,111	24.9%
FMR Corp.(5) 82 Devonshire Street Boston, Massachusetts 02109	8,416,744	5.4%
Republic Industries, Inc.(6) 450 East Las Olas Boulevard Fort Lauderdale, Florida 33301	15,000,000	9.8%
M.A. Ashcroft(6)(7)	11,525,718	7.0%
J.E. Danneberg	102	*
R.A. Gross	2,000	*
A.B. Henderson	621	*
R.G. Lakey	25,000	*
J.S. Pasman, Jr.	2,000	*
M.J. Richardson	327,837	*
S.J. Ruzika	1,307,407	*
W.P. Slusser	2,800	*
W.W. Stinson	3,010	*
R.S. Troubh	2,500	*
All directors and executive officers as a group, 11 persons(8)	13,198,995	8.0%

- (1) Includes Common Shares which may be acquired upon exercise of the following number of options to purchase Common Shares from the Company exercisable on or within 60 days of March 24, 1997 held by the following persons: M.A. Ashcroft, 10,150,000 (excluding 15,000,000 Common Shares owned by Republic for which Mr. Ashcroft, as Chairman of ADT, holds a proxy as described in footnote 6, but as to which Mr. Ashcroft disclaims beneficial ownership); R.A. Gross, nil; R.G. Lakey, 25,000; M.J. Richardson, 315,000 and S.J. Ruzika, 1,291,665.
- (2) For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any Common Shares which such person has the right to acquire on or within 60 days after March 24, 1997. For purposes of computing the percentage of outstanding Common Shares held by each person or group of persons named above, any security which such person or persons has or have the right to acquire on or within 60 days after March 24, 1997 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (3) Based upon Common Shares outstanding on March 24, 1997, but excluding 3,182,787 Common Shares owned by a subsidiary of the Company.
- (4) The Company has received an Amendment No. 10 to Schedule 13D dated March 17, 1997 filed with the SEC by WCI, a wholly owned subsidiary of Western Resources Inc., in respect of ownership of 38,287,111 Common Shares. The Company has not attempted to verify independently any of the information contained in the Schedule 13D.
- (5) The Company has received an Amendment No. 4 to Schedule 13G dated February 14, 1997 filed with the by SEC in respect of ownership of 8,416,744 of Common Shares at December 31, 1996 by accounts under the discretionary investment management of its wholly owned subsidiaries Fidelity Management Research Company and Fidelity Management Trust Company. As of December 31, 1996, FMR exercised sole voting power with respect to 112,714 Common Shares and sole dispositive power with respect to 8,416,744 Common Shares. The Company has not attempted to independently verify any of the information contained in the Schedule 13G.
- (6) The Company has received an Amendment No. 2 to Schedule 13D dated March 26, 1997, describing that on March 21, 1997, Republic, through Triangle Corporation, a Delaware corporation and a wholly owned subsidiary of Republic ("Triangle"), purchased 15,000,000 Common Shares by exercise of the Republic Warrant. Under the terms of the Republic Warrant, Triangle has granted the Chairman of ADT an irrevocable proxy to vote, at any meeting of ADT's shareholders, the 15,000,000 Common Shares issued under the Republic Warrant, with respect to any matter which shall be voted upon by ADT's shareholders. The proxy expires as to any such Common Shares on the earlier of (i) September 27, 1998 and (ii) the date such shares are no longer held by Republic or any of its affiliates or nominees. Mr. Ashcroft, the current Chairman of ADT, disclaims beneficial ownership of the Common Shares held by Triangle.

(7) The number of Common Shares beneficially owned by Mr. Ashcroft includes 718 Common Shares owned by Mr. Ashcroft's wife.

(8) The address for these officers and directors is the address of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Relationships and Related Transactions

ADT, Inc., a wholly owned subsidiary of ADT, entered into a consulting agreement with John E. Danneberg, one of ADT's directors, as of August 28, 1996. The agreement provides that Mr. Danneberg, as an independent consultant, will serve as Chief Executive Officer of Sonitrol Corporation ("Franchisor") and certain franchisees of Franchisor owned or acquired by affiliates of ADT, Inc. The agreement provides that the initial term of such engagement shall be for a period of six months commencing on September 1, 1996 and shall be automatically renewed on a month to month basis unless written notice is given by ADT, Inc. or Mr. Danneberg not to renew the agreement at least 30 days before the end of such initial term, which notice was not given. Under the terms of the agreement, ADT, Inc. pays Mr. Danneberg a monthly fee of \$15,000 and Mr. Danneberg is reimbursed directly for all reasonable out-of-pocket business expenses.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Consolidated Financial Statements

Report of Independent Accountants

Consolidated Statements of Income for the years ended

December 31, 1996, 1995 and 1994

Consolidated Balance Sheets at December 31, 1996 and 1995

Consolidated Statements of Cash Flows for the years ended

December 31, 1996, 1995 and 1994

Consolidated Statements of Changes in Shareholders' Equity for the years ended

December 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

Consolidated Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

(b) Exhibits

- 2.1 Agreement and Plan of Merger by and among ADT Limited, Limited Apache, Inc. and Tyco International Ltd. dated as of March 17, 1997.(6)
- 3.1 Memorandum of Association (as altered) and Bye-Laws of ADT Limited (incorporating all amendments to May 26, 1992).(1)
- 3.2 Certified copy of a resolution approved at the Annual General Meeting of common shareholders of ADT Limited held on October 12, 1993, approving an increase in the authorized common share capital of ADT Limited from \$19.5 million to \$22.0 million.(4)
- 4.1 Indenture relating to the senior notes dated August 4, 1993 among ADT Operations, as issuer, and ADT Limited and certain subsidiaries of ADT Operations, as guarantors, and The Chase Manhattan Bank (National Association), as trustee, and the form of senior note included therein.(2)
- 4.2 Indenture relating to the senior subordinated notes dated August 4, 1993 among ADT Operations, as issuer, and ADT Limited, as guarantor, and NationsBank of Georgia, National Association, as trustee, and the form of senior subordinated note included therein.(2)
- 4.3 Indenture dated as of July 1, 1995 among ADT Operations, Inc., ADT Limited and Bank of Montreal Trust Company, as trustee and the form of note included therein. (5)
- 4.4 Rights Agreement between ADT Limited and Citibank, N.A. dated as of November 6, 1996.(9)
- 4.5 First Amendment between ADT Limited and Citibank, N.A. dated as of March 3, 1997 to Rights Agreement between ADT Limited and Citibank, N.A. dated as of November 6, 1996.(9)
- 10.1 Rules of the ADT UK Executive Share Option Scheme (1984), amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.2 Rules of the ADT International Executive Share Option Plan, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.3 Rules of the ADT UK and International Executive Share Option Schemes (1984) New Section, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*

- 10.4 Rules of the ADT Senior Executive Share Option Plan, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.5 US (1990) Stock Option Plan of ADT Limited, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.6 Employment Agreement dated May 8, 1993 between ADT Limited and Michael Anthony Ashcroft.(2)*
- 10.7 Amendment to Employment Agreement dated December 18, 1996 between ADT Limited and Michael Anthony Ashcroft.(9)*
- 10.8 Employment agreement between ADT Limited and Stephen J. Ruzika dated as of February 26, 1997.(9)*
- 10.9 Employment agreement between ADT, Inc. and Ron G. Lakey dated as of January 16, 1997.(9)*
- 10.10 Agreement between ADT Automotive Holdings, Inc. and Michael J. Richardson dated as of January 29, 1997.(9)*
- 10.11 Incentive Compensation Agreement between ADT, Inc. and Michael J. Richardson dated as of February 10, 1997.(9)*
- 10.12 Severance Agreement between ADT Security Services, Inc. and Raymond Gross dated as of February 26, 1997.(9)*
- 10.13 Consulting Agreement between ADT, Inc. and John E. Danneberg dated as of August 28, 1996.(9)*
- 10.14 Form of Indemnification Agreement.(9)*
- 10.15 The ADT 1993 Long-Term Incentive Plan (as amended February 29, 1996).(3)*
- 10.16 Purchase Agreement dated June 29, 1995 among ADT Operations, Inc., ADT Limited and Merrill Lynch & Co., Inc. and the related pricing agreement (5)
- 10.17 US\$200,000,000 Credit Agreement dated as of January 9, 1997, among ADT Operations, Inc., as the Borrower, and Certain Commercial Lending Institutions as the Lenders, and the Bank of Nova Scotia as the Agent for the Lenders.
- 10.18 Guaranty, dated as of January 9, 1997, made by ADT Limited in favor of each of the Lender Parties (as defined therein).
- 10.19 Subsidiary Guarantor Guaranty, dated as of January 9, 1997, made by each Subsidiary Guarantor (as defined therein) in favor of each of the Lender Parties (as defined therein).
- 10.20 Pound Sterling 90,000,000 Facility Agreement dated March 17, 1997, among ADT Finance Plc, as the Borrower, ADT (UK) Holdings PLC and Others as Guarantors, The Bank of Nova Scotia as Arranger and as Agent and Others.
- 10.21 ADT Limited Guarantee dated as of March 25, 1997, in respect of a Pound Sterling 90,000,000 facility made available to ADT Finance Plc.
- 10.22 Pound Sterling 27,000,000 On Demand Facility Letter dated January 3, 1997, between ADT Finance Plc and The Bank of Nova Scotia.
- 10.23 ADT Limited Guarantee in respect of the obligations of ADT Finance Plc under a Pound Sterling 27,000,000 Facility Letter dated January 3, 1997.
- 10.24 Agreement dated December 29, 1995 among ADT (UK) Limited, ADT Holdings BV, Ruskin Limited, ADT Limited, Loanoption Limited and Integrated Transport Systems Limited for the sale and purchase of European Auctions.(7)
- 10.25 Agreement among ADT Limited, Thomas J. Gibson and Integrated Transport Systems Limited dated December 29, 1995.(8)*
- 10.26 Agreement among ADT Limited, David B. Hammond and Integrated Transport Systems Limited dated December 29, 1995.(8)*
- 10.27 Common Share Purchase Warrant issued by ADT Limited on July 1, 1996 to Republic Industries, Inc.(10)

- 11.1 Statement regarding the computation of earnings per common share.
- 21.1 List of subsidiaries of ADT Limited
- 23.1 Consent of independent accountants to the incorporation by reference of this Annual Report into Form S-3 and Forms S-8.
- 27 Financial Data Schedule (for SEC use only).

-
- (1) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
 - (2) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993.
 - (3) Previously filed as an Exhibit to the Registrant's Registration Statement dated May 16, 1996, on Form S-8 filed May 17, 1996.
 - (4) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.
 - (5) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.
 - (6) Previously filed as an Exhibit to the Registrant's Current Report dated March 24, 1997 on Form 8-K filed March 25, 1997.
 - (7) Previously filed as an Exhibit to the Registrant's Current Report dated December 29, 1995 on Form 8-K filed January 16, 1996.
 - (8) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
 - (9) Previously filed as an Exhibit to the Registrant's Schedule 14D-9 dated March 3, 1997.
 - (10) Previously filed as an Exhibit to the Registrant's Current Report dated July 10, 1996 on Form 8-K filed July 11, 1996.
- * Management contract or compensatory plan.

(c) Reports on Form 8-K

Current Reports on Form 8-K were filed by ADT Limited on September 19, 1996, October 21, 1996 and November 12, 1996 regarding the acquisition of and merger with Automated Security (Holdings) PLC.

A Current Report on Form 8-K was filed by ADT Limited on March 25, 1997, regarding the Agreement and Plan of Merger with Tyco International Ltd.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADT LIMITED

By: /s/ Stephen J. Ruzika

Stephen J. Ruzika
Director and Executive
Vice President

Date: March 26, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Michael A. Ashcroft ----- Michael A. Ashcroft	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 26, 1997
/s/ Stephen J. Ruzika ----- Stephen J. Ruzika	Chief Financial Officer, Executive Vice President and Director (Principal Financial Officer and Principal Accounting Officer)	March 26, 1997
/s/ John E. Danneberg ----- John E. Danneberg	Director	March 26, 1997
/s/ Alan B. Henderson ----- Alan B. Henderson	Director	March 26, 1997
/s/ James S. Pasman, Jr. ----- James S. Pasman, Jr.	Director	March 26, 1997
/s/ W. Peter Slusser ----- W. Peter Slusser	Director	March 26, 1997
/s/ William W. Stinson ----- William W. Stinson	Director	March 26, 1997
/s/ Raymond S. Trough ----- Raymond S. Trough	Director	March 26, 1997

ADT LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

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The consolidated financial statements and consolidated financial statement schedules were approved by the Board of Directors of ADT Limited on March 26, 1997.	

ADT LIMITED

Report of Independent Accountants

To the Board of Directors and Shareholders of ADT Limited

We have audited the consolidated financial statements and the consolidated financial statement schedules of ADT Limited listed in the index on page F-1. These consolidated financial statements and consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ADT Limited as at December 31, 1996 and 1995, and the consolidated results of its operations and cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles in the United States. In addition, in our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in note 6 to the consolidated financial statements, effective January 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

COOPERS & LYBRAND
Hamilton, Bermuda
March 26, 1997

ADT LIMITED

Consolidated Statements of Income

Year ended December 31	Notes	1996 \$m	1995 \$m	1994 \$m
Net sales	4	1,704.0	1,783.8	1,629.4
Cost of sales		(920.0)	(990.4)	(913.4)
Selling, general and administrative expenses		(567.5)	(558.4)	(505.5)
Restructuring and other non-recurring charges	5	(237.3)	(34.2)	(4.5)
Charge for the impairment of long-lived assets	6	(744.7)	-	-
		-----	-----	-----
Operating (loss) income	4	(765.5)	200.8	206.0
Interest income		27.5	16.2	15.2
Interest expense		(101.0)	(116.3)	(99.3)
Gain (loss) on disposal of businesses	7,34	1.7	(36.6)	(0.3)
Other income less expenses	8	128.8	(5.0)	(4.1)
		-----	-----	-----
(Loss) income before income taxes		(708.5)	59.1	117.5
Income taxes	9	21.8	(28.1)	(34.9)
		-----	-----	-----
(Loss) income from continuing operations		(686.7)	31.0	82.6
Loss from discontinued operations	10	-	-	(3.3)
		-----	-----	-----
(Loss) income before extraordinary items		(686.7)	31.0	79.3
Extraordinary items (net of income taxes)	11	(8.4)	(9.8)	-
		-----	-----	-----
Net (loss) income		(695.1)	21.2	79.3
Dividends on preference shares	28	(0.3)	(0.3)	(13.3)
		-----	-----	-----
Net (loss) income available to common shareholders		<u>(695.4)</u>	<u>20.9</u>	<u>66.0</u>
		=====	=====	=====
Primary and fully diluted (loss) earnings per common share	12	\$	\$	\$
(Loss) income from continuing operations		(5.01)	0.22	0.51
Loss from discontinued operations		-	-	(0.03)
Extraordinary items		(0.06)	(0.07)	-
		-----	-----	-----
Net (loss) income per common share		<u>(5.07)</u>	<u>0.15</u>	<u>0.48</u>
		=====	=====	=====

See notes to consolidated financial statements.

ADT LIMITED

Consolidated Balance Sheets

At December 31		1996	1995
	Notes	\$m	\$m
Assets			
Current assets:			
Cash and cash equivalents		215.9	350.9
Accounts receivable - net	13	210.7	196.4
Inventories	14	39.2	38.0
Prepaid expenses and other current assets	15	117.0	34.5
		-----	-----
Total current assets		582.8	619.8
Property, plant and equipment - net	16	1,513.6	1,571.3
Goodwill and other intangibles - net	17	458.0	1,053.6
Investment in and loans to associate	18,34	-	88.8
Long-term investments	19	100.6	2.0
Other long-term assets	20	75.4	84.2
		-----	-----
Total assets		2,730.4	3,419.7
		=====	=====
Liabilities and shareholders' equity			
Current liabilities:			
Short-term debt	21	209.2	44.9
Accounts payable		138.0	112.0
Other current liabilities	22	293.6	227.2
		-----	-----
Total current liabilities		640.8	384.1
Long-term debt	23	910.1	1,174.8
Deferred revenue	24	146.1	137.4
Deferred income taxes	25	91.5	142.4
Other long-term liabilities	26	182.1	135.2
Minority interests	27	-	15.6
		-----	-----
Total liabilities		1,970.6	1,989.5
		-----	-----
Commitments and contingencies	32		
Convertible redeemable preference shares	28	-	4.9
Shareholders' equity:			
Common shares	30	14.1	13.9
Additional paid-in capital			
Share premium		882.5	858.0
Contributed surplus		1,563.1	1,563.1
Treasury shares	31	(79.7)	(79.7)
Accumulated deficit		(1,598.8)	(903.4)
Cumulative currency translation adjustments		(21.4)	(26.6)
		-----	-----
Total shareholders' equity		759.8	1,425.3
		-----	-----
Total liabilities and shareholders' equity		2,730.4	3,419.7
		=====	=====

See notes to consolidated financial statements

ADT LIMITED

Consolidated Statements of Cash Flows

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Cash flows from operating activities			
Net (loss) income	(695.1)	21.2	79.3
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Charge for the impairment of long-lived assets	744.7	-	-
Depreciation	206.2	209.0	189.0
Goodwill and other intangibles amortization	18.6	38.9	37.7
Restructuring and other non-recurring charges	217.4	32.7	4.5
Interest on ITS Vendor Note	(8.9)	-	-
Liquid Yield Option Notes discount amortization	20.3	9.4	-
Yield maintenance amortization - senior notes - ASH	1.5	1.1	0.6
Refinancing costs amortization	3.7	5.3	5.7
Deferred income taxes	(39.5)	18.4	24.9
Extraordinary items	8.4	9.8	-
Gain on disposal of property, plant and equipment	(2.4)	(1.7)	(3.1)
(Gain) loss on disposal of businesses	(1.7)	36.6	0.3
(Gain) loss on disposal of investment in associates	(1.2)	5.1	(4.2)
Gain arising from the ownership of investments	(53.2)	(0.1)	(17.3)
Write off in value of associate	-	-	30.7
Settlement gain	(69.7)	-	-
Gain on currency transactions	(9.7)	(0.9)	(2.1)
Loss on disposal of discontinued operations	-	-	3.7
Other	2.0	1.1	(2.6)
Changes in assets and liabilities:			
Accounts receivable	(11.9)	(36.3)	(14.3)
Inventories	(3.3)	0.6	(3.9)
Other assets	(11.7)	(5.7)	3.6
Accounts payable	11.3	6.1	16.5
Deferred revenue	4.3	2.7	8.0
Other liabilities	(21.4)	(16.3)	6.1
	----	----	----
Net cash provided by operating activities	308.7	337.0	363.1
	----	----	----

See notes to consolidated financial statements

Cash flows from investing activities			
Purchase of property, plant and equipment	(344.4)	(325.8)	(282.6)
Disposal of property, plant and equipment	10.0	8.0	13.5
Acquisition of businesses	(25.5)	(68.3)	(14.8)
Purchase of customer contracts	(34.6)	(0.5)	(2.3)
Purchase of other investments	(6.8)	(0.4)	(6.1)
Disposal of businesses	3.0	254.8	10.0
Disposal of discontinued operations	-	-	4.6
Disposal of investment in and loans to associates	15.4	7.8	40.2
Disposal of other investments	54.1	0.2	72.5
Other	0.4	5.6	(6.6)
	-----	-----	-----
Net cash utilized by investing activities	(328.4)	(118.6)	(171.6)
	-----	-----	-----
Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Cash flows from financing activities			
Net receipt (repayments) of short-term debt	10.9	(103.9)	(26.2)
Repayments of long-term debt	(209.9)	(216.9)	(1.3)
Repayment of long-term acquisition debt	-	(39.6)	-
Proceeds from long-term debt	86.8	314.0	240.6
Debt refinancing costs	-	(12.0)	(1.0)
Purchase of senior subordinated notes	(24.0)	(33.7)	-
Proceeds from issue of common shares	24.7	7.0	7.3
Redemption of convertible redeemable preference shares	(4.9)	-	(420.2)
Dividends paid by ADT	(0.3)	(0.3)	(18.1)
Dividends paid by ASH	-	(4.5)	(3.3)
Other	-	(0.3)	(11.7)
	-----	-----	-----
Net cash utilized by financing activities	(116.7)	(90.2)	(233.9)
	-----	-----	-----
Effect of currency translation on cash and cash equivalents	1.4	0.8	2.1
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(135.0)	129.0	(40.3)
Cash and cash equivalents at beginning of year	350.9	221.9	262.2
	-----	-----	-----
Cash and cash equivalents at end of year	215.9	350.9	221.9
	=====	=====	=====
Cash payments during the year for			
Interest	77.3	103.5	86.0
Income taxes	8.9	15.0	10.3
Non-cash investing and financing activities			
Exchange of Liquid Yield Option Notes	0.4	-	-
Conversion of convertible redeemable preference shares	-	0.1	-
Exchange of non-voting exchangeable shares In conjunction with the acquisition of businesses, net (assets) liabilities were assumed as follows	-	-	9.7
Goodwill and other intangibles	10.3	123.0	12.7
Cash paid (net of cash assumed)	(25.5)	(68.3)	(14.8)
	-----	-----	-----
Net (assets) liabilities assumed	(15.2)	54.7	(2.1)
	=====	=====	=====
See notes to consolidated financial statements			

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
In conjunction with the disposal of businesses, net assets were disposed as follows			
Cash received (net of cash disposed)	3.0	254.8	10.0
Notes received	-	87.9	10.5
Ordinary shares received	-	0.9	-
Deferred consideration	-	5.6	-
Currency translation adjustments transferred on disposal of businesses	-	(22.2)	-
(Gain) loss on disposal of businesses (including net unamortized goodwill and other intangibles and cumulative currency translation adjustments)	(1.7)	36.6	0.3
	---	-----	----
Net assets disposed	1.3	363.6	20.8
	===	=====	=====
In conjunction with the disposal of discontinued operations, net assets were disposed as follows			
Cash received (net of cash disposed)	-	-	4.6
Loss on disposal of discontinued operations (including net unamortized goodwill and other intangibles)	-	-	3.7
	---	-----	----
Net assets disposed	-	-	8.3
	===	=====	=====
See notes to consolidated financial statements			

ADT LIMITED

Consolidated Statements of Changes in Shareholders' Equity

	Common shares \$m	Share premium \$m	Contributed surplus \$m	Treasury shares \$m	Accum- ulated deficit \$m	Cumulative currency translation adjustments \$m	Total \$m
At January 1, 1994 - as previously reported	13.0	710.8	1,442.7	(102.9)	(1,060.9)	(45.4)	957.3
Pooling of interests with ASH (note 3)	0.7	133.1	126.5	-	77.1	(29.9)	307.5
-----	-----	-----	-----	-----	-----	-----	-----
At January 1, 1994 - as restated	13.7	843.9	1,569.2	(102.9)	(983.8)	(75.3)	1,264.8
Common shares issued	0.1	7.2	-	-	-	-	7.3
Exchange of non-voting exchangeable shares	-	-	(8.1)	23.1	-	-	15.0
Reversal of redemption premium on convertible preference shares	-	-	1.8	-	-	-	1.8
Net income	-	-	-	-	79.3	-	79.3
Dividends on ADT preference shares	-	-	-	-	(13.3)	-	(13.3)
Dividends on ASH preference shares (i)	-	-	-	-	(4.3)	-	(4.3)
Currency translation adjustments	-	-	-	-	-	25.9	25.9
-----	-----	-----	-----	-----	-----	-----	-----
At December 31, 1994	13.8	851.1	1,562.9	(79.8)	(922.1)	(49.4)	1,376.5
Common shares issued	0.1	6.9	-	-	-	-	7.0
Conversion of convertible preference shares	-	-	0.3	-	-	-	0.3
Exchange of non-voting exchangeable shares	-	-	(0.1)	0.1	-	-	-
Net income	-	-	-	-	21.2	-	21.2
Dividends on ADT preference shares	-	-	-	-	(0.3)	-	(0.3)
Dividends on ASH preference shares (i)	-	-	-	-	(2.2)	-	(2.2)
Currency translation adjustments	-	-	-	-	-	(0.5)	(0.5)
Currency translation adjustments transferred on disposal of businesses and associates	-	-	-	-	-	23.3	23.3
-----	-----	-----	-----	-----	-----	-----	-----
At December 31, 1995	13.9	858.0	1,563.1	(79.7)	(903.4)	(26.6)	1,425.3
Common shares issued	0.2	24.5	-	-	-	-	24.7
Exchange of Liquid Yield Option Notes	-	-	0.3	-	-	-	0.3
Net loss	-	-	-	-	(695.1)	-	(695.1)
Dividends on ADT preference shares	-	-	-	-	(0.3)	-	(0.3)
Currency translation and other adjustments	-	-	(0.3)	-	-	5.2	4.9
-----	-----	-----	-----	-----	-----	-----	-----
At December 31, 1996	14.1	882.5	1,563.1	(79.7)	(1,598.8)	(21.4)	759.8
=====	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements

ADT LIMITED

Consolidated Statements of Changes in Shareholders' Equity (continued) (i)
Prior to the Company's merger with Automated Security (Holdings) PLC ("ASH") in September 1996 (note 3), ASH had issued and outstanding two classes of convertible cumulative redeemable preference shares. The dividends on these preference shares have been charged to the accumulated deficit account during the relevant periods. Given the terms and conditions of the preference shares and that the holders of these preference shares received ADT common shares at the time of the Company's merger with ASH, the dividends have not been included in the calculation of earnings per common share in any period presented.

