

# ADI-Gardiner Ltd

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## Report and accounts 2011

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## Directors' report

*for the year ended 31 December 2011*

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The directors of ADI-Gardiner Ltd present their report and audited accounts of the company for the year ended 31 December 2011

### Principal activities

The principal activities of the company consist of the wholesale distribution of electronic security and surveillance systems, fire detection and prevention equipment and related products

### Business review and future developments

#### Turnover

Turnover for 2011 was 8.7% down on 2010 at £88,018,000 (2010 £96,378,000)

#### Operating result

The results of the company during the year remained strong and the year end position was satisfactory

Turnover for 2011 was down 8.7% as a result of the economic slowdown in the UK, but with its strong market position the company is well placed to withstand difficult trading conditions

The company expects to continue its activities and its current level of performance for the foreseeable future

### 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,
- productivity and process improvement,
- continued expansion into markets such as energy and security,
- defending and extending the installed base through customer productivity improvements, and
- strong brand recognition through brand and channel management

### 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

- rate of growth of domestic and commercial construction
- fluctuation in demand for residential retrofits and upgrades
- fluctuations in industrial capital spend
- adverse economic conditions in the UK construction industry
- changes to fire, security, health care and safety concerns/regulations

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 effective pricing and 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, and
- monitors applicable regulations to ensure products and systems provide high quality solutions for current needs

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

## Directors' report (continued)

for the year ended 31 December 2011

### Key performance indicators

Management monitors the business using the following key indicators

#### Turnover

	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>
% change compared with the prior year	(8.7%)	(0.1%)

The change in net sales in 2011 and 2010 is attributable to reduced activity

#### Cost of products and services sold

Gross margin %	19.6%	20.6%
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#### Distribution costs and administrative expenses

% of turnover	20.8%	18.9%
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#### Staff numbers

% decrease year on year	(2.9%)	(4.8%)
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The decrease in staff numbers is due to efficiency improvements

### Results and dividends

The company's loss for the financial year was £1,016,000 (2010 £1,333,000 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 (2010 £19,800,000)

### Directors

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

Adrian Connell

Hemant Trivedi

Peter O'Toole

Mike Reddington

Kamleshkumar Mistry

David Protheroe (appointed 16 September 2011 and resigned 2 November 2011)

Howard Carpenter (appointed 16 September 2011 and resigned 2 November 2011)

Jean-Francois Gazielly (resigned 8 March 2011)

Allan Richards (resigned 21 February 2011)

### Directors' indemnities

Pursuant to the company's articles of association, the directors were throughout the year to 31 December 2011 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006

## **Directors' report (continued)**

*for the year ended 31 December 2011*

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### **Financial instrument policies**

#### *Financial risk management*

The company's operations expose it to a variety of financial risks that include interest rate risk, foreign exchange risk, credit risk and liquidity risk. Financial risks are monitored by the directors in order to mitigate the risks.

#### *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 has a limited exposure to foreign currency movements related to its operating transactions. It covers its foreign 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. The financial institutions which the company has banking arrangements with are approved by the

Honeywell group.

#### *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.

### **Employment**

It is the company's policy that persons who are disabled or become disabled during their employment 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 regularly 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' report (continued)

for the year ended 31 December 2011

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### Directors responsibilities statement

The directors are responsible for preparing the Directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have prepared the accounts in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the accounts 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 accounts, 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 accounts,
- prepare the accounts 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 accounts 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.

### Disclosure of information to auditors

In the case of each of the persons who is a director at the time this report is approved

- 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

By order of the board



Adrian Connell

Director

10<sup>th</sup> April 2012

# Independent auditors' report

*to the members of ADI-Gardiner Ltd*

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We have audited the financial statements of ADI-Gardiner Ltd for the year ended 31 December 2011 the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

