

ADI-Gardiner Ltd

Report and accounts 2008

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Company registration number 1322200

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Directors' report

for the year ended 31 December 2008

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

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 2008 was 4.2% down on 2007 at £103,181,000 (2007:£107,703,000)

The results of the company during the year remained strong and the year end position was satisfactory. Turnover for 2008 was down 4% 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; and
- 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.

Key performance indicators

Management monitors the business using the following key indicators.

	<u>2008</u>	<u>2007</u>
<u>Turnover</u>	<u>%</u>	<u>%</u>
% change compared with the prior year	(4%)	24%
The change in net sales in 2008 and 2007 is attributable to the following:		
Volume	(4%)	24%
<u>Cost of products and services sold</u>		
Gross margin %	23%	25%

Directors' report (continued)

for the year ended 31 December 2008

Key performance indicators (cont'd)

Selling, general and administrative expenses

% of turnover	20%	19%
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Staff numbers

% (decrease) increase year on year	(6%)	5%
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Staff numbers have reduced following the closure of a number of sites.

Results and dividends

The company's profit for the financial year was £3,291,000 (2007:£6,381,000) 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 (2007:£nil).

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
Jean Gazielly
Mike Reddington
Allan Richards
Peter Tochet (resigned 1 February 2008)
Kamleshkumar Mistry (appointed 1 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 qualifying indemnity provision as defined in section 236 of the Companies Act 2006.

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.

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 considers it has limited currency risk since it primarily transacts in sterling.

Credit risk

The company's credit risk is primarily attributable to its trade receivables. Credit limits are set and monitored closely as well as the past dues.

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 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 company affairs and encourages their active participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees.

Directors' report (continued)

for the year ended 31 December 2008

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.

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; and
- 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 the 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.



Adrian Connell

Director

29th April 2009

Independent auditors' report

to the members of ADI-Gardiner Ltd

We have audited the financial statements of ADI-Gardiner Ltd for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 profit 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

Chartered Accountants and Registered Auditors
Manchester

29 April 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover	3	103,181	107,703
Cost of sales		(79,361)	(81,070)
Gross profit		23,820	26,633
Operating expenses		(20,573)	(20,154)
Operating profit	5	3,247	6,479
Interest receivable and similar income	6	246	46
Other finance charges	19	(51)	(57)
Profit on ordinary activities before taxation		3,442	6,468
Taxation charge on profit on ordinary activities	7	(151)	(87)
Retained profit for the financial year	18	3,291	6,381

All results derive from continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2008

		2008 £000	2007 £000
Profit for the financial year		3,291	6,381
Actuarial gain	19	306	184
Movement on deferred tax relating to actuarial gains	18	(86)	(56)
Total recognised gains and losses relating to the year		3,511	6,509

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.

Balance sheet

as at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	9	306	335
Investments	10	-	1,523
		<u>306</u>	<u>1,858</u>
Current assets			
Stocks	11	8,906	11,294
Debtors	12	22,694	25,819
Cash at bank and in hand		10,984	2,275
		<u>42,584</u>	<u>39,388</u>
Creditors: Amounts falling due within one year	13	(20,898)	(20,917)
Net current assets		<u>21,686</u>	<u>18,471</u>
Total assets less current liabilities		21,992	20,329
Creditors: Amounts falling due after more than one year	14	-	(1,418)
Provisions for liabilities and charges	15	(306)	(354)
Net assets excluding pension deficit		<u>21,686</u>	<u>18,557</u>
Pension deficit	19	(171)	(553)
Net assets including pension deficit		<u>21,515</u>	<u>18,004</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account	18	21,415	17,904
Total equity shareholders' funds	18	<u>21,515</u>	<u>18,004</u>

The financial statements were approved by the board of directors on
signed on its behalf by:

29th April

2009 and were

A.P. Connell

Adrian Connell
Director

29th 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 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 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 FRS3 "Reporting financial performance" and FRS17 "Retirement benefits" became effective, and have been adopted in the year. The adoption of these policies has had no material impact on the financial statements of the company.

Group accounts

The financial statements 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 228A of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Honeywell International Inc., a company registered in the USA and whose accounts the directors consider to be drawn up in a manner equivalent to the 7th Directive. The financial statements of Honeywell International Inc. are publicly available.

