Novar Projects Ltd

Report and accounts 2008

Company registration number 814030

Contents

Directors' report

for the year ended 31 December 2008

The directors of Novar Projects Ltd present their report and audited financial statements of the company for the year ended 31 December 2008.

Principal activities

The principal activity of the company is the design, supply and installation of business systems in the life safety environment within the on-shore built environment, systems, fire security, access, CCTV and BMS.

Business review and future developments

Turnover

Turnover for 2008 was 77.2% down on 2007 at £8,876,000. The main points affecting the business results for the year are the completion of the installation of the London Terminal 5 project in quarter 1 2008.

Operating result

The operating result of the company significantly reduced to £1,022,000 loss (2006: £501,000 profit). This is due to the completion of the main works on the London Heathrow Terminal 5 during the first quarter of 2008.

Strategy

Completion of outstanding works on the London Heathrow Terminal 5 contract and the successful closure of the company in 2009.

Principal risks and uncertainties

The only risk perceived by the company in 2009 is in relation to the successful completion of all works on the London Heathrow Terminal 5 contract to the customer's satisfaction and the collection of the final receivables associated with that work.

Directors' report (continued)

for the year ended 31 December 2008

Key performance indicators

Management monitors the business using the following key indicators

Net turnover	2008	2007
	%	%
% change compared with the prior year	(77.2%)	26.6%

The change in net sales in 2008 and 2007 is attributable to the final account agreement on the London Heathrow Terminal 5 project in 2008, and the transfer of the Specialised Engineering services business to Honeywell Control Systems Ltd at the end of 2007.

Volume	(77.2%)	26.6%
Cost of products and services sold		
Gross margin %	2.6%	2.9%

The decline in gross margin is because of the final account agreement for the main works of the London Heathrow Terminal 5 project in 2008, and the transfer of the Specialised Engineering Services business to Honeywell Control Systems Ltd at the end of 2007.

Selling, general and administrative expenses		
Selling, general and adminstrative expenses % of sales	14.2%	1.7%

The increase in general administration expenses is mainly due to an increase in management fees of £261k higher in 2008. A severance accrual of £144k in 2008, which is offset partly by the release of a legal provison relating to West India Quay legal fees.

Staff numbers	%	%
% decrease year on year	(32.2%)	-

Staff numbers have decreased in line with change in underlying activity.

Results and dividends

The company's loss for the financial year was £717,000 (2007:£479,000 profit) which will be deducted from reserves. The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend (2007:£nil).

Directors

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

Tim Bevins (resigned 29 February 2008)
Bob Baker (appointed 29 February 2008)

Directors' indemnities

Pursuant to the Company's articles of association, the directors were throughout the year to 31 December 2008 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006.

Financial risk management
The company's operations expose it to a variety of financial risks that include interest rate risk, foreign exchange risk, risk, credit risk and liquidity risk. Financial risks are monitored and managed by the company throughout the year.

Interest rate risk
The company borrows in the United Kingdom at both fixed and floating rates of interest. The interest rate characteristics of new borrowings are positioned according to expected movements in interest rates.

Currency risk
The company is exposed to foreign currency movements on its loan transactions. It covers its currency risk by obtaining currency hedges with the ultimate parent company.

Credit risk
The company's credit risk is primarily attributable to its trade receivables. The company's client base principally comprises large blue chip organisations. As a result, the company has good visibility as to the standing and reputation of its clients.

Liquidity risk
The company ensures availability of funding through an appropriate amount of committed facilities, on a group wide basis, that are designed to ensure the company has sufficient available funds for its operations.

Price risk
Given the nature and size of the company's operation the cost of managing exposure to price risk exceeds the potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Employment of disabled persons
It is the company's policy that disabled persons shall be considered 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 the company's strategies and their impact of 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 participate in the group's results through the Honeywell Stock Option Plan operated by the company's ultimate parent.

Statement of directors' responsibilities in respect of the annual report and the financial statements
The directors are responsible for preparing the annual 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. The directors have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). The financial statements are required by law to 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.

