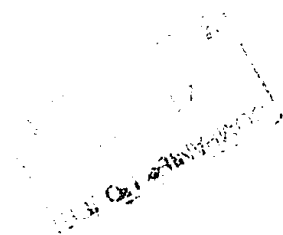


217803

Honeywell Control Systems Limited Report and accounts 1992



Company registration number 217803

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Directors' report

The directors of Honeywell Control Systems Limited present their report and the accounts of the company for the year ended 31 December 1992.

Principal activities

The company designs, develops, manufactures, sells and services environmental control equipment for commercial and residential buildings, and industrial products and systems, including precision components and automation equipment for industrial process controls.

Business review

Despite the third year of UK economic recession the company achieved a growth in turnover of 5% by increasing its share of its traditional markets and continuing to build business in related areas. A major contributory factor was its continued commitment to quality and the development of close customer relationships.

Major orders included facilities management for Prudential Assurance's headquarters for the next twenty five years; mechanical and electrical service for BBC Radio; replacement of the fire system at Gatwick Airport South Terminal; a fire alarm and public address system at Heathrow Airport terminal 1; installation of plant-wide TDC 3000 distributed control systems and smart process transmitters at British Sugar; and a multi million pound contract with BP Exploration for TDC 3000 systems at the Sullom Voe terminal.

New products included *Deltanet Access Control*, the first access control system that can be fully integrated with all building management functions; *Excel Graphic Central*, a building management system for small to medium buildings; the *Excel VTR* range of inverters; the *ST 6450* five day—two day residential programmer; the *K* series of pilot operated brass bodied solenoid valves; a fully integrated token ring fibre optic receiver module, an industry first; and the *ELS* series of long-life European standard limit switches.

TotalPlant open solutions, the next major step in the evolution of Honeywell's industrial automation products and services, were introduced in the year. New services included portable appliance testing to help companies meet the new electricity at work regulations.

Proximity switch manufacture was transferred from Honeywell's factory in Switzerland to Newhouse in Scotland.

The company expects its future success to come from continuing growth in market shares, a broadening range of products and systems, and its ongoing commitment to customer service and quality.

Results and dividends

The results for the year are shown on page 2. The directors paid a dividend of £5,000,000 during the year (1991 £nil) and transferred £822,000 from the profit and loss account.

Research and development

The company has its own design and development group which carries out research into electronics technology and its applications.

Directors

The directors of the company throughout the year were:

D.A. Kennedy (Chairman and Managing Director)

M.M. Reakes

R.C. Millar

Charitable and political gifts

The group made charitable donations of £21,160 during the year (1991 £25,005). No political donations were made.

Employment of disabled persons

It is the company's policy to consider disabled persons for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Employee involvement

The company keeps employees fully informed of company affairs and encourages their active participation: briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion; a company newspaper is distributed regularly to all employees; and employees participate in Total Quality Management teams.

By order of the board



M.F.T. Robinson

Secretary

7 May 1993

Profit and loss account

for the year ended 31 December 1992


	Notes	1992 £000	1991 £000
Turnover	1	194,170	184,465
Cost of sales		<u>151,884</u>	<u>143,329</u>
Gross profit		42,286	41,136
Other operating expenses	2	<u>31,955</u>	<u>26,839</u>
Operating profit		10,331	14,297
Interest receivable		376	269
Interest payable	3	<u>(3,242)</u>	<u>(3,568)</u>
Profit on ordinary activities before taxation	6	7,465	10,998
Tax on profit on ordinary activities	7	<u>3,287</u>	<u>3,519</u>
Profit for the year		4,178	7,479
Dividend paid		(5,000)	—
Transfer (from)/to profit and loss account		<u>(822)</u>	<u>7,479</u>
Profit and loss account at 1 January 1992		<u>16,768</u>	<u>9,289</u>
Profit and loss account at 31 December 1992		<u><u>15,946</u></u>	<u><u>16,768</u></u>

Balance sheet

31 December 1992

	Notes	1992 £000	1991 £000
Tangible fixed assets	8	30,695	28,787
Current assets			
Stocks	11	15,974	15,383
Debtors	12	70,996	56,323
Deferred tax asset	13	333	—
Cash at bank and in hand		3,400	5,692
		90,703	77,398
Current liabilities			
Creditors: amounts falling due within one year	14	84,876	69,870
Net current assets		5,827	7,528
Total assets less current liabilities		36,522	36,315
Creditors: amounts falling due in more than one year	14	4,038	3,009
Net assets		32,484	33,306
Capital and reserves			
Called up share capital	15	2,000	2,000
Share premium account		14,538	14,538
Profit and loss account		15,946	16,768
Shareholders' funds		32,484	33,306

Approved by the board on 7 May 1993 and signed on its behalf by:


D.A. Kennedy
Director

Accounting policies

The accounts have been prepared in accordance with applicable accounting standards. The accounting policies adopted are set out below.