**Alison Cashmore (Senior Statutory Auditor)**

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

West London

24 April 2012

## Profit and loss account

for the year ended 31 December 2011

	<u>Note</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
<b>Turnover</b>	3	88,018	96,378
Cost of sales		(70,804)	(76,511)
<b>Gross profit</b>		<u>17,214</u>	<u>19,867</u>
Distribution costs		(12,411)	(13,608)
Administrative expenses		(5,865)	(4,569)
<b>Operating (loss)/profit</b>	4	<u>(1,062)</u>	<u>1,690</u>
Interest receivable and similar income	6	-	4
Interest payable and similar charges	6	(95)	-
Other finance income/(charges)	15	50	(77)
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(1,107)</u>	<u>1,617</u>
Tax on (loss)/profit on ordinary activities	7	91	(284)
<b>(Loss)/profit on ordinary activities after taxation</b>	17	<u><u>(1,016)</u></u>	<u><u>1,333</u></u>

All results derive 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 2011

	<u>Note</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
<b>(Loss)/profit for the financial year</b>		(1,016)	1,333
Actuarial loss	15	(486)	(51)
Movement on deferred tax relating to pension liability	8	129	(183)
Movement on current tax related to pension liability		-	197
<b>Total recognised gains and losses relating to the year</b>		<u><u>(1,373)</u></u>	<u><u>1,296</u></u>



## Balance sheet

as at 31 December 2011

	<u>Note</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
<b>Fixed assets</b>			
Tangible assets	9	429	412
<b>Current assets</b>			
Stocks	11	6,576	8,052
Debtors	12	20,602	20,630
		27,178	28,682
<b>Creditors: amounts falling due within one year</b>	13	(24,597)	(24,853)
<b>Net current assets</b>		2,581	3,829
<b>Total assets less current liabilities</b>		3,010	4,241
Provisions for liabilities	14	(92)	(155)
<b>Net assets excluding pension liability</b>		2,918	4,086
Pension liability	15	(205)	-
<b>Net assets including pension liability</b>		2,713	4,086
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account	17	2,613	3,986
<b>Total shareholders' funds</b>	17	2,713	4,086

The accounts were approved by the board of directors on 10<sup>th</sup> April 2012 and were signed on its behalf by

A D C M.

**Adrian Connell**  
Director

## Notes to the accounts

for the year ended 31 December 2011

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### 1. Accounting policies

These accounts 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".

During the year amendments to FRS8 "Related Party Disclosures" have been adopted. The amendments to this policy have had no impact on the accounts of the company.

#### *Group accounts*

The accounts 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 401 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of Honeywell SL, a company incorporated in Spain. Copies of these accounts can be obtained from Calle Josefa Valcárcel, 24, 28027, Madrid, Spain.

#### *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 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 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.

#### *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 substantively 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 2011

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### 1. Accounting policies (continued)

#### *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 estimated useful life. Cost comprises purchase cost, together with any incidental expenses of acquisition. The annual depreciation rates used for the major assets are

Land & buildings - short leasehold	20%
Fixtures & fittings	20% - 33%

#### *Investments*

The company's interest in subsidiary undertakings is shown at cost less provision for permanent impairment. The value of investments is reviewed annually by the 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 and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Where necessary, provision has been made for slow moving, obsolete and defective stocks.

#### *Onerous lease provision*

Provision is made for onerous leases to the extent that actual costs exceed revenue to be generated from the use of the related asset.

#### *Pensions*

The company participates in a defined benefit pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Full actuarial valuations of the company's defined benefit scheme are carried out every three years and the valuations are updated to 31 December each year by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. Assets and liabilities are allocated in proportion to the number of defined benefit members for the scheme, as reported by the scheme's trustees to the pension regulator.

The company's share of the post-retirement benefits surplus or deficit of schemes 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 scheme.

This share is included on the company's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the profit and loss account within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

Defined contribution schemes are externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds and contributions to such schemes 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 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 wholly owned undertakings within the Honeywell group are not required to be disclosed in these accounts, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc, whose accounts are publicly available.

## Notes to the accounts (continued)

for the year ended 31 December 2011

### 3. Segmental reporting

Turnover, stated net of value added tax, is attributable to the principal activity of the company. The business is carried on in the UK and the turnover derives mainly from that origin.