See notes to consolidated financial statements

ADT LIMITED

Notes to Consolidated Financial Statements

Note 1 - Basis of consolidated financial statements

The consolidated financial statements have been prepared in United States dollars in accordance with generally accepted accounting principles in the United States and as described in notes 2 and 3. The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These management estimates include an allowance for doubtful receivables, estimates of future cash flows associated with assets, asset impairments, and useful lives for depreciation and amortization, loss contingencies, income taxes and valuation allowances for deferred tax assets, and the determination of discount and other rate assumptions for pension and post-retirement employee benefit expenses. Actual results could differ from those estimates. Certain figures at December 31, 1995 and for the years ended December 31, 1995 and 1994 have been reclassified to conform to the 1996 presentation.

Note 2 - Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements incorporate the financial statements of ADT Limited ("ADT"), a company incorporated in Bermuda, and its subsidiaries (the "Company"). ADT is a holding company with no independent business operations or assets other than its investment in its subsidiaries, intercompany balances and holdings of cash and cash equivalents. ADT's businesses are conducted through its subsidiaries. The Company consolidates companies in which it owns or controls more than fifty per cent of the voting shares unless control is likely to be temporary. The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal except in the case of pooling of interests (note 3). All significant intercompany balances and transactions have been eliminated in consolidation.

Associates

For investments in which the Company owns or controls more than twenty per cent of the voting shares, or over which it exerts significant influence over operating and financial policies, the equity method of accounting is used in the consolidated financial statements. The investment in associates is shown in the consolidated balance sheets as the Company's proportion of the underlying net assets of these companies plus any goodwill attributable to the acquisitions less any write off required for a permanent diminution in value. The consolidated statements of income include the Company's share of net income of associates less applicable goodwill amortization.

Currency translation

The results of subsidiaries and associates located outside the United States which account in a functional currency other than United States dollars are translated into United States dollars at the average rate of exchange for the year. The assets and liabilities of subsidiaries and associates located outside the United States which account in a functional currency other than United States dollars are translated into United States dollars at the rate ruling at the balance sheet date. Currency translation adjustments arising from the use of differing exchange rates from period to period are included as a separate component in shareholders' equity.

The gains and losses arising from currency transactions are included in the consolidated statements of income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid instruments, with an original maturity of three months or less. As a result of the short-term maturity of these financial instruments their carrying value is approximately equal to their fair market value.

Inventories

Inventories are carried at the lower of cost or net realizable value. Cost includes an addition for production overheads where appropriate and is determined on a first-in first-out basis.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, at the following annual rates:

Owned property and related improvements	2% to 4%
Leased property and related improvements	term of lease
Subscriber systems	shorter of actual contract duration or 7%, and 10%
Other plant and equipment	7% to 40%

Repairs and maintenance costs are expensed as incurred. Gains and losses arising on the disposal of property, plant and equipment are included in the consolidated statements of income.

Goodwill and other intangibles

The goodwill that arises where the acquisition cost of subsidiaries and associates exceeds the fair values attributable to the underlying net assets is capitalized and is being amortized on a straight line basis over its estimated useful life, covering periods not exceeding forty years. Goodwill arising on the acquisition of associates is included in investment in associates. Costs attributable to the acquisition, including the costs of any reorganization arrangements, less related income, are treated as reducing the value of the net assets acquired. The carrying value of goodwill is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Where, in the opinion of the Company, a permanent diminution in the value of goodwill has occurred, the amount of the diminution is included in the consolidated statements of income. Other intangibles principally comprise customer contracts which are being amortized on a straight line basis over periods not exceeding ten years. Income taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the consolidated financial statements and tax bases of assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse.

Share premium and contributed surplus

In accordance with the Bermuda Companies Act 1981, when ADT issues shares for cash at a premium to their par value, the resulting premium is credited to a share premium account, a non-distributable reserve. When ADT issues shares in exchange for shares of another company, the excess of the fair value of the shares acquired over the par value of the shares issued by ADT is credited, where applicable, to contributed surplus which is, subject to certain conditions, a distributable reserve.

Net sales

Net sales represent the invoiced value of goods and services to outside customers net of sales-related taxes.

Revenue recognition

Revenue from services or products is recognized in the consolidated statements of income as services are rendered or deliveries made. Service charges, which consist of subscriber billings for services not yet rendered, are deferred and taken into income as earned and the deferred element is all included in long-term liabilities. Revenue from the installation of electronic security systems is recognized when installations are completed.

Pensions and post-retirement benefits

The Company operates various pension and post-retirement benefit plans designed in accordance with conditions and practices in the countries concerned. Contributions or accruals for costs are based on periodic actuarial valuations and are charged to the consolidated statements of income on a systematic basis over the expected average remaining service lives of current employees.

Note 3 - Merger with Automated Security (Holdings) PLC

In September 1996 ADT merged with and acquired the whole of the issued capital of ASH, a United Kingdom quoted company. ASH is engaged in the provision of electronic security services in North America and Europe. Under the terms of the transaction, ASH shareholders received 3 ADT common shares for every 92 ASH ordinary shares, 2 ADT common shares for every 31 ASH 5 per cent convertible cumulative redeemable preference shares and 2 ADT common shares for every 31 ASH 6 per cent convertible cumulative redeemable preference shares. The total consideration in respect of the whole of the issued capital of ASH consisted of the issue of 7,034,940 ADT common shares (note 30(i)). The merger with and acquisition of ASH by ADT has been accounted for by means of the pooling of interests method of accounting pursuant to Accounting Principles Board Opinion No. 16. The pooling of interests method of accounting assumes that the combining companies have been merged since their inception, and the historical consolidated financial statements for periods prior to consummation of the merger are restated as though the companies have been combined since their inception. Accordingly, the consolidated financial statements give effect to the transaction by means of the pooling of interests and have been restated.

The consolidated financial statements of ASH have previously been presented in pounds sterling, ASH's functional currency. For the purposes of these consolidated financial statements, ASH's consolidated financial statements have been translated into United States dollars at the appropriate exchange rates. In addition, ASH's financial year end is November 30, with appropriate quarterly period ends of February 28, May 31, and August 31. These periods have not yet been amended in order to facilitate timely reporting. It is these periods which have been used to give effect to the pooling of interests with ADT. Certain figures of ASH for all periods presented have been reclassified to conform to the ADT presentation.

Combined and separate results of ADT and ASH for the periods preceding the merger were as follows:

	ADT Group \$m	ASH Group \$m	Adjustments \$m	Combined \$m
Six months ended June 30, 1996 (unaudited)				
Net sales	715.6	118.1	-	833.7
Extraordinary items	(1.2)	-	-	(1.2)
Net loss	(347.7)	(328.9)	0.5(i)	(676.1)
	-----	-----	-----	-----
Year ended December 31, 1995				
Net sales	1,525.4	258.4	-	1,783.8
Extraordinary items	(9.8)	-	-	(9.8)
Net income (loss)	41.5	(18.7)	(1.6)(ii)	21.2
	-----	-----	-----	-----
Year ended December 31, 1994				
Net sales	1,375.9	253.5	-	1,629.4
Net income (loss)	111.0	(31.7)	-	79.3
	-----	-----	-----	-----

(I) Income tax adjustment arising on preference share dividends accrued by the ASH group but not payable following merger.

(ii) Income tax adjustment of \$0.6 million credit referred to in (i) above, and a \$2.2 million charge relating to cumulative currency translation adjustments on the disposal of businesses and associates by the ASH group whose consolidated financial statements were prepared in pounds sterling - its functional currency.

Note 4 - Segment information

The Company is engaged in two service businesses, electronic security services in North America and Europe and vehicle auction and related services in the United States. The Company's principal activities in the electronic security services business are the electronic monitoring and maintenance of its installed base of security systems and the installation of new, monitored security systems to add to its installed base. The Company's vehicle auction services business operates a network of large auction centers which provide a range of vehicle redistribution services and an organized wholesale marketplace for the sale and purchase of used vehicles.

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Net sales			
Electronic security services (i)	1,406.2	1,350.9	1,253.3
Vehicle auction services (ii)	297.8	432.9	376.1
	-----	-----	-----
	1,704.0	1,783.8	1,629.4
	=====	=====	=====
Operating (loss) income			
Electronic security services (i)	(756.5)	172.4	182.1
Vehicle auction services (ii)	27.1	70.2	62.7
Corporate (iii)	(36.1)	(41.8)	(38.8)
	-----	-----	-----
	(765.5)	200.8	206.0
	=====	=====	=====

(I) In 1996 electronic security services operating income was stated after a charge of \$232.5 million (1995 - \$21.4 million) relating to restructuring and other non-recurring items (note 5(i)) and after a charge for the impairment of long-lived assets of \$731.7 million (note 6(i)).

During 1996 the Company disposed of a European electronic security services business operated by the ASH group. The net gain on disposal of \$1.7 million was included in the gain on disposal of businesses (note 7(iii)). In November 1995 the Company disposed of its entire European electronic article surveillance business. The net gain on disposal of \$31.4 million was included in the loss on disposal of businesses (note 7(ii)). During 1995 the Company disposed of certain of the European electronic security services operations and businesses operated by the ASH group. The net loss on disposal of \$2.2 million was included in the loss on disposal of businesses (note 7(iii)).

During 1994 the Company disposed of its entire Australasian electronic security service businesses, and also disposed of certain of the North American electronic security services operations of the ADT group and the ASH group. The net loss on disposal of \$0.3 million was included in the loss on disposal of businesses (note 7(iii)).

The following information represents the amounts included in the electronic security services business segment information above which related to the businesses and operations disposed of.

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Net sales	0.7	62.7	97.4
Operating loss	(0.9)	(5.3)	(1.0)

(ii) In 1996 vehicle auction services operating income was stated after a charge for the impairment of long-lived assets of \$13.0 million (note 6(ii)).

In December 1995 the Company disposed of an interest in its United Kingdom and Continental European vehicle auction services businesses ("European Auctions") (notes 18 and 34). The net loss on disposal of \$65.8 million was included in the loss on disposal of businesses (note 7(i)).

The following information represents the amounts included in the vehicle auction services business segment information above which related to the businesses disposed of.

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Net sales	-	163.1	122.8
Operating income	-	35.9	29.0

(iii) Corporate expenses comprise administrative, legal and general corporate expenses net of other income. In 1996 corporate expenses were stated after a charge of \$4.8 million (1995 - \$12.8 million; 1994 - \$4.5 million) relating to restructuring and other non-recurring items (note 5(ii)).

In 1996 corporate expenses included \$11.3 million related to professional and other transaction costs arising in connection with the merger of ADT and ASH and the terminated merger with Republic Industries, Inc. ("Republic"), together with various refinancing costs incurred by the ASH group prior to the merger with ADT of \$1.6 million (1995 - \$5.0 million).

(iv) The costs incurred in producing and communicating advertising are generally expensed when incurred. The total amount of advertising expense for the year included in the consolidated statements of income amounted to \$65.7 million (1995 - \$58.9 million; 1994 - \$47.1 million).

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Depreciation and amortization			
Electronic security services	209.2	221.9	202.5
Vehicle auction services	15.0	25.4	23.5
Corporate	0.6	0.6	0.7
	-----	-----	-----
	224.8	247.9	226.7
	=====	=====	=====
Capital expenditures			
Electronic security services	314.2	292.4	259.2
Vehicle auction services	25.7	31.8	23.1
Corporate	4.5	1.6	0.3
	-----	-----	-----
	344.4	325.8	282.6
	=====	=====	=====
Identifiable assets			
Electronic security services	1,898.0	2,514.9	2,337.8
Vehicle auction services	465.1	438.1	809.8
Corporate	367.3	466.7	264.7
	-----	-----	-----
	2,730.4	3,419.7	3,412.3
	=====	=====	=====
Net sales			
North America	1,358.6	1,228.5	1,121.8
Europe	345.4	555.3	490.9
Australasia	-	-	16.7
	-----	-----	-----
	1,704.0	1,783.8	1,629.4
	=====	=====	=====
Operating (loss) income			
North America	(483.6)	153.0	156.8
Europe	(281.9)	47.8	49.0
Australasia	-	-	0.2
	-----	-----	-----
	(765.5)	200.8	206.0
	=====	=====	=====
Identifiable assets			
North America	2,300.5	2,563.8	2,295.7
Europe	429.9	855.9	1,116.6
	-----	-----	-----
	2,730.4	3,419.7	3,412.3
	=====	=====	=====

Note 5 - Restructuring and other non-recurring charges

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Electronic security services (i)	(232.5)	(21.4)	-
Corporate (ii)	(4.8)	(12.8)	(4.5)
	-----	-----	-----
	(237.3)	(34.2)	(4.5)
	=====	=====	=====

During 1995 the Company commenced a strategic review of its business operations and its corporate organizational structure with a view to developing a business strategy which would place the Company in a stronger position to deal with the changing business environment and challenges facing its core service businesses in the late 1990s. During 1996 this strategic review process continued and was extended to include a significantly expanded agenda.

(i) As part of the strategic review the Company commenced an evaluation of the administrative, accounting, management information systems and technological infrastructures of its United States electronic security services division (the "Re-Engineering Project"). The Re-Engineering Project, which is on-going, is intended to modify and improve the entire structure of the business operations. As a consequence of the Re-Engineering Project, and incorporating the effects of the acquisition of Alert Centre, Inc. ("Alert"), in each of the fourth quarters of 1996 and 1995 senior executive management approved a restructuring plan which resulted in a charge for restructuring and other non-recurring items in the United States electronic security services division of \$131.6 million and \$19.4 million, respectively.

The United States electronic security services division restructuring charge in 1996 was principally attributable to planned technological infrastructure enhancements to facilitate further consolidation of the Company's entire customer monitoring center network together with all related operations, which it is expected will be substantially completed by December 1997. The restructuring charge included the write off of certain property, plant and equipment of \$82.6 million, provision for idle property leases of \$18.9 million, the termination of certain contractual obligations and other settlement costs of \$9.4 million, and other integration and restructuring costs of \$20.7 million. The amounts paid and charged in 1996 against the provisions for the termination of certain contractual obligations and other settlement costs, and against other integration and restructuring costs, amounted to \$4.8 million and \$4.3 million, respectively.

The United States electronic security services division restructuring charge in 1995 was principally attributable to the closure of the Parsippany, New Jersey and associated corporate offices, which will be substantially completed by March 1997. Full implementation of the restructuring plan will result in the termination of approximately 250 employees of which approximately 180 employees had been terminated by December 31, 1996. Employee severance and other associated costs included in the restructuring charge amounted to \$13.6 million, the write off of certain property, plant and equipment amounted to \$1.9 million, and other integration and restructuring costs amounted to \$3.9 million. The amounts paid and charged in 1996 against the provisions for employee severance and other associated costs, and against other integration and restructuring costs, amounted to \$7.1 million and \$3.5 million, respectively.

During the fourth quarter of 1996, the Company commenced a strategic and detailed review of the electronic security services businesses acquired as part of the acquisition of ASH in September 1996. In December 1996 senior executive management approved a restructuring plan which is intended to merge and integrate fully the ASH group into the ADT group by December 1997, and which resulted in a charge for restructuring and other non-recurring items in the United Kingdom and the United States electronic security services divisions of \$68.6 million and \$29.2 million, respectively.

The restructuring charge included the write off of certain property, plant and equipment of \$13.2 million, provision for idle property leases of \$22.5 million, the termination of certain contractual obligations and other settlement costs of \$35.2 million, and other integration and restructuring costs of \$26.9 million. The amounts paid and charged in 1996 against the provisions for the termination of certain contractual obligations and other settlement costs, and against other integration and restructuring costs, amounted to \$7.2 million and \$1.0 million, respectively.

As part of the strategic review, in 1996 the Company also commenced an evaluation of the customer monitoring center network in its Canadian electronic security services division which resulted in a charge for restructuring and other non-recurring items of \$3.1 million. The restructuring charge included the write off of certain property, plant and equipment of \$1.3 million and provision for idle property leases of \$1.8 million, of which \$0.2 million was paid and charged in 1996. As part of the strategic review, in 1995 the Company also commenced an evaluation of the management information systems of its United Kingdom electronic security services division which resulted in a charge for restructuring and other non-recurring items in 1995 of \$2.0 million principally relating to the write off of certain property, plant and equipment.

(ii) The effects of the Re-Engineering Project and the merger of the ASH group into the ADT group resulted in a charge for restructuring and other non-recurring items at the corporate level in 1996 of \$4.8 million, comprising other integration and restructuring costs, of which \$3.0 million was paid and charged in 1996.

During 1995 the Company also evaluated its group corporate structure, in particular in the United Kingdom. As a result, in the fourth quarter of 1995, senior executive management approved a restructuring plan, which was substantially completed by December 1996, which resulted in a charge for restructuring and other non-recurring items at the corporate level of \$12.8 million.

The corporate restructuring charge included the provision for idle property leases of \$5.6 million, the termination of certain contractual obligations and other settlement costs of \$4.8 million, and employee severance for four executives, all of whom were terminated during 1996, and other associated costs, of \$2.4 million. The amounts paid and charged in 1996 against the provisions in the aforementioned categories were \$0.6 million, \$4.8 million and \$1.8 million, respectively.

The corporate restructuring charge in 1994 of \$4.5 million was principally attributable to the Company's corporate administration in the United Kingdom and related to a provision for idle property leases.

Note 6 - Charge for the impairment of long-lived assets

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Electronic security services (i)	(731.7)	-	-
Vehicle auction services (ii)	(13.0)	-	-
	-----	-----	-----
	(744.7)	-	-
	=====	=====	=====

Effective January 1, 1996, the Company was required to adopt Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 prescribes a methodology for assessing and measuring an impairment loss that is significantly different from previous guidelines and procedures. SFAS 121 requires the recoverability of the carrying value of long-lived assets, primarily property, plant and equipment, and related goodwill, and other intangible assets, to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Under SFAS 121 it is necessary to evaluate for and calculate an impairment loss at the lowest level of asset grouping for which there are identifiable cash flows. Under SFAS 121, if an asset being tested for recoverability was acquired in a business combination accounted for using the purchase method, the goodwill that arose in the transaction is included in the impairment evaluation of that asset.

SFAS 121 requires that an impairment loss is recognized when the carrying amount of an asset exceeds the sum of the estimated undiscounted future cash flows of the asset. Under SFAS 121 an impairment loss is calculated as the difference between the carrying amount of the asset, including the related goodwill, and its estimated fair value. The carrying amount of the related goodwill is eliminated before making any reduction in the carrying amount of any other impaired long-lived asset.

Prior to the adoption of SFAS 121, the Company's policy was to evaluate for impairment of long-lived assets, including goodwill, on an aggregate basis for each business segment. Management has determined that within the electronic security services division the lowest level of asset grouping referred to above can be determined on a country by country basis and, with effect from the first quarter of 1996, further split principally in terms of commercial and residential sectors. The assets principally comprise subscriber systems installed at customers' premises, which are included in property, plant and equipment, and the related goodwill, and other intangible assets. Within the vehicle auction services division the lowest level of asset grouping can be determined principally on an individual auction center basis, and the assets principally comprise land and real estate, which are included in property, plant and equipment, and the related goodwill. Management has estimated the fair values referred to above by using an analysis of estimated discounted future cash flows as the best available estimate of fair value. The basis of the calculation was the Company's business strategy, plans and financial projections, and an appropriate discount factor based on the Company's estimated cost of capital.

Following the adoption of SFAS 121, in particular the change in methodology requiring the Company to evaluate assets at the lowest level of asset grouping, rather than on an aggregate basis, in the first quarter of 1996 the Company recorded an aggregate non-cash charge for the impairment of long-lived assets of \$744.7 million, as a separate line item in the consolidated statements of income, with a consequential tax credit of \$10.8 million. The \$744.7 million impairment charge comprised \$731.7 million relating to the electronic security services division and \$13.0 million relating to the vehicle auction services division.

(i) The \$731.7 million impairment charge in the electronic security services division comprised \$397.1 million related to the ADT group and \$334.6 million related to the ASH group.

