

# **Novar ED&S Ltd**

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## **Report and financial statements 2013**

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# Strategic report

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

The directors present the strategic report on the company for the year ended 31 December 2013

## Review of the business

Turnover for 2013 was 2.4% down on 2012 at £126,765,000 (2012 £129,921,000). The economic environment continued to be challenging and affected both the wholesale and Ex-or channels. The decline was driven by a reduction in both public sector and commercial spend. The outlook for 2014 continues to be uncertain, but Construction industry statistics forecast some small growth in construction versus 2013 driven by improvement in private sector spend.

Operating profit incorporates pension service costs of £4,029,000 (2012 £3,777,000). Service costs are expected to continue at the 2013 level for the foreseeable future. The company expects to continue its activities and its current level of performance in 2014.

## Key performance indicators

Management monitors the business using the following key indicators

	<u>2013</u> %	<u>2012</u> %
<i>Turnover % change compared with previous year, due to</i>		
Volume	(4.4)	(4.7)
Price	2.0	0.0
	<u>(2.4)</u>	<u>(4.7)</u>
Gross profit %	33.0	31.4
Operating result % of turnover	8.0	6.3
Headcount % change compared with previous year	<u>(7.9)</u>	<u>(4.4)</u>

### Turnover

Turnover was down by 2.4% on 2012 driven mainly by economic environment which had a significant effect on wholesale and Ex-or channels.

### Gross profit

The increase is driven by the electrical products business and is a result of cost control and favourable product mix. This is partially offset by a reduction in sales and a product recall on switch disconnectors, which was a quality issue impacting 18,000 units.

### Operating result

The increase is driven by increased levels of cost control within both lines of business, favourable product mix and reduced headcount following restructuring activities in the business.

### Headcount

The decrease is a result of restructuring due to the alignment with Environmental Combustion and Controls EMEA.

## Strategy

The company maintains market share and sustainable growth through the following strategies:

- focus on customers, including customer survey programmes to obtain and action customer feedback to improve business performance,
- providing the highest standard of product, service and delivery to its customer at a competitive cost,
- productivity and process improvement,
- product development,
- continued expansion into current and new markets,
- proactive alignment of its business structure to meet changing market demands,
- defending and extending the installed base through productivity improvements, and
- strong brand recognition through brand and channel management.

## Strategic report

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are

- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic conditions
- raw material price fluctuations
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- cost of employee retirement benefits
- health and safety of employees and contractors

In response to the risks the company

- maintains a UK-wide presence and aims to have a competitive installed cost and integrated product solutions through technology and productivity,
- ensures continued recognition of brand and quality to maintain market position,
- maintains a high technology offering while widening its product base and expanding into new areas,
- implements supply chain and procurement initiatives,
- actively investigates new technologies and market trends,
- monitors applicable regulations to ensure products and systems provide high quality solutions for current needs,
- ensures that pension schemes are adequately funded, and
- the company ensures that all reasonable steps are taken to provide a safe working environment

Approved by the board of directors and signed on its behalf by



Grant Fraser

Director

22 April 2014

## Directors' report

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

The directors present their report and financial statements of the company for the year ended 31 December 2013

### Principal activities

Novar ED&S Ltd is a wholly owned subsidiary of Honeywell International Inc, aligned to operate within Honeywell International Inc. It develops and delivers electrical products, lighting controls and integrated solutions that improve energy efficiency, industrial productivity and safety while enhancing convenience and control. Novar ED&S Ltd operates throughout the UK, mainland Europe, the Middle East and the Far East. The company has a branch in Ireland.

### Business review and future developments

A review of the business of the company and future developments is included in the strategic report.

### Results and dividends

The company's profit for the financial year was £6,088,000 (2012 £4,045,000 profit) which will be transferred to reserves. The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend (2012 £nil).

### Financial risk management

#### Foreign currency risk

The company hedges its exposures to significant foreign currency movements.

At 31 December, the fair value of unrealised assets/(liabilities) under hedge contracts was not material (2012 £nil).

#### Credit risk

Credit risk arises from cash at bank and credit exposures to customers. Bank balances are maintained within the permitted credit limits set by the group's Investment Committee who frequently monitor banks' credit ratings. The creditworthiness of customers granted credit terms in the normal course of business is monitored continually. The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

#### Liquidity risk

The company ensures availability of funding for its operations through an appropriate amount of committed bank facilities on a group wide basis.