	2011 £000	2010 £000
<i>Analysis of turnover by geographical market</i>		
United Kingdom	84,700	94,256
Rest of Europe	2,059	501
Other	1,259	1,621
	<u>88,018</u>	<u>96,378</u>

### 4. Operating (loss)/profit

*Operating (loss)/profit is stated after charging*

*Depreciation and amortisation*

Tangible assets - owned	185	155
<i>Rental charges under operating leases</i>		
Other operating leases	945	873
(Profit)/loss on foreign exchange	(13)	233
<i>Auditors' remuneration</i>		
Audit fees - statutory audit	<u>36</u>	<u>36</u>

### 5. Employees and directors

*Average number of persons employed during the year*

*(including executive directors)*

	number	number
Selling, servicing and marketing	<u>330</u>	<u>340</u>

	2011 £000	2010 £000
<i>Staff costs</i>		
Wages and salaries	8,187	7,333
Social security costs	935	843
Pension costs - defined contributions (note 15)	139	94
	<u>9,122</u>	<u>8,176</u>

*Directors' remuneration*

Aggregate emoluments	399	386
Pension - defined contribution	24	23
	<u>423</u>	<u>409</u>

*Highest paid director*

Aggregate emoluments	<u>174</u>	<u>155</u>
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No directors were members of a defined benefit plan (2010 none)

### 6. Interest

*Interest receivable and similar income*

Other interest receivable	<u>-</u>	<u>4</u>
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*Interest payable and similar charges*

Other interest payable	<u>95</u>	<u>-</u>
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## Notes to the accounts (continued)

for the year ended 31 December 2011

### 7. Tax on (loss)/profit on ordinary activities

#### Current tax

UK corporation tax on profits of the year

2011 2010

£000 £000

- 197

#### Deferred tax

Accelerated capital allowances

(126) 45

Other timing differences

(52) 34

Pensions

56 -

Change in tax rate

31 8

(91) 87

Tax on (loss)/profit on ordinary activities

(91) 284

The tax assessed for the year is different to the standard rate of UK corporation tax rate of 26½% (2010 28%) and the differences are explained below

(Loss)/profit on ordinary activities before tax

(1,107) 1,617

(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26½% (2010 28%)

(293) 453

#### Effects of

Expenses not deductible for tax purposes and other permanent differences

41 37

Capital allowances for the year in excess of depreciation

43 (45)

Movements in general provisions and other short term timing differences

52 (14)

Group relief not paid for

214 (234)

Pension

(57) -

Total current tax charge for the year

- 197

#### Factors that may affect future tax charges

Deferred tax is provided at 25% on temporary differences reversing in 2012 and 25% on differences reversing after 2012. There are proposals to reduce UK Corporation Tax in stages to 22% by 2014, and the effect of these proposals is not material.

### 8. Deferred taxation

#### Tax effect of timing differences because of

Differences between capital allowances and depreciation

307 204

Short term timing differences

53 4

Deferred tax excluding that relating to pension scheme liability (note 12)

360 208

Deferred tax asset on pension liability (note 15)

68 -

Total deferred tax asset

428 208

#### Movement in deferred tax excluding that relating to pension liability

At 1 January

208 295

Credit/(charge) to the profit and loss account

152 (87)

At 31 December

360 208

#### Amounts included within pension liability relating to deferred tax

At 1 January

- 183

Charge to the profit and loss account

(61) (197)

Credit to the statement of total recognised gains and losses

129 14

At 31 December

68 -

## Notes to the accounts (continued)

for the year ended 31 December 2011

	Short leasehold land & buildings	Fixtures & fittings	Total
<i>Cost</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2011	787	451	1,238
Additions	15	190	205
Disposals	-	(7)	(7)
Re-classification	19	(20)	(1)
At 31 December 2011	<u>821</u>	<u>614</u>	<u>1,435</u>
<i>Accumulated depreciation</i>			
At 1 January 2011	524	302	826
Charge for the year	98	87	185
Disposals	-	(5)	(5)
Re-classification	14	(14)	-
At 31 December 2011	<u>636</u>	<u>370</u>	<u>1,006</u>
<i>Net book value</i>			
At 31 December 2011	<u>185</u>	<u>244</u>	<u>429</u>
At 31 December 2010	<u>263</u>	<u>149</u>	<u>412</u>

