

# ADI-Gardiner Ltd

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## Report and accounts 2010

THURSDAY



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## **Directors' report**

*for the year ended 31 December 2010*

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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 2010

### **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 2010 was 0.1% down on 2009 at £96,378,000 (2009 £96,462,000)

#### *Operating result*

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

Turnover for 2010 was down 0.1% 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

## Directors' report (continued)

for the year ended 31 December 2010

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### Key performance indicators

Management monitors the business using the following key indicators

#### Turnover

	2010	2009
	%	%
% change compared with the prior year	(0.1%)	(6.5%)

The change in net sales in 2010 and 2009 is attributable to reduced activity

#### Cost of products and services sold

Gross margin %	20.6%	22.5%
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#### Distribution costs and administrative expenses

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

% decrease year on year	(4.8%)	(7.8%)
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The decrease in staff numbers is due to efficiency improvements

### Results and dividends

The company's profit for the financial year was £1,333,000 (2009 £1,542,000 profit) which will be transferred to reserves. The results for the year are shown on page 6.

A dividend of £198 per ordinary £1 share totalling £19,800,000 was paid (2009 £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-Francois Gazielly (resigned 8 March 2011)  
Mike Reddington  
Allan Richards (resigned 21 February 2011)  
Kamleshkumar Mistry

### Directors' indemnities

Pursuant to the Company's articles of association, the directors were throughout the year to 31 December 2010 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 2010*

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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 has an extensive customer portfolio so no one customer represents a significant proportion of its credit exposure.

#### *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 on 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.

## Directors' report (continued)

*for the year ended 31 December 2010*

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### Statement of directors' responsibilities

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 elected to prepare 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 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

Each 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.

By order of the board



Adrian Connell  
Director

*30 March* 2011

## **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 2010 which comprise 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.

### **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 2010 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

Uxbridge

 2011

## Profit and loss account

for the year ended 31 December 2010

	<u>Note</u>	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
<b>Turnover</b>	3	96,378	96,462
Cost of sales		(76,511)	(74,754)
<b>Gross profit</b>		<u>19,867</u>	<u>21,708</u>
Distribution costs		(13,608)	(14,110)
Administrative expenses		(4,569)	(5,914)
<b>Operating profit</b>	4	<u>1,690</u>	<u>1,684</u>
Interest receivable and similar income	6	4	40
Other finance charges	15	(77)	(46)
<b>Profit on ordinary activities before taxation</b>		<u>1,617</u>	<u>1,678</u>
Tax on profit on ordinary activities	7	(284)	(136)
<b>Profit on ordinary activities after taxation</b>	17	<u><u>1,333</u></u>	<u><u>1,542</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 2010

	<u>Note</u>	<u>2010</u> <u>£000</u>	<u>2009</u> <u>£000</u>
<b>Profit for the financial year</b>		1,333	1,542
Actuarial loss	15	(51)	(648)
Movement on deferred tax relating to pension deficit	8	(183)	115
Movement on current tax related to pension deficit		197	66
<b>Total recognised gains and losses relating to the year</b>		<u><u>1,296</u></u>	<u><u>1,075</u></u>

## Balance sheet

as at 31 December 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	9	412	315
<b>Current assets</b>			
Stocks	11	8,052	7,311
Debtors	12	20,630	21,573
Cash at bank and in hand		-	15,494
		28,682	44,378
<b>Creditors: amounts falling due within one year</b>	13	(24,853)	(21,403)
<b>Net current assets</b>		3,829	22,975
<b>Total assets less current liabilities</b>		4,241	23,290
Provisions for liabilities	14	(155)	(231)
<b>Net assets excluding pension liability</b>		4,086	23,059
Pension deficit	15	-	(469)
<b>Net assets including pension liability</b>		4,086	22,590
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account	17	3,986	22,490
<b>Total shareholders' funds</b>	17	4,086	22,590

The accounts were approved by the board of directors on 30 March 2010 and were signed on its behalf by

A. P. Connell

Adrian Connell  
Director

## Notes to the accounts

for the year ended 31 December 2010

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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 FRS20 "Share-based Payment - Group Cash-Settled Share-based Payment Transactions", 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. Foreign currency hedges obtained from the ultimate parent company are recorded on the balance sheet as assets or liabilities and are measured at fair value. Any changes in fair value are recognised in the current year profit and loss account as gains or losses on foreign exchange.

#### *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 2010

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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.