#### Other risks

The company's exposure to other risks such as prices, interest and cash flow is within reasonable limits and these exposures are not hedged.

### Directors

The directors of the company who held office during the year and up to the date of signing these financial statements were:

Grant Fraser

Frank Nonnenmann (resigned 31 May 2013)

James Chorlton

Mike Hill

Ernst Malcherek

Andrea Quantrill (resigned 31 May 2013)

John Tus

### Directors' indemnities

Pursuant of the Company's articles of association, the directors were throughout the year ended 31 December 2013 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

## **Directors' report**

*for the year ended 31 December 2013*

Novar ED&S Ltd

Registration number 00189291

### **Research and development**

Research and development expenditure for the year amounted to £5,545,000 (2012 £5,353,000)

### **Market value of land**

There is no material difference between the book value and market value

### **Employment of disabled persons**

The company recognises that physically or otherwise disabled individuals are not, of necessity, prevented from making a valuable and significant contribution to the business, and where people have the attitudes and abilities necessary for the job, the company gives sympathetic consideration towards employing them, or retaining them in work should the disability emerge during employment. The company's policy is to ensure that no discrimination, either direct or indirect, occurs against employees or applicants, whether in selection, promotion, access to training, or appraisal.

### **Employee involvement**

The company keeps employees fully informed of the company's strategies and their impact on the performance of the company and the group and encourages employee participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company. Furthermore, employees can acquire shares in the ultimate parent company through the UK ShareBuilder Plan.

### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' report

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

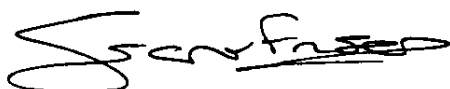
### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report

The ultimate parent company, Honeywell International Inc has indicated it will provide financial support to the company for at least one year from the date of signing these financial statements

The directors, having taken into account the financial support from the ultimate parent undertaking believe that no material uncertainties exist that cast significant doubt on the company's ability to continue in operation for the foreseeable future

Approved by the board of directors and signed on its behalf by



Grant Fraser

Director

22 April 2014

## Profit and loss account

for the year ended 31 December 2013

Novar ED&S Ltd  
Registration number 00189291

	<u>Note</u>	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Turnover	3	126,765	129,921
Cost of sales		(84,870)	(89,184)
<b>Gross profit</b>		<b>41,895</b>	<b>40,737</b>
Distribution costs		(12,731)	(13,000)
Administrative expenses		(19,019)	(19,567)
<b>Operating profit</b>	4	<b>10,145</b>	<b>8,170</b>
Income from shares in group undertakings	7	-	10,190
Interest receivable and similar income	8	5,240	3,387
Amount written off investments	7	-	(10,511)
Interest payable and similar charges	9	(3,109)	(3,093)
<b>Profit on ordinary activities before taxation</b>		<b>12,276</b>	<b>8,143</b>
Tax on profit on ordinary activities	10	(6,188)	(4,098)
<b>Profit for the financial year</b>	22	<b>6,088</b>	<b>4,045</b>

All amounts are derived from continuing operations

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

## Statement of total recognised gains and losses

for the year ended 31 December 2013

	<u>Note</u>	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
<b>Profit for the financial year</b>		<b>6,088</b>	<b>4,045</b>
Actuarial gain/(loss) on pension plan	20	15,177	(8,452)
Movement on deferred tax relating to pension	11	(3,529)	834
Movement on current tax relating to pension		-	1,237
<b>Total recognised gains/(losses) relating to the year</b>		<b>17,736</b>	<b>(2,336)</b>