Investments

The company's interest in subsidiary undertakings and other investments is shown at cost less provision for permanent impairment. The value of investments is reviewed annually by the directors and provision made where it is considered that there has been a permanent impairment of value.

Tangible fixed 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 cost, together with any incidental expenses of acquisition.

The cost of fixed assets is depreciated by equal instalments over the expected useful lives of the assets as follows:

Short lease hold property	5 years
Fixtures and fittings	3 - 5 years

Leases

Assets held under any finance leases are capitalised and included in tangible fixed assets at historical cost. A lease is deemed to be a finance lease when substantially all the risks and rewards of ownership lie with the company, as opposed to the finance company. The obligations relating to finance leases, net of finance charges in respect of future years are included in creditors.

Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments. All other leases are accounted for as operating leases and the rentals charged to the profit and loss account on a straight line basis.

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.

Notes to the accounts (continued)

for the year ended 31 December 2008

1. Accounting policies (continued)

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.

Pensions

The company operates a defined benefit pension scheme. Full actuarial valuations of the company's defined benefit scheme are carried out every three years; 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; these liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. The post-retirement benefits surplus or deficit 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.

Foreign currency

Transactions denominated in foreign currency are booked into the accounts using 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.

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. 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.

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.

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.

Leases

The onerous lease provision was established to cover anticipated rental costs net of rents received from sub-tenants arising from properties which the company no longer occupies.

Notes to the accounts (continued)

for the year ended 31 December 2008

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 reporting

Turnover is attributable to one activity, the sale of security and surveillance systems.

Turnover by destination

	2008	2007
	<u>£000</u>	<u>£000</u>
United Kingdom	99,908	104,118
Rest of Europe	311	2,173
Rest of world	2,962	1,412
	<u>103,181</u>	<u>107,703</u>

4. Employees and directors

The average number of persons, including directors employed during the year

	2008	2007
	<u>Number</u>	<u>Number</u>
Selling, servicing and marketing	282	297
General and administration	105	113
	<u>387</u>	<u>410</u>

Staff costs

	<u>£000</u>	<u>£000</u>
Wages and salaries	8,206	10,259
Social security costs	950	896
Pension costs (note 19)	149	196
	<u>9,305</u>	<u>11,351</u>

Directors' remuneration

	2008	2007
	<u>£000</u>	<u>£000</u>
Aggregate emoluments	442	423
Pensions	11	21
	<u>453</u>	<u>444</u>

Highest paid director

	2008	2007
Emoluments excluding pension contributions	<u>184</u>	<u>164</u>

No directors were members of a defined benefit plan (2007:none)

5. Operating profit

Operating profit is stated after charging:

Depreciation

Depreciation - in respect of owned assets	130	200
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Rental charges under operating leases

Plant and machinery	-	711
Other	908	867

Auditors' remuneration

Audit fees	36	45
Exchange (gains) / losses	(144)	65

6. Interest receivable and payable

Interest receivable and similar income

Interest receivable from group undertakings	-	4
Other interest receivable	246	42
	<u>246</u>	<u>46</u>

Notes to the accounts (continued)

for the year ended 31 December 2008

7. Taxation charge on profit on ordinary activities

	2008	2007
	£000	£000
<i>Current tax</i>		
UK corporation tax at 28½% (2007:30%)	-	-
<i>Deferred tax</i>		
Current year	84	11
Impact of change in tax rate	3	43
Pension cost relief in excess of pension cost charge	64	33
	<u>151</u>	<u>87</u>
Total tax charge on profit on ordinary activities	<u>151</u>	<u>87</u>

The tax assessed for the year is lower (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
Profit on ordinary activities before tax	3,442	6,468
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28½% (2007:30%)	981	1,940
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	489	64
Accelerated capital allowances and other timing differences	(88)	(125)
Other timing differences	(62)	(111)
Group relief received for nil payment	(1,320)	(1,735)
Pension contribution relief in excess of net pension cost charge	-	(33)
Total current tax charge for the year	<u>-</u>	<u>-</u>

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. 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.

