

# **Novar Systems Ltd**

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## **Report and Financial statements 2014**



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# Strategic report

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

The directors present the strategic report on the company for the year ended 31 December 2014

## Review of the business and future developments

The manufacturing and product sales side of the business has experienced top line growth in the year with relatively steady gross and operating margins. Turnover in the projects and service side of the business has continued to decline as new contracts for these activities are bid from another group company. As existing contracts expire, we will continue to see reducing revenues in part of the operations.

The company is in a net asset position and expects to remain so for the foreseeable future.

## Key performance indicators

Management monitors the business using the following key indicators

	<u>2014</u>	<u>2013</u>
	<u>%</u>	<u>%</u>
<i>Turnover % change compared with previous year, due to</i>		
Volume	(1.3)	1.2
Price	2.4	0.4
	<u>1.1</u>	<u>1.6</u>
Gross profit %	39.5	38.0
Operating result % of turnover	19.2	16.9
Headcount % change compared with previous year	<u>0.8</u>	<u>(2.5)</u>

### Turnover

There has been a slight increase in revenue year on year driven mainly by volume reduction. This has been offset by an average price increase in the year.

### Gross profit

There has been a slight increase in gross margins, driven by product mix.

### Operating result

Operating result has improved by 2.3 percentage points, driven by ongoing efficiency drives and effective cost control measures in force throughout the year.

### Headcount

The increase in headcount is in line with ongoing business requirements.

## 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
- strong brand recognition through brand and channel management

# Strategic report

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

## 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
- 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

18<sup>th</sup> May 2015

## Directors' report

Novar Systems Ltd

for the year ended 31 December 2014

Registration number 00264047

The directors present their report and financial statements of the company for the year ended 31 December 2014

### Principal activities

The principal activity of the business is the design, manufacture, installation and service of business systems for life safety within the fire sector

### 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 £13,660,000 (2013 £9,711,000 profit) which will be transferred to reserves. The results for the year are shown on page 5

The directors do not recommend the payment of a dividend (2013 £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 (2013 £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

Allan Richards  
Grant Fraser  
John Tus  
Kolja Kress  
Mark Ayton  
Piyush Jutha

### Directors' indemnities

Pursuant of the Company's articles of association, the directors were throughout the year ended 31 December 2014 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### Research and development

Research and development expenditure for the year amounted to £1,896,000 (2013 £1,816,000)

## Directors' report

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

### 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.

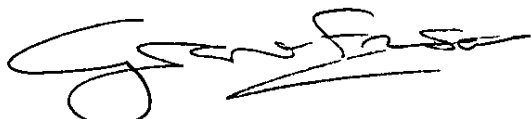
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company 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.

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



Grant Fraser  
Director

18<sup>th</sup> May 2015

## Profit and loss account

for the year ended 31 December 2014

Novar Systems Ltd  
Registration number 00264047

	<u>Note</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Turnover	3	61,510	60,824
Cost of sales		(37,210)	(37,707)
Gross profit		24,300	23,117
Distribution costs		(3,430)	(3,450)
Administrative expenses		(9,086)	(9,364)
Operating profit	4	11,784	10,303
Interest receivable and similar income	6	6,911	4,812
Interest payable and similar charges	7	(1,301)	(1,284)
Profit on ordinary activities before taxation		17,394	13,831
Tax on profit on ordinary activities	8	(3,734)	(4,120)
Profit for the financial year	18	13,660	9,711

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 financial year stated above and their historical cost equivalents

## Statement of total recognised gains and losses

for the year ended 31 December 2014

	<u>Note</u>	<u>2014</u> <u>£000</u>	<u>2013</u> <u>£000</u>
Profit for the financial year		13,660	9,711
Actuarial gain on pension plan	16	2,473	12,483
Movement on deferred tax relating to pension asset	9	(532)	(2,903)
Total recognised gains relating to the year		15,601	19,291

## Balance sheet

at 31 December 2014

Novar Systems Ltd  
Registration number 00264047

	Note	2014 £000	2013 £000
<b>Fixed assets</b>			
Tangible assets	10	432	546
		<u>432</u>	<u>546</u>
<b>Current assets</b>			
Stocks	11	1,030	1,338
Debtors	12	49,654	48,991
Cash at bank and in hand		5,264	7,089
		<u>55,948</u>	<u>57,418</u>
Creditors amounts falling due within one year	13	(24,231)	(27,191)
<b>Net current assets</b>		<u>31,717</u>	<u>30,227</u>
<b>Total assets less current liabilities</b>		32,149	30,773
<b>Creditors: amounts falling due after more than one year</b>	14	(16,868)	(16,868)
Provisions for liabilities	15	(1,179)	(1,165)
<b>Net assets excluding pension asset</b>		<u>14,102</u>	<u>12,740</u>
<b>Pension asset</b>	16	22,121	7,882
<b>Net assets including pension asset</b>		<u>36,223</u>	<u>20,622</u>
<b>Capital and reserves</b>			
Called up share capital	17	27	27
Share premium account	18	2,990	2,990
Profit and loss account	18	33,206	17,605
<b>Total shareholders' funds</b>	18	<u>36,223</u>	<u>20,622</u>