Statement of directors' responsibilities in respect of the annual report and the financial statements (continued)
In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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 confirm that they have complied with the above requirements in preparing financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The elective resolution to dispense with the obligation to appoint auditors annually continues to be in force.

By order of the board

Bob Baker
Director
30 April 2009

Independent auditors' report

to the members of Novar Projects Ltd

We have audited the financial statements of Novar Projects Ltd for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
30 April 2009

Profit & loss account

for the year ended 31 December 2008

	Notes	2008 £000	*2007 £000*
Turnover	3	8,876	*38,894*
Cost of sales		(8,649)	*(37,734)*
Gross profit		227	*1,160*
Administrative expenses		(1,249)	*(659)*
Operating (loss)/profit	6	(1,022)	*501*
Interest receivable and similar income	7	327	*20*
Interest payable and similar charges	8	(22)	*(42)*
(Loss)/profit on ordinary activities before taxation		(717)	*479*
Taxation on (loss)/profit on ordinary activities	9	-	-
Retained (loss)/profit for the financial year	16	(717)	*479*

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

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

All amounts are derived from continuing operations.

Balance sheet

as at 31 December 2008

	Notes	2008 £000	*2007 £000*
Current assets			
Stock	11	-	*413*
Debtors	12	664	*6,436*
Cash at bank and in hand		4,184	*6,529*
		4,848	*13,378*
Creditors: amounts falling due within one year	13	(2,436)	*(10,393)*
Provisions for liabilities and charges	14	(144)	-
Net current assets		2,268	*2,985*
Net assets		2,268	*2,985*
Capital and reserves			
Called up share capital	15	500	*500*
Profit and loss account	16	1,768	*2,485*
Total equity shareholders' funds	16	2,268	*2,985*

The financial statements were approved by the board of directors on 30 April 2009 and were signed on its behalf by:

Bob Baker
Director
30 April 2009

Notes to the accounts

for the year ended 31 December 2008

1. Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The accounting policies which have been applied consistently throughout the year.

Changes in accounting policies

During the year amendments to FRS 3 "Reporting financial performance" became effective, and have been adopted in the year. The adoption of this policy has had no impact on the financial statements of the company.

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. Revenue from long term contracts for custom built control systems is recognised on the percentage of completion basis. Revenue from service contracts is recognised evenly over the period of the contract. Revenue from the sale of consignment stock is recognised when the title of goods sold passes to the customer. 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 creditors as payment on account.

Leases

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

Foreign currency

Transactions denominated in foreign currency are booked into the accounts 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 or expense.

Taxation

Taxation is calculated on profits chargeable to UK corporation tax at the current rate applicable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the accounts (continued)

for the year ended 31 December 2008

1. Accounting policies (continued)

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.

Long term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Pensions

The company operates a defined contribution pension scheme. Pension costs in respect of employees who are members of the Novar Groups' pension schemes are charged to the profit and loss account as they become payable.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 accounts 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 undertakings within the Honeywell group or with undertakings which the group has invested in 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 accounts are publicly available.

3. Segmental analysis

Turnover represents amounts derived from the provision of goods and services which fall within the company's principal activity after deduction of trade discounts and value added tax.

	2008	*2007*
Turnover by geographical market	£000	*£000*
United Kingdom	8,654	*36,196*
Rest of Europe	-	*1,370*
Rest of the world	222	*1,328*
	8,876	*38,894*

4. Employees and directors

Average monthly number of persons employed during the year	Number	*Number*
Manufacturing and services	19	*28*

Notes to the accounts (continued)

for the year ended 31 December 2008

4. Employees and directors (continued)

Staff costs	£000	*£000*
Wages and salaries	972	*1,838*
Social security costs	63	*97*
Pension costs (see note 5)	4	*36*
	1,039	*1,971*

All staff costs for the current financial year are recharged to Novar Projects Ltd by other group companies. The directors are not remunerated for their services to the company (2007:£nil).

5. Pension commitments

The company participates in the Novar Group defined contribution scheme. The assets of the scheme are held separately in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £4,000 (2007:£36,000). Contribution of £nil (2007:£nil) were payable to the fund at the year end.