# Balance sheet

at 31 December 2013

Novar ED&S Ltd  
Registration number 00189291


	Note	2013 £000	2012 £000
<b>Fixed assets</b>			
Intangible assets	12	6,526	7,303
Tangible assets	13	13,223	12,676
Investments	14	4,973	4,973
		<u>24,722</u>	<u>24,952</u>
<b>Current assets</b>			
Stocks	15	10,631	12,908
Debtors	16	30,327	39,612
Cash at bank and in hand		8,888	2,200
		<u>49,846</u>	<u>54,720</u>
Creditors amounts falling due within one year	17	(63,429)	(61,063)
<b>Net current liabilities</b>		<u>(13,583)</u>	<u>(6,343)</u>
<b>Total assets less current liabilities</b>		11,139	18,609
<b>Creditors: amounts falling due after more than one year</b>	18	(40,441)	(40,441)
Provisions for liabilities	19	(992)	(1,999)
<b>Net liabilities excluding pension asset/(liability)</b>		<u>(30,294)</u>	<u>(23,831)</u>
Pension asset/(liability)	20	9,362	(14,837)
<b>Net liabilities including pension asset/(liability)</b>		<u>(20,932)</u>	<u>(38,668)</u>
<b>Capital and reserves</b>			
Called up share capital	21	1,101	1,101
Share premium account	22	19,800	19,800
Other reserves	22	714	714
Profit and loss account	22	(42,547)	(60,283)
<b>Total shareholders' deficit</b>	22	<u>(20,932)</u>	<u>(38,668)</u>

For the year ended 31 December 2013 the company was entitled to the exemption from audit under section 479A of the Companies Act 2006

- the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476, and
- the directors acknowledge their responsibility for complying with the requirement of this Act with respect to accounting records and the preparation of financial statements

The financial statements on pages 6 to 18 were approved by the board of directors on  
on its behalf by

22 April and signed



**Grant Fraser**  
Director

## Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

### 1. Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The accounting policies which have been applied consistently throughout the year are set out below.

#### *Changes in accounting policies*

The accounting policies have been reviewed by the board of directors in accordance with FRS18 "Accounting policies".

There were no changes to accounting standards in 2013 which were applicable to the company.

#### *Group financial statements*

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Honeywell Group Ltd, a company registered in England and Wales.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc, has indicated it will provide financial support to the company for at least one year from the date of signing these financial statements.

The directors, having taken into account the financial support from the ultimate parent undertaking, believe that no material uncertainties exist that cast significant doubt on the company's ability to continue in operation for the foreseeable future.

#### *Turnover and revenue recognition*

Turnover comprises sales to customers and service revenues net of value added tax.

Revenue from product and service sales is recognised on delivery and when acceptance by the customer has occurred.

#### *Leases*

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

#### *Bad debt provision*

An allowance for doubtful debts is made against trade debtors which exceed 180 days past due date. Provisioning made against debts subsequently settled after 180 days past due are released back to the current profit and loss account.

#### *Research and development*

All costs associated with research and development are written off to the profit and loss account in the year of expenditure.

#### *Foreign currency*

Transactions denominated in foreign currency are booked using daily or monthly exchange rates prevailing when the transaction is recorded. Monetary assets and liabilities which are denominated in foreign currencies are translated into Pounds sterling at rates of exchange approximating to those ruling at the balance sheet date. Exchange gains or losses resulting from the year's trading are reflected in the operating results for the year. Exchange gains and losses from financing activities are recognised in interest income and expense. Gains or losses on foreign currency hedges obtained from the ultimate parent company are recognised when realised. The fair value of unrealised hedges at the year end is disclosed in the Directors' report if material.

## Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

### *Dividend income*

Dividend income is recognised when the shareholder's right to payment is established, that is on declaration of the dividend by the subsidiary

### *Taxation*

Current tax is the amount of tax estimated to be payable or recoverable in respect of the taxable profit or loss for a period, along with adjustments to estimates in respect of previous periods

### *Deferred tax*

Deferred tax is recognised in respect of the future estimated tax consequences of transactions or events recognised in the financial statements of the current and previous periods

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

### *Intangible assets*

The company evaluates the carrying value of intangible assets in each financial year to determine if there has been an impairment in value resulting in the company being unable to recover the carrying amount. Where it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account

### *Tangible assets and depreciation*

Tangible assets are stated at historical purchase cost less accumulated depreciation. Depreciation is calculated using the straight line method at rates calculated to write down the cost to the estimated residual value over the estimate useful life. Cost comprises purchase costs together with any incidental expenses of acquisition. The annual depreciation rates used for the major assets are

Buildings - freehold	2 - 3%
Plant & machinery	5 - 8%
Fixtures & fittings	8%

Depreciation is not provided on construction in progress until the asset is completed

Land is not depreciated

### *Investments*

An investment is classed as a subsidiary undertaking if the company has controlling interest

Investments are shown at cost less provision for permanent impairment. The value of investments is reviewed annually by directors or more frequently if there is a triggering event, and provision made where it is considered that there has been a permanent impairment of value

### *Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. The cost of raw materials, consumables and goods for resale represents purchase cost on a first-in, first-out basis. The cost of work in progress and finished goods is the cost of direct materials and labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provisions for obsolete and slow moving stocks are made where appropriate

# Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

## Provisions

The company recognises a provision when it has a present obligation, either legal or constructive, which can be reliably measured and it is probable that the transfer of economic benefits will be required to settle that obligation. Provisions are based on the best estimate of expenditure required to settle the obligation.