For the year ended 31 December 2014 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 5 to 15 were approved by the board of directors on 18<sup>th</sup> May 2015 and signed on its behalf by



**Grant Fraser**  
Director



# Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

## 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 that 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 2014 that were applicable to the company.

### *Turnover and revenue recognition*

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

Revenue is recognised as follows:

#### Type of sale

Product and service sales

Service contracts

Sale of consignment stock

Licensing agreements

Long term contracts

#### Recognition

-on delivery and when acceptance by the customer has occurred

-evenly over the period of the contract and the difference is reported in accrued or deferred income

-when the title of goods sold passes to the customer

-evenly over the period of the agreement

-percentage of completion basis once the outcome of the contract can be recognised with reasonable certainty

Where, for a particular contract, turnover exceeds amounts invoiced on account, the excess is included in debtors as amounts recoverable on contracts. Where amounts invoiced exceed turnover, the excess is included in payments on account.

### *Leases - as lessee*

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 that 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, less any R&D expenditure credit reclaimable from HM Revenue and Customs in respect of those costs.

### *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 that 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 2014

Novar Systems Ltd

Registration number 00264047

### *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

### *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 - short leasehold	13%
Buildings - leasehold improvements	13%
Fixtures & fittings	7 - 25%

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

Land is not depreciated

### *Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Provisions for obsolete and slow moving stocks are made where appropriate

The cost of raw materials, consumables and goods for resale is the 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*

The company recognises a provision when it has a present obligation, either legal or constructive, that 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

## Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd  
Registration number 00264047

### 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 term and equivalent 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

	2014 £000	2013 £000
<i>Analysis of turnover by geographical market</i>		
United Kingdom	50,509	49,741
Europe	5,793	5,393
North America	-	57
Other	5,208	5,633
	<u>61,510</u>	<u>60,824</u>

Turnover is derived from classes of business that 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.

### 4. Operating profit

	2014 £000	2013 £000
<i>Operating profit is stated after charging</i>		
<i>Depreciation and amortisation</i>		
Tangible assets - owned	113	204
<i>Rental charges under operating leases</i>		
Land and buildings	259	393
Reorganisation and redundancy	99	146
Loss on foreign exchange	5	243

# Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd  
Registration number 00264047

## 5. Employees and directors

Monthly average number of persons employed during the year  
(including executive directors)

	2014 <u>number</u>	2013 <u>number</u>
Factory and engineering	115	100
Selling, servicing and marketing	190	206
General and administration	55	51
	<u>360</u>	<u>357</u>

## Staff costs

	<u>£000</u>	<u>£000</u> <i>as restated</i>
Wages and salaries	13,875	13,747
Social security costs	1,719	1,635
Contributions to defined contribution pension plans	432	485
Pension costs for defined benefit plans (note 16)	2,398	2,598
	<u>18,424</u>	<u>18,465</u>

Outstanding contributions for defined contribution plans at the end of the year

-	-
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## Directors' remuneration

Aggregate emoluments	375	324
Highest paid director		
Aggregate emoluments	240	209
Accrued pension at year end	77	44
	<u>317</u>	<u>253</u>

During the year the highest paid director did not (2013 did) exercise options over shares of Honeywell International Inc , the ultimate parent company

	<u>number</u>	<u>number</u>
Number of directors who		
Were members of a defined benefit plans	2	2
Exercised options over shares of Honeywell International Inc , the ultimate parent	1	3

In 2014, four directors (2013 four directors) were remunerated by other group companies for their services to the group as a whole. No charge has been made to the company as in the opinion of the directors it is not possible to determine with reasonable accuracy the split by company.