8. Deferred taxation

	2008	2007
	£000	£000
At 1 January	450	493
Charge to the profit and loss account	(84)	(43)
At 31 December	<u>366</u>	<u>450</u>
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	327	412
Short term timing differences	39	38
	<u>366</u>	<u>450</u>
<i>Amounts included within pension deficit relating to deferred tax</i>		
At 1 January	220	320
Charge to the profit and loss account	(67)	(44)
Charge to the Statement of total recognised gains and losses	(86)	(56)
At 31 December	<u>67</u>	<u>220</u>

Notes to the accounts (continued)

for the year ended 31 December 2008

9. Tangible fixed assets

	Short Leasehold £000	Fixtures & fittings £000	Total £000
<i>Cost</i>			
At 1 January 2008	865	883	1,748
Additions	70	31	101
At 31 December 2008	935	914	1,849
<i>Accumulated depreciation</i>			
At 1 January 2008	589	824	1,413
Charge for the year	70	60	130
At 31 December 2008	659	884	1,543
<i>Net book value</i>			
At 31 December 2008	276	30	306
At 31 December 2007	276	59	335

10. Investments

Cost and net book value

At 1 January 2008

Provision

Net book value at 31st December 2008

Ordinary shares in subsidiary undertakings

£000

1,523

(1,523)

-

The company had investments in the following subsidiary undertakings as at 31 December 2008. The company's principal subsidiary undertakings, all of which are 100% owned unless indicated otherwise, are as follows:

<i>Principal subsidiary undertakings</i>	<i>Holding</i>	<i>Country of registration or incorporation</i>
Alarm Express Holdings Ltd	100%	England and Wales
Gardiner Security (IE) Ltd	100%	Ireland
Gardiner Security Ltd	50%	England and Wales

Gardiner Security (IE) Ltd operated in the Republic of Ireland and is a distributor of security systems and related equipment. Alarm Express Holdings Ltd is a dormant holding company.

In the opinion of the directors, the aggregate value of the company's investment in and advances to its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

The aggregate amount of capital and reserves as at 31 December 2008 and the profit or loss for the year then ended of the principal subsidiaries is disclosed in the 2008 accounts of ADI-Gardiner Holding Ltd.

11. Stocks

	2008 £000	2007 £000
Finished goods for sale	8,906	11,294

12. Debtors

Amounts falling due within one year

Trade debtors	19,206	22,096
Amounts owed by group undertakings	902	1,143
Recoverable corporation tax	271	271
Deferred taxation (note 8)	366	450
Other debtors	1,514	1,533
Prepayments and accrued income	435	326
	22,694	25,819

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

Notes to the accounts (continued)

for the year ended 31 December 2008

13. Creditors	2008	2007
<i>Amounts falling due within one year</i>	<u>£000</u>	<u>£000</u>
Trade creditors	14,814	14,206
Amounts owed to group undertakings	2,314	1,825
Taxation and social security	1,443	932
Accruals and deferred income	2,327	3,954
	<u>20,898</u>	<u>20,917</u>

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

14. Creditors - amounts falling due after more than one year	2008	2007
	<u>£000</u>	<u>£000</u>
Amounts owed to group undertakings	-	1,418

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

15. Provisions for liabilities and charges	Onerous leases
	<u>£000</u>
At 1 January 2008	354
Utilised in the year	(48)
At 31 December 2008	<u>306</u>

The onerous lease provision was established to cover anticipated rental costs net of rents received from sub-tenants arising from properties which the company no longer occupies.

16. Operating lease commitments	2008	2007
<i>Annual commitments under non-cancellable operating leases</i>	<u>£000</u>	<u>£000</u>
<i>Land and buildings</i>		
expiring in one year	42	37
expiring in two to five years	953	850
expiring after five years	118	99
	<u>1,113</u>	<u>986</u>
<i>Other</i>		
expiring in one year	-	12
expiring in two to five years	-	381
	<u>-</u>	<u>393</u>

17. Called up share capital	2008	2007
<i>Authorised, allotted and fully paid</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

18. Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit & loss account	2008 Total	2007 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	100	17,904	18,004	11,495
Retained profit for the financial year	-	3,291	3,291	6,381
Actuarial gain on pension scheme	-	306	306	184
Movement on deferred tax in relation to pension deficit	-	(86)	(86)	(56)
At 31 December	<u>100</u>	<u>21,415</u>	<u>21,515</u>	<u>18,004</u>

Notes to the accounts (continued)

for the year ended 31 December 2008

19. Pension commitments

The company operates a defined benefit pension scheme, The Gardiner Pension Scheme. An actuarial valuation of the liabilities was carried out at 31 December 2008. The present values of the defined benefit obligation (DBO) were measured using the projected unit credit method. Regular employer contributions to the scheme in 2009 are estimated to be £280,000.