## Pensions

Defined benefit plan assets are measured at market value and plan liabilities are measured using the projected unit method. Liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained every three years, and are updated at each balance sheet date.

The company's share of the surplus or deficit of a defined benefit plan in which it participates is based on its actual shares of assets and obligations to the extent they are identifiable, or otherwise in proportion to its anticipated share of future contributions to the plan, normally in proportion to the number of defined benefit members reported on the most recent annual return from the trustees to the pension regulator.

A surplus is recognised to the extent that it is recoverable through reduced contributions and refunds.

Current and past service costs are included in the profit and loss account within operating expenses. The net amount of interest cost and expected return on assets is shown as other finance costs or income. Actuarial gains and losses, including differences between the expected and actual return on plan assets, are recognised in the statement of total recognised gains and losses, net of related deferred tax.

Defined contribution plans are externally funded, with the assets of the plan held separately from those of the company in separate trustee administered funds. Contributions to such plans are charged to the profit and loss account as they become payable.

## 2. Cash flow statement and related party transactions

The company is a wholly owned subsidiary company of a group headed by Honeywell International Inc, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 "Cash flow statements" (revised 1996) from preparing a cash flow statement.

In accordance with the exemptions available under FRS 8 "Related party disclosures", transactions with other wholly owned undertakings within the Honeywell group are not required to be disclosed in these financial statements, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc, whose financial statements are publicly available.

## 3. Turnover

	2013 £000	2012 £000
<i>Analysis of turnover by geographical market</i>		
United Kingdom	101,021	118,165
Europe	9,633	10,692
America	256	131
Other	15,855	933
	<u>126,765</u>	<u>129,921</u>

Turnover is derived from classes of business which do not substantially differ from each other.

Turnover, stated net of value added tax, is attributable to the principal activity of the company, as stated in the directors' report.

# Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

<b>4. Operating profit</b>	<b>2013</b>	<b>2012</b>
<i>Operating profit is stated after charging</i>	<u><b>£000</b></u>	<u><b>£000</b></u>
Tangible assets - owned	1,767	1,836
Intangible assets	742	742
<i>Rental charges under operating leases</i>		
Land and buildings	498	552
Plant and machinery	397	249
Reorganisation and redundancy	7	73
Loss on foreign exchange	188	96

<b>5. Auditors' remuneration</b>	<b>2013</b>	<b>2012</b>
	<u><b>£000</b></u>	<u><b>£000</b></u>
Fees payable for audit	-	60

<b>6. Employees and directors</b>	<b>2013</b>	<b>2012</b>
<i>Monthly average number of persons employed during the year</i>	<u><b>number</b></u>	<u><b>number</b></u>
(including executive directors)		
Factory and engineering	485	532
Selling, servicing and marketing	176	171
General and administration	81	103
	742	806

<i>Staff costs</i>	<u><b>£000</b></u>	<u><b>£000</b></u>
Wages and salaries	26,349	28,797
Social security costs	2,363	2,400
Contributions to defined contribution pension plans	53	69
Pension costs for defined benefit plans (note 20)	4,029	3,777
	32,794	35,043

Outstanding contributions for defined contribution plans at the end of the year	-	-
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<i>Directors' remuneration</i>		
Aggregate emoluments	378	436
	378	436

<i>The number of directors who were</i>	<u><b>number</b></u>	<u><b>number</b></u>
Members of a defined benefit plans	3	4

During the year one director (2012 three directors) exercised options over shares of Honeywell International Inc , the ultimate parent company

<b>7. Transactions in relation to group undertakings</b>	<b>2013</b>	<b>2012</b>
	<u><b>£000</b></u>	<u><b>£000</b></u>
<i>Income from shares in group undertakings</i>		
Dividend from Friedland Ltd	-	10,190
	-	10,190
<i>Amount written off investments</i>		
Friedland Ltd	-	(10,511)

<b>8. Interest receivable and similar income</b>	<b>2013</b>	<b>2012</b>
	<u><b>£000</b></u>	<u><b>£000</b></u>
Interest receivable from group undertakings	48	32
Other finance income (note 20)	5,192	3,355
	5,240	3,387

# Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd  
Registration number 00189291

## 9. Interest payable and similar charges

	2013	2012
	£000	£000
Interest payable on bank overdrafts	75	13
Interest payable to group undertakings	3,034	3,080
	<u>3,109</u>	<u>3,093</u>

## 10. Tax on profit on ordinary activities

	2013	2012
	£000	£000
<i>Current tax</i>		
UK corporation tax on profit for the year	-	1,237
Foreign tax	27	-
Total current tax	<u>27</u>	<u>1,237</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	5,827	1,752
Effect of decreased tax rate on opening balance	334	1,109
Total deferred tax	<u>6,161</u>	<u>2,861</u>
Tax on profit on ordinary activities	<u>6,188</u>	<u>4,098</u>

### Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013

Accordingly, the company's results for this financial year are taxed at an effective rate of 23.25%

The tax assessed for the year is different to the standard rate of UK corporation tax of 23.25% (2012 24.5%) and the differences are explained below

	2013	2012
	£000	£000
Profit on ordinary activities before taxation	12,276	8,143
Standard rate of UK corporation tax (%)	23.25	24.5
Profit on ordinary activities multiplied by the standard rate of UK corporation tax	<u>2,854</u>	<u>1,995</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes and other permanent differences	1,016	1,205
Capital allowances (less than)/in excess of depreciation	(725)	351
Timing differences related to pensions	(4,791)	(1,647)
Movements in general provisions and other short term timing differences	(236)	(269)
Group relief not paid for	1,882	(398)
Adjustments in respect of previous years	27	-
Total tax charge for the year	<u>27</u>	<u>1,237</u>

### Factors that may affect future tax charges

Deferred tax provided at 21% on temporary differences reversing in 2014 and 20% on temporary differences reversing in 2015 and thereafter. Legislation to reduce UK Corporation Tax in stages to 20% by April 2015 was enacted on 17 July 2013.

There are no provided or unprovided amounts relating to deferred tax.

# Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd

Registration number 00189291

## 11. Deferred tax

	2013	2012
	£000	£000
<i>Tax effect of timing differences because of</i>		
Differences between capital allowances and depreciation	2,975	4,296
Other short term timing differences	2,258	3,854
Deferred tax asset (note 16)	5,233	8,150
Deferred tax (liability)/asset on pension asset/(liability) (note 20)	(2,341)	4,432
Net deferred tax asset	2,892	12,582

### Movements in deferred tax

	Excluding pension £000	Pension £000	Total £000
At 1 January 2013	8,150	4,432	12,582
(Charge)/credit to the profit and loss account (note 10)	(2,917)	(3,244)	(6,161)
Charge to the STRGL	-	(3,529)	(3,529)
At 31 December 2013	5,233	(2,341)	2,892

The deferred tax asset is recognised because it is more likely than not that there will be sufficient taxable profits in the future to recover the asset

## 12. Intangible assets

	Goodwill £000
Cost	
At 1 January 2013	14,885
Disposals	(35)
At 31 December 2013	14,850

### Accumulated depreciation

At 1 January 2013	7,582
Charge for the year	742
At 31 December 2013	8,324

### Net book value

At 31 December 2013	6,526
At 31 December 2012	7,303

## 13. Tangible assets

	Land & buildings £000	Plant & machinery £000	Construction in progress £000	Fixtures & fittings £000	Total £000
Cost					
At 1 January 2013	10,454	17,224	1,190	1,895	30,763
Additions	-	584	1,633	98	2,315
Disposals	-	(767)	-	-	(767)
Reclassification	197	570	(863)	96	-
At 31 December 2013	10,651	17,611	1,960	2,089	32,311

### Accumulated depreciation

At 1 January 2013	4,154	12,264	-	1,669	18,087
Charge for the year	430	1,271	-	116	1,817
Disposals	-	(816)	-	-	(816)
Reclassification	24	(87)	-	63	-
At 31 December 2013	4,608	12,632	-	1,848	19,088

### Net book value

At 31 December 2013	6,043	4,979	1,960	241	13,223
At 31 December 2012	6,300	4,960	1,190	226	12,676

# Notes to the financial statements

for the year ended 31 December 2013

Novar ED&S Ltd  
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	2013	2012
	<u>£000</u>	<u>£000</u>
The above figures include		
Freehold land and buildings, at net book value	5,683	5,918
Leasehold land and buildings, at net book value	360	382

