Registration number 01205354

KAC Alarm Company Ltd

Report and accounts 2012

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COMPANIES HOUSE

Registration number 01205354

Contents

Directors' report

for the year ended 31 December 2012

KAC Alarm Company Ltd
Registration number 01205354

The directors of KAC Alarm Company Ltd present the report and audited accounts of the company for the year ended 31 December 2012

Principal activities
The principal activity of the company is that of manufacture and distribution of fire alarms

Business review and future developments
Management monitors the business using the following key indicators

	2012 %	*2011 %*
Turnover % change compared with previous year, due to		
Volume	1 6	*2 6*
	1 6	*2 6*
Gross profit %	33 8	*33 1*
Operating result % of turnover	22 2	*22 8*
Headcount % change compared with previous year	(1 0)	*12 5*

Turnover
A key action in 2012 was retaining existing business In 2012 a new product range was introduced which has increased demand Capital and resources have been invested in new products to be launched in 2013 which is expected to generate future growth for the company

Gross profit
New product introduction, increased productivity and an increase in demand are key contributors to this performance

Operating result
The increase is driven by the gross margin contribution, offset by investment into R&D for new product launches

Headcount
Despite a small decrease the workforce has remained stable during 2012

The results for the year are in line with the directors' expectations

Strategy
The company maintains market share and sustainable growth through the following strategies
- Focus on customers, by delivering enhanced value year on year
- Continued operational excellence
- High quality products combined with superior customer service
- Strong brand recognition through effective 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
- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic conditions
- raw material price fluctuations
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- cost of employee retirement benefits
- health and safety of employees and contractors

In response to the risks the company

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

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

Financial risk management
Hedges
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 (2011 £nil)

Other risks
The company's exposure to risks such as prices, credit risk, liquidity, and cash flow is within reasonable commercial limits and these exposures are not hedged

Results and dividends
The company's profit for the financial year was £4,263,000 (2011 £4,418,000 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 (2011 £nil)

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

David Wilson
John Hakanson

Directors' indemnities
Pursuant to the Company's articles of association, the directors were throughout the year to 31 December 2012 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006

Research and development
Research and development expenditure for the year amounted to £586,000 (2011 £503,000)

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 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/she ought to have taken as at director to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

David Wilson
Director
25th April 2013

Independent auditors' report

to the members of KAC Alarm Company Ltd Registration number 01205354

We have audited the financial statements of KAC Alarm Company Ltd for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet 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 3 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 report and accounts 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 2012 and of its profit 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
1 May 2013

Profit and loss account

for the year ended 31 December 2012

KAC Alarm Company Ltd
Registration number 01205354

	Note	2012 £000	*2011 £000*
Turnover	3	19,367	*19,063*
Cost of sales		(12,814)	*(12,757)*
Gross profit		6,553	*6,306*
Distribution costs		(392)	*(392)*
Administrative expenses		(1,861)	*(1,568)*
Operating profit	4	4,300	*4,346*
Interest receivable and similar income	7	186	-
Interest payable and similar charges	7	(190)	-
Profit on ordinary activities before taxation		4,296	*4,346*
Tax on profit on ordinary activities	8	(33)	*72*
Profit for the financial year	17	4,263	*4,418*

All amounts are derived from continuing operations

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

The company has no recognised gains and losses other than the profit for the year, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 31 December 2012

KAC Alarm Company Ltd
Registration number 01205354

	Note	2012 £000	*2011 £000*
Fixed assets			
Tangible assets	10	1,250	*1,258*
		1,250	*1,258*
Current assets			
Stock	11	485	*539*
Debtors	12	15,223	*15,206*
Cash at bank and in hand		13,114	*8,963*
		28,822	*24,708*
Creditors amounts falling due within one year	13	(14,985)	*(15,010)*
Net current assets		13,837	*9,698*
Total assets less current liabilities		15,087	*10,956*
Provisions for liabilities			
Other provisions	14	(29)	*(161)*
Net assets		15,058	*10,795*
Capital and reserves			
Called up share capital	16	30	*30*
Profit and loss account	17	15,028	*10,765*
Total shareholders' funds	17	15,058	*10,795*

The accounts on pages 5 to 12 were approved by the board of directors on 25th April 2013 and signed on its behalf by

David Wilson
Director

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"

There were no changes to accounting standards in 2012 which were applicable to 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

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

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

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

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

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 accounts 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	Shorter of lease period or expected life
Plant & machinery	14% to 33%
Fixtures & fittings	14%

Land is not depreciated

Stock
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 Consignment stock is held by certain customers as part of maintenance agreements between the company and those customers this stock is replenished when used

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

Pensions
Defined 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 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

3 Turnover

	2012 £000	*2011* *£000*
Analysis of turnover by geographical market		
United Kingdom	6,058	*4,162*
Europe	11,196	*6,790*
America	87	-
Other	2,026	*8,111*
	19,367	*19,063*

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

4. Operating profit	2012	*2011*
Operating profit is stated after charging	£000	*£000*
Tangible assets - owned	214	*201*
Rental charges under operating leases		
Plant and machinery	-	*12*
Loss on foreign exchange	21	*33*

5. Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	12	*12*

6. Employees and directors		
Average number of persons employed during the year		
(including executive directors)	number	*number*
Factory and engineering	110	*126*
Selling, servicing and marketing	6	*9*
General and administration	27	*9*
	143	*144*

Staff costs	£000	*£000*
Wages and salaries	3,138	*2,960*
Social security costs	291	*275*
Pension contributions to defined contribution plans (note 15)	105	*77*
Share based payment charges	-	*18*
	3,534	*3,330*

In 2012, all directors (2011 all 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

7 Interest	2012	*2011*
	£000	*£000*
Interest receivable and similar income		
Bank interest receivable	186	-
	186	-
Interest payable and similar charges		
Interest payable to group undertakings	190	-
	190	-

8. Tax on profit on ordinary activities		
Current tax		
UK corporation tax on profit for the year	-	-
Deferred tax		
Origination and reversal of timing differences	24	*(83)*
Effect of decreased tax rate on opening balance	9	*11*
Total deferred tax	33	*(72)*
Tax on profit on ordinary activities	33	*(72)*

Factors affecting tax charge for the year
The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24 5%

	2012	*2011*
Difference between tax at standard rate of UK corporation tax and total tax charge	£000	*£000*
Profit on ordinary activities before taxation	4,296	*4,346*
Standard rate of UK corporation tax (%)	24 5	*26 5*
Profit on ordinary activities multiplied by the standard rate of UK corporation tax	1,053	*1,152*
Effects of		
Expenses not deductible for tax purposes and other permanent differences	20	*8*
Capital allowances in excess of depreciation	45	*47*
Movements in general provisions and other short term timing differences	(9)	*(30)*
Group relief not paid for	(1,109)	*(1,177)*
Total tax charge for the year	-	-

Factors that may affect future tax charges
Deferred tax is provided at 23% on temporary differences reversing in 2013 and thereafter There are proposals to reduce UK Corporation Tax in stages to 20% by 1 April 2015 The effect of these proposals is not material

9. Deferred tax

	2012	*2011*
Tax effect of timing differences because of	£000	*£000*
Differences between capital allowances and depreciation	102	*135*
Other short term timing differences	4	*4*
Deferred tax asset (note 12)	106	*139*

Movements in deferred tax

	£000
At 1 January 2012	139
Charge to the profit and loss account (note 8)	(33)
At 31 December 2012	106

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

There are no unprovided amounts relating to deferred tax

10 Tangible assets

	Land & buildings	Plant & machinery	Fixture & fittings	Total
Cost	£000	£000	£000	£000
At 1 January 2012	761	2,930	456	4,147
Additions	-	206	-	206
Reclassification	117	(307)	190	-
At 31 December 2012	878	2,829	646	4,353
Accumulated depreciation				
At 1 January 2012	188	2,375	326	2,889
Charge for the year	55	143	16	214
Reclassification	33	(283)	250	-
At 31 December 2012	276	2,235	592	3,103
Net book value				
At 31 December 2012	602	594	54	1,250
At 31 December 2011	*573*	*555*	*130*	*1,258*

11 Stocks

	2012 £000	*2011 £000*
Raw materials	363	*397*
Work in progress	120	*90*
Finished goods for sale	2	*52*
	485	*539*

12. Debtors

Amounts falling due within one year

Trade debtors	1,728	*1,949*
Amounts owed by group undertakings	13,259	*12,996*
Corporation tax	16	*16*
Deferred tax asset (note 9)	106	*139*
Other debtors	56	*13*
Prepayments and accrued income	58	*93*
	15,223	*15,206*

13 Creditors: amounts falling due within one year

Trade creditors	1,319	*1,397*
Amounts owed to group undertakings	13,146	*13,023*
Other creditors	1	-
Accruals and deferred income	519	*590*
	14,985	*15,010*

Loans and other borrowings

Amounts owed to group undertakings include the following loans and other borrowings

Repayable	Currency	Interest terms		
on demand	GBP	UK Base Rate Plus 1%	13,146	*13,023*
			13,146	*13,023*

All amounts are unsecured

14 Provisions for liabilities

	At 1 January £000	Charge to P&L £000	Utilised £000	At 31 December £000
Warranty	161	10	(142)	29
	161	10	(142)	29

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

15. Pensions

Defined contribution sections	2012 £000	*2011 £000*
Contributions to defined contribution plans during the year	105	*77*

16. Called up share capital

Allotted, called up and fully paid

At 1 January and 31 December 30,000 ordinary shares of £1 each	30	*30*

17 Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	2012 Total	*2011 Total*
	£000	£000	£000	*£000*
At 1 January	30	10,765	10,795	*6,377*
Profit for the financial year	-	4,263	4,263	*4,418*
At 31 December	30	15,028	15,058	*10,795*

18 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 £431,583,000 (2011 £568,591,000)
Positive cash balances held by the group exceeded overdrawn balances in 2012 and 2011

19. Ultimate parent undertaking

The immediate parent undertaking is Pittway Systems Technology Group Ltd, a company incorporated in England

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