The \$397.1 million impairment charge in the electronic security services division of the ADT group related to an impairment in the carrying value of subscriber systems principally in the commercial sector, including related goodwill which principally arose on the acquisition of ADT Security Services in 1987 of \$395.3 million and other assets of \$1.8 million. Since 1989 the Company's electronic security services operations in the residential sector have developed at a very rapid rate based principally on internally generated growth. As a consequence, the Company's operations in the commercial sector, which were acquired principally in 1987, have now been complemented by a significant residential electronic security services operation. This was a major factor in the Company's decision to commence the Re-Engineering Project in 1995, which is on-going. In the context of the Re-Engineering Project and changes in the electronic security services business environment, the electronic security services operations have now been reorganized along separate commercial and residential business lines, rather than on an aggregate geographic basis, with effect from the first quarter of 1996, and which is fully supported by management and financial reporting systems that now record the results and cash flows of each sector separately. When the financial projections and estimated future cash flows of the commercial sector were analyzed separately, they indicated that the carrying amount of the related assets may not be fully recoverable. This is reflective of increased competition and other pricing factors as well as changes in the business environment. Accordingly, upon adoption of SFAS 121 the Company evaluated the commercial sector assets for impairment with a resultant charge being recorded. In the United States the impairment charge amounted to \$303.4 million. In Canada, where the business performance has continued to be disappointing, the impairment charge amounted to \$56.7 million. In Europe, the impairment charge amounted to \$37.0 million, principally due to the business performance of certain countries not meeting previous expectations.

The \$334.6 million impairment charge in the electronic security services division of the ASH group related to an impairment in the carrying value of subscriber systems of \$121.0 million, and the carrying value of related goodwill and other intangibles of \$213.6 million which principally arose on the acquisition of certain of the businesses of Modern Security Systems in 1989 and 1990, API Security in 1989 and the Sonitrol Group in 1992. The impairment charge amounted to \$211.2 million and \$123.4 million in the United Kingdom and the United States, respectively. In both the United Kingdom and the United States, the adoption of SFAS 121 coincided with a reorganization of both the commercial and residential business sectors to address, in part, changes in the electronic security services business environment and performance similar to those being addressed by the ADT group. In addition, the aggregate fair value of ADT common shares issued to ASH shareholders on merger was significantly less than ASH's consolidated net asset value. It was for all these reasons that the Company reviewed the assets for impairment upon adoption of SFAS 121.

(ii) The \$13.0 million impairment charge in the vehicle auction services division related to an impairment in the carrying value of property and related improvements, including related goodwill which principally arose on the acquisition of ADT Automotive in 1987.

Note 7 - Gain (loss) on disposal of businesses

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
United Kingdom and Continental European vehicle auction services businesses (i)	-	(65.8)	-
European electronic article surveillance business (ii)	-	31.4	-
Other (iii)	1.7	(2.2)	(0.3)
	-----	-----	-----
	1.7	(36.6)	(0.3)
	=====	=====	=====

(I) In December 1995 the Company disposed of an interest in European Auctions (note 34) for an aggregate consideration of \$334.9 million (note 18). The net loss on disposal of \$65.8 million included \$136.5 million relating to the write off of net unamortized goodwill and other intangibles (note 17(ii)) and a \$23.2 million charge related to cumulative currency translation adjustments.

(ii) In November 1995 the Company disposed of its entire European electronic article surveillance business for an aggregate consideration of \$54.0 million, comprising cash of \$48.6 million and deferred consideration of \$5.4 million. The net gain on disposal of \$31.4 million included a \$2.1 million gain relating to cumulative currency translation adjustments.

(iii) During 1996 the Company disposed of a European electronic security services business operated by the ASH group for an aggregate cash consideration of \$3.0 million.
The net gain on disposal amounted to \$1.7 million.

During 1995 the Company disposed of certain of the European electronic security services operations and businesses operated by the ASH group for an aggregate consideration of \$6.1 million, comprising cash of \$5.9 million and deferred consideration of \$0.2 million. The net loss on disposal of \$2.2 million included \$2.8 million relating to the write off of net unamortized goodwill and other intangibles (note 17(ii)) and a \$1.1 million charge relating to cumulative currency translation adjustments.

During 1994 the Company disposed of its entire Australasian electronic security services businesses, and also disposed of certain of the North American electronic security services operations of the ADT group and the ASH group. The aggregate consideration on these disposals amounted to \$21.6 million, comprising cash of \$11.1 million and notes receivable of \$10.5 million, and the net loss on disposal of \$0.3 million included \$10.7 million relating to the write off of net unamortized goodwill and other intangibles.

Note 8 - Other income less expenses

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Gains and losses arising from the ownership of:			
Short-term investments	-	-	3.0
Long-term investments (i)	54.4	(5.0)	18.5
Write off in value of associate (ii)	-	-	(30.7)
Settlement gain (iii)	65.0	-	-
Gains and losses on currency transactions	9.7	0.9	2.1
Other income less expenses - net	(0.3)	(0.9)	3.0
	-----	-----	-----
	128.8	(5.0)	(4.1)
	=====	=====	=====

(I) Realized gains and losses arising from the ownership of short-term and long-term investments are principally stated before carrying costs of interest, administrative and other expenses. During 1996 gains arising from the ownership of long-term investments comprised a net gain of \$53.4 million relating to the disposal in November 1996 of the Company's entire investment in Limelight Group plc, a United Kingdom quoted company, which was previously valued and accounted for by the Company at a nominal amount, a net gain of \$1.2 million relating to the disposal of the Company's equity investment in Integrated Transport Systems Limited (notes 18 and 34) and other net losses of \$0.2 million principally arising from the disposal of other non-core investments.

During 1995 losses arising from the ownership of long-term investments comprised \$5.1 million relating to the disposal, principally during the second quarter of 1995, of the Company's entire equity investments in Compagnie Generale de Protection et Securite SA ("CGPS") and Microtech Security (UK) Limited ("Microtech") which were held by the ASH group (note 18), and other net gains of \$0.1 million principally arising from the disposal of other non-core investments. The net loss on disposal of \$5.0 million included \$7.3 million relating to the write off of net unamortized goodwill and other intangibles and a \$1.1 million charge relating to cumulative currency translation adjustments.

During 1994 gains arising from the ownership of long-term investments comprised \$4.2 million relating to the disposal of the Company's entire equity investment in Nu-Swift plc, a United Kingdom quoted company, and other net gains of \$14.3 million principally arising from the disposal of other non-core investments.

(ii) The write off in value of associate in 1994 related to the Company's entire equity investment in Arius, Inc. ("Arius"), a United States unquoted company, which was held by the ASH group. A detailed assessment of the investment in Arius was carried out during 1994 and as a result a net write off of \$30.7 million was recorded, of which \$26.5 million related to the write off of net unamortized goodwill and other intangibles and \$2.9 million related to other provisions. During 1995 Arius went into voluntary liquidation.

(iii) During 1991 a lengthy review and evaluation of the businesses and assets acquired in 1990 in respect of Britannia Security Group PLC ("Britannia") was undertaken by the Company. This review revealed that, at the time of the acquisition of Britannia by ADT certain assets, particularly subscriber systems installed at customer premises, had been included in the consolidated financial statements of Britannia at values materially in excess of their net realizable value. During 1992 ADT commenced legal proceedings against Britannia's auditors at the time of acquisition, BDO Binder Hamlyn ("BDO"), to seek recovery of the damages suffered. In December 1995 the High Court of Justice in England awarded damages of approximately \$160 million (including interest) against BDO, plus the reimbursement of certain legal costs incurred in connection with the litigation. BDO then appealed against the judgment. At December 31, 1995 ADT did not recognize the award of any damages in its consolidated statements of income and had deferred certain legal costs incurred in connection with the litigation amounting to \$11.1 million in order to match these costs with the award when recognized. These deferred costs were included in other long-term assets (note 20).

In December 1996 ADT and BDO entered into a settlement agreement, subject to completion of certain additional documentation which was signed in February 1997, which included the payment to ADT of \$77.5 million in cash (included in other current assets (note 15)) together with a further deferred payment of \$8.6 million, in full and final settlement of the aforementioned proceedings, including the judgment, accrued interest and costs. As a result of the settlement BDO have withdrawn their appeal. The net gain arising on this settlement amounted to \$69.7 million, of which \$65.0 million was included in other income less expenses and \$4.7 million was included in interest income.

Note 9 - Income taxes

(i) The provision for income taxes in the consolidated statements of income was as follows:

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Current income taxes:			
US	(6.5)	(3.1)	(4.6)
Non US	(11.2)	(6.6)	(5.4)
	-----	-----	-----
	(17.7)	(9.7)	(10.0)
	-----	-----	-----
Deferred income taxes: (note 25)			
US (principally federal income taxes)	20.9	(18.0)	(22.6)
Non US	18.6	(0.4)	(2.3)
	-----	-----	-----
	39.5	(18.4)	(24.9)
	-----	-----	-----
	21.8	(28.1)	(34.9)
	=====	=====	=====

US current income taxes in 1996 comprise federal and state income taxes, and in 1995 and 1994 principally comprise state income taxes.

(ii) (Loss) income before income taxes included the following components:

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
US (loss) income	(485.6)	59.5	53.8
Non US (loss) income	(222.9)	(0.4)	63.7
	-----	-----	-----
(Loss) income before income taxes	(708.5)	59.1	117.5
	=====	=====	=====

(iii) The reconciliation between notional US federal income taxes at the statutory rate on consolidated (loss) income before income taxes and the Company's income tax provision was as follows:

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Notional US federal income taxes at the statutory rate	248.0	(20.7)	(41.1)
Adjustments to reconcile to the Company's income tax provision:			
US state income tax provisions, net	(3.1)	(2.7)	(3.2)
Non US net (losses) earnings	(70.6)	(7.1)	14.6
SFAS 121 impairment	(150.2)	-	-
Utilization and/or recognition of tax loss carryforwards and other items	(2.3)	2.4	(5.2)
	-----	-----	-----
Income tax provision	21.8	(28.1)	(34.9)
	=====	=====	=====

Note 10 - Loss from discontinued operations

During 1994 the Company disposed of all its remaining non-core businesses, principally the Insight Travel Group. The Company no longer has any interests in non-core businesses. The aggregate cash consideration on these disposals amounted to \$11.2 million and the net loss amounted to \$3.7 million, which included \$19.1 million relating to the write off of net unamortized goodwill and other intangibles. The net income from operations for 1994 amounted to \$0.4 million on net sales of \$80.6 million.

Note 11 - Extraordinary items

During 1996 and 1995 the Company reacquired in the market certain of its senior subordinated notes (note 23(ii)), which was financed from cash on hand. Extraordinary items included the loss arising on reacquisition of \$0.9 million (1995 - \$0.9 million) and the write off of net unamortized deferred refinancing costs of \$0.5 million (1995 - \$0.8 million) relating to the early extinguishment of certain amounts outstanding under the senior subordinated notes, and were stated net of applicable income taxes of \$0.2 million (1995 - \$0.2 million).

In September 1996 the Company repaid in full all amounts owed by the ASH group under its senior notes and bank credit agreement (note 23(vi)), which were subsequently cancelled, and which was financed from cash on hand and loans drawn under the revolving bank credit agreement. Extraordinary items included the loss arising on repayment of \$4.2 million and the write off of net unamortized deferred refinancing costs of \$0.4 million relating to the early extinguishment of all amounts outstanding under the senior notes and bank credit agreement owed by the ASH group, with no consequential tax effect. In December 1996 the Company gave notice to all convertible capital bond holders that all of the outstanding capital bonds owed by the ASH group would be fully redeemed by the Company, and subsequently cancelled (note 23(v)), and which was financed from cash on hand and amounts drawn down under the sterling denominated bank credit facility (note 23(vii)). Extraordinary items included the write off of net unamortized deferred refinancing costs of \$1.6 million relating to the early extinguishment of all amounts outstanding under the convertible capital bonds owed by the ASH group, with no consequential tax effect.

In December 1996 the Company entered into a new bank credit agreement, subject to completion of certain additional documentation which was signed in January 1997, which replaced in full its previous bank credit agreement and which was subsequently cancelled (note 23(iv)). Extraordinary items included the write off of net unamortized deferred refinancing costs of \$1.5 million relating to the early extinguishment of all amounts outstanding under the bank credit agreement owed by the ADT group, and were stated net of applicable income taxes of \$0.5 million.

In July 1995 the Company repaid in full all amounts owed by the ADT group under its previous bank credit agreement, which was subsequently cancelled. The Company funded the repayment from the net proceeds of the issue of its Liquid Yield Option Notes (note 23(iii)). Extraordinary items included the write off of net unamortized deferred refinancing costs of \$12.8 million relating to the early extinguishment of all amounts outstanding under the previous bank credit agreement owed by the ADT group, and were stated net of applicable income taxes of \$4.5 million.

Note 12 - (Loss) earnings per common share

The calculation of primary (loss) earnings per common share was based on the weighted average of 137,114,415 (1995 - 138,283,458; 1994 - 136,148,361) common shares in issue during the year which in 1996 did not allow for the allotment of common shares under executive share option schemes, which are considered common stock equivalents, because their effect was anti-dilutive as a consequence of the net loss for the year. Common stock equivalents included in the weighted average number of common shares in issue during 1995 and 1994 were 2,921,286 and 2,503,059, respectively. Primary (loss) earnings per common share from continuing operations was based on adjusted net loss from continuing operations available to common shareholders of \$687.0 million (1995 - \$30.7 million net income; 1994 - \$69.3 million net income).

Note 13 - Accounts receivable - net

At December 31	1996	1995
	\$m	\$m
Trade accounts receivable	229.2	213.4
Less: allowance for doubtful receivables	(18.5)	(17.0)
	-----	-----
	210.7	196.4
	=====	=====

Note 14 - Inventories

At December 31	1996	1995
	\$m	\$m
Raw materials and consumables	8.6	8.8
Work in process	18.9	14.1
Finished goods	11.7	15.1
	-----	-----
	39.2	38.0
	=====	=====

Note 15 - Prepaid expenses and other current assets

At December 31	1996	1995
	\$m	\$m
Prepaid expenses	10.9	11.6
Other current assets	106.1	22.9
	-----	-----
	117.0	34.5
	=====	=====

At December 31, 1996 other current assets included \$77.5 million of settlement gain proceeds (note 8(iii)).

Note 16 - Property, plant and equipment - net

At December 31	1996	1995
	\$m	\$m
Cost:		
Property and related improvements	290.7	271.6
Subscriber systems	1,977.5	1,874.0
Other plant and equipment	214.8	199.0
	-----	-----
Total cost	2,483.0	2,344.6
	-----	-----
Accumulated depreciation:		
Property and related improvements	56.0	41.5
Subscriber systems	762.0	614.2
Other plant and equipment	151.4	117.6
	-----	-----
Total accumulated depreciation	969.4	773.3
	-----	-----
Net book values	1,513.6	1,571.3
	=====	=====

Note 17 - Goodwill and other intangibles - net

	1996	1995
	\$m	\$m
Cost:		
At January 1	1,290.6	1,345.2
SFAS 121 impairment (note 6)	(825.6)	-
Acquisitions (i)	44.9	123.0
Disposals (ii)	-	(174.1)
Currency translation adjustments	-	(3.5)
	-----	-----
At December 31	509.9	1,290.6
	-----	-----
Accumulated amortization:		
At January 1	237.0	233.7
SFAS 121 impairment (note 6)	(203.7)	-
Charge for the year	18.6	38.9
Disposals (ii)	-	(34.8)
Currency translation adjustments	-	(0.8)
	-----	-----
At December 31	51.9	237.0
	-----	-----
Net book values:		
At December 31	458.0	1,053.6
	=====	=====

(I) In February 1996 the Company acquired the remaining 24.0 per cent of the outstanding voting share capital of Alert, an electronic security services company in the United States, not already owned by the Company, for an aggregate cash consideration of \$25.5 million, which was financed from cash on hand. The amount of goodwill arising from this acquisition was \$10.3 million. During 1996 the Company purchased other intangibles, principally customer contracts, in North America and Europe for an aggregate cash consideration of \$34.6 million which was financed from cash on hand.

In December 1995 the Company acquired 76.0 per cent of the outstanding voting share capital of Alert, for an aggregate cash consideration of \$69.0 million, which was financed from cash on hand. The amount of goodwill and other intangibles arising from this acquisition was \$80.1 million and \$40.0 million, respectively. In January 1995 the Company acquired a vehicle auction services business in Belgium for an aggregate cash consideration of \$4.2 million, which was disposed of in December 1995 as part of the disposal by the Company of an interest in European Auctions (note 17(ii)). During 1995 the Company also acquired several small electronic security services businesses in the United States and Europe for an aggregate cash consideration of \$1.0 million. These acquisitions have been accounted for using the purchase method. Accordingly, the respective purchase prices have been allocated to assets acquired and liabilities assumed based on their preliminary estimated fair values. These allocations resulted in goodwill and other intangibles of \$44.9 million arising during the year (1995 - \$123.0 million).

(ii) In December 1995 the Company disposed of an interest in European auctions (notes 18 and 34). Net unamortized goodwill and other intangibles on disposal of \$136.5 million was included in the loss on disposal of businesses (note 7(i)). During 1995 the Company disposed of certain of the European electronic security services operations and businesses operated by the ASH group. The net unamortized goodwill and other intangibles on disposal of \$2.8 million was included in the gain on disposal of businesses (note 7(iii)).

(iii) The accumulated cost, accumulated amortization and net book values of the goodwill balance included within goodwill and other intangibles at December 31, 1996 amounted to \$421.0 million, \$43.0 million and \$378.0 million, respectively (1995 - \$1,120.1 million, \$206.9 million and \$913.2 million, respectively).

Note 18 - Investment in and loans to associate

At December 31	1996	1995
	\$m	\$m
Vendor Note	-	83.9
Shareholder Loan Notes	-	13.9
	-----	-----
	-	97.8
Less: unamortized discount	-	(9.9)
	-----	-----
	-	87.9
Investment in ordinary share capital	-	0.9
	-----	-----
	-	88.8
	=====	=====

In December 1995 the Company disposed of an interest in European Auctions to Integrated Transport Systems Limited ("ITS") (note 34) for an aggregate consideration of \$334.9 million.

The aggregate consideration received by the Company on closing was comprised of cash of \$235.1 million, \$187.6 million aggregate principal amount at maturity of a subordinated deep discount zero coupon loan note issued by ITS maturing in March 2004 ("Vendor Note"), \$31.1 million aggregate principal amount at maturity of subordinated deep discount zero coupon loan notes issued by ITS maturing in March 2004 ("Shareholder Loan Notes"), and a 43.1 per cent interest in the ordinary share capital of ITS at an issue price of \$2.0 million.

The Vendor Note is a sterling loan note with an issue price of \$83.9 million, reflecting a yield to maturity of 10.0 per cent per annum, and was valued by the Company at \$74.6 million. There are no periodic payments of interest. The Vendor Note is a subordinated, non-collateralized obligation of ITS and is transferrable, under certain conditions, after December 1998. The discount on the Vendor Note of \$9.3 million will be amortized on a basis linked to the yield to maturity over the life of the loan note as a credit to interest income, and represents the difference between the stated yield to maturity and the prevailing market yield to maturity of approximately 11.5 per cent per annum, for similar types of loan notes at the time the Vendor Note was issued in December 1995. The interest yield and discount amortization for 1996 amounted to \$8.6 million and \$0.3 million, respectively.

The Shareholder Loan Notes are transferrable sterling loan notes with an issue price of \$13.9 million, reflecting a yield to maturity of 10.0 per cent per annum, and were valued by the Company at \$13.3 million. There are no periodic payments of interest. The Shareholder Loan Notes are subordinated, non-collateralized obligations of ITS and are also subordinated to the Vendor Note.

The aggregate fair market value of the Vendor Note and Shareholder Loan Notes at December 31, 1995 amounted to \$87.9 million, and was based on discounting the loan notes at estimated current sterling interest rates on similar term financial instruments.

The 43.1 per cent interest in the ordinary share capital of ITS was valued and accounted for by the Company at \$0.9 million.

In February 1996 the Company disposed of its entire interest in Shareholder Loan Notes with an issue price of \$13.9 million and valued by the Company at \$13.3 million (net of unamortized discount of \$0.6 million), and 33.1 per cent of the ordinary share capital of ITS valued by the Company at \$0.9 million, for an aggregate cash consideration of \$15.4 million. The net gain arising on the transaction amounted to \$1.2 million which was included in other income less expenses (note 8(i)).

As a result of the above transaction, the Company now holds a 10.0 per cent interest in the ordinary share capital of ITS, valued and accounted for by the Company at a nominal amount, together with the Vendor Note, which at December 31, 1996 is disclosed as a long-term investment (note 19) and has been accounted for at its amortized cost.

The movement in the carrying value of investment in and loans to associate since January 1, 1995 has been as follows:

	1996	1995
	\$m	\$m
At January 1	88.8	12.6
Acquisitions	-	88.8
Disposals	(14.2)	(12.6)
Reclassifications	(74.6)	-
	-----	-----
At December 31	-	88.8
	=====	=====

During 1995 the Company disposed of its entire equity investments in CGPS, a French unquoted company, and Microtech, a United Kingdom unquoted company, for an aggregate consideration of \$8.6 million comprising cash of \$7.8 million and notes receivable of \$0.8 million. The net loss on disposal of \$5.1 million, including \$7.3 million relating to the write off of net unamortized goodwill and other intangibles and a \$1.1 million charge relating to cumulative currency translation adjustments, was included in other income less expenses (note 8(i)).

Note 19 - Long-term investments

	1996	1995
	\$m	\$m
At December 31		
Vendor Note (note 18)	102.0	-
Less: unamortized discount	(10.0)	-
	-----	-----
	92.0	-
Other long-term investments	8.6	2.0
	-----	-----
	100.6	2.0
	=====	=====

The fair market value of the Vendor Note at December 31, 1996 amounted to \$89.7 million, and is based on discounting the loan note at estimated current sterling interest rates on similar term financial instruments. The aggregate fair market value of other long-term investments at December 31, 1996 amounted to \$8.6 million (1995 - \$2.0 million) and is based on estimates made by the Company.

Note 20 - Other long-term assets

At December 31	1996	1995
	\$m	\$m
Deferred refinancing costs	19.4	27.1
Other long-term assets	56.0	57.1
	-----	-----
	75.4	84.2
	=====	=====

In connection with the refinancing of certain long-term debt obligations of the Company certain fees and expenses were incurred. These refinancing costs are being amortized as interest expense through the consolidated statements of income on a straight line basis over the terms of the respective lives of the Company's various long-term debt obligations. The refinancing costs amortization for the year amounted to \$3.7 million (1995 - \$5.3 million; 1994 - \$5.7 million). During the year \$4.0 million (1995 - \$13.6 million; 1994 - nil) of net unamortized deferred refinancing costs, relating to the early extinguishment of certain amounts outstanding under the Company's long-term debt obligations, were written off as extraordinary items in the consolidated statements of income (note 11).

Note 21 - Short-term debt

At December 31	1996	1995
	\$m	\$m
Bank and acceptance facilities	50.6	39.4
Current portion of long-term debt (note 23)	158.6	5.5
	-----	-----
	209.2	44.9
	=====	=====

The average rate of interest on short-term debt outstanding at December 31, 1996 was 7.8 per cent (1995 - 7.9 per cent). Short-term debt is generally repayable on demand or at an interest payment date, and is non-collateralized except for \$0.5 million of bank and acceptance facilities in 1995, and \$5.5 million of the current portion of long-term debt in 1995.