6. Operating (loss)/profit	2008	*2007*
Operating profit is stated after charging/(crediting):	£000	*£000*
Rental charges under operating leases		
Other operating leases	72	*77*
Plant and machinery	3	*74*
Audit fees - statutory audit	60	*35*
Foreign exchange - loss	-	*103*

7. Interest receivable and similar income	2008	2007
	£000	*£000*
Bank interest receivable	327	*20*

8. Interest payable and similar charges

Interest payable and similar charges:		
Interest payable to group undertakings	22	*42*

9. Taxation on (loss)/profit on ordinary activities

Current tax		
UK corporation tax at 28½% (2007: 30%)	-	-
Taxation on (loss)/profit on ordinary activities	-	-

The tax assessed for the year is higher (2007:lower) than the standard rate of UK corporation tax rate of 28½% (2007:30%) and the differences are explained below:

	2008	*2007*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(717)	*479*
Corporation tax in the UK of 28½% (2007:30%)	(204)	*144*
Effects of:		
Non-deductible expenses	5	*11*
Short term timing differences	(13)	*(151)*
Group relief claimed for nil consideration	212	*(4)*
Total current tax charge for the year	-	-

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

Notes to the accounts (continued)

for the year ended 31 December 2008

10. Deferred tax

The following amounts of deferred tax have not been recognised in the financial statements due to uncertainty over the availability of future taxable profits against which they may be utilised.

	2008 £000	*2007 £000*
Other timing differences	41	*54*

11. Stock

Raw materials	-	*209*
Finished goods	-	*204*
	-	*413*

12. Debtors

Amounts falling due within one year		
Trade debtors	4	*3,185*
Amounts recoverable on contracts	-	*2,513*
Amounts owed by group undertakings	652	*726*
Prepayments and accrued income	8	*12*
	664	*6,436*

Amounts owed by group undertakings consist of the following unsecured non interest bearing loans of £500,000 (2007:£500,000) and non interest bearing current accounts amounting to £152,000 (2007:£226,000).

13. Creditors

Amounts falling due within one year	2008 £000	*2007 £000*
Trade creditors	1,016	*3,812*
Amounts owed to group undertakings	1,334	*5,205*
Other tax and social security	86	*969*
Accruals and deferred income	-	*407*
	2,436	*10,393*

Amounts owed to group undertakings consist of the following; loans of £nil (2007:£634,000) which bear interest at UK base rate minus 1% and non interest bearing current accounts amounting to £1,334,000 (2007:£4,571,000). All amounts are unsecured and repayable on demand.

14. Provisions for liabilities and charges

	Severance provision £000
At 1 January 2008	-
Charged to profit and loss account	144
At 31 December 2008	144

15. Called up share capital

Authorised, called up, allotted and fully paid	2008 £000	*2007 £000*
500,000 ordinary shares of £1 each	500	*500*

16. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £000	Profit & loss account £000	2008 Total £000	*2007 Total £000*
At 1 January	500	2,485	2,985	*2,506*
(Loss)/profit for the financial year	-	(717)	(717)	*479*
At 31 December	500	1,768	2,268	*2,985*

Notes to the accounts (continued)

for the year ended 31 December 2008

17. Operating lease commitments

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

	2008	*2007*
Land & Buildings	£000	*£000*
expiring in one year	-	*41*
expiring in two to five years	72	*72*
Other leases		
expiring in one year	-	*23*
expiring in two to five years	-	*9*

18. Contingent liabilities

All UK Honeywell group companies have entered into a composite accounting agreement whereby each company has provided a guarantee to the bank. This agreement permits the set-off of balances, on a group basis, for interest purposes. The maximum liability arising from this arrangement, on a group basis, is the total overdraft balances held by group companies amounting to £545,839,000 (2007:£575,487,000). Positive cash balances held in the group exceeded the overdraft balances in 2008 and 2007.

19. Ultimate parent company

The immediate parent company is Novar Electrical Holdings Ltd.

The ultimate parent undertaking and controlling party is Honeywell International Inc., a company incorporated in the USA, which is the smallest and largest group to consolidate these accounts. Copies of these accounts 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.