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 2010

### 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.

	2010 £000	2009 £000
<i>Analysis of turnover by geographical market</i>		
United Kingdom	94,256	92,854
Rest of Europe	501	1,945
Other	1,621	1,663
	<u>96,378</u>	<u>96,462</u>

### 4. Operating profit

*Operating profit is stated after charging*

*Depreciation and amortisation*

Tangible assets - owned	155	120
<i>Rental charges under operating leases</i>		
Other operating leases	873	828
Loss on foreign exchange	233	582
<i>Auditors' remuneration</i>		
Audit fees - statutory audit	<u>36</u>	<u>30</u>

### 5 Employees and directors

*Average number of persons employed during the year*

(including executive directors)

	<u>number</u>	<u>number</u>
Selling, servicing and marketing	340	357

*Staff costs*

	2010 £000	2009 £000
Wages and salaries	7,333	7,598
Social security costs	843	837
Pension costs - defined contributions (note 15)	94	109
	<u>8,270</u>	<u>8,544</u>

*Directors' remuneration*

Aggregate emoluments	386	386
Pension	23	22
	<u>409</u>	<u>408</u>

*Highest paid director*

Aggregate emoluments	<u>155</u>	<u>160</u>
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No directors were members of a defined benefit plan (2009 none)

### 6. Interest

*Interest receivable and similar income*

Other interest receivable	<u>4</u>	<u>40</u>
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### 7. Tax on profit on ordinary activities

*Current tax*

UK corporation tax on profits of the year	197	65
Adjustment in respect of prior years	-	1
Total current tax charge	<u>197</u>	<u>66</u>

## Notes to the accounts (continued)

for the year ended 31 December 2010

7. Tax on profit on ordinary activities (continued)	2010	2009
<i>Deferred tax</i>	<u>£000</u>	<u>£000</u>
Accelerated capital allowances	53	69
Other timing differences	34	-
Impact of change in tax rate on deferred tax	-	-
Adjustment in respect of prior years	-	1
	<u>87</u>	<u>70</u>
Tax on profit on ordinary activities	<u>284</u>	<u>136</u>

The tax assessed for the year is different to the standard rate of UK corporation tax rate of 28% (2009 28%) and the differences are explained below

Profit on ordinary activities before tax	<u>1,617</u>	<u>1,678</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	453	470
<i>Effects of</i>		
Expenses not deductible for tax purposes and other permanent differences	37	36
Capital allowances for the year in excess of depreciation	(45)	(56)
Movements in general provisions and other short term timing differences	(14)	15
Group relief not paid for	(234)	(399)
Total current tax charge for the year	<u>197</u>	<u>66</u>

### Factors that may affect future tax charges

Deferred tax is provided at 27% on temporary differences reversing in 2011 and 27% on differences reversing after 2011. There are proposals to reduce UK Corporation Tax in stages to 24% by April 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	204	257
Short term timing differences	4	38
Deferred tax excluding that relating to pension scheme liability (note 12)	<u>208</u>	<u>295</u>
Deferred tax asset on pension liability (note 15)	-	183
Total deferred tax asset	<u>208</u>	<u>478</u>

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

At 1 January	295	366
Charge to the profit and loss account	(87)	(71)
At 31 December	<u>208</u>	<u>295</u>

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

At 1 January	183	67
Charge to the profit and loss account	(197)	(65)
Credit to the statement of total recognised gains and losses	14	181
At 31 December	<u>-</u>	<u>183</u>

## Notes to the accounts (continued)

for the year ended 31 December 2010

	Short leasehold land & buildings	Fixtures & fittings	Total
<i>Cost</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2010	719	452	1,171
Additions	131	121	252
Disposals	(63)	(122)	(185)
At 31 December 2010	<u>787</u>	<u>451</u>	<u>1,238</u>
<i>Accumulated depreciation</i>			
At 1 January 2010	472	384	856
Charge for the year	85	70	155
Reclassification	30	(30)	-
Disposals	(63)	(122)	(185)
At 31 December 2010	<u>524</u>	<u>302</u>	<u>826</u>
<i>Net book value</i>			
At 31 December 2010	<u>263</u>	<u>149</u>	<u>412</u>
At 31 December 2009	<u>247</u>	<u>68</u>	<u>315</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 2010. 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

	2010 <u>£000</u>	2009 <u>£000</u>
<b>11. Stocks</b>		
Finished goods for sale	<u>8,052</u>	<u>7,311</u>

## 12. Debtors

Trade debtors	19,065	18,308
Amounts owed by group undertakings	82	1,380
Deferred taxation (note 8)	208	295
Other debtors	1,217	1,334
Prepayments and accrued income	58	256
	<u>20,630</u>	<u>21,573</u>

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

Bank overdraft	2,157	-
Trade creditors	15,935	15,727
Amounts owed to group undertakings	4,116	2,635
Other taxation and social security	866	823
Accruals and deferred income	1,779	2,218
	<u>24,853</u>	<u>21,403</u>

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

## Notes to the accounts (continued)

for the year ended 31 December 2010

	Onerous leases
14 Provisions for liabilities	£000
At 1 January 2010	231
Utilised in year	(76)
At 31 December 2010	155

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

The company is a participating employer in the Honeywell UK Pension Scheme, which was established on 8 March 2010 to provide benefits for former members and beneficiaries of various predecessor pension schemes within the UK

The company operated a defined benefit scheme, The Gardiner Pension Scheme. On 22 March 2010 the assets of this scheme were transferred to The Honeywell Integrated Pension Scheme (HIPS) - Serck section (the "Predecessor Scheme")

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

#### *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 2011 are estimated to be £280,000 (2010 £280,000)

The assets attributable to the former members of the Gardiner Pension Scheme 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 2010, 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 2010.