Note 22 - Other current liabilities

At December 31	1996	1995
	\$m	\$m
Accruals	70.6	78.5
Payroll and employee benefits	58.1	53.5
Payments received on account	17.1	10.1
Income taxes	15.6	12.0
Interest payable	23.7	25.4
Short-term restructuring, disposition and other provisions	95.6	37.4
Other current liabilities	12.9	10.3
	-----	-----
	293.6	227.2
	=====	=====

Note 23 - Long-term debt

At December 31	1996	1995
	\$m	\$m
Senior notes (i)	250.0	250.0
Senior subordinated notes (ii)	294.1	317.2
Liquid Yield Option Notes (iii)	326.8	306.8
Revolving bank credit agreement (iv)	83.0	15.0
Convertible capital bonds (v)	75.6	68.7
Bank credit agreement - ASH (vi)	-	126.2
Senior notes - ASH (vi)	-	56.8
Other (vii)	39.2	39.6
	-----	-----
	1,068.7	1,180.3
Less: current portion (note 21)	(158.6)	(5.5)
	-----	-----
	910.1	1,174.8
	=====	=====

(
i) The \$250.0 million 8.25 per cent senior notes due August 2000 were issued in August 1993, through a public offering, by ADT Operations, Inc., a company incorporated in the United States and an indirect wholly owned subsidiary of ADT, and are guaranteed on a senior basis by ADT and certain subsidiaries of ADT Operations, Inc. The senior notes are not redeemable prior to maturity and interest is payable semi-annually. The indentures governing the senior notes contain certain covenants including limitations on indebtedness, limitations on certain payments, including dividends on the Company's common shares, and compliance with various financial and operating covenants and prohibitions, and certain change in control provisions. The senior notes are non-collateralized senior obligations of ADT Operations, Inc. ranking pari passu in right of payment with all other existing and future senior indebtedness of ADT Operations, Inc. including indebtedness under the revolving bank credit agreement referred to in (iv) below.

(ii) The \$350.0 million 9.25 per cent senior subordinated notes due August 2003 were issued in August 1993, through a public offering, by ADT Operations, Inc., and are guaranteed on a senior subordinated basis by ADT. The senior subordinated notes are redeemable in whole or in part, at the option of ADT Operations, Inc., at any time after August 1998 at the following redemption prices: during the twelve month period beginning (a) August 1998 at 103.75 per cent (b) August 1999 at 102.50 per cent (c) August 2000 at 101.25 per cent, and thereafter at 100.00 per cent of the principal amount. Interest is payable semi-annually. The indentures governing the senior subordinated notes contain certain covenants as set out for the senior notes in (i) above. The senior subordinated notes are non-collateralized, senior subordinated obligations of ADT Operations, Inc. ranking pari passu with, or senior in right of payment to, all other existing and future indebtedness of ADT Operations, Inc. that is expressly subordinated to senior indebtedness of ADT Operations, Inc. During 1996 the Company reacquired in the market \$23.1 million (1995 - \$32.8 million) face value of the senior subordinated notes at a purchase cost of \$24.0 million (1995 - \$33.7 million) which was financed from cash on hand. The loss arising on reacquisition of \$0.9 million (1995 - \$0.9 million), and related costs of \$0.5 million (1995 - \$0.8 million), was included in extraordinary items (note 11).

(iii) In July 1995 ADT Operations, Inc. issued \$776,250,000 aggregate principal amount at maturity of its zero coupon subordinated Liquid Yield Option Notes ("Notes") maturing July 2010. The net proceeds of the issue amounted to \$287.4 million which was used to repay in full all amounts outstanding under ADT Operations, Inc.'s previous bank credit agreement, which was subsequently cancelled. The issue price per Note was \$383.09, being 38.309 per cent of the principal amount of \$1,000 per Note at maturity, reflecting a yield to maturity of 6.5 per cent per annum (computed on a semi-annual bond equivalent basis). There are no periodic payments of interest. The discount amortization on the Notes is being charged as interest expense through the consolidated statements of income on a basis linked to the yield to maturity. The Notes discount amortization for 1996 amounted to \$20.3 million (1995 - \$9.4 million). Each Note is exchangeable for common shares of ADT at the option of the holder at any time prior to maturity, unless previously redeemed or otherwise purchased by ADT Operations, Inc., at an exchange rate of 28.23 common shares per Note. During 1996 619 Notes with a carrying value of \$0.3 million were exchanged, at the option of the holders, for 17,472 ADT common shares (note 30). Any Note will be purchased by ADT Operations, Inc. at the option of the holder as of July 2002 for a purchase price per Note of \$599.46. At this time, if the holder exercises the option, ADT has the right to deliver all or a portion of the purchase price in the form of common shares of ADT. Beginning July 2002 the Notes are redeemable for cash at any time at the option of ADT Operations, Inc., in whole or in part, at redemption prices equal to the issue price plus accrued original issue discount to the date of redemption. The Notes are guaranteed on a subordinated basis by ADT. If, on or prior to maturity, there is a change in control, the holder has the right to require ADT Operations, Inc. to purchase the Notes at the change in control purchase price.

(iv) In August 1995 ADT Operations, Inc. entered into a new \$300 million revolving bank credit agreement which replaced in full its previous bank credit agreement. The new agreement has a term of five years and is guaranteed on a senior basis by ADT and certain subsidiaries of ADT Operations, Inc. Amounts available under this facility are available for borrowing and reborrowing (or issuance and reissuance in the case of letters of credit up to a maximum of \$100 million), subject to certain conditions at that time, until June 2000 at which time all amounts are repayable in full. At December 31, 1996 \$83.0 million (1995 - \$15.0 million) was drawn down under the agreement, which has been classified in the current portion of long-term debt, plus letters of credit amounting to \$81.1 million (1995 - \$81.0 million) which have been issued and have terms of less than one year. The Company utilizes letters of credit to back certain financing arrangements and insurance policies as well as for trade purposes. The letters of credit approximately reflect fair value as a condition of their underlying purpose. The Company expects the counterparties to fully perform under the terms of the agreements.

Amounts drawn down under the revolving bank credit agreement bear interest at a floating rate equal, at the option of ADT Operations, Inc., to either the alternative base rate plus a margin or the reserve adjusted LIBO rate plus a margin. The average rate of interest at December 31, 1996 was 6.5 per cent (1995 - - 7.6 per cent).

The revolving bank credit agreement contains certain financial and operating covenants, including restrictions on the Company's ability to incur additional indebtedness, limitations on certain payments, including dividends on the common shares of ADT and ADT Operations, Inc., and certain other financial covenants, including a minimum cash flow coverage ratio, a minimum debt to total capitalization ratio and a minimum level of shareholders' equity, and certain change in control provisions.

In December 1996 ADT Operations, Inc. entered into a new \$200 million revolving bank credit agreement, subject to completion of certain additional documentation which was signed in January 1997, which replaced in full its previous bank credit agreement, and which was subsequently cancelled. The new agreement has a term of one year and is guaranteed on a senior basis by ADT and certain subsidiaries of ADT Operations, Inc. Amounts available under this new facility are available for borrowing and reborrowing (or issuance and reissuance in the case of letters of credit up to a maximum of \$100 million), subject to certain conditions at that time, until January 1998 at which time all amounts are repayable in full. The interest rates and financial and operating covenants in place under the new facility are substantially the same as those referred to above for the previous bank credit agreement.

(v) The 9.5 per cent sterling denominated convertible capital bonds due July 2006 were issued by ASH Capital Finance (Jersey) Limited, a company incorporated in Jersey and an indirect wholly owned subsidiary of ADT, and are unconditionally and irrevocably guaranteed on a non-collateralized and subordinated basis by ADT. Interest is payable semi-annually. The capital bonds are convertible, at the option of the holder, into fully paid 2.0 per cent (fixed cumulative dividend) exchangeable redeemable preference shares in ASH Capital Finance (Jersey) Limited with a nominal value of one pence each. The preference shares are unconditionally and irrevocably guaranteed on a non-collateralized and subordinated basis by ADT. The preference shares are redeemable at their paid up value of Pound Sterling 1 each and they are also exchangeable, at the option of the holder, for fully paid common shares of ADT at a price of Pound Sterling 76.66 per common share, the price of which is subject to adjustment under certain circumstances. The capital bonds are unconditionally and irrevocably guaranteed on a non-collateralized and subordinated basis by ASH, and were formerly convertible into ordinary shares of ASH. Under the terms of the issue, ADT can require conversion of any outstanding capital bond if 85 per cent of the issue has been previously converted or purchased and cancelled, in which case the bond holders may elect for redemption in lieu of conversion. On or after June 1, 1996, ADT may exercise a call option at 100 per cent of the aggregate paid up amounts of the capital bonds outstanding.

In December 1996 ASH Capital Finance (Jersey) Limited gave notice to all bond holders that in January 1997 it would redeem all of the capital bonds then outstanding at a price equating to the denomination of each capital bond together with all accrued interest due. Accordingly, in January 1997 the capital bonds were fully redeemed at their carrying amount, which was financed from cash on hand and amounts drawn down under the sterling denominated bank credit facility, as set out in (vii) below, and at December 31, 1996 have been classified in the current portion of long-term debt.

(vi) In September 1996 the Company repaid in full all amounts owed by the ASH group under its senior notes and bank credit agreement, which were subsequently cancelled, and which was financed from cash on hand and loans drawn under the revolving bank credit agreement. The loss arising on repayment of \$4.2 million, and related costs of \$0.4 million, was included in extraordinary items (note 11).

During 1994 ASH issued \$60.7 million of its 8.28 per cent senior notes due January 1998 of which \$5.6 million was in respect of yield maintenance. The senior notes were collateralized obligations of the ASH group. The yield maintenance amortization on the senior notes has been charged as interest expense through the consolidated statements of income. The yield maintenance amortization for 1996 amounted to \$1.5 million (1995 - \$1.1 million; 1994 - \$0.6 million). The effective rate of interest including yield maintenance was 10.7 per cent.

During 1995 ASH entered into a bank credit agreement totalling approximately \$134 million with a maturity date in January 1998. The amounts drawn under the agreement were collateralized obligations of the ASH group and bore interest principally at LIBO rate plus a margin.

(vii) Other long-term debt principally represents revolving facilities with various banks falling due for repayment in 1999 bearing interest at a floating rate equal, at the option of the Company, to either the alternative base rate plus a margin or the reserve adjusted LIBO rate plus a margin. The average rate of interest at December 31, 1996 was 7.5 per cent (1995 - 6.9 per cent). In addition, at December 31, 1996 \$0.6 million (1995 - \$2.0 million) in letters of credit have been issued under certain of these facilities and have terms of less than one year.

In January 1997 the Company entered into a sterling denominated bank credit facility which is repayable on demand. The amount drawn down under the facility amounted to \$26 million which was used to repay, in part, the amounts owed under the convertible capital bonds in (v) above. The facility is guaranteed by ADT and certain of its subsidiaries. Interest is payable at LIBO rate plus a margin.

In March 1997 the Company entered into a new \$154 million sterling denominated bank credit facility of which \$146 million is a term loan facility and \$8 million is a revolving credit facility. The term loan facility was fully drawn down and, in part, was used to repay in full the \$26 million drawn down under the sterling denominated bank credit facility referred to above. The new facility has a term of five years and is guaranteed by ADT and certain of its subsidiaries. Interest is payable at LIBO rate plus a margin.

The average rate of interest on all long-term debt during the year was 8.0 per cent (1995 - 8.2 per cent; 1994 - 8.4 per cent).

Based on estimated interest rates currently available to the Company for long-term debt with similar terms and average maturities, the fair value of all long-term debt at December 31, 1996 amounted to approximately \$1,119 million (1995 - approximately \$1,241 million).

The maturities and installments with respect to long-term debt outstanding at December 31, 1996 are as follows:

		\$m
Year ending December 31	1997	158.6
	1998	0.9
	1999	34.5
	2000	251.7
	2001	0.9
	Thereafter	622.1

		1,068.7
		=====

Note 24 - Deferred revenue

Deferred revenue is comprised of all subscriber billings for services not yet rendered.

Note 25 - Deferred income taxes

The movement in deferred income taxes since January 1, 1994 has been as follows:

	1996 \$m	1995 \$m	1994 \$m
At January 1	142.4	123.5	95.3
(Credit) charge for the year (note 9(i))	(39.5)	18.4	24.9
Extraordinary items (note 11)	(0.7)	(4.7)	-
Eliminated on disposals	-	(3.3)	-
Currency translation adjustments	(0.7)	0.7	(0.2)
Reclassifications	(10.0)	7.8	3.5
	-----	-----	-----
At December 31	91.5	142.4	123.5
	=====	=====	=====

The significant temporary timing differences and tax loss carryforwards that gave rise to the deferred income tax balance at December 31, 1996 were as follows:

	US \$m	Non US \$m	Total \$m
Liabilities:			
Depreciation	864.8	72.6	937.4
Other	6.9	15.2	22.1
	-----	-----	-----
	871.7	87.8	959.5
	-----	-----	-----
Assets:			
Tax operating loss carryforwards	436.6	99.2	535.8
Provisions for estimated costs and expenses	143.7	57.2	200.9
Interest expense	147.9	-	147.9
Post-retirement benefit obligations	78.6	-	78.6
Depreciation	-	66.2	66.2
	-----	-----	-----
	806.8	222.6	1,029.4
Valuation allowance	(163.6)	(155.8)	(319.4)
	-----	-----	-----
	643.2	66.8	710.0
	-----	-----	-----
Gross deferred income tax liability	228.5	21.0	249.5
	-----	-----	-----
Deferred income tax liability at statutory tax rates	80.0	11.5	91.5
	=====	=====	=====

The US tax operating loss carryforwards at December 31, 1996 expire as follows:

Year ending December 31	\$m
1999	6.8
2000	4.1
2001	24.2
2002	18.3
2003	7.5
2004	86.4
2005	144.4
2006	107.2
2007	24.7
2008	13.0

	436.6
	=====

No provision has been made for deferred income taxes on undistributed earnings of subsidiaries (\$655.9 million at December 31, 1996) which are required to finance their continuing operations.

The significant temporary timing differences and tax loss carryforwards that gave rise to the deferred income tax balance at December 31, 1995 were as follows:

	US \$m	Non US \$m	Total \$m
Liabilities:			
Depreciation	857.9	124.4	982.3
Other	5.2	14.5	19.7
	-----	-----	-----
	863.1	138.9	1,002.0
	-----	-----	-----
Assets:			
Tax operating loss carryforwards	428.9	94.5	523.4
Provisions for estimated costs and expenses	69.2	12.5	81.7
Interest expense	99.6	-	99.6
Post-retirement benefit obligations	66.5	-	66.5
	-----	-----	-----
	664.2	107.0	771.2
Valuation allowance	(120.0)	(49.3)	(169.3)
	-----	-----	-----
	544.2	57.7	601.9
	-----	-----	-----
Gross deferred income tax liability	318.9	81.2	400.1
	-----	-----	-----
Deferred income tax liability at statutory tax rates	111.6	30.8	142.4
	=====	=====	=====

Note 26 - Other long-term liabilities

At December 31	1996 \$m	1995 \$m
Pensions (note 33(i))	28.4	20.6
Post-retirement benefits other than pensions (note 33(iv))	48.2	47.8
Long-term restructuring, disposition and other provisions	74.6	41.3
Other long-term liabilities	30.9	25.5
	-----	-----
	182.1	135.2
	=====	=====

Note 27 - Minority interests

At December 31, 1995 minority interests represent the 24.0 per cent interest in the outstanding voting share capital of Alert held by the minority shareholders of Alert and not owned by the Company. The value is based on the consolidated net assets of Alert on a historical cost basis.

In February 1996, following approval by Alert's shareholders, Alert was merged into the Company and, as a result, those shares then held by the minority shareholders and not owned by the Company were converted into the right to receive in cash the price paid per share by the Company in the initial tender offer. Accordingly, the minority interest outstanding at December 31, 1995 has been eliminated.

Note 28 - Convertible redeemable preference shares

At December 31	1996 \$m	1995 \$m	1994 \$m
Authorized:			
225,000 5 3/4% convertible cumulative redeemable preference shares 2002 of \$1 each (1995 - 225,000; 1994 - 225,000) (i)	0.2	0.2	0.2
500,000 6% convertible cumulative redeemable preference shares 2002 of \$1 each (1995 - 500,000; 1994 - 500,000) (ii)	0.5	0.5	0.5
125,000,000 convertible cumulative redeemable preference shares of \$1 each (1995 - 125,000,000; 1994 - 125,000,000) (iii)	125.0	125.0	125.0
	-----	-----	-----
	125.7	125.7	125.7
	=====	=====	=====

The movement in convertible redeemable preference shares since January 1, 1994 has been as follows:

	5 3/4% shares		6% shares	
	Number	\$m	Number	\$m
Issued and outstanding:				
At January 1, 1994	29,738	35.5	283,030	391.7
Reacquired in the market at purchase cost	(25)	-	-	-
Redeemed	(28,957)	(34.6)	(278,625)	(385.6)
Reversal of redemption premium on shares not redeemed	-	(0.1)	-	(1.7)
	-----	-----	-----	-----
At December 31, 1994	756	0.8	4,405	4.4
Converted into common shares (note 30)	-	-	(225)	(0.3)
	-----	-----	-----	-----
At December 31, 1995	756	0.8	4,180	4.1
Redeemed	(756)	(0.8)	(4,180)	(4.1)
	-----	-----	-----	-----
At December 31, 1996	-	-	-	-
	=====	=====	=====	=====

In January 1994 ADT redeemed 28,957 of its 5 3/4% convertible redeemable preference shares for an aggregate consideration, including redemption premium, of \$34.6 million.

The Company funded the redemption from cash on hand.

In October 1994 ADT redeemed 278,625 of its 6% convertible redeemable preference shares for an aggregate consideration, including redemption premium, of \$385.6 million. The Company funded the redemption through the drawdown of \$231.6 million under its previous bank credit agreement and \$154.0 million from cash on hand.

In November 1996 ADT redeemed 756 of its 5 3/4% convertible redeemable preference shares and 4,180 of its 6% convertible redeemable preference shares for an aggregate consideration of \$4.9 million. The Company funded the redemption from cash on hand.

Dividends on convertible redeemable preference shares amounted to:

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
5 3/4% convertible redeemable preference shares	-	-	- 6%
convertible redeemable preference shares	0.3	0.3	13.3
	-----	-----	-----
	0.3	0.3	13.3
	=====	=====	=====

(i) 5 3/4% convertible cumulative redeemable preference shares 2002
(par value \$1 each)

In April 1987 175,000 of these mandatorily redeemable preference shares were issued for cash at a price of \$1,000 each, and during the period to December 31, 1996 139,262 of these preference shares were converted into ADT common shares. The holders of these preference shares were entitled to a fixed cumulative preferential dividend at the rate of 5 3/4 per cent per annum. These preference shares were subject to redemption, at the option of the holders, in January 1994 at 119.625 per cent of their issue amount. ADT had the right to require redemption or conversion of the preference shares in certain circumstances. This right was exercised in November 1996 and all remaining preference shares were redeemed at their carrying amount. (ii) 6% convertible cumulative redeemable preference shares 2002 (par value \$1 each)

In September 1987 400,000 of these mandatorily redeemable preference shares were issued for cash at a price of \$1,000 each, and during the period to December 31, 1996 225 of these preference shares were converted into ADT common shares. The holders of these preference shares were entitled to a fixed cumulative preferential dividend at the rate of 6 per cent per annum. These preference shares were subject to redemption, at the option of the holders, in October 1994 at 138.375 per cent of their issue amount. ADT had the right to require redemption or conversion of the preference shares in certain circumstances. This right was exercised in November 1996 and all remaining preference shares were redeemed at their carrying amount.

(iii) Convertible cumulative redeemable preference shares (par value \$1 each) In November 1996 the board of directors of ADT determined that 2.5 million of the 125 million authorized convertible cumulative redeemable preference shares of \$1 each be classified as Series A First Preference Shares Purchase Rights, pursuant to the Shareholders Rights Plan referred to below, which have been reserved for issuance upon exercise of the said Rights.

The rights attaching to the balance of 122.5 million convertible cumulative redeemable preference shares of \$1 each, none of which are issued and outstanding, as to dividends, return of capital, redemption, conversion, voting and otherwise may be determined by ADT on or before the time of allotment.

In November 1996 the board of directors of ADT adopted a Shareholder Rights Plan ("the Plan"). Under the Plan each ADT common shareholder received a distribution of one right for each ADT common share held. Each right entitles the holder to purchase from ADT shares of a new series of first preference shares at an initial purchase price of \$90 per one hundredth of a first preference share. The rights will become exercisable and will detach from the common shares a specified period of time after any person becomes the beneficial owner of 15 per cent or more of ADT's common shares, or commences a tender or exchange offer which, if consummated, would result in any person becoming the beneficial owner of 15 per cent or more of ADT's common shares. The rights did not become exercisable on account of any person being the beneficial owner of 15 per cent or more of ADT's common shares when the Plan was adopted, but become exercisable if such a person increases their beneficial ownership after that time (note 32(iv)).

If any person becomes the beneficial owner of 15 per cent or more of ADT's common shares, or if any person who was already the beneficial owner of 15 per cent or more of ADT's common shares when the Plan was adopted increases their beneficial ownership, each right will enable the holder, other than the acquiring person, to purchase, for the rights purchase price, ADT common shares having a market value of twice the rights purchase price.

If, following an acquisition of 15 per cent or more of ADT's common shares, ADT is involved in any mergers or other business combinations or sells or transfers more than 50 per cent of its assets or earnings power, each right will entitle the holder to purchase, for the rights purchase price, common shares, of the other party to such transaction, having a market value of twice the rights purchase price.

ADT may redeem the rights at a price of \$0.01 per right at any time prior to the specified period of time after a person has become the beneficial owner of 15 per cent or more of ADT's common shares. The rights will expire in November 2005 unless exercised or redeemed earlier.

In the event of liquidation of ADT, the holders of all of ADT's convertible redeemable preference shares are together entitled to payment to them of the amount for which the preference shares were subscribed and any unpaid dividends, prior to any payment to the common shareholders.

Note 29 - Non-voting exchangeable shares

The movement in non-voting exchangeable shares since January 1, 1994 has been as follows:

	Number	\$m
At January 1, 1994	925,537	15.0
Exchanged into common shares held as treasury shares (note 31)	(922,628)	(15.0)
	-----	-----
At December 31, 1994	2,909	-
Exchanged into common shares held as treasury shares (note 31)	(2,909)	-
	-----	-----
At December 31, 1995 and December 31, 1996	-	-
	=====	=====

In March 1991 ADT Finance Inc., an indirect wholly owned Canadian subsidiary of ADT, issued 1,000,000 non-voting exchangeable shares exchangeable for common shares of ADT at the option of the holder, at any time, on a one for one basis. Holders of non-voting exchangeable shares were entitled only to dividends equivalent to dividends declared and paid on common shares of ADT.