### 10. Investments

<i>Cost</i>	Ordinary shares in subsidiary undertakings <u>£000</u>
At 1 January and 31 December	<u>1,523</u>
<i>Provision for diminution in investments</i>	
At 1 January and 31 December	<u>1,523</u>
Net book value 1 January and 31 December	<u>-</u>

The company had investments in the following subsidiary undertakings as at 31 December 2011. 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 activities</u>	<u>Country of incorporation</u>
Alarm Express Holdings Ltd	Holding company	England
ADI-Gardiner Ireland Ltd (50%)	Distributor of security systems	Ireland

	2011 <u>£000</u>	2010 <u>£000</u>
<b>11. Stocks</b>		
Raw materials	84	-
Finished goods for sale	6,492	8,052
	<u>6,576</u>	<u>8,052</u>

### 12. Debtors

Trade debtors	18,835	19,065
Amounts owed by group undertakings	139	82
Deferred taxation (note 8)	360	208
Other debtors	1,178	1,217
Prepayments and accrued income	90	58
	<u>20,602</u>	<u>20,630</u>

## Notes to the accounts (continued)

for the year ended 31 December 2011

	2011	2010
	£000	£000
<b>13. Creditors: amounts falling due within one year</b>		
Bank overdraft	3,850	2,157
Trade creditors	14,182	15,935
Amounts owed to group undertakings	4,153	4,116
Other taxation and social security	592	866
Accruals and deferred income	1,820	1,779
	<u>24,597</u>	<u>24,853</u>

Amounts owed to group undertakings are unsecured, repayable on demand and bear no interest

	Onerous leases
	£000
<b>14. Provisions for liabilities</b>	
At 1 January 2011	155
Utilised in year	(63)
At 31 December 2011	<u>92</u>

Provision is made for onerous leases to the extent that actual costs exceed revenue to be generated from the use of the related asset

### 15. Pension commitments

Until 9 April 2010, the company participated in a defined benefit scheme, The Honeywell Integrated (HIPS)- Serck section (the "Predecessor Scheme") This scheme is closed to new entrants and has no active members

On 9 April 2010, the assets of the Predecessor Scheme were transferred to the Honeywell UK Pension Scheme

#### Defined benefit sections

##### *Honeywell UK Pension Scheme (HUKPS)*

The Honeywell UK Pension Scheme is a funded defined benefit scheme providing retirement benefits based on salary It is closed to new entrants and has no active members Regular employer contributions to the scheme by the company in 2012 are estimated to be £202,000

The valuation used for FRS17 disclosures has been based on a full assessment of the liabilities of the Honeywell UK Pension Scheme as at 31 March 2011 The present values of the defined benefit obligation were measured using the projected unit credit method Following the valuation, the participating members are able to identify their share of the pension assets and liabilities with effect from 1 January 2011 The effect of the change in allocations on the company's share of opening assets and liabilities is disclosed in this note as "effect of transfer to HUKPS"

<i>Main actuarial assumptions</i>	2011	2010
Inflation (RPI)	3.10%	3.40%
Inflation (CPI)	2.20%	2.50%
Rate of general long-term increase in salaries	4.10%	4.40%
<i>Rate of increase for pensions</i>		
Pensions subject to limited price indexation to 5%	3.00%	3.30%
Pensions subject to limited price indexation to 2½%	2.10%	2.20%
Discount rate for scheme liabilities	4.80%	5.50%
Expected rate of return	<u>6.10%</u>	<u>6.90%</u>

## Notes to the accounts (continued)

for the year ended 31 December 2011

### 15. Pension commitments (continued)

#### *Basis used to determine the overall long-term rate of return*

The company employs a building block approach in determining the long-term rate of return on pension scheme 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 scheme at the year end.

#### *Mortality assumptions*

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. These tables assume that a member who retires in 2011 at age 65 will live on average for a further 22.8 years after retirement if male or a further 24.9 years if female.