Accounting basis

The accounts are prepared under the historical cost convention.

Research and development

All costs associated with research, engineering, product design and product development are written off in the year of expenditure.

Tangible fixed assets

Depreciation is provided using the straight line method at rates calculated to write the relevant assets off over their remaining useful lives. The annual depreciation rates used for the major categories of asset are:

Freehold buildings	5%
Short leaseholds	10% or life of lease if under 10 years
Plant and machinery	8% to 33%
Leased motor vehicles	25%
Fixtures and fittings	6% to 17%

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge over the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred tax is computed under the liability method on timing differences between accounting income and taxable profits at anticipated rates of tax, to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The expected costs of providing pensions are recognised over the period the company derives benefit from the employees' services.

Foreign currency

Amounts receivable and payable 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 result for the year.

Turnover and revenue recognition

Turnover comprises net sales to customers, including Honeywell Inc. group companies outside the Honeywell Limited group, and rental and service revenues. Revenue from sales of manufactured products is recognised on shipment to the customer, which coincides with transfer of risk of ownership.

Revenue from certain contracts for tailor-made control systems is recognised on the percentage of completion basis.

Where the revenue recognised for a particular contract exceeds the progress payments received or receivable, the excess is disclosed within debtors as amounts recoverable on contracts.

Cash flow statement

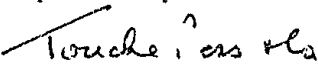
A cash flow statement for the group appears in the accounts of Honeywell Ltd.

Auditors' report

to the members of Honeywell Control Systems Limited

We have audited the accounts and notes on pages 2 to 6 in accordance with Auditing Standards.

In our opinion the accounts and notes give a true and fair view of the state of the company's affairs at 31 December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Touche Ross & Co.
Chartered Accountants and
Registered Auditor
Columbia Centre
Market Street, Bracknell
Berkshire RG12 1PA

7 May 1993

Notes to the accounts

for the year ended 31 December 1992

1. Results by segment

The analysis of turnover by geographical market and the analysis of turnover and profit before taxation by class of business have not been given. Results by segment are shown in the accounts of Honeywell Ltd.

2. Other operating expenses

	1992	1991
	£000	£000
Research and development	2,423	2,234
Distribution costs	18,936	18,048
Administrative expenses	10,596	7,576
Other income	—	(1,019)
	<u>31,955</u>	<u>26,839</u>

3. Interest payable

On amounts repayable within five years not by instalments on bank overdrafts	419	387
On finance leases	647	214
To parent company	2,176	2,967
	<u>3,242</u>	<u>3,568</u>

4. Employees and directors

Average number of persons employed during the year

	1992	1991
Factory and engineering	688	654
Selling, servicing and marketing	1,399	1,485
General and administration	227	248
	<u>2,314</u>	<u>2,387</u>

Staff costs

	£000	£000
Wages and salaries	45,113	46,985
Social security costs	4,241	4,329
Pension costs	741	—
	<u>50,095</u>	<u>51,314</u>

Directors' remuneration

Emoluments in respect of prior years	115	—
Other emoluments	413	341
	<u>528</u>	<u>341</u>

Emoluments excluding pension contributions paid to the Chairman who is the highest paid director were £354,593 (1991 £176,055), including £115,247 in respect of prior years.

The numbers of other directors in the following remuneration bands were:

	1992	1991
£75,001—£80,000	—	1
£80,001—£85,000	1	—
£85,001—£90,000	—	1
£90,001—£95,000	1	—

The directors had no interest in shares or debentures in the company or any other company in the UK group. They are not required to notify the company of interests in shares or debentures in the ultimate parent company as it is incorporated outside the UK.

5. Pension commitments

The company is a member of the Honeywell Limited group pension scheme, which is a defined benefit scheme. Pension cost is assessed in accordance with the advice of a qualified actuary using the attained age method. The most recent valuation was at 30 June 1991 which indicated that the scheme was fully funded. Particulars of the actuarial valuation of the group scheme are included in the accounts of Honeywell Ltd. Company contributions to the plan have been suspended for the plan periods ending 30 September 1992 and 1993 on the recommendation of the actuary.