Note 30 - Common shares

At December 31	1996 \$m	1995 \$m	1994 \$m
Authorized:			
220,000,000 shares of \$0.10 each (1995 - 220,000,000; 1994 - 220,000,000)	22.0 =====	22.0 =====	22.0 =====
Issued and outstanding:			
141,382,697 shares of \$0.10 each (1995 - 138,885,405; 1994 - 138,097,754)	14.1 =====	13.9 =====	13.8 =====

The movement in common shares since January 1, 1994 has been as follows:

	1996 Number	1995 Number	1994 Number
At January 1 (i)	138,885,405	138,097,754	137,364,915
Exercise of executive share options (ii)	2,479,820	780,366	35,000
Exchange of Liquid Yield Option Notes (note 23(iii))	17,472	-	-
Conversion of convertible preference shares (note 28)	-	7,285	-
Exercise of warrants (iii)	-	-	697,839
At December 31	141,382,697 =====	138,885,405 =====	138,097,754 =====

(i) The number of common shares at January 1, 1994 has been restated for the pooling of interests with ASH (note 3).

	Number
At January 1, 1994 - as previously reported	130,329,975
Pooling of interests with ASH (note 3)	7,034,940
At January 1, 1994 - as restated	137,364,915 =====

(ii) ADT has granted employee share options which are issued under five fixed share option plans and schemes which reserve common shares for issuance to the Company's executives and managers. The majority of options have been granted under the ADT 1993 Long-Term Incentive Plan ("the Incentive Plan"). The Incentive Plan was originally approved by shareholders of ADT in October 1993 and certain subsequent amendments to the Incentive Plan were approved by shareholders of ADT in April 1996. The Incentive Plan is administered by the remuneration committee of the board of directors of ADT, which consists exclusively of independent non-executive directors of ADT. Options are generally granted to purchase ADT common shares at prices which equate to or are above the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. Certain options have been granted in which participants were required to pay a subscription price as a condition of vesting. Options which have been granted under the Incentive Plan to date have generally vested and become exercisable in installments over a three year period from the date of grant and have a maximum term of ten years.

The movement in executive share options outstanding since January 1, 1994 has been as follows:

	1996 Number	1995 Number	1994 Number
At January 1	13,491,185	12,180,778	10,410,425
Granted	6,448,333	3,000,000	1,975,000
Exercised	(2,479,820)	(780,366)	(35,000)
Cancelled on purchase (note 34)	-	(657,832)	-
Lapsed/surrendered	(207,298)	(251,395)	(169,647)
	-----	-----	-----
At December 31	17,252,400	13,491,185	12,180,778
	=====	=====	=====

The number of executive share options exercisable and available for future grant at December 31 was as follows:

	1996 Number	1995 Number	1994 Number
Exercisable	12,787,060	5,423,423	3,454,935
Available for future grant	2,593,335	401,668	3,385,000
	-----	-----	-----

The weighted average executive share options exercise price information since January 1, 1994 has been as follows:

	1996 \$	1995 \$	1994 \$
Outstanding at January 1	11.52	11.08	11.32
Granted	15.32	11.97	9.24
Exercised	9.98	8.84	8.93
Cancelled on purchase (note 34)	-	9.10	-
Lapsed/surrendered	17.24	12.68	15.85
Outstanding at December 31	13.06	11.52	11.08
Exercisable at December 31	13.21	12.38	12.59
	-----	-----	-----

The estimated weighted average fair value of executive share options granted during 1996 was \$4.33 on the date of grant using the option-pricing model and assumptions referred to below.

The following table summarizes information about outstanding and exercisable executive share options at December 31, 1996.

Range of exercise prices \$	Options outstanding		Options exercisable		
	Number outstanding	Weighted average exercise price \$	Weighted average remaining contractual life-years	Number exercisable	Weighted average exercise price \$
8.01 to 10.00	4,292,250	8.91	6.9	3,607,748	8.87
10.01 to 13.00	2,997,250	11.68	5.6	503,080	11.52
13.01 to 15.00	8,690,400	14.95	6.8	8,523,732	14.97
15.01 to 20.00	1,163,000	16.48	9.1	43,000	15.94
20.01 to 30.00	109,500	26.43	2.5	109,500	26.43
	-----	-----		-----	-----
	17,252,400	13.06		12,787,060	13.21
	=====	=====		=====	=====

During 1996 the Company was required to adopt Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 allows companies to measure compensation cost in connection with executive share option plans and schemes using a fair value based method, or to continue to use an intrinsic value based method which generally does not result in a compensation cost. The Company has decided to continue to use the intrinsic value based method and no compensation cost has been recorded. Had the fair value based method been adopted consistent with the provisions of SFAS 123, the Company's proforma net (loss) income and proforma net (loss) income per common share for the years ended December 31, 1996 and 1995 would have been as follows:

Year ended December 31	1996	1995
Net (loss) income-proforma	(\$717.1m)	\$17.8m
	-----	-----
Net (loss) income per common share-proforma	(\$5.23)	\$0.13
	=====	=====

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions.

Expected stock price volatility	28 per cent
Risk free interest rate	5.9 per cent
Expected dividend yield	nil per cent
Expected life of options	3.7 years

The effects of applying SFAS 123 in this proforma disclosure are not indicative of future amounts. SFAS 123 does not apply to awards prior to 1995 and additional awards in future years are anticipated.

(iii) In April 1992 an issue was made to common shareholders of warrants to subscribe for ADT common shares on the basis of one warrant for every six common shares then held. Each warrant gave the holder the right to subscribe for one common share at \$10.00 per common share during the period from July 1, 1992 to June 30, 1994. All warrants not exercised at June 30, 1994 have lapsed in accordance with the terms of the warrants.

The movement in warrants since January 1, 1994 has been as follows:

	Number
At January 1, 1994	18,254,318
Exercised	(697,839)
Lapsed	(17,556,479)

At December 31, 1994, December 31, 1995 and December 31, 1996	- =====

(iv) In July 1996, as part of the then agreement to combine with Republic, ADT granted to Republic a warrant to acquire 15 million common shares of ADT at an exercise price of \$20 per common share. Following termination of the agreement to combine with Republic, the warrant vested and was exercisable by Republic in the six month period commencing September 27, 1996 (note 32(iv)). In March 1997 the warrant was exercised by Republic and the Company received \$300 million in cash.

(v) In March 1997 the Company announced that it had entered into a definitive merger agreement, subject to shareholder approval and other customary matters, with Tyco International Ltd. ("Tyco"), a United States quoted company engaged in the manufacture of industrial and commercial products. Tyco shareholders will receive one common share in the combined company for each Tyco common share and ADT shareholders, through a reverse stock split, will receive 0.48133 common shares in the combined company for each ADT common share.

Note 31 - Treasury shares

The movement in treasury common shares held by a subsidiary of ADT at purchase cost since January 1, 1994 has been as follows:

	Number	\$m
At January 1, 1994	4,109,324	102.9
Exchange of non-voting exchangeable shares (note 29)	(922,628)	(23.1)
	-----	-----
At December 31, 1994	3,186,696	79.8
Exchange of non-voting exchangeable shares (note 29)	(2,909)	(0.1)
Treasury shares given as employee remuneration	(1,000)	-
	-----	-----
At December 31, 1995 and December 31, 1996	3,182,787	79.7
	=====	=====

Note 32 - Commitments and contingencies

(i) The Company leases land, buildings, motor vehicles and other equipment under various contracts. The future total minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year at December 31, 1996 are as follows:

Year ending December 31		\$m
	1997	67.3
	1998	54.4
	1999	39.0
	2000	28.3
	2001	18.9
	Thereafter	41.6

		249.5
		=====

The net operating lease rental charge for the year included in the consolidated statements of income amounted to \$77.2 million (1995 - \$75.3 million; 1994 - \$68.6 million).

(ii) Financial instruments which potentially subject the Company to concentrations of credit risk principally consist of cash and cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit quality financial institutions throughout the world and, by policy, limits the amount of credit exposure to any one financial institution. The Company's trade receivables primarily result from its electronic security services and vehicle auction services businesses and reflects a broad international customer base. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize the risk of loss. As a consequence, concentrations of credit risk are limited. In addition, the Vendor Note (note 19) also subjects the Company to credit risk in the event of non-performance by ITS. However, the Company currently expects that ITS will meet its liabilities to the Company under the terms of the Vendor Note.

(iii) At December 31, 1996 the Company had issued guarantor surety bonds of \$10.0 million (1995 - \$10.0 million) to back insurance policies. These surety bonds have unlimited duration.

(iv) In December 1996 Westar Capital, Inc. ("WCI"), a wholly owned subsidiary of Western Resources, Inc. and a 24 per cent shareholder of ADT, filed a complaint (as subsequently amended) in the US Courts against ADT and its directors, among others. The complaint alleges, among other things, that ADT and its directors breached their fiduciary duties to WCI and ADT's other shareholders (a) by adopting the Plan (note 28(iii)), and (b) by issuing to Republic the warrant (note 30(iv)). The complaint seeks a court order (a) directing ADT to redeem the Plan, and (b) declaring the warrant issued to Republic null and void or preventing ADT and Republic from exercising their rights under the warrant or preventing Republic from selling or transferring any of the warrant shares it currently owns. The complaint also seeks unspecified damages, attorneys' fees and costs. Accordingly, an estimate of any potential loss or range of possible losses, if any, cannot be made. ADT and its board of directors believe that the allegations in WCI's complaint against ADT and its directors are without merit and intend to vigorously defend against them.

In December 1996 Mr. C. Gachot filed a complaint in the US Courts against ADT and certain of its directors, among others. The complaint was brought on behalf of a class of all shareholders of ADT and alleges, among other things, that the Plan (note 28(iii)) and the warrant issued to Republic (note 30(iv)) are improper. The complaint seeks unspecified monetary relief. Accordingly, an estimate of any potential loss or range of possible losses, if any, cannot be made. ADT and its board of directors believe that the allegations in Mr. Gachot's complaint against ADT and certain of its directors are without merit and intend to vigorously defend against them.

In March 1997 Crandon Capital Partners ("CCP") filed a complaint in the US Courts against ADT and certain of its current and former directors, among others. The complaint was brought by CCP in a derivative capacity on behalf of ADT. The complaint alleges, among other things, that ADT's directors breached their fiduciary duties and wasted corporate assets in connection with (a) the granting of options to certain officers of ADT in 1996, (b) the implementation of the Plan (note 28(iii)), and (c) the issuance to Republic of the warrant (note 30(iv)). The complaint seeks a court order directing ADT's directors to establish a system of internal controls to prevent repetition of the alleged breaches of fiduciary duty and corporate waste, and an unspecified amount of damages. Accordingly, an estimate of any potential loss or range of possible losses, if any, cannot be made. ADT and its directors believe that the allegations in CCP's complaint against ADT and certain of its directors are without merit and intend to vigorously defend against them. The Company is a defendant in a number of other pending legal proceedings incidental to present and former operations, acquisitions and dispositions. The Company does not expect the outcome of these proceedings either individually or in the aggregate to have a material adverse effect on the consolidated results of operations and cash flows or the consolidated financial position of the Company.

Note 33 - Pension and other plans

The Company operates various defined benefit pension plans designed in accordance with conditions and practices in the countries concerned. Contributions are based on periodic actuarial valuations which use the projected unit credit method of calculation and are charged to the consolidated statements of income on a systematic basis over the expected average remaining service lives of current employees. The net pension expense is assessed in accordance with the advice of professionally qualified actuaries in the countries concerned or is based on subsequent formal reviews for this purpose.

The Company's United States electronic security services operation has a non-contributory, funded, defined benefit pension plan covering substantially all of its employees.

The Company has two contributory, funded, defined benefit pension plans in the United Kingdom covering substantially all salaried and non-salaried employees.

Details of the most recent independent actuarial valuations or formal reviews are set out below:

(i) United States plan

The net pension expense for the United States plan included the following components:

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Service cost-benefits earned during year	6.5	5.1	6.1
Interest cost on projected benefit obligations	13.3	12.9	11.9
Return on assets	(17.1)	(16.3)	(16.1)
Net amortization and deferral	4.9	(0.8)	0.1
	-----	-----	-----
Net pension expense	7.6	0.9	2.0
	=====	=====	=====

As a result of an early retirement plan implemented during 1996, a curtailment loss of \$4.8 million is included in the net amortization and deferral component of net pension expense for the year ended December 31, 1996. The following table sets forth the actuarial present value of accumulated benefit obligations and funded status for the Company's United States plan: At December 31 1996 1995

	1996 \$m	1995 \$m
Accumulated benefit obligations, including vested benefits of \$155.4 million (1995 - \$157.8 million)	169.5	164.4
	=====	=====
Total projected benefit obligations	193.5	189.4
	-----	-----
Plan assets at fair value, primarily stocks, bonds and money market funds	192.6	183.5
Less: Unrecognized net gain	(28.1)	(15.4)
Plus: Unrecognized prior service costs	0.6	0.7
	-----	-----
	165.1	168.8
	-----	-----
Net pension liability (note 26)	28.4	20.6
	=====	=====
Benefit cover	99%	97%
	-----	-----

The actuarial assumptions for the expected long-term rate of return on plan assets, weighted average discount rate, and rate of increase of future compensation levels used in determining the actuarial present value of accumulated benefit obligations for 1996 were 10.0 per cent, 7.5 per cent and 4.0 per cent, respectively (1995 - 10.0 per cent, 7.0 per cent and 4.0 per cent, respectively). The actuarial valuations of the United States plan were carried out by Kwasha Lipton in 1996 and by Buck Consultants in 1995 and 1994.

(ii) United Kingdom plans

The aggregate net pension (income) expense for the United Kingdom plans included the following components:

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Service cost-benefits earned during year	3.6	3.9	5.0
Interest cost on projected benefit obligations	7.1	8.8	7.0
Return on assets	(11.5)	(17.3)	-
Net amortization and deferral	(2.2)	6.8	(9.7)
	-----	-----	-----
Net pension (income) expense	(3.0)	2.2	2.3
	=====	=====	=====

As a result of the disposal of an interest in European Auctions (notes 7(i) and 34) a curtailment gain of \$2.7 million is included in the net amortization and deferral component of net pension income for the year ended December 31, 1996.

The following table sets forth the aggregate actuarial present value of accumulated benefit obligations and funded status for the Company's United Kingdom plans:

At December 31	1996	1995
	\$m	\$m
Accumulated benefit obligations, including vested benefits of \$92.8 million (1995 - \$82.4 million)	92.8	82.4
	=====	=====
Total projected benefit obligations	101.4	91.6
	-----	-----
Plan assets at fair value, primarily stocks, bonds and money market funds	133.3	116.7
Less: Unamortized net assets	(13.0)	(6.1)
Less: Unrecognized net gain	(12.1)	(21.1)
Plus: Unrecognized prior service costs	-	2.1
	-----	-----
	108.2	91.6
	-----	-----
Net pension asset	6.8	-
	=====	=====
Benefit cover	131%	127%
	-----	-----

The actuarial assumptions for the expected long-term rate of return on plan assets, weighted average discount rate, and rate of increase of future compensation levels used in determining the actuarial present value of accumulated benefit obligations for 1996 were 9.5 per cent, 8.5 per cent and 7.0 per cent, respectively (1995 - 9.0 per cent, 8.3 per cent and 6.5 per cent, respectively). The actuarial valuations of the United Kingdom plans were principally carried out by William M. Mercer and by Friends Provident. The net pension asset at December 31, 1996 is included in other long-term assets (note 20).

(iii) The aggregate net pension expense for the year in respect of the United States and United Kingdom plans amounted to \$4.6 million (1995 - \$3.1 million; 1994 - \$4.3 million).

(iv) The Company's United States electronic security services operation sponsors an unfunded defined benefit post-retirement plan which covers both salaried and non-salaried employees and which provides medical and other benefits. This post-retirement health care plan is contributory, with retiree contributions adjusted annually.

The net post-retirement benefit expense included the following components:

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Service cost	0.7	0.5	0.6
Interest cost	2.5	2.4	2.3
Net amortization and deferral	(1.2)	(1.3)	(1.3)
	----	----	----
Net post-retirement benefit expense	2.0	1.6	1.6
	====	====	====

The following table sets forth the components of the plan's accumulated post-retirement benefit obligations and benefit liability:

At December 31	1996	1995
	\$m	\$m
Retirees	27.6	22.8
Fully eligible active plan participants	5.0	7.7
Other active plan participants	6.4	4.8
	----	----
Accumulated post-retirement benefit obligations	39.0	35.3
Less: Unrecognized net loss	(5.3)	(3.3)
Plus: Unrecognized prior service credit	14.5	15.8
	----	----
Post-retirement benefit liability (note 26)	48.2	47.8
	====	====

During 1992 the Company adopted amendments to the plan that reduced benefits attributable to prior service. These amendments resulted in approximately a \$20 million decrease in the obligation for benefits attributable to prior service. This decrease is being amortized as a reduction of plan costs on an actuarially calculated basis over a period of approximately twenty years beginning January 1992. Effective January 1995 the Company implemented a defined dollar benefit cap for all current and future retirees, regardless of age.

The weighted average discount rate used in determining the accumulated post-retirement benefit obligations was 7.5 per cent (1995 - 7.0 per cent). The actuarial valuations of the plan were carried out by Kwasha Lipton in 1996 and by Buck Consultants in 1995 and 1994.

Note 34 - Related party transactions

In December 1995 the Company entered into an agreement with Integrated Transport Systems Limited ("ITS"), a United Kingdom unquoted company, and its wholly owned subsidiaries Loanoption Limited and ITS Finance Limited, under which the Company disposed of an interest in European Auctions.

The aggregate consideration received by the Company on closing was comprised of cash of \$235.1 million, \$187.6 million Vendor Note (note 18) with an issue price of \$83.9 million and valued by the Company at \$74.6 million, \$31.1 million Shareholder Loan Notes (note 18) with an issue price of \$13.9 million and valued by the Company at \$13.3 million, and a 43.1 per cent interest in the ordinary share capital of ITS at an issue price of \$2.0 million and valued by the Company at \$0.9 million.

In February 1996 the Company disposed of its entire interest in Shareholder Loan Notes and 33.1 per cent of the ordinary share capital of ITS for an aggregate cash consideration of \$15.4 million (note 18). As a result, the Company now holds a 10.0 per cent interest in the ordinary share capital of ITS, valued and accounted for by the Company at a nominal amount, together with the Vendor Note which has been accounted for at its amortized cost.

Mr. D.B. Hammond and Mr. T.J. Gibson are both directors of ITS. Mr. Hammond was, until April 1996, Deputy Chairman of ADT and Mr. Gibson was the Chief Executive Officer of ADT Auction Group Limited.

Mr. Hammond and Mr. Gibson subscribed \$10.4 million and \$0.8 million, in total, respectively, to the capital of ITS and, as a result, were interested in Shareholder Loan Notes with issue prices of \$9.4 million and \$0.7 million, respectively, and 22.3 per cent and 1.7 per cent, respectively, of the ordinary share capital of ITS. Other senior management and employees of European Auctions subscribed \$3.7 million to the capital of ITS and, as a group, were interested in Shareholder Loan Notes with an issue price of \$3.3 million and 8.0 per cent of the ordinary share capital of ITS. In addition, at closing, Mr. M.A. Ashcroft, Chairman and Chief Executive Officer of ADT, subscribed \$7.0 million to the capital of ITS and, as a result, was interested in Shareholder Loan Notes with an issue price of \$6.3 million and 15.0 per cent of the ordinary share capital of ITS, which interest he continues to hold. Mr. Ashcroft is not an officer or director of ITS or any of its subsidiaries and has no involvement in the day to day management of ITS or any of its subsidiaries.

Upon the disposal by the Company of an interest in European Auctions, ADT share options held by directors and employees of European Auctions became immediately exercisable. ADT entered into arrangements with Mr. Gibson under which share options held by him at the time of the disposal by the Company of an interest in European Auctions were purchased by ADT for an aggregate economic value totalling \$1.2 million, based on ADT's common share price on December 19, 1995, of which Mr. Gibson invested \$0.8 million in the capital of ITS, referred to above. ADT also entered into similar arrangements with other senior management and employees of European Auctions under which ADT purchased share options held by them for an aggregate economic value totalling \$0.6 million, in order to enable them to invest in the capital of ITS. In addition, in order to further enable Mr. Hammond to invest in the capital of ITS, ADT purchased from him share options with an aggregate economic value totalling \$1.1 million, based on ADT's common share price on December 19, 1995, which would otherwise have been exercisable in March 1996.

Upon the disposal by the Company of an interest in European Auctions, Mr. Gibson received a severance payment of \$0.3 million and other senior management and employees of European Auctions, as a group, received severance payments totalling \$0.4 million.

A company controlled by Mr. Ashcroft made non-collateralized loans to Mr. Hammond, or companies controlled by him, of an aggregate of \$7.8 million, solely for the purpose of enabling Mr. Hammond or these companies to invest in the capital of ITS.

The cash consideration paid to the Company on closing was obtained by the ITS group through the subscription of \$26.5 million in the capital of ITS and approximately \$209.7 million through the drawdown of sterling term loans under a bank credit agreement entered into between the ITS group and a group of banks. The bank credit agreement has a term of seven years and obligations thereunder are guaranteed and collateralized by a first priority pledge of the shares and assets of all the companies comprising European Auctions and the ITS group.

At closing, the Company entered into an agreement with the ITS group whereby the Company granted to ITS and its subsidiaries permission to use the ADT name and certain trademarks for a period of up to three years for a total cash consideration, paid at closing, of \$0.6 million.

At closing, the Company entered into an option agreement with Mr. Ashcroft which, if exercised, would have required Mr. Ashcroft to purchase from the Company, for cash fifty days after closing, Shareholder Loan Notes with an issue price of up to \$8.2 million and up to 19.6 per cent of the ordinary share capital of ITS. In addition, at closing, ITS entered into an agreement with the Company and Mr. Ashcroft under which ITS agreed to use its reasonable efforts, for a forty-five day period after closing, to find unrelated third party investors to purchase Shareholder Loan Notes and ordinary share capital of ITS from the Company and Mr. Ashcroft, and under which the Company and Mr. Ashcroft agreed to certain voting restrictions in respect of their holdings of the ordinary share capital of ITS as described below. In February 1996 the Company and Mr. Ashcroft agreed that the mutual obligations under the option agreement be released.

At December 31, 1995 the Company's investment in the ordinary share capital of ITS was accounted for as an unconsolidated subsidiary under temporary control, due to an agreement between ITS, the Company and Mr. Ashcroft limiting the voting rights of each of the Company and Mr. Ashcroft to 15.0 per cent of the voting rights of ITS and due to the fact that Mr. Hammond did not seek re-election to the board of directors of ADT at the 1996 annual general meeting. Accordingly, at December 31, 1995 the equity method of accounting was used in the consolidated financial statements, and the Vendor Note and Shareholder Loan Notes were accounted for at their amortized cost. An opinion regarding the fair value of the transactions described above was provided to the independent non-executive directors of ADT by a leading European investment banking firm and the transactions were approved unanimously by the independent non-executive directors of ADT.