## 6. Interest receivable and similar income

	2014 <u>£000</u>	2013 <u>£000</u>
Interest receivable from group undertakings	559	551
Other finance income (note 16)	6,352	4,261
	<u>6,911</u>	<u>4,812</u>

## 7. Interest payable and similar charges

	2014 <u>£000</u>	2013 <u>£000</u>
Interest payable on bank overdrafts	36	19
Preference share dividend	1,265	1,265
	<u>1,301</u>	<u>1,284</u>

# Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd  
Registration number 00264047

## 8. Tax on profit on ordinary activities

	2014	2013
	<u>£000</u>	<u>£000</u>
<i>Current tax</i>		
UK corporation tax on profit for the year	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	4,071	4,076
Effect of decreased tax rate on opening balance	(337)	44
Total deferred tax	<u>3,734</u>	<u>4,120</u>
Tax on profit on ordinary activities	<u>3,734</u>	<u>4,120</u>

### Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's results for this financial year are taxed at an effective rate of 21.5%.

The tax assessed for the year is different to the standard rate of UK corporation tax of 21.5% (2013 23.25%) and the differences are explained below

	2014	2013
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before taxation	17,394	13,831
Standard rate of UK corporation tax (%)	21.5	23.25
Profit on ordinary activities multiplied by the standard rate of UK corporation tax	<u>3,740</u>	<u>3,216</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes and other permanent differences	292	291
Capital allowances less than depreciation	(219)	(221)
Timing differences related to pensions	(4,073)	(3,877)
Movements in general provisions and other short term timing differences	(3)	19
Group relief not paid for	263	572
Total tax charge for the year	<u>-</u>	<u>-</u>

### Factors that may affect future tax charges

The UK Corporation Tax rate reduces to 20% in April 2015. Deferred tax is provided at 20% on temporary differences reversing in 2015 and thereafter.

	2014	2013
	<u>£000</u>	<u>£000</u>
<i>Tax effect of timing differences because of</i>		
Differences between capital allowances and depreciation	1,021	990
Other short term timing differences	1,037	1,774
Deferred tax asset (note 12)	2,058	2,764
Deferred tax asset on pension liability (note 16)	(5,530)	(1,970)
Net deferred tax (asset)/provision	<u>(3,472)</u>	<u>794</u>

### Movements in deferred tax

	Excluding pension	Pension	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2014	2,764	(1,970)	794
Charge)	(706)	(3,028)	(3,734)
Charge to the STRGL	-	(532)	(532)
At 31 December 2014	<u>2,058</u>	<u>(5,530)</u>	<u>(3,472)</u>

# Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

## 10. Tangible assets

	Land & buildings	Plant & machinery	Construction in progress	Fixtures & fittings	Total
<i>Cost</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2014	79	1,555	285	612	2,531
Additions	-	7	52	-	59
Disposals	-	(240)	-	-	(240)
Reclassification	15	94	(109)	-	-
At 31 December 2014	94	1,416	228	612	2,350
<i>Accumulated depreciation</i>					
At 1 January 2014	54	1,382	-	549	1,985
Charge for the year	6	88	-	19	113
Disposals	-	(180)	-	-	(180)
At 31 December 2014	60	1,290	-	568	1,918
<i>Net book value</i>					
At 31 December 2014	34	126	228	44	432
At 31 December 2013	25	173	285	63	546

The above figures include

Short leasehold land and buildings, at net book value

2014	2013
<u>£000</u>	<u>£000</u>
34	25

## 11. Stocks

	2014	2013
	<u>£000</u>	<u>£000</u>
Raw materials	842	815
Work in progress	101	78
Finished goods for sale	87	445
	<u>1,030</u>	<u>1,338</u>

## 12. Debtors

Amounts falling due within one year

	2014	2013
	<u>£000</u>	<u>£000</u>
Trade debtors	7,020	6,809
Amounts owed by group undertakings	40,004	39,335
Deferred tax asset (note 9)	2,058	2,764
Other debtors	3	5
Prepayments and accrued income	569	78
	<u>49,654</u>	<u>48,991</u>

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

	2014	2013
	<u>£000</u>	<u>£000</u>
Payments received on account	1,240	1,444
Trade creditors	3,791	3,874
Amounts owed to group undertakings	1,642	5,633
Taxation and social security	1,609	1,561
Accruals and deferred income	1,885	1,880
Accrued preference dividends	14,064	12,799
	<u>24,231</u>	<u>27,191</u>

Accrued preference dividends represent an annual dividend of £1,265,000 since 2003 on 7.5% cumulative preference shares of £1 each

# Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd  
Registration number 00264047

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

	2014	2013
	£000	£000
7.5% cumulative preference shares of £1 each	16,868	16,868

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.

## 15. Provisions for liabilities

	At 1 January 2014 £000	Charge/ (credit) to P&L £000	Utilised £000	At 31 December 2014 £000
Warranty	1,165	14	-	1,179

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.