The assets are in the form of an insurance policy invested in the with-profits fund with the Equitable Life Assurance Society and monies held in the trustees' bank account. The value of the assets held in the with-profits fund has been taken as the policy value on 31 December 2008, which broadly represents the policy's share of assets in the with-profits fund. The value shown is not necessarily the value that would be available were the policy to be surrendered. The value of the trustees' bank account has been taken as the balance provided at 31 December 2008.

<i>Main actuarial assumptions</i>	<u>2008</u>	<u>2007</u>
Inflation	2.70%	3.30%
Salary increases	3.70%	4.30%
Increases for pensions and deferred pensions	2.70%	3.30%
Discount rate for plan liabilities	6.30%	5.80%
Expected rate of return	3.50%	5.00%

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

The long-term rate of return is a weighted average of the return for each class of asset held in the with-profits fund. For gilts, this is the yield on the FTSE Actuaries 15 year gilt index (3.71%); for corporate bonds, the yield on the iBoxx £ Corporates AA 15+ index (6.71%); for cash, the Bank of England base rate (2%); and for equity and property, the gilt yield plus 4%. A deduction of 0.5% is made for expenses.

<i>Fair value of assets by class of asset</i>	<u>2008</u>	<u>2007</u>
	<u>£000</u>	<u>£000</u>
With-profits fund	815	951
Bank account	481	195
	<u>1,296</u>	<u>1,146</u>

Reconciliation of funded status to balance sheet

Fair value of assets	1,296	1,146
Present value of funded defined benefit obligations	(1,534)	(1,919)
	<u>(238)</u>	<u>(773)</u>
Deferred tax	67	220
Net pension liability	<u>(171)</u>	<u>(553)</u>

Analysis of profit and loss charge

Current service cost	-	16
Expected return on pension scheme assets	(58)	(47)
Interest expense on pension scheme liabilities	109	104
Expense recognised in profit and loss	<u>51</u>	<u>73</u>

Changes in present value of defined benefit obligation

At 1 January	1,919	2,122
Interest cost	109	104
Actuarial gains on liabilities	(340)	(151)
Net benefits paid out	<u>(154)</u>	<u>(156)</u>
At 31 December	<u>1,534</u>	<u>1,919</u>

Changes in fair value of scheme assets

At 1 January	1,146	1,054
Expected return on assets	58	47
Contributions by employer	280	168
Actuarial (losses)/gains on assets	(34)	33
Net benefits paid out	<u>(154)</u>	<u>(156)</u>
At 31 December	<u>1,296</u>	<u>1,146</u>

Notes to the accounts (continued)

for the year ended 31 December 2008

19. Pension commitments (continued)

	2008	2007
	£000	£000
Actual return on assets	58	47
Expected return on assets	(34)	33
Actuarial (losses)/gains on assets	24	80

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

Actual return less expected return on pension scheme assets	(34)	33
Experience gains and losses arising on scheme liabilities	(64)	8
Changes in assumptions underlying the present value of the scheme liabilities	404	143
Actuarial gain recognised in STRGL	306	184

Cumulative amount of losses recognised in STRGL	193	(113)
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History of asset values, DBO and surplus

	2008	2007	2006	2005	2004
	£000	£000	£000	£000	£000
Fair value of assets	1,296	1,146	1,054	1,039	1,750
Defined benefit obligation (DBO)	1,534	1,919	2,122	2,002	2,789
Deficit	(238)	(773)	(1,068)	(963)	(1,039)

	2008	2007	2006	2005	2004
<i>History of experience gains and losses</i>					
Experience adjustments on scheme assets	(34)	33	6	20	(49)
as % of scheme assets at year end	(2.6%)	2.9%	0.6%	1.9%	2.8%
Experience adjustments on scheme liabilities	(64)	8	(17)	164	117
as % of scheme liabilities at year end	(4.2%)	0.4%	0.8%	8.19%	4.2%

Defined contribution sections

The company also operates defined contribution schemes, the total costs of which were £149,000 (2007:£180,000)

20. 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:£537,615,000). Positive cash balances held in the group exceeded the overdraft balances in 2008 and 2007.

21. 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 Valcarel, 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.