## 14. Investments

	Shares in group undertakings
Cost	<u>£000</u>
At 1 January and 31 December 2013	4,973
Net book value	
At 1 January and 31 December 2013	4,973

The directors believe that the book value of the investments is not less than the value of the underlying net assets

Shares in group undertakings are held in ordinary shares

The company's principal subsidiary undertakings, all of which are 100% owned unless otherwise indicated, are as follows

<u>Name of company</u>	<u>Principal activity</u>	<u>% holding if not 100%</u>	<u>Country of incorporation</u>
<i>Participating interests</i>			
Hawa-MK Electrical Accessories Ltd	Electrical devices	40	Saudi Arabia
<i>Directly held subsidiaries</i>			
Honeywell Electrical Devices & Systems India Ltd	Electrical devices and systems		India
Ackermann Ltd	Non trading		England

## 15. Stocks

	2013	2012
	<u>£000</u>	<u>£000</u>
Raw materials	3,543	4,860
Work in progress	1,035	1,331
Finished goods for sale	6,053	6,717
	10,631	12,908

## 16. Debtors

	2013	2012
	<u>£000</u>	<u>£000</u>
<i>Amounts falling due within one year</i>		
Trade debtors	17,735	21,529
Amounts owed by group undertakings	6,675	9,298
Deferred tax asset (note 11)	5,233	8,150
Other debtors	2	323
Prepayments and accrued income	682	312
	30,327	39,612



# Notes to the financial statements

for the year ended 31 December 2013

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## 17. Creditors amounts falling due within one year

	2013	2012
	£000	£000
Payments received on account	1	-
Trade creditors	14,021	15,061
Amounts owed to group undertakings	13,543	14,977
Other taxation and social security	2,948	2,843
Other creditors	4	31
Accruals and deferred income	5,615	3,887
Accrued preference dividends	27,297	24,264
	<u>63,429</u>	<u>61,063</u>

Accrued preference dividends represent an annual dividend of £3,033,000 since 2005 on 7.5% cumulative preference shares of £1 each.

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

	2013	2012
	£000	£000
7.5% cumulative preference shares of £1 each	<u>40,441</u>	<u>40,441</u>

The holders of the redeemable cumulative preference shares have the right to be paid a fixed cumulative preference dividend at the rate of 7.5% per annum payable annually in arrears.

The company can redeem all or part of the preference shares at any time together with arrears of dividends. In the case of winding up the company, the holders of the preference shares are entitled to receive the face value of the shares together with arrears of dividends up to the date of winding up.

## 19. Provisions for liabilities

	At 1 January 2013 £000	Charge/ (credit) to P&L £000	Utilised £000	At 31 December 2013 £000
Warranty	1,999	(184)	(823)	992

The warranty provision represents the best estimate of the costs associated with the sale of products and services supplied under warranty before the balance sheet date.

## 20. Pension commitments

### Defined benefit plans

#### Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined benefit plan providing retirement benefits based on salary. It is closed to new entrants. Regular employer contributions to the plan by the company in 2014 are estimated to be £14,098,000. Defined benefit pension obligations are based on a full valuation of the liabilities of HUKPS as at 31 March 2011, measured using the projected unit credit method.

	2013	2012
	£000	£000
<i>Amounts recognised in the balance sheet</i>		
Fair value of plan assets	464,192	413,956
Present value of defined benefit obligations	(452,489)	(433,225)
Surplus/(deficit)	11,703	(19,269)
Related deferred tax (liability)/asset @21% (2012 23%)	(2,341)	4,432
Net asset/(liability)	<u>9,362</u>	<u>(14,837)</u>

### Amounts recognised in profit or loss

	2013	2012
	£000	£000
Interest cost	18,849	18,699
Expected return on pension plan assets	(24,041)	(22,054)
Finance cost recognised	(5,192)	(3,355)
Current service cost	4,029	3,777
Credit/(cost) recognised in profit and loss	<u>(1,163)</u>	<u>422</u>

# Notes to the financial statements

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Actual return on assets	50,496	33,700
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## Amounts recognised in the statement of total recognised gains and losses (STRGL)

Total actuarial gains/(losses)	15,177	(8,452)
Actuarial gain/(loss) recognised in STRGL	15,177	(8,452)