## 16. 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 2015 are estimated to be £10,782,000. Defined benefit pension obligations are based on a full valuation of the liabilities of HUKPS as at 31 March 2014, measured using the projected unit credit method.

	2014 £000	2013 £000
<i>Amounts recognised in the balance sheet</i>		
Fair value of plan assets	424,926	382,481
Present value of defined benefit obligations	(397,275)	(372,629)
Surplus	27,651	9,852
Related deferred tax liability @20% (2013 20%)	(5,530)	(1,970)
Net asset	22,121	7,882

### Amounts recognised in profit or loss

	2014 £000	2013 £000
Interest cost	15,836	15,471
Expected return on pension plan assets	(22,188)	(19,732)
Finance credit recognised	(6,352)	(4,261)
Current service cost	2,398	2,598
Credit recognised in profit and loss	(3,954)	(1,663)

### Actual return on assets

	44,265	42,141
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### Amounts recognised in the statement of total recognised gains and losses (STRGL)

Total actuarial gains	2,473	12,483
Actuarial gain recognised in STRGL	2,473	12,483

Cumulative amount of actuarial losses recognised in STRGL	(20,259)	(22,732)
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## Notes to the financial statements

for the year ended 31 December 2014

Novar Systems Ltd

Registration number 00264047

	2014	2013
	£000	£000
<i>Changes in present value of defined benefit obligation</i>		
At 1 January	372,629	356,871
Current service cost	2,398	2,598
Interest cost	15,836	15,471
Actuarial losses on liabilities	19,604	9,926
Contributions by participants	58	50
Net benefits paid out	(13,250)	(12,287)
At 31 December	397,275	372,629

<i>Changes in fair value of scheme assets</i>		
At 1 January	382,481	341,185
Expected return on assets	22,188	19,732
Actuarial gains on assets	22,077	22,409
Contributions by employer	11,372	11,392
Contributions by participants	58	50
Net benefits paid out	(13,250)	(12,287)
At 31 December	424,926	382,481

<i>Major categories of plan assets as a percentage of total plan assets</i>	2014	2013
	%	%
Equities	57.0	55.0
Bonds	38.0	38.0
Property	4.0	4.0
Cash	1.0	2.0
Other	-	1.0
	100.0	100.0

<i>Main actuarial assumptions</i>	2014	2013
	%	%
Inflation (RPI)	3.1	3.4
Inflation (CPI)	2.0	2.4
Rate of general long term increases in salaries	2.5	2.9
<i>Rate of increase for pensions</i>		
Pensions subject to limited price indexation to 5%	2.9	3.2
Pensions subject to limited price indexation to 2.5%	2.1	2.2
Discount rate for scheme liabilities	3.6	4.5
Expected rate of return	-	6.1

### Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2014 at age 65 will live on average for a further 23 years (2013 23.1 years) after retirement if male or a further 25 years (2013 25.3 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 2014

Novar Systems Ltd

Registration number 00264047

Amounts for current year and previous four years

	2014	2013	2012	2011
	£000	£000	£000	£000
Fair value of assets	424,926	382,481	341,185	282,800
Defined benefit obligation (DBO)	(397,275)	(372,629)	(356,871)	(304,700)
Net surplus/(deficit)	27,651	9,852	(15,686)	(21,900)
Experience gain/(loss) on assets	22,077	22,409	36,604	(12,900)
Experience gain/(loss) on liabilities	11,579	(3,586)	(30,928)	22,000

No amounts were reported in 2010 because the company took the multi-employer exemption

### 17. Called up share capital

*Allotted, called up and fully paid*

	2014	2013
	£000	£000
At 1 January and 31 December 11,540 ordinary shares of £1 each	12	12
At 1 January and 31 December 15,400 non-cumulative preference shares of £1 each	15	15
	27	27

### 18. Reconciliation of movement in shareholders' funds and reserves

	Called up share capital	Share premium	Other reserves	Profit and loss account	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000
At 1 January	27	2,990	-	17,605	20,622	1,331
Profit for the financial year	-	-	-	13,660	13,660	9,711
Actuarial gain on pension plan	-	-	-	2,473	2,473	12,483
Movement on deferred tax relating to pension plan	-	-	-	(532)	(532)	(2,903)
At 31 December	27	2,990	-	33,206	36,223	20,622

### 19. Operating lease commitments

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

*Land and buildings*

	2014	2013
	£000	£000
expiring in more than five years	370	370

### 20. 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 £393,260,000 (2013 £470,197,000). Positive cash balances held by the group exceeded overdrawn balances in 2014 and 2013.

### 21. 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).