Note 35 - Quarterly financial data (unaudited)

	1996 First Quarter \$m	1996 Second Quarter \$m	1996 Third Quarter \$m	1996 Fourth Quarter \$m	1996 Year \$m
Net sales:					
Electronic security services	336.7	347.1	355.0	367.4	1,406.2
Vehicle auction services	74.6	75.3	72.9	75.0	297.8
	-----	-----	-----	-----	-----
Net sales	411.3	422.4	427.9	442.4	1,704.0
	=====	=====	=====	=====	=====
Operating (loss) income:					
Electronic security services (i)	(679.2)	54.1	52.5	(183.9)	(756.5)
Vehicle auction services (ii)	(2.2)	12.9	9.7	6.7	27.1
Corporate (iii)	(5.4)	(7.2)	(15.1)	(8.4)	(36.1)
	-----	-----	-----	-----	-----
Operating (loss) income	(686.8)	59.8	47.1	(185.6)	(765.5)
Interest income	6.5	6.3	5.4	9.3	27.5
Interest expense	(27.4)	(26.7)	(24.5)	(22.4)	(101.0)
Gain on disposal of businesses	-	-	1.7	-	1.7
Other income less expenses (iv)	(0.3)	1.0	0.7	127.4	128.8
	-----	-----	-----	-----	-----
(Loss) income before income taxes	(708.0)	40.4	30.4	(71.3)	(708.5)
Income taxes	2.4	(9.7)	(7.2)	36.3	21.8
	-----	-----	-----	-----	-----
(Loss) income before extraordinary items	(705.6)	30.7	23.2	(35.0)	(686.7)
Extraordinary items (v)	-	(1.2)	(4.6)	(2.6)	(8.4)
	-----	-----	-----	-----	-----
Net (loss) income	(705.6)	29.5	18.6	(37.6)	(695.1)
	=====	=====	=====	=====	=====
Dividends on preference shares	(0.1)	(0.1)	-	(0.1)	(0.3)
	-----	-----	-----	-----	-----
Net (loss) income available to common shareholders	(705.7)	29.4	18.6	(37.7)	(695.4)
	=====	=====	=====	=====	=====
Primary (loss) earnings per common share (vi)	\$	\$	\$	\$	\$
(Loss) income before extraordinary items	(5.20)	0.22	0.16	(0.25)	(5.01)
Extraordinary items	-	(0.01)	(0.03)	(0.02)	(0.06)
	-----	-----	-----	-----	-----
Net (loss) income per common share	(5.20)	0.21	0.13	(0.27)	(5.07)
	=====	=====	=====	=====	=====

Notes:

(i) In the first quarter of 1996 electronic security services operating income was stated after a charge for the impairment of long-lived assets of \$731.7 million (note 6(i)). In the fourth quarter of 1996 electronic security services operating income was stated after a charge of \$232.5 million relating to restructuring and other non-recurring items (note 5(i)).

(ii) In the first quarter of 1996 vehicle auction services operating income was stated after a charge for the impairment of long-lived assets of \$13.0 million (note 6(ii)).

(iii) In the second and third quarters of 1996 corporate expenses included \$0.4 million and \$10.9 million, respectively, related to professional and other transaction costs arising in connection with the merger of ADT and ASH and the terminated merger with Republic (note 4(iii)). In the fourth quarter of 1996 corporate expenses were stated after a charge of \$4.8 million relating to restructuring and other non-recurring items (note 5(ii)).

(iv) Other income less expenses principally comprised a net gain arising from the disposal of the Company's entire investment in Limelight Group plc, a net settlement gain with BDO, and gains and losses on currency transactions (note 8).

(v) Extraordinary items principally were comprised of losses on repayment and the write off of net unamortized deferred refinancing costs relating to the early extinguishment of debt (note 11).

(vi) Primary (loss) earnings per common share equalled fully diluted (loss) earnings per common share in all periods except for the second quarter of 1996. In the second quarter of 1996 fully diluted earnings per common share from income before extraordinary items, extraordinary items and net income were \$0.21, \$0.01 (loss) and \$0.20, respectively.

Note 35 - Quarterly financial data (unaudited) (continued)

	1995 First Quarter \$m	1995 Second Quarter \$m	1995 Third Quarter \$m	1995 Fourth Quarter \$m	1995 Year \$m
Net sales:					
Electronic security services	321.1	337.7	337.5	354.6	1,350.9
Vehicle auction services	112.3	110.7	106.5	103.4	432.9
	-----	-----	-----	-----	-----
Net sales	433.4	448.4	444.0	458.0	1,783.8
	=====	=====	=====	=====	=====
Operating income:					
Electronic security services (i)	42.6	46.4	50.0	33.4	172.4
Vehicle auction services	22.7	20.3	17.2	10.0	70.2
Corporate (ii)	(7.5)	(7.3)	(6.7)	(20.3)	(41.8)
	-----	-----	-----	-----	-----
Operating income	57.8	59.4	60.5	23.1	200.8
Interest income	3.7	3.9	4.7	3.9	16.2
Interest expense	(28.3)	(30.5)	(30.4)	(27.1)	(116.3)
Loss on disposal of businesses (iii)	-	(4.9)	(0.5)	(31.2)	(36.6)
Other income less expenses (iv)	1.1	(6.9)	0.9	(0.1)	(5.0)
	-----	-----	-----	-----	-----
Income (loss) before income taxes	34.3	21.0	35.2	(31.4)	59.1
Income taxes	(9.7)	(10.7)	(9.2)	1.5	(28.1)
	-----	-----	-----	-----	-----
Income (loss) before extraordinary items	24.6	10.3	26.0	(29.9)	31.0
Extraordinary items (v)	-	-	(8.0)	(1.8)	(9.8)
	-----	-----	-----	-----	-----
Net income (loss)	24.6	10.3	18.0	(31.7)	21.2
Dividends on preference shares	(0.1)	(0.1)	(0.1)	-	(0.3)
	-----	-----	-----	-----	-----
Net income (loss) available to common shareholders	24.5	10.2	17.9	(31.7)	20.9
	=====	=====	=====	=====	=====
Primary earnings (loss) per common share (vi)	\$	\$	\$	\$	\$
Income (loss) before extraordinary items	0.18	0.07	0.19	(0.22)	0.22
Extraordinary items	-	-	(0.06)	(0.01)	(0.07)
	-----	-----	-----	-----	-----
Net income (loss) per common share	0.18	0.07	0.13	(0.23)	0.15
	=====	=====	=====	=====	=====

Notes:

(i) In the fourth quarter of 1995 electronic security services operating income was stated after a charge of \$21.4 million relating to restructuring and other non-recurring items (note 5(i)).

(ii) In the fourth quarter of 1995 corporate expenses were stated after a charge of \$12.8 million relating to restructuring and other non-recurring items (note 5(ii)).

(iii) In the fourth quarter of 1995 loss on disposal of businesses principally comprised a net loss of \$65.8 million arising on the disposal by the Company of an interest in European Auctions and a net gain of \$31.4 million arising on the disposal of its entire European electronic article surveillance business (notes 7(i) and 7(ii)).

(iv) Other income less expenses principally comprised net losses arising from the disposal of the Company's entire equity investments in CGPS and Microtech which were held by the ASH group (note 8(i)).

(v) Extraordinary items principally were comprised of the write off of net unamortized deferred refinancing costs relating to the early extinguishment of debt (note 11).

(vi) Primary earnings (loss) per common share equalled fully diluted earnings (loss) per common share in all periods except for the third quarter of 1995. In the third quarter of 1995 fully diluted earnings per common share from income before extraordinary items, extraordinary items and net income were \$0.18, \$0.05 (loss) and \$0.13, respectively.

Note 36 - ADT Operations, Inc.

ADT Operations, Inc., a company incorporated in the State of Delaware, United States, is an indirect wholly owned subsidiary of ADT. ADT Operations, Inc. is a holding company that, through its subsidiaries, conducts a substantial proportion of the Company's electronic security services businesses in the United States and all of the Company's vehicle auction services businesses in the United States. ADT Operations, Inc. has no independent business operations or assets other than its investment in its subsidiaries, intercompany balances and holdings of cash and cash equivalents. The consolidated financial statements presented below incorporate the financial statements of ADT Operations, Inc. and its subsidiaries ("ADT Operations"). The basis upon which the consolidated financial statements of ADT Operations has been prepared and the summary of significant accounting policies applied are as described in notes 1 and 2. The consolidated financial statements of ADT Operations have been prepared assuming that ADT Operations will continue as a going concern. This assumption is based on the subordinated and non-collateralized debt position of ADT Operations, its financing structure within the ADT group of companies and ADT Operations' financial plans and projections. In the consolidated financial statements of ADT Operations, "affiliates" refers to certain direct and indirect wholly owned subsidiaries of ADT which are not within the ADT Operations group of companies.

Consolidated statements of income

Year ended December 31	Notes	1996 \$m	1995 \$m	1994 \$m
Net sales	(i)	1,212.0	1,094.3	986.3
Cost of sales		(605.2)	(537.5)	(491.0)
Selling, general and administrative expenses		(421.9)	(369.3)	(331.4)
Restructuring and other non-recurring charges	(ii)	(132.1)	(19.4)	-
Charge for the impairment of long-lived assets	(iii)	(316.4)	-	-
Operating (loss) income	(i)	(263.6)	168.1	163.9
Interest income - affiliates		1.3	-	29.7
Interest income - non-affiliates		2.4	3.1	2.6
Interest expense - affiliates		(32.4)	(22.5)	(49.1)
Interest expense - non-affiliates		(75.1)	(79.9)	(66.4)
Gain on disposal of businesses to affiliates	(iv)	2.0	-	-
Loss on disposal of businesses to non-affiliates	(v)	-	-	(0.4)
Other income less expenses	(vi)	8.5	(6.7)	(0.3)
(Loss) income before income taxes		(356.9)	62.1	80.0
Income taxes	(vii)	1.4	(19.0)	(25.5)
(Loss) income before extraordinary items		(355.5)	43.1	54.5
Extraordinary items (net of income taxes)	(viii)	(1.3)	(8.9)	-
Net (loss) income		(356.8)	34.2	54.5

Consolidated balance sheets

At December 31	Notes	1996 \$m	1995 \$m
Assets			
Current assets:			
Cash and cash equivalents		82.9	54.0
Accounts receivable - net - affiliates		44.4	28.9
Accounts receivable - net - non-affiliates	(ix)	149.4	132.8
Inventories	(x)	21.6	17.2
Prepaid expenses and other current assets	(xi)	22.9	6.9
		-----	-----
Total current assets		321.2	239.8
Property, plant and equipment - net	(xii)	1,131.3	1,049.1
Goodwill and other intangibles - net	(xiii)	351.1	698.4
Long-term notes receivable - affiliates	(xiv)	51.3	-
Other long-term assets	(xv)	31.2	28.9
		-----	-----
Total assets		1,886.1	2,016.2
		=====	=====
Liabilities and shareholder's equity			
Current liabilities:			
Short-term debt - non-affiliates	(xvi)	129.8	36.3
Accounts payable - affiliates		14.5	9.6
Accounts payable - non-affiliates		91.8	75.2
Other current liabilities - non-affiliates	(xvii)	143.5	127.5
		-----	-----
Total current liabilities		379.6	248.6
Long-term debt - affiliates	(xviii)	690.1	130.2
Long-term debt - non-affiliates	(xix)	877.2	895.4
Deferred revenue (note 24)		72.4	67.3
Deferred income taxes	(xx)	78.9	92.9
Other long-term liabilities - affiliates	(xxi)	117.4	129.8
Other long-term liabilities			
- non-affiliates	(xxii)	119.4	96.3
Minority interests (note 27)		-	15.6
		-----	-----
Total liabilities		2,335.0	1,676.1
		-----	-----
Commitments and contingencies	(xxiv)		
Shareholder's equity:			
Common shares	(xxiii)	-	-
Contributed surplus		858.5	858.5
Accumulated deficit		(1,307.4)	(518.4)
		-----	-----
Total shareholder's equity		(448.9)	340.1
		-----	-----
Total liabilities and shareholder's equity		1,886.1	2,016.2
		=====	=====

Consolidated statements of cash flows

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Cash flows from operating activities			
Net (loss) income	(356.8)	34.2	54.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Charge for the impairment of long-lived assets	316.4	-	-
Depreciation	144.0	120.2	104.6
Goodwill and other intangibles amortization	11.7	18.2	18.5
Restructuring and other non-recurring charges	122.0	18.4	-
Interest on long-term notes receivable - affiliates	(1.3)	-	-
Liquid Yield Option Notes discount amortization	20.3	9.4	-
Refinancing costs amortization	3.2	4.9	5.3
Deferred income taxes	(4.3)	16.5	22.0
Extraordinary items	1.3	8.9	-
Gain on disposal of property, plant and equipment	(2.2)	(1.2)	(0.8)
Gain on disposal of businesses to affiliates	(2.0)	-	-
Loss on disposal of businesses to non-affiliates	-	-	0.4
Gain on customer contract transactions - affiliates	(18.1)	-	-
Gain arising from the ownership of investments	-	-	(3.2)
Other	3.2	2.3	-
Changes in assets and liabilities:			
Accounts receivable - affiliates	(7.5)	(14.6)	(0.4)
Accounts receivable - non-affiliates	(10.5)	(29.3)	(3.9)
Inventories	(3.5)	3.6	(4.3)
Other assets	(11.0)	(0.4)	1.1
Accounts payable - affiliates	(7.5)	(5.2)	(7.4)
Accounts payable - non-affiliates	14.7	16.6	7.7
Deferred revenue	3.1	2.7	0.9
Other liabilities	(5.6)	(8.8)	3.5
	-----	-----	-----
Net cash provided by operating activities	209.6	196.4	198.5
	-----	-----	-----
Cash flows from investing activities			
Purchase of property, plant and equipment	(293.2)	(221.4)	(175.8)
Disposal of property, plant and equipment	6.9	3.9	5.4
Long-term notes receivable - affiliates	(50.0)	-	318.8
Acquisition of businesses from non-affiliates	(25.5)	(64.0)	-
Purchase of customer contracts	(4.1)	-	-
Disposal of businesses to non-affiliates	-	-	10.2
Disposal of assets to affiliates	73.2	-	-
Disposal of other investments to non-affiliates	-	-	19.7
Disposal of trademarks to affiliates	-	-	150.0
Other	(1.7)	(1.6)	(5.2)
	-----	-----	-----
Net cash (utilized) provided by investing activities	(294.4)	(283.1)	323.1
	-----	-----	-----

Cash flows from financing activities			
Net receipt (repayments) of short-term debt - affiliates	-	-	(145.3)
Net repayments of short-term debt - non-affiliates	11.4	(19.6)	(25.9)
Repayments of long-term debt - affiliates	-	-	(430.4)
Proceeds from long-term debt - affiliates	34.3	33.0	199.9
Repayments of long-term debt - non-affiliates	(15.0)	(209.6)	(0.2)
Repayment of long-term acquisition debt	-	(39.6)	-
Proceeds from long-term debt - non-affiliates	83.0	312.4	231.6
Debt refinancing costs	-	(12.0)	(1.0)
Dividends paid	-	-	(352.5)
Other	-	(2.2)	(3.7)
	-----	-----	-----
Net cash provided (utilized) by financing activities	113.7	62.4	(527.5)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	28.9	(24.3)	(5.9)
Cash and cash equivalents at beginning of year	54.0	78.3	84.2
	-----	-----	-----
Cash and cash equivalents at end of year	82.9	54.0	78.3
	=====	=====	=====
Cash payments during the year for			
Interest - affiliates	31.3	21.7	49.3
Interest - non-affiliates	52.0	66.5	57.7
Income taxes	2.6	2.3	4.0
In conjunction with the acquisition of businesses from affiliates, net assets were assumed as follows			
Goodwill and other intangibles	5.4	-	-
Notes issued	(70.0)	-	-
	-----	-----	-----
Net assets assumed	(64.6)	-	-
	=====	=====	=====
In conjunction with the acquisition of businesses from non-affiliates, net (assets) liabilities were assumed as follows			
Goodwill and other intangibles	10.3	121.0	-
Cash paid (net of cash assumed)	(25.5)	(64.0)	-
	-----	-----	-----
Net (assets) liabilities assumed	(15.2)	57.0	-
	=====	=====	=====

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
In conjunction with the disposal of businesses to affiliates, net assets were disposed as follows			
Short-term receivable	8.0	-	-
Gain on disposal of businesses (including net unamortized goodwill and other intangibles)	(2.0)	-	-
	-----	-----	-----
Net assets disposed	6.0	-	-
	=====	=====	=====

In conjunction with the disposal of businesses to non-affiliates, net assets were disposed as follows			
Cash received (net of cash disposed)	-	-	10.2
Loss on disposal of businesses (including net unamortized goodwill and other intangibles)	-	-	0.4
	-----	-----	-----
Net assets disposed	-	-	10.6
	=====	=====	=====

Consolidated statements of changes in shareholder's equity

	Common shares \$m	Contributed surplus \$m	Accumulated deficit \$m	Total \$m
At January 1, 1994	-	858.5	(254.6)	603.9
Net income	-	-	54.5	54.5
Cash dividends	-	-	(352.5)	(352.5)
	-----	-----	-----	-----
At December 31, 1994	-	858.5	(552.6)	305.9
Net income	-	-	34.2	34.2
	-----	-----	-----	-----
At December 31, 1995	-	858.5	(518.4)	340.1
Net loss	-	-	(356.8)	(356.8)
Dividends (a)	-	-	(432.2)	(432.2)
	-----	-----	-----	-----
At December 31, 1996	-	858.5	(1,307.4)	(448.9)
	=====	=====	=====	=====

(a) A dividend of \$432.2 million was paid by ADT Operations, Inc. in December 1996 and the consideration was the assignment to ADT Operations Inc.'s immediate parent of a loan note owed to ADT Operations, Inc. by a subsidiary (note (xviii)).

Note (i) - Segment information

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Net sales			
Electronic security services (a)	914.2	824.5	733.0
Vehicle auction services	297.8	269.8	253.3
	-----	-----	-----
	1,212.0	1,094.3	986.3
	=====	=====	=====
Operating (loss) income			
Electronic security services (a)	(289.9)	135.2	135.6
Vehicle auction services (b)	27.1	34.3	33.7
Corporate (c)	(0.8)	(1.4)	(5.4)
	-----	-----	-----
	(263.6)	168.1	163.9
	=====	=====	=====

(a) In 1996 electronic security services operating income was stated after a charge of \$131.6 million (1995 - \$19.4 million) relating to restructuring and other non-recurring items (note (ii)) and after a charge for the impairment of long-lived assets of \$303.4 million (note (iii)).

In December 1996 ADT Operations disposed of certain of its electronic security services operations (Sonitrol franchises) to an affiliate. The net gain on disposal of \$2.0 million was included in the gain on disposal of businesses to affiliates (note (iv)).

During 1994 ADT Operations disposed of certain of its electronic security services operations (Puerto Rico and US Virgin Islands). The net loss on disposal of \$0.4 million was included in the loss on disposal of businesses to non-affiliates (note (v)).

The following information represents the amounts included in the electronic security services business segment information above which related to the operations disposed of.

Year ended December 31	1996	1995	1994
	\$m	\$m	\$m
Net sales	6.1	6.1	12.7
Operating income	0.2	0.4	2.5

(b) In 1996 vehicle auction services operating income was stated after a charge for the impairment of long-lived assets of \$13.0 million (note (iii)).

(c) Corporate expenses comprise administrative, legal and general corporate expenses net of other income. In 1996 corporate expenses were stated after a charge of \$0.5 million relating to restructuring and other non-recurring items (note (ii)).

(d) The costs incurred in producing and communicating advertising are generally expensed when incurred. The total amount of advertising expense for the year included in the consolidated statements of income amounted to \$58.3 million (1995 - \$49.7 million; 1994 - \$38.1 million).

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Depreciation and amortization			
Electronic security services	140.5	123.6	108.8
Vehicle auction services	15.0	14.7	14.2
Corporate	0.2	0.1	0.1
	-----	-----	-----
	155.7	138.4	123.1
	=====	=====	=====
Capital expenditures			
Electronic security services	264.7	201.1	161.8
Vehicle auction services	25.7	18.9	14.0
Corporate	2.8	1.4	-
	-----	-----	-----
	293.2	221.4	175.8
	=====	=====	=====
Identifiable assets			
Electronic security services	1,289.0	1,513.4	1,284.6
Vehicle auction services	467.7	440.3	425.3
Corporate	129.4	62.5	90.3
	-----	-----	-----
	1,886.1	2,016.2	1,800.2
	=====	=====	=====

Note (ii) - Restructuring and other non-recurring charges

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Electronic security services	(131.6)	(19.4)	-
Corporate	(0.5)	-	-
	-----	-----	-----
	(132.1)	(19.4)	-
	=====	=====	=====

As a consequence of the Re-Engineering Project, and incorporating the effects of the acquisition of Alert, in each of the fourth quarters of 1996 and 1995 senior executive management approved a restructuring plan which resulted in a charge for restructuring and other non-recurring items of \$131.6 million and \$19.4 million, respectively (note 5(i)). The effects of the Re-Engineering Project resulted in a charge for restructuring and other non-recurring items at the corporate level in 1996 of \$0.5 million (note 5(ii)).

Note (iii) - Charge for the impairment of long-lived assets
 Effective January 1, 1996, ADT Operations was required to adopt SFAS 121. Following the adoption of SFAS 121, in the first quarter of 1996 ADT Operations recorded an aggregate non-cash charge for the impairment of long-lived assets of \$316.4 million, as a separate line item in the consolidated statements of income, with no consequential tax effect (note 6). The \$303.4 million impairment charge in the electronic security services division comprised \$302.4 million relating to goodwill and other intangibles and \$1.0 million relating to other assets. The \$13.0 million impairment charge in the vehicle auction services division related to goodwill and other intangibles.

Note (iv) - Gain on disposal of businesses to affiliates

In December 1996 ADT Operations disposed of certain of its electronic security services operations (Sonitrol franchises) to an affiliate. The aggregate consideration on disposal amounted to \$8.0 million, which was financed through a short-term receivable from an affiliate, and the net gain on disposal of \$2.0 million included \$1.8 million relating to the write off of net unamortized goodwill and other intangibles (note (xiii)).

Note (v) - Loss on disposal of businesses to non-affiliate

During 1994 ADT Operations disposed of certain of its electronic security services operations (Puerto Rico and US Virgin Islands). The aggregate cash consideration on disposal amounted to \$10.6 million and the net loss on disposal of \$0.4 million included \$4.8 million relating to the write off of net unamortized goodwill and other intangibles.