Cumulative amount of actuarial losses recognised in STRGL	(82,703)	(97,880)
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## Changes in present value of defined benefit obligation

At 1 January	(433,225)	(404,600)
Current service cost	(4,029)	(3,777)
Interest cost	(18,849)	(18,699)
Actuarial losses on liabilities	(11,278)	(20,098)
Contributions by participants	(78)	(86)
Net benefits paid out	14,970	14,035
At 31 December	(452,489)	(433,225)

## Changes in fair value of scheme assets

At 1 January	413,956	374,300
Expected return on assets	24,041	22,054
Actuarial gains on assets	26,455	11,646
Contributions by employer	14,632	19,905
Contributions by participants	78	86
Net benefits paid out	(14,970)	(14,035)
At 31 December	464,192	413,956

## Major categories of plan assets as a percentage of total plan assets

	2013	2012
	%	%
Equities	55.0	51.0
Bonds	38.0	42.0
Property	4.0	4.0
Cash	2.0	3.0
Other	1.0	-
	100.0	100.0

## Main actuarial assumptions

	2013	2012
	%	%
Inflation (RPI)	3.4	3.0
Inflation (CPI)	2.4	2.3
Rate of general long term increases in salaries	2.9	4.0
Pensions subject to limited price indexation to 5%	3.2	2.9
Pensions subject to limited price indexation to 2.5%	2.2	2.1
Discount rate for scheme liabilities	4.5	4.5
Expected rate of return	6.1	6.0

## Mortality

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. These tables assume that a member who retired in 2013 at age 65 will live on average for a further 23.1 years (2012 23.0 years) after retirement if male or a further 25.3 years (2012 25.2 years) if female.

## Overall long-term rate of return

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with a higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the plan at the year end.

## Notes to the financial statements

for the year ended 31 December 2013

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Amounts for current year and previous four years	2013	2012	2011	2010	2009
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fair value of assets	464,192	413,956	374,300	255,200	205,000
Defined benefit obligation (DBO)	(452,489)	(433,225)	(404,600)	(234,000)	(234,500)
Assets not recoverable in future	-	-	-	(2,000)	(200)
Net surplus/(deficit)	11,703	(19,269)	(30,300)	19,200	(29,700)
Experience gain/(loss) on assets	26,455	11,646	(15,100)	14,900	11,800
Experience (loss)/gain on liabilities	(3,554)	(1,938)	23,700	500	(1,900)

Amounts for 2013, 2012 and 2011 relate to HUKPS Amounts for 2010 and 2009 relate to predecessor plans

### 21. Called up share capital

*Allotted, called up and fully paid*

At 1 January and 31 December 1,100,605 ordinary shares of £1 each

2013	2012
<u>£000</u>	<u>£000</u>
1,101	1,101

### 22. Reconciliation of shareholders' deficit

	Called up share capital	Share premium	Other reserves	Profit and loss account	2013 Total	2012 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	1,101	19,800	714	(60,283)	(38,668)	(36,332)
Profit for the financial year	-	-	-	6,088	6,088	4,045
Actuarial gain/(loss) on pension plan	-	-	-	15,177	15,177	(8,452)
Movement on deferred tax relating to pension plan	-	-	-	(3,529)	(3,529)	834
Movement on current tax relating to pension plan	-	-	-	-	-	1,237
At 31 December	1,101	19,800	714	(42,547)	(20,932)	(38,668)

### 23. Operating lease commitments

At 31 December the company had annual commitments under non-cancellable operating leases expiring as follows

*Land and buildings*

expiring in within one year

expiring in more than five years

2013	2012
<u>£000</u>	<u>£000</u>
-	11
525	525
525	536
-	24
254	96
254	120

*Other leases*

expiring in within one year

expiring in two to five years

### 24. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £470,197,000 (2012 £431,583,000)

Positive cash balances held by the group exceeded overdrawn balances in 2013 and 2012

## Notes to the financial statements

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### **25. Parent undertakings**

The immediate parent undertaking is Novar Electrical Holdings Ltd, a company incorporated in England

The smallest group to consolidate these accounts is Honeywell Group Ltd, a company incorporated in England. Copies of their financial statements can be obtained from Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB, England

The ultimate parent undertaking and controlling party is Honeywell International Inc, a company incorporated in the USA, which is the largest group to consolidate these financial statements. Copies of their financial statements are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at [www.honeywell.com](http://www.honeywell.com)