<i>Fair value by class of asset</i>	2011 £000	2010 £000
Bonds	1,302	900
Equities	2,083	1,460
Property	162	111
Cash/liquid assets	93	199
	<u>3,640</u>	<u>2,670</u>

#### *Reconciliation of funded status to balance sheet*

Fair value of assets	3,640	2,670
Present value of funded defined benefit obligations	(3,913)	(2,146)
Net pension (liability)/asset	<u>(273)</u>	<u>524</u>
Assets not recoverable in the future	-	(524)
Related deferred tax asset @25% (2010 27%)	68	-
Net pension liability after tax	<u>(205)</u>	<u>-</u>

#### *Analysis of profit and loss (credit)/charge*

Interest cost	200	125
Expected return on pension scheme assets	(250)	(48)
(Credit)/charge recognised in profit and loss	<u>(50)</u>	<u>77</u>

#### *Changes in present value of defined benefit obligation*

At 1 January	2,146	2,187
Effect of transfer to HUKPS	1,544	-
Interest cost	200	125
Contributions by participants	2	-
Actuarial losses/(gains) on liabilities	162	(166)
Net benefits paid out	(141)	-
At 31 December	<u>3,913</u>	<u>2,146</u>

#### *Changes in fair value of scheme assets*

At 1 January	2,670	1,535
Effect of transfer to HUKPS	877	-
Expected return on assets	250	48
Actuarial (losses)/gains on assets	(181)	307
Contributions by the employer	163	780
Contributions by participants	2	-
Net benefits paid out	(141)	-
At 31 December	<u>3,640</u>	<u>2,670</u>



## Notes to the accounts (continued)

for the year ended 31 December 2011

### 15. Pension commitments (continued)

	2011	2010
	£000	£000
Actual return on assets	250	48
Expected return on assets	(181)	307
Actuarial (losses)/gains on assets	69	355
Actual return on assets		

Amounts recognised in the statement of total recognised gains and losses (STRGL)

Total actuarial (losses)/gains	(343)	473
Effect of transfer to HUKPS	(667)	-
Assets not recoverable in the future	524	(524)
Total actuarial loss in STRGL	(486)	(51)

Cumulative amount of losses recognised in STRGL

	(992)	(506)
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	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Fair value of assets	3,640	2,670	1,535	1,296	1,146
Defined benefit obligation (DBO)	(3,913)	(2,146)	(2,187)	(1,534)	(1,919)
Assets not recoverable in the future	-	(524)	-	-	-
Liability in scheme	(273)	-	(652)	(238)	(773)

History of experience gains and losses

Experience (loss)/gain on assets	(181)	307	(37)	(34)	33
Experience gain/(loss) on liabilities	320	-	-	(64)	8

### Defined contribution sections

Contributions to defined contribution plans during the year were £139,000 (2010 £94,000) Contributions accrued at year end amounted to £nil (2010 £nil)

### 16. Called up share capital

	2011	2010
	£000	£000
100,000 ordinary shares of £1 each	100	100

### 17. Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit and loss account	2011 Total	2010 Total
	£000	£000	£000	£000
At 1 January	100	3,986	4,086	(17,010)
Profit for the financial year	-	(1,016)	(1,016)	1,333
Dividend paid £198 per £1 ordinary share	-	-	-	19,800
Actuarial loss on the pension plan	-	(486)	(486)	(51)
Movement on current tax relating to pension liability	-	-	-	197
Movement on deferred tax relating to pension liability	-	129	129	(183)
At 31 December	100	2,613	2,713	4,086

### 18. Operating lease commitments

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

	2011	2010
	£000	£000
Land and buildings	209	219
expiring in one year	989	570
expiring in two to five years	100	52
expiring after five years	1,298	841

## **Notes to the accounts (continued)**

*for the year ended 31 December 2011*

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### **19. 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 £568,591,000 (2010 £470,428,000). Positive cash balances held in the group exceeded the overdraft balances in 2011 and 2010.

### **20. Ultimate parent undertakings**

The immediate parent undertaking is ADI-Gardiner EMEA Ltd.

The smallest group to consolidate these accounts is Honeywell SL, a company incorporated in Spain. Copies of these accounts can be obtained from Calle Josefa Valcárcel, 24, 28027, Madrid, Spain.

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 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](http://www.honeywell.com).