Note (vi) - Other income less expenses

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Net gain arising on customer contract transactions - affiliates	18.1	-	-
Management fees - net - affiliates	(9.6)	(6.7)	(3.5)
Gains and losses arising from the ownership of long-term investments	-	-	3.2
	----	----	----
	8.5	(6.7)	(0.3)
	====	====	====

Note (vii) - Income taxes

(a) The provision for income taxes in the consolidated statements of income was as follows:

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Current income taxes:			
US (principally state income taxes)	(2.9)	(2.5)	(3.5)
Deferred income taxes: (note (xx))			
US (principally federal income taxes)	4.3	(16.5)	(22.0)
	----	-----	-----
	1.4	(19.0)	(25.5)
	=====	=====	=====

(b) The reconciliation between notional US federal income taxes at the statutory rate on consolidated (loss) income before income taxes and ADT Operations' income tax provision was as follows:

Year ended December 31	1996 \$m	1995 \$m	1994 \$m
Notional US federal income taxes at the statutory rate	124.9	(21.7)	(28.0)
Adjustments to reconcile to ADT Operations' income tax provision:			
US state income tax provisions, net	(2.9)	(2.5)	(3.2)
SFAS 121 impairment	(110.7)	-	-
Utilization and/or recognition of tax loss carryforwards and other items	(9.9)	5.2	5.7
	-----	-----	-----
Income tax provision	1.4	(19.0)	(25.5)
	=====	=====	=====

Note (viii) - Extraordinary items

During 1996 and 1995 affiliates of ADT Operations reacquired in the market certain of ADT Operations, Inc.'s senior subordinated notes (note (xix)(a)), which was financed from cash on hand. Extraordinary items included the write off of net unamortized deferred refinancing costs of \$0.5 million (1995 - \$0.8 million), and were stated net of applicable income taxes of \$0.2 million (1995 - \$0.2 million).

In December 1996 ADT Operations, Inc. entered into a new bank credit agreement, subject to completion of certain additional documentation which was signed in January 1997, which replaced in full its previous bank credit agreement and which was subsequently cancelled (note (xix)(c)). Extraordinary items included the write off of net unamortized deferred refinancing costs of \$1.5 million relating to the early extinguishment of all amounts outstanding under the revolving bank credit agreement, and were stated net of applicable income taxes of \$0.5 million.

In July 1995 ADT Operations, Inc. repaid in full all amounts owed under its previous bank credit agreement, which was subsequently cancelled. ADT Operations, Inc. funded the repayment from the net proceeds of the issue of its Liquid Yield Option Notes (note (xix)(b)). Extraordinary items included the write off of net unamortized deferred refinancing costs of \$12.8 million relating to the early extinguishment of all amounts outstanding under the previous bank credit agreement, and were stated net of applicable income taxes of \$4.5 million.

Note (ix) - Accounts receivable - net - non-affiliates

At December 31	1996	1995
	\$m	\$m
Trade accounts receivable	160.2	144.7
Less: allowance for doubtful receivables	(10.8)	(11.9)
	-----	-----
	149.4	132.8
	=====	=====

Note (x) - Inventories

At December 31	1996	1995
	\$m	\$m
Raw materials and consumables	6.0	6.5
Work in process	11.4	7.4
Finished goods	4.2	3.3
	-----	-----
	21.6	17.2
	=====	=====

Note (xi) - Prepaid expenses and other current assets

At December 31	1996	1995
	\$m	\$m
Prepaid expenses	4.5	4.1
Other current assets	18.4	2.8
	-----	-----
	22.9	6.9
	=====	=====

Note (xii) - Property , plant and equipment - net

At December 31	1996	1995
	\$m	\$m
Cost:		
Property and related improvements	278.5	254.0
Subscriber systems	1,336.9	1,098.1
Other plant and equipment	156.7	136.1
	-----	-----
Total cost	1,772.1	1,488.2
	-----	-----
Accumulated depreciation:		
Property and related improvements	50.3	35.9
Subscriber systems	480.6	330.8
Other plant and equipment	109.9	72.4
	-----	-----
Total accumulated depreciation	640.8	439.1
	-----	-----
Net book values	1,131.3	1,049.1
	=====	=====

Note (xiii) - Goodwill and other intangibles - net

	1996	1995
	\$m	\$m
Cost:		
At January 1	841.2	720.2
SFAS 121 impairment (note (iii))	(429.1)	-
Acquisitions (a)	19.8	121.0
Disposals (b)	(41.1)	-
	-----	-----
At December 31	390.8	841.2
	-----	-----
Accumulated amortization:		
At January 1	142.8	124.6
SFAS 121 impairment (note (iii))	(113.7)	-
Charge for the year	11.7	18.2
Disposals (b)	(1.1)	-
	-----	-----
At December 31	39.7	142.8
	-----	-----
Net book values:		
At December 31	351.1	698.4
	=====	=====

(a) In February 1996 ADT Operations acquired the remaining 24.0 per cent of the outstanding voting share capital of Alert, an electronic security services company, not already owned by ADT Operations, for an aggregate cash consideration of \$25.5 million, which was financed from cash on hand. The amount of goodwill arising from this acquisition was \$10.3 million. During 1996 ADT Operations purchased other intangibles, principally customer contracts, for an aggregate cash consideration of \$4.1 million which was financed from cash on hand. In December 1996 ADT Operations acquired the electronic security services business and net assets of an affiliate for an aggregate consideration of \$70.0 million which was financed through a long-term loan from an affiliate. The amount of goodwill arising from this acquisition was \$5.4 million.

In December 1995 ADT Operations acquired 76.0 per cent of the outstanding voting share capital of Alert, for an aggregate cash consideration of \$69.0 million, which was financed from \$54.0 million of cash on hand and through a long-term loan from affiliates of \$15.0 million. The amount of goodwill and other intangibles arising from this acquisition was \$80.1 million and \$40.0 million, respectively. During 1995 ADT Operations also acquired several small electronic security services businesses for an aggregate cash consideration of \$0.9 million.

These acquisitions have been accounted for using the purchase method. Accordingly, the respective purchase prices have been allocated to assets acquired and liabilities assumed based on their preliminary estimated fair values. These allocations resulted in goodwill and other intangibles of \$19.8 million arising during the year (1995 - \$121.0 million).

(b) During 1996, ADT Operations disposed of certain of its customer contracts to an affiliate. The aggregate cash consideration on disposal amounted to \$74.5 million and the net gain on disposal of \$36.3 million was included in other income less expenses (note (vi)). In December 1996 ADT Operations disposed of certain of its electronic security services operations (Sonitrol franchises) to an affiliate. The net unamortized goodwill and other intangibles on disposal of \$1.8 million was included in the gain on disposal of businesses to affiliates (note (iv)).

(c) The accumulated cost, accumulated amortization and net book values of the goodwill balance included within goodwill and other intangibles at December 31, 1996 amounted to \$385.7 million, \$39.1 million and \$346.6 million, respectively (1995 - \$801.2 million, \$142.8 million and \$658.4 million, respectively).

Note (xiv) - Long-term notes receivable - affiliates

In September 1996 ADT Operations subscribed for \$73.8 million aggregate principal amount at maturity of subordinated deep discount zero coupon loan notes issued by an affiliate maturing in September 2001. There are no periodic payments of interest. The notes were issued at a price of \$50.0 million, reflecting a yield to maturity of 7.9 per cent per annum. ADT Operations funded the subscription through loans drawn down under the revolving bank credit agreement. The interest yield for 1996 amounted to \$1.3 million. Note (xv) - Other long-term assets

At December 31	1996	1995
	\$m	\$m
Deferred refinancing costs	19.5	24.7
Other long-term assets	11.7	4.2
	----	----
	31.2	28.9
	====	====

In connection with the refinancing of certain long-term debt obligations of ADT Operations certain fees and expenses were incurred. These refinancing costs are being amortized as interest expense through the consolidated statements of income on a straight line basis over the terms of the respective lives of ADT Operations various long-term debt obligations. The refinancing costs amortization for the year amounted to \$3.2 million (1995 - \$4.9 million; 1994 - \$5.3 million). During the year \$2.0 million (1995 - \$13.6 million; 1994 - nil) of net unamortized deferred refinancing costs, relating to the early extinguishment of certain amounts outstanding under ADT Operations long-term debt obligations, were written off as extraordinary items in the consolidated statements of income (note (viii)).

Note (xvi) - Short-term debt - non-affiliates

At December 31	1996	1995
	\$m	\$m
Bank and acceptance facilities	46.8	36.1
Current portion of long-term debt (note (xix))	83.0	0.2
	-----	-----
	129.8	36.3
	=====	=====

The average rate of interest on short-term debt - non-affiliates outstanding at December 31, 1996 was 6.8 per cent (1995 - 7.9 per cent). Short-term debt - non-affiliates is generally repayable on demand or at an interest payment date, and is non-collateralized except for \$0.2 million of the current portion of long-term debt in 1995.

Note (xvii) - Other current liabilities - non-affiliates

At December 31	1996	1995
	\$m	\$m
Accruals	23.3	24.1
Payroll and employee benefits	40.9	41.7
Payments received on account	12.5	8.9
Income taxes	2.3	2.0
Interest payable	20.9	21.3
Short-term restructuring, disposition and other provisions	37.9	25.3
Other current liabilities	5.7	4.2
	-----	-----
	143.5	127.5
	=====	=====

Note (xviii) - Long-term debt - affiliates

At December 31	1996	1995
	\$m	\$m
Interest bearing, non-collateralized, subordinated loan notes	634.2	97.4
Senior subordinated notes held by affiliates (note (xix)(a))	55.9	32.8
	-----	-----
	690.1	130.2
	=====	=====

The average rate of interest on the non-collateralized, subordinated notes at December 31, 1996 was 10.8 per cent (1995 - 10.8 per cent). The average rate of interest on the non-collateralized, subordinated loan notes during the year was 10.6 per cent (1995 - 11.1 per cent; 1994 - 9.4 per cent). The loan notes are repayable in December 1999 (\$132.0 million), in December 2001 (\$70.0 million) and in August 2003 (\$432.2 million).

Note (xix) - Long-term debt - non-affiliates

At December 31	1996	1995
	\$m	\$m
Senior notes (a)	250.0	250.0
Senior subordinated notes (a)	294.1	317.2
Liquid Yield Option Notes (b)	326.8	306.8
Revolving bank credit agreement (c)	83.0	15.0
Other	6.3	6.6
	-----	-----
	960.2	895.6
Less: current portion (note (xvi))	(83.0)	(0.2)
	-----	-----
	877.2	895.4
	=====	=====

(a) In August 1993 ADT Operations, Inc. issued, through a public offering, \$250.0 million of its 8.25 per cent senior notes due August 2000 guaranteed on a senior basis by ADT and certain subsidiaries of ADT Operations, Inc. (note 23(i)) and \$350.0 million of its 9.25 per cent senior subordinated notes due August 2003 guaranteed on a senior subordinated basis by ADT (note 23(ii)). During 1996 affiliates of ADT Operations reacquired in the market \$23.1 million (1995 - \$32.8 million) face value of the senior subordinated notes and these notes are all classified under long-term debt - affiliates (note (xviii)).

(b) In July 1995 ADT Operations, Inc. issued \$776,250,000 aggregate principal amount at maturity of its zero coupon subordinated Liquid Yield Option Notes maturing July 2010 (note 23(iii)). The net proceeds of the issue amounted to \$287.4 million which was used to repay in full all amounts outstanding under ADT Operations, Inc.'s previous bank credit agreement, which was subsequently cancelled. The Notes discount amortization for 1996 amounted to \$20.3 million (1995 - \$9.4 million). During 1996 619 Notes with a carrying value of \$0.3 million were exchanged, at the option of the holders, for 17,472 ADT common shares (note 30).

(c) In August 1995 ADT Operations, Inc. entered into a new \$300 million revolving bank credit agreement which replaced in full its previous bank credit agreement. The new agreement has a term of five years and is guaranteed on a senior basis by ADT and certain subsidiaries of ADT Operations, Inc. (note 23(iv)). At December 31, 1996 \$83.0 million (1995 - \$15.0 million) was drawn down under the agreement, which has been classified in the current portion of long-term debt, plus letters of credit amounting to \$81.1 million (1995 - \$81.0 million) which have been issued and have terms of less than one year. The average rate of interest at December 31, 1996 was 6.5 per cent (1995 - 7.6 per cent).

In December 1996 ADT Operations, Inc. entered into a new \$200 million revolving bank credit agreement, subject to completion of certain additional documentation which was signed in January 1997, which replaced in full its previous bank credit agreement (note 23(iv)).

The average rate of interest on all long-term debt - non-affiliates during the year was 7.9 per cent (1995 - 8.2 per cent; 1994 - 8.7 per cent).

Based on estimated interest rates currently available to ADT Operations for long-term debt - non-affiliates with similar terms and average maturities, the fair value of all long-term debt - non-affiliates at December 31, 1996 amounted to approximately \$1,010 million (1995 - approximately \$960 million). The maturities and installments with respect to long-term debt - non-affiliates outstanding at December 31, 1996 are as follows:

		\$m
Year ending December 31	1997	83.0
	1998	0.9
	1999	1.6
	2000	251.7
	2001	0.9
	Thereafter	622.1

		960.2
		=====

Under the terms of the indenture governing the senior subordinated notes a payment blockage prevents ADT Operations, Inc. and its guarantor subsidiaries and ADT from making any payment of principal, interest or premium on the senior subordinated notes and from purchasing, redeeming or otherwise acquiring any senior subordinated notes during the continuance of any payment blockage period. No payment blockage is currently in effect.

At December 31, 1996, ADT Operations, Inc. had \$414.1 million of Senior Indebtedness comprised of \$83.0 million of Senior Indebtedness related to loans under the revolving bank credit agreement, \$81.1 million of Senior Indebtedness related to letters of credit issued under the terms of the revolving bank credit agreement and \$250.0 million of Senior Indebtedness related to the Senior Notes, (in each case as defined in the Senior Subordinated Note Indenture).

At December 31, 1996, ADT had no Guarantor Senior Indebtedness (as defined in the Senior Note Indenture, but excluding Indebtedness in respect of guarantees issued by ADT of debt of ADT Operations, Inc. or its subsidiaries). At December 31, 1996, the subsidiary guarantors had \$53.2 million of Guarantor Senior Indebtedness (as defined in the Senior Note Indenture), in each case ranking pari passu in right of payment with the Senior Note Guarantees.

All of the subsidiary guarantors under the senior notes and the revolving bank credit agreement are direct or indirect, wholly owned subsidiaries of ADT Operations, Inc. Separate financial statements and other disclosures for the subsidiary guarantors are not included herein because the subsidiary guarantors have guaranteed the senior notes on a joint and several basis, the aggregate assets, liabilities, earnings and equity of the subsidiary guarantors are substantially equivalent to the assets, liabilities, earnings and equity of ADT Operations, Inc. on a consolidated basis and such separate financial statements and other disclosures are not considered material to investors.

Note (xx) - Deferred income taxes

The movement in deferred income taxes since January 1, 1994 has been as follows:

	1996	1995	1994
	\$m	\$m	\$m
At January 1	92.9	74.5	52.5
(Credit) charge for the year (note (vii)(a))	(4.3)	16.5	22.0
Extraordinary items (note (viii))	(0.7)	(4.7)	-
Assumed on acquisitions - affiliates	(9.0)	-	-
Reclassifications	-	6.6	-
	----	----	----
At December 31	78.9	92.9	74.5
	=====	=====	=====

The significant temporary timing differences and tax loss carryforwards that gave rise to the deferred income tax balance were as follows:

At December 31	1996	1995
	\$m	\$m
Liabilities:		
Depreciation	861.0	733.9
Other	6.9	5.2
	-----	-----
	867.9	739.1
	-----	-----
Assets:		
Tax operating loss carryforwards	406.7	331.3
Provisions for estimated costs and expenses	121.0	59.4
Interest expense	147.9	99.6
Post-retirement benefit obligations	78.6	66.5
	-----	-----
	754.2	556.8
Valuation allowance	(111.8)	(83.2)
	-----	-----
	642.4	473.6
	-----	-----
Gross deferred income tax liability	225.5	265.5
	-----	-----
Deferred income tax liability at statutory tax rate	78.9	92.9
	=====	=====

The tax operating loss carryforwards at December 31, 1996 expire as follows:

Year ending December 31		\$m
	1999	6.8
	2000	4.1
	2001	24.2
	2002	18.3
	2003	7.5
	2004	80.2
	2005	123.2
	2006	107.2
	2007	23.1
	2008	12.1

		406.7
		=====

Note (xxi) - Other long-term liabilities - affiliates

At December 31	1996	1995
	\$m	\$m
Deferred gain	117.4	129.8
	=====	=====

During 1994 ADT Operations assigned its interest in its trademarks, service marks and associated goodwill to an affiliate for an aggregate consideration of \$150.0 million. In view of the fact that the assignment was to an affiliate, and taking into account the terms of the transaction, the net gain of \$141.7 million arising on the assignment was deferred. During 1996 \$12.4 million (1995 - \$11.9 million) of this deferred gain was credited to the consolidated statements of income to offset license fee payments made by ADT Operations to the affiliate, calculated as a fixed percentage of net sales, for use of the trademarks and service marks referred to above.

Note (xxii) - Other long-term liabilities - non-affiliates

At December 31	1996	1995
	\$m	\$m
Pensions (note 33(i))	28.4	20.6
Post-retirement benefits other than pensions (note 33(iv))	48.2	47.8
Long-term restructuring, disposition and other provisions	27.8	15.0
Other long-term liabilities	15.0	12.9
	-----	-----
	119.4	96.3
	=====	=====

Note (xxiii) - Common shares

At December 31	1996	1995	1994
	Number	Number	Number
Authorized:			
Common shares of \$0.10 each	10,000	10,000	10,000
	=====	=====	=====
Issued and outstanding:			
Common shares of \$0.10 each	1,820	1,820	1,820
	=====	=====	=====

There has been no movement in authorized, issued and outstanding common shares since January 1, 1994.

Note (xxiv) - Commitments and contingencies

(a) ADT Operations leases land, buildings, motor vehicles and other equipment under various contracts. The future total minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year at December 31, 1996 are as follows:

Year ending December 31		\$m
	1997	37.5
	1998	35.2
	1999	28.3
	2000	20.3
	2001	12.7
	Thereafter	12.2

		146.2
		=====

The net operating lease rental charge for the year included in the consolidated statements of income amounted to \$43.4 million (1995 - \$44.1 million; 1994 - \$37.8 million).

(b) Financial instruments which potentially subject ADT Operations to concentrations of credit risk principally consist of cash and cash equivalents and trade receivables. ADT Operations places its cash and cash equivalents with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. ADT Operations' trade receivables primarily result from its electronic security services and vehicle auction services businesses and reflects a broad customer base. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize the risk of loss. As a consequence, concentrations of credit risk are limited.

(c) ADT Operations is a defendant in a number of pending legal proceedings incidental to present and former operations, acquisitions and dispositions. ADT Operations does not expect the outcome of these proceedings either individually or in the aggregate to have a material adverse effect on the consolidated results of operations and cash flows or the consolidated financial position of ADT Operations.

Note (xxv) - Pension and other plans

(a) ADT Operations' United States electronic security services operation has a non-contributory, funded, defined benefit pension plan covering substantially all of its employees. Details of this pension plan are provided in note 33(i).

(b) ADT Operations' United States electronic security services operation sponsors an unfunded defined benefit post-retirement plan which covers both salaried and non-salaried employees and which provides medical and other benefits. Details of this post-retirement plan are provided in note 33(iv).

ADT LIMITED

Consolidated Financial Statement Schedules
 Schedule II - Valuation and Qualifying Accounts

	Balance at beginning of period \$m	Subsidiaries acquired (disposed of) \$m	Additions charged to income \$m	Deductions- primarily write-offs \$m	Balance at end of period \$m
Allowance for doubtful receivables:					
Year ended December 31, 1994	22.1 =====	(0.6) =====	4.0 =====	(8.6) =====	16.9 =====
Year ended December 31, 1995	16.9 =====	(1.1) =====	6.6 =====	(5.4) =====	17.0 =====
Year ended December 31, 1996	17.0 =====	- =====	10.6 =====	(9.1) =====	18.5 =====

ADT OPERATIONS, INC.