The defined benefit obligation is based on a full assessment of the liabilities as at 31 December 2010 using the projected unit credit method.

<i>Main actuarial assumptions</i>	2010	2009
Inflation (RPI)	3.40%	3.40%
Inflation (CPI)	2.50%	-
Salary increases	4.40%	4.40%
Rate of increase for pensions and deferred pensions	3.20%	3.40%
Discount rate for scheme liabilities	5.50%	5.70%
Expected rate of return	6.90%	2.50%

Assumptions reflect the Government's proposed changes to indexation of pensions from RPI to CPI. The effect of the change on assumptions this year is reflected in the STRGL. This change only affects deferred pensioners, as the Scheme Rules refer to RPI specifically for pensions in payment.

#### *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 (4.45%), for corporate bonds, the yield on the iBoxx £ Corporates AA 15+ index (5.66%), for cash, the Bank of England base rate (0.5%), and for equity and property, the gilt yield plus 4%. A deduction of 0.5% is made for expenses.

## Notes to the accounts (continued)

for the year ended 31 December 2010

### 15. Pension commitments (continued)

#### Mortality assumptions

Death after retirement in accordance with the standard mortality tables PNMA00 and PNFA00, appropriate to each individual's year of birth, with the long cohort improvements and subject to a minimum rate of improvement of 1.5% p.a. for males and 1.0% p.a. for females

	2010	2009	2008
	£000	£000	£000
<i>Fair value by class of asset</i>			
Bonds	900	-	-
Equities	1,460	-	-
Property	111	-	-
With-profits fund	-	1,487	815
Cash/liquid assets	199	48	481
	<u>2,670</u>	<u>1,535</u>	<u>1,296</u>

#### Reconciliation of funded status to balance sheet

Fair value of assets	2,670	1,535
Present value of funded defined benefit obligations	<u>(2,146)</u>	<u>(2,187)</u>
Net pension asset/(liability)	524	(652)
Assets not recoverable in the future	(524)	-
Related deferred tax asset @ 27% (2009 28%)	-	183
Net pension deficit	<u>-</u>	<u>(469)</u>

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

Interest cost	125	95
Expected return on pension scheme assets	<u>(48)</u>	<u>(49)</u>
Charge recognised in profit and loss	<u>77</u>	<u>46</u>

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

At 1 January	2,187	1,534
Interest cost	125	95
Actuarial gains on liabilities	(166)	611
Net benefits paid out	-	(53)
At 31 December	<u>2,146</u>	<u>2,187</u>

#### Changes in fair value of scheme assets

At 1 January	1,535	1,296
Expected return on assets	48	49
Actuarial gains/(losses) on assets	307	(37)
Contributions by the employer	780	280
Net benefits paid out	-	(53)
At 31 December	<u>2,670</u>	<u>1,535</u>

#### Actual return on assets

Expected return on assets	48	49
Actuarial gains/(losses) on assets	<u>307</u>	<u>(37)</u>
Actual return on assets	<u>355</u>	<u>12</u>

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

Total actuarial gains/(losses)	473	(648)
Assets not recoverable in the future	<u>(524)</u>	<u>-</u>
Total actuarial gains/(losses) in STRGL	(51)	(648)
Cumulative amount of losses recognised in STRGL	<u>(506)</u>	<u>(455)</u>

## Notes to the accounts (continued)

for the year ended 31 December 2010

15. Pension commitments (continued)	2010	2009	2008	2007	2006
<i>History of asset values, DBO and deficit</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fair value of assets	2,670	1,535	1,296	1,146	1,054
Defined benefit obligation (DBO)	(2,146)	(2,187)	(1,534)	(1,919)	(2,122)
Assets not recoverable in the future	(524)	-	-	-	-
Deficit in scheme	-	(652)	(238)	(773)	(1,068)

### *History of experience gains and losses*

Experience gain/(loss) on assets	307	(37)	(34)	33	6
Experience (loss)/gain on liabilities	-	-	(64)	8	(33)

## 16. Called up share capital

<i>Authorised, allotted and fully paid</i>	2010	2009
	<u>£000</u>	<u>£000</u>
100,000 ordinary shares of £1 each	100	100

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

	Share capital	Profit and loss account	2010 Total	2009 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	100	22,490	22,590	21,515
Profit for the financial year	-	1,333	1,333	1,542
Dividend paid £198 per £1 ordinary share	-	(19,800)	(19,800)	-
Actuarial (loss)/gain on the pension plan	-	(51)	(51)	(648)
Movement on current tax relating to pension deficit	-	197	197	66
Movement on deferred tax relating to pension deficit	-	(183)	(183)	115
At 31 December	100	3,986	4,086	22,590

## 18. Operating lease commitments

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

	2010	2009
	<u>£000</u>	<u>£000</u>
<i>Land and buildings</i>		
expiring in one year	219	100
expiring in two to five years	570	767
expiring after five years	52	40
	841	907

## 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 £470,428,000 (2009 £659,538,000). Positive cash balances held in the group exceeded the overdraft balances in 2010 and 2009.

## 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)