6. Profit before taxation

	1992	1991
	£000	£000
Profit before taxation is stated after charging:		
<i>Depreciation</i>		
Owned assets	5,020	4,234
Assets held under finance leases	3,070	747
<i>Rental charges under operating leases</i>		
Plant and machinery	193	3,307
Other operating leases	2,523	2,700
<i>Auditors' remuneration</i>	111	108
<i>Exceptional charges</i>		
Restructuring	1,391	—
Proximity switch transfer costs	992	—

7 Taxation

UK corporation tax at 33% (1991 33¼%)

Current tax	3,187	4,119
Deferred tax	(333)	—
Adjustment to prior years		
Current tax	433	(600)
	<u>3,287</u>	<u>3,519</u>

Notes to the accounts

for the year ended 31 December 1992

8. Tangible fixed assets

	Land and buildings		Plant, machinery and motor vehicles		Fixtures & fittings	Total
	Freehold	Short lease	Owned	Leased		
	£000	£000	£000	£000	£000	£000
<i>Cost</i>						
At 1 January 1992	4,745	2,756	30,449	11,789	4,005	53,744
Additions	—	163	5,339	5,629	794	11,925
Disposals	—	(15)	(2,108)	(5,102)	(261)	(7,486)
At 31 December 1992	4,745	2,904	33,680	12,316	4,538	58,183
<i>Depreciation</i>						
At 1 January 1992	1,192	1,393	15,749	4,495	2,128	24,957
Charge for the year	216	310	3,908	3,070	586	8,090
Disposals	—	(15)	(2,068)	(3,231)	(245)	(5,559)
At 31 December 1992	1,408	1,688	17,589	4,334	2,469	27,488
<i>Net book value</i>						
At 31 December 1992	3,337	1,216	16,091	7,982	2,069	30,695
At 31 December 1991	3,553	1,363	14,700	7,294	1,877	28,787

9. Capital commitments

	1992	1991
	£000	£000
Contracted but not provided for	1,668	1,161
Authorised but not yet contracted	2,289	754

10. Operating lease commitments

Annual commitment at 31 December 1992

Land and buildings

	1992	1991
	£000	£000
expiring in 1993	93	11
expiring 1994–1997	990	1,321
expiring after 1997	1,293	1,234
	2,376	2,566

Other leases

	1992	1991
	£000	£000
expiring in 1993	143	80
expiring 1994–1997	5	296
	148	376

11. Stocks

	1992	1991
	£000	£000
Raw materials	7,036	6,074
Work in progress	750	1,893
Finished goods for sale	8,188	7,416
	15,974	15,383

12. Debtors

Amounts falling due within one year

	1992	1991
	£000	£000
Trade debtors	33,191	35,871
Amounts owed by group companies	23,967	3,652
Other debtors	115	239
Prepayments and accrued income	3,707	2,519
Amounts recoverable on contracts	9,484	13,547
	70,464	55,828

Amounts falling due in more than one year

	1992	1991
	£000	£000
Contract retentions	532	495
	70,996	56,323

13. Deferred tax asset

	1992	1991
	£000	£000
Tax allowances less depreciation	—	—
Other items	333	—
	333	—
<i>Unprovided deferred tax (liability)</i>		
Tax allowances less depreciation	(2,294)	(2,300)
Other items	1,349	883
	(945)	(1,417)

14. Creditors

	1992	1991
	£000	£000
<i>Amounts falling due within one year</i>		
Payments received on account	2,153	2,386
Trade creditors	14,839	15,705
Amount owed to parent company	22,763	28,360
Amounts owed to other group companies	24,309	5,682
Corporation tax	4,087	1,409
Other taxation and social security	81	519
Finance lease obligations due 1993	4,051	4,467
Other creditors	10,117	9,611
Accruals and deferred income	2,476	1,731
	84,876	69,870
<i>Amounts falling due in more than one year</i>		
Finance lease obligations due 1994–1997	4,038	3,009

15. Called up share capital

	1992	1991
	£000	£000
Authorised, allotted, and fully paid 2,000,000 ordinary shares of £1 each	2,000	2,000

16. Contingent liabilities

	1992	1991
	£000	£000
Customs and excise guarantees	2,640	2,640
Contract guarantee and other items	6,119	5,734
	8,759	8,374

17. Parent companies

The company's UK parent company is Honeywell Ltd, a company registered in England and Wales. Its ultimate parent company is Honeywell Inc., a company incorporated in the USA. Copies of the group accounts of both companies are available from Honeywell House, Charles Square, Bracknell, Berkshire, RG12 1EJ.