Consolidated Financial Statement Schedules
 Schedule II - Valuation and Qualifying Accounts

	Balance at beginning of period \$m	Subsidiaries acquired (disposed of) \$m	Additions charged to income \$m	Deductions- primarily write-offs \$m	Balance at end of period \$m
Allowance for doubtful receivables:					
Year ended December 31, 1994	8.4 =====	- =====	1.9 =====	(2.3) =====	8.0 =====
Year ended December 31, 1995	8.0 =====	1.5 =====	4.4 =====	(2.0) =====	11.9 =====
Year ended December 31, 1996	11.9 =====	- =====	4.8 =====	(5.9) =====	10.8 =====

EXHIBIT INDEX

- 2.1 Agreement and Plan of Merger by and among ADT Limited, Limited Apache, Inc. and Tyco International Ltd. dated as of March 17, 1997.(6)
- 3.1 Memorandum of Association (as altered) and Bye-Laws of ADT Limited (incorporating all amendments to May 26, 1992).(1)
- 3.2 Certified copy of a resolution approved at the Annual General Meeting of common shareholders of ADT Limited held on October 12, 1993, approving an increase in the authorized common share capital of ADT Limited from \$19.5 million to \$22.0 million.(4)
- 4.1 Indenture relating to the senior notes dated August 4, 1993 among ADT Operations, as issuer, and ADT Limited and certain subsidiaries of ADT Operations, as guarantors, and The Chase Manhattan Bank (National Association), as trustee, and the form of senior note included therein.(2)
- 4.2 Indenture relating to the senior subordinated notes dated August 4, 1993 among ADT Operations, as issuer, and ADT Limited, as guarantor, and NationsBank of Georgia, National Association, as trustee, and the form of senior subordinated note included therein.(2)
- 4.3 Indenture dated as of July 1, 1995 among ADT Operations, Inc., ADT Limited and Bank of Montreal Trust Company, as trustee and the form of note included therein. (5)
- 4.4 Rights Agreement between ADT Limited and Citibank, N.A. dated as of November 6, 1996.(9)
- 4.5 First Amendment between ADT Limited and Citibank, N.A. dated as of March 3, 1997 to Rights Agreement between ADT Limited and Citibank, N.A. dated as of November 6, 1996.(9)
- 10.1 Rules of the ADT UK Executive Share Option Scheme (1984), amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.2 Rules of the ADT International Executive Share Option Plan, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.3 Rules of the ADT UK and International Executive Share Option Schemes (1984) New Section, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.4 Rules of the ADT Senior Executive Share Option Plan, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.5 US (1990) Stock Option Plan of ADT Limited, amended to reflect the reverse split of Common Shares effective June 17, 1991.(1)*
- 10.6 Employment Agreement dated May 8, 1993 between ADT Limited and Michael Anthony Ashcroft.(2)*
- 10.7 Amendment to Employment Agreement dated December 18, 1996 between ADT Limited and Michael Anthony Ashcroft.(9)*
- 10.8 Employment agreement between ADT Limited and Stephen J. Ruzika dated as of February 26, 1997.(9)*
- 10.9 Employment agreement between ADT, Inc. and Ron G. Lakey dated as of January 16, 1997.(9)*
- 10.10 Agreement between ADT Automotive Holdings, Inc. and Michael J. Richardson dated as of January 29, 1997.(9)*
- 10.11 Incentive Compensation Agreement between ADT, Inc. and Michael J. Richardson dated as of February 10, 1997.(9)*
- 10.12 Severance Agreement between ADT Security Services, Inc. and Raymond Gross dated as of February 26, 1997.(9)*

- 10.13 Consulting Agreement between ADT, Inc. and John E. Danneberg dated as of August 28, 1996.(9)*
- 10.14 Form of Indemnification Agreement.(9)*
- 10.15 The ADT 1993 Long-Term Incentive Plan (as amended February 29, 1996).(3)*
- 10.16 Purchase Agreement dated June 29, 1995 among ADT Operations, Inc., ADT Limited and Merrill Lynch & Co., Inc. and the related pricing agreement (5)
- 10.17 US\$200,000,000 Credit Agreement dated as of January 9, 1997, among ADT Operations, Inc., as the Borrower, and Certain Commercial Lending Institutions as the Lenders, and the Bank of Nova Scotia as the Agent for the Lenders.
- 10.18 Guaranty, dated as of January 9, 1997, made by ADT Limited in favor of each of the Lender Parties (as defined therein).
- 10.19 Subsidiary Guarantor Guaranty, dated as of January 9, 1997, made by each Subsidiary Guarantor (as defined therein) in favor of each of the Lender Parties (as defined therein).
- 10.20 Pound Sterling 90,000,000 Facility Agreement dated March 17, 1997, among ADT Finance Plc, as the Borrower, ADT (UK) Holdings PLC and Others as Guarantors, The Bank of Nova Scotia as Arranger and as Agent and Others.
- 10.21 ADT Limited Guarantee dated as of March 25, 1997, in respect of a Pound Sterling 90,000,000 facility made available to ADT Finance Plc.
- 10.22 Pound Sterling 27,000,000 On Demand Facility Letter dated January 3, 1997, between ADT Finance Plc and The Bank of Nova Scotia.
- 10.23 ADT Limited Guarantee in respect of the obligations of ADT Finance Plc under a Pound Sterling 27,000,000 Facility Letter dated January 3, 1997.
- 10.24 Agreement dated December 29, 1995 among ADT (UK) Limited, ADT Holdings BV, Ruskin Limited, ADT Limited, Loanoption Limited and Integrated Transport Systems Limited for the sale and purchase of European Auctions.(7)
- 10.25 Agreement among ADT Limited, Thomas J. Gibson and Integrated Transport Systems Limited dated December 29, 1995.(8)*
- 10.26 Agreement among ADT Limited, David B. Hammond and Integrated Transport Systems Limited dated December 29, 1995.(8)*
- 10.27 Common Share Purchase Warrant issued by ADT Limited on July 1, 1996 to Republic Industries, Inc.(10)
- 11.1 Statement regarding the computation of earnings per common share.
- 21.1 List of subsidiaries of ADT Limited
- 23.1 Consent of independent accountants to the incorporation by reference of this Annual Report into Form S-3 and Forms S-8.
- 27 Financial Data Schedule (for SEC use only).

- - - - -
- (1) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
 - (2) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993.
 - (3) Previously filed as an Exhibit to the Registrant's Registration Statement dated May 16, 1996, on Form S-8 filed May 17, 1996.

- (4) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.
 - (5) Previously filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995.
 - (6) Previously filed as an Exhibit to the Registrant's Current Report dated March 24, 1997 on Form 8-K filed March 25, 1997.
 - (7) Previously filed as an Exhibit to the Registrant's Current Report dated December 29, 1995 on Form 8-K filed January 16, 1996.
 - (8) Previously filed as an Exhibit to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
 - (9) Previously filed as an Exhibit to the Registrant's Schedule 14D-9 dated March 3, 1997.
 - (10) Previously filed as an Exhibit to the Registrant's Current Report dated July 10, 1996 on Form 8-K filed July 11, 1996.
- * Management contract or compensatory plan.

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

ADT Limited

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

FOR IMMEDIATE RELEASE

MARCH 3, 1997

[ADT LOGO]

ADT Limited ("ADT")

ADT ANNOUNCES EARNINGS FOR THE FOURTH QUARTER AND FOR THE YEAR TO DECEMBER 31, 1996

Hamilton, Bermuda, March 3, 1997 -- ADT Limited (NYSE - ADT), through its subsidiaries, a leading provider of electronic security services and vehicle auction services, announced today that net income, before non-recurring items,

for the three months and twelve months ended December 31, 1996 was \$45.2m and \$140.3m, respectively.

In the third quarter of 1996 ADT acquired Automated Security (Holdings) PLC ("ASH"). The acquisition of ASH has been accounted for using the pooling of interests method of accounting which assumes that ADT and ASH have been merged from their inception and requires all consolidated financial statements to be restated and presented accordingly. In the fourth quarter of 1996, ADT announced its intention to sell its United States vehicle auction division, its European vehicle auction division having been sold in 1995, and, accordingly, the vehicle auction services segment is now treated as a discontinued operation.

Results for the three months ended and twelve months ended December 31, 1996 are

therefore as follows:

	1996 Fourth Quarter \$m ----- \$	1996 Year \$m ----- \$
Continuing operations:		
Net sales	367.4	1,406.2
Net income before non-recurring items	44.3	120.9
Non-recurring items - net of tax:		
SFAS 121 charge	-	(720.9)
Restructuring charges	(195.0)	(195.0)
Sale of investments and other	45.1	43.5
Settlement gain	69.7	69.7
Merger costs	-	(11.3)
Net loss after non-recurring items	(35.9)	(693.1)
Extraordinary items	(2.6)	(8.4)
Net loss from continuing operations	(38.5)	(701.5)
Discontinued operations:		
Net sales	75.0	297.8
Net income after non-recurring items:	0.9	6.4
Per share information (fully diluted):		
	\$	\$
Net income before non-recurring items:		
Continuing operations	0.28	0.81
Discontinued operations	0.01	0.12
	-----	-----
Non-recurring items	(0.54)	(5.94)
Extraordinary items	(0.02)	(0.06)
Net (loss) income per common share	(0.27)	(5.07)

The fully diluted weighted average number of common shares outstanding during the fourth quarter of 1996 was 167.4m and for the twelve months to December 31, 1996 was 165.3m.

Non-recurring items, net of tax, in respect of 1996 include: i) a non-cash charge of \$720.9m arising in the first quarter of 1996, relating to the write-down of specific assets to their estimated fair values in accordance with the requirements of SFAS 121; ii) a charge of \$195.0m principally relating to costs associated with integrating the businesses of ASH in the United Kingdom and the United States into ADT, together with the costs of administrative, accounting, management information and technological infrastructure enhancements currently being implemented in the United States electronic security services division; iii) a gain of \$53.4m, represented by cash, arising on the sale of the Company's entire interest in Limelight Group plc, which was recorded in the balance sheet at a nominal value; and iv) a gain of \$69.7m represented by cash receivable as a result of the settlement of the Company's litigation against Binder Hamlyn.

Commenting, Mr. Michael A. Ashcroft, Chairman and Chief Executive Officer, said:

"1996 was a year both of successful growth and of transition for ADT. In addition to strong internal growth in security system sales, we expanded through the acquisition of ASH, by growing our dealer network and through employing new channels of distribution. We also extended our service

offerings to include mobile security and launched an advertising campaign focussed on the ADT brand."

"I am pleased to report that ADT has taken another significant step in expanding its channels of distribution and has signed a marketing agreement with AT&T under which ADT and AT&T will promote each other's services. This promises to be a highly efficient and cost effective method of adding new customers."

"Our goal is to ensure the highest level of customer service and to maintain the momentum we have established in expanding our business in an increasingly security-conscious marketplace. To help us achieve our goal, we undertook, and successfully completed, a major internal restructuring in 1996."

"In 1997, we are taking a further initiative to secure our status as market leader by investing in a significant technological restructuring. This will enable us to make wholesale changes to the way in which we arrange our hardware and support services, eventually reducing the number of US customer monitoring centers to four, and positioning ADT to become a major gateway in premises control."

"ADT remains firmly focused on increasing shareholder value and has a sound strategy to secure long-term business growth in a changing environment. We remain comfortable with analyst's earnings estimates for the year 1997, which will see us continuing to invest in the business to ensure that ADT retains and builds on its leadership position."

Electronic Security Services

Net sales and operating income before non-recurring items from the Electronic Security Services division for the fourth quarter of 1996 amounted to \$367.4m and \$48.6m, respectively.

Net sales and operating income before non-recurring items from the Electronic Security Services division for the twelve months ended December 31, 1996 amounted to \$1,406.2m and \$207.7m, respectively.

ADT's annualized service revenues as of December 31, 1996 amounted to \$920m, representing an annualized growth rate of approximately 10 per cent.

Residential

During the fourth quarter, ADT contracted to install and monitor 75,000 new residential security systems bringing the total for 1996 to more than 280,000, a 30 per cent increase over the 215,000 systems sold in 1995 ADT's residential customer base is now approximately 1,100,000 of which approximately 85 per cent is located in the United States.

Competition in the residential marketplace continues to keep the per system cost to the consumer down, however, ADT's recurring revenue base is continuing to benefit from the increases in average monthly monitoring fees which were introduced for new customers in early 1996.

ADT's strategic relationships with RadioShack, USAA Insurance and HFS (ERA/Century 21) opened up new channels of distribution in 1996 and are all producing results. Sales through these channels are expected to benefit from the ADT branding campaign in 1997.

The ADT authorized dealer program continues to expand. ADT had 124 authorized dealers throughout the United States at the end of 1996, compared with 58 at the beginning of the year. During the fourth quarter of 1996 approximately 23 per cent of residential unit sales in the United States were attributable to the dealer program and the momentum built up in the dealer network in 1996 is expected to continue in 1997 when dealer sales should also benefit from ADT's investment in branding.

Vehicle Security and Tracking

CarCop, a major advance in personal protection and vehicle security, developed by Mobile Security Communications ("MSC") and monitored by ADT, is being test marketed in Atlanta and Miami. CarCop is being distributed primarily through mobile electronic speciality retail channels and MSC is currently exploring the distribution of CarCop through chain electronic and cellular retailers. Direct marketing of CarCop to ADT's commercial customers has begun and direct mail marketing of CarCop to residential customers will begin in selected markets during the second quarter of 1997.

National Accounts/Core Commercial

In the commercial market, sales in the small business segment were strong during the fourth quarter and outright sales to national account customers also improved. CCTV was the product segment growth leader in 1996, driven in part by the migration of CCTV sales to small and medium sized businesses. Sales to the public sector also remained strong during the quarter. New business included significant orders for CCTV systems from Emerson Electric and Amoco; a contract renewal with Darden Restaurants for ADT services to Red Lobster and Olive Garden restaurants; and an integrated alarm and CCTV system for a video arcade/restaurant concept being developed by Sega Gameworks, a new customer for ADT.

The market in Canada is showing some signs of improvement. ADT has signed contracts with several new customers, including Vancouver-based Lowen Group, an operator of funeral homes throughout North America. An ADT authorized dealer program, similar to that in the United States, is to be established in Canada and the Company expects to have approximately 30 authorized dealers there by the end of 1997.

In the United Kingdom, the CCTV and integrated systems markets continue to drive growth. ADT was also successful in increasing its market share in the slower-growing intruder alarm market. New business included additional orders from Railtrack, including a large contract for CCTV systems on train platforms and a significant order from SmithKline Beecham covering access control, fire detection, intruder alarms and CCTV at various sites in southern England. The integration of ASH's operations in the United Kingdom with ADT is progressing and the resulting improvements in service levels and operating efficiencies should be seen as 1997 progresses.

Vehicle Auction Services

Net sales and operating income from the United States Vehicle Auction division for the fourth quarter of 1996 amounted to \$75.0m and \$6.7m, respectively.

Net sales and operating income before non-recurring items from the United States Vehicle Auction division for the twelve months ended December 31, 1996 amounted to \$297.8m and \$40.1m, respectively.

1996 was a record year for ADT Automotive. The total number of vehicles sold at ADT Automotive auctions in the fourth quarter of 1996 increased by approximately 10 per cent over the fourth quarter of 1995, bringing the total number of vehicles sold in 1996 to 1,064,000 compared with 994,000 in 1995. The fleet/lease sector accounted for this growth with an increase of 35 per cent in vehicles sold, partly offset by lower program car volumes and lower sales of consignment vehicles.

Background

ADT, through its subsidiaries, is the largest provider of electronic security services in North America and the United Kingdom, providing continuous monitoring of commercial and residential security systems to over 1.8 million customers in North America and Europe.

Forward Looking Information

ADT may occasionally make statements regarding its business and the markets for its services, including projections of future performance, statements of management's plans and objectives, forecasts of market trends and other matters which, to the extent that they are not historical fact, may constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Certain statements contained herein constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements contained herein regarding the consummation and benefits of future acquisitions as well as expectations with respect to future sales, operating efficiencies and product expansion, are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of ADT, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward looking statements include, among others overall economic and business conditions, the demand for ADT's services, competitive factors in the industry, regulatory approvals, and uncertainty about the consummation of future acquisitions.

CERTAIN ADDITIONAL INFORMATION. ADT Limited (the "Company") will be

soliciting proxies against the proposal of Western Resources, Inc. (together with its subsidiaries, "Western") and revocations of proxies previously given to Western for such proposals. The following individuals may be deemed to be participants in the solicitation of proxies and revocations of proxies by the Company: ADT Limited, Michael A. Ashcroft, John E. Danneberg, Alan B. Henderson, James S. Pasman, Jr., Stephen J. Ruzika, W. Peter Slusser, William W. Stinson, Raymond S. Trough and Angela E. Entwistle. As of February 28, 1997 Mr. Ashcroft is the beneficial owner of 11,075,718 of the Company's common shares, Mr. Danneberg is the beneficial owner of 102 of the Company's common shares, Mr. Henderson is the beneficial owner of 621 of the Company's common shares, Mr. Pasman is the beneficial owner of 2,000 of the Company's common shares, Mr. Ruzika is the beneficial owner of 1,157,405 of the Company's common shares, Mr. Slusser is the beneficial owner of 2,800 of the Company's common shares, Mr. Stinson is the beneficial owner of 3,010 of the Company's common shares, Mr. Trough is the beneficial owner of 2,500 of the Company's common shares and Ms. Entwistle is the beneficial owner of 29,500 of the Company's common shares. The Company has retained Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") to act as its financial advisor in connection with Western's proposals. Merrill Lynch is an investment banking firm that provides a full range of financial services for institutional and individual clients. Merrill Lynch does not admit that it or any of its directors, officers or employees is a "participant" as defined in Schedule 14A ("Schedule 14A") promulgated by the Commission under the Securities Exchange Act of 1934, as amended in the proxy solicitation, or that such Schedule 14A requires the disclosure of certain financial information concerning Merrill Lynch. In connection with Merrill Lynch's role as financial advisor to the Company, Merrill Lynch and the following investment banking employees of Merrill Lynch may communicate in person, by telephone or otherwise with a limited number of institutions, brokers or other persons who are shareholders of the Company: Richard Johnson (Managing Director), Huston McCollough (Managing Director), Hugh O'Hare (Vice President), Robert Simensky (Vice President), Paul Bastone (Associate) and Eric Evans (Analyst). In the normal course of its business, Merrill Lynch regularly buys and sells securities issued by the company and its affiliates ("ADT Securities") for its own account and the accounts of its customers, which may result from time to time in Merrill Lynch and its associates having a net "long" or net "short" position in ADT Securities or option contracts or other derivatives in or relating to ADT Securities. As of February 28, 1997, Merrill Lynch held positions in ADT Securities as principal as follows: (i) net "short" 769,995 of the Company's common shares; (ii) net "long" 51,000 par amount of 9.25% Guaranteed Senior Subordinated Notes of ADT Operations, Inc. due August 1, 2003; and (iii) net "long" 31,509 Liquid Yield Option [Trademark] Notes of ADT Operations, Inc. due 2010, exchangeable for 889,499 of the Company's common shares. As of February 28, 1997, Merrill Lynch held positions in ADT Securities as agent as follows: (i) net "long" 2,195,181 of the Company's common shares; (ii) net "long" \$4,717,000 par amount of 8.25% Guaranteed Senior Notes of ADT Operations, Inc. due August 1, 2000; (iii) net "long" \$2,830,000 par amount of 9.25% Guaranteed Senior Subordinated Notes of ADT Operations, Inc. due August 1, 2003; and (iv) net "long" 31,820 Liquid Yield Option [Trademark] Notes of ADT Operations, Inc. due 2010, exchangeable for 898,278 of the Company's common shares. None of the investment banking employees of Merrill Lynch who are referred to above or their associates owned of record or beneficially any ADT Securities as of February 28, 1997. None of such Merrill Lynch investment banking employees or their associates purchased or sold for their own account any ADT Security within the past two years.

Note:

This and other press releases are available through Company News On-Call by fax; call 800-758-5804, extension 112511, or at <http://www.prnewswire.com/>

Contact:

ADT
561-988-3600

ADT LIMITED
Summarized Consolidated Statements of Income

Period ended December 31	1996 Fourth Quarter \$m	1995 Fourth Quarter \$m	1996 Year \$m	1995 Year \$m
Net sales	367.4	354.6	1,406.2	1,350.9
Cost of sales	(203.6)	(194.9)	(762.8)	(750.5)
Selling, general and administrative expenses	(116.9)	(112.4)	(465.1)	(435.6)
Restructuring charges and other non-recurring items	(237.3)	(34.2)	(237.3)	(34.2)
Charge for the impairment of long-lived assets	-	-	(731.7)	-
Operating (loss) income	(190.4)	13.1	(790.7)	(130.6)
Interest expense - net	(9.4)	(15.0)	(58.9)	(65.7)
Gain on disposal of businesses	-	34.6	1.7	29.2
Other income less expenses	127.4	(0.1)	128.8	(5.0)
(Loss) income before income taxes	(72.4)	32.6	(719.1)	89.1
Income taxes	36.5	1.9	26.0	(20.2)
(Loss) income from continuing operations	(35.9)	34.5	(693.1)	68.9
Income (loss) from discontinued operations	0.9	(64.4)	6.4	(37.9)
(Loss) income before extraordinary items	(35.0)	(29.9)	(686.7)	31.0
Extraordinary items (net of income taxes)	(2.6)	(1.8)	(8.4)	(9.8)
Net (loss) income	(37.6)	(31.7)	(695.1)	21.2
Dividends on preference shares	(0.1)	-	(0.3)	(0.3)
Net (loss) income available to common shareholders	(37.7)	(31.7)	(695.4)	20.9
Primary and fully diluted (loss) earnings per common share:	\$	\$	\$	\$
(Loss) income from continuing operations	(0.26)	0.25	(5.06)	0.49
Income (loss) from discontinued operations	0.01	(0.47)	0.05	(0.27)
Extraordinary items	(0.02)	(0.01)	(0.06)	(0.07)
Net (loss) income per common share	(0.27)	(0.23)	(5.07)	0.15

ADT LIMITED

Summarized Consolidated Balance Sheets

At December 31	1996 \$m	1995 \$m
Assets		
Current Assets:		
Cash and cash equivalents	165.7	317.9
Accounts receivable - net	132.5	134.0
Inventories	36.7	35.7
Prepaid expenses and other current assets	114.7	32.5
Total current assets	449.6	520.1
Property, plant and equipment - net	1,285.7	1,353.3
Goodwill and other intangibles - net	356.9	936.3
Net assets of discontinued operations	349.2	341.7
Long-term investments	100.6	2.0
Investment in and loans to associate	-	88.8
Other long-term assets	72.5	81.1
Total assets	2,614.5	3,323.3

Liabilities and shareholders' equity Current liabilities:		
Short-term debt	175.9	27.2
Accounts payable	77.7	55.5
Other current liabilities	278.6	214.0
	-----	-----
Total current liabilities	532.2	296.7
Long-term debt	903.7	1,168.4
Deferred revenue	146.1	137.4
Deferred income taxes	96.8	147.1
Other long-term liabilities	175.9	127.9
Minority interests	-	15.6
	-----	-----
Total liabilities	1,854.7	1,893.1
	-----	-----
Convertible redeemable preference shares	-	4.9
Shareholders' equity	759.8	1,425.3
	-----	-----
Total liabilities and shareholders' equity	2,614.5	3,323.3
	=====	=====

ADT LIMITED

Summarized Consolidated Statements of Cash Flows

Year ended December 31	1996	1995
-----	\$m	\$m
-----	-----	-----
Cash flows from operating activities		
Net (loss) income	(695.1)	21.2
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Charge for the impairment of long-lived assets	744.7	-
Depreciation and amortization	224.8	247.9
Restructuring and other non-recurring charges	217.4	32.7
Interest on ITS Vendor Note	(8.9)	-
Liquid Yield Option Notes discount amortization	20.3	9.4
Deferred income taxes	(39.5)	18.4
Extraordinary items	8.4	9.8
(Gain) loss on disposal of businesses	(1.7)	36.6
(Gain) loss on disposal of investment in associates	(1.2)	5.1
Gain arising from ownership of investments	(53.2)	(0.1)
Settlement gain	(69.7)	-
Other	(4.9)	4.9
Changes in assets and liabilities	(32.7)	(48.9)
	-----	-----
Net cash provided by operating activities	308.7	337.0
	-----	-----
Cash flows from investing activities		
Purchase of property, plant and equipment - net	(334.4)	(317.8)
Acquisition of businesses	(25.5)	(68.3)
Disposal of businesses	3.0	254.8
Purchase of customer contracts	(34.6)	(0.5)
Purchase of other investments	(6.8)	(0.4)
Disposal of other investments	54.1	0.2
Disposal of investment in and loans to associates	15.4	7.8
Other	0.4	5.6
	-----	-----
Net cash utilized by investing activities	(328.4)	(118.6)
	-----	-----
Cash flows from financing activities		
Net receipts (repayments) of short-term debt	10.9	(103.9)
Repayments of long-term debt	(209.9)	(216.9)
Repayment of long-term acquisition debt	-	(39.6)
Proceeds from long-term debt	86.8	314.0
Debt refinancing costs	-	(12.0)
Purchase of senior subordinated notes	(24.0)	(33.7)
Proceeds from issue of common shares	24.7	7.0
Redemption of convertible redeemable preference shares	(4.9)	-
Other	(0.3)	(5.1)
	-----	-----
Net cash utilized by financing activities	(116.7)	(90.2)
	-----	-----
Effect of currency translation on cash and cash equivalents	1.4	0.8
	-----	-----
Net (decrease) increase in cash and cash equivalents	(135.0)	129.0
Cash and cash equivalents at beginning of year	350.9	221.9
	-----	-----
Cash and cash equivalents at end of year:		
continuing operations	165.7	317.9
discontinued operations	50.2	33.0
	-----	-----
	215.9	350.9

