

# Novar Ltd

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## Report and accounts 2010



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## **Directors' report**

*for the year ended 31 December 2010*

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The directors of Novar Ltd present their report and audited accounts of the company for the year ended 31 December 2010

### **Principal activities**

The principal activity of the company is to act as the holding company for its trading subsidiaries

### **Business review and future developments**

The results for the year are in line with the directors' expectations. The directors intend that the company will continue to operate as a holding company for the foreseeable future

### **Results and dividends**

The company's profit for the financial year was £39,510,000 (2009 £12,437,000 loss) which will be transferred to (2009 deducted from) reserves. The results for the year are shown on page 4

The directors do not recommend the payment of a dividend (2009 £nil)

### **Directors**

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

Grant Fraser  
David Protheroe  
Robert Baker  
Roger Fradin  
Anne Madden  
John Tus

### **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

### **Principal risks and uncertainties**

As the company acts as a holding company for its subsidiaries its business is not exposed to any external risks or uncertainties

### **Financial instrument policies**

The company's operations expose it to a foreign exchange risk. Financial risks are monitored and managed by the directors in order to mitigate the risks

### **Currency risk**

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

### **Key performance indicators**

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not appropriate in helping understand the development, performance or position of the business

## 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.

### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' report. The company participates in the group's centralised treasury arrangement and so shares bank arrangements with its parent and fellow subsidiaries. The ultimate parent company, Honeywell International Inc, has indicated it will provide financial support to the company for at least one year from the date of signing these accounts.

The directors, having taken into account the financial support from the ultimate parent company, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements.

### 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/she ought to have taken as a director in order 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 Protheroe**

Director

30 March 2011

## Independent auditors' report

*to the members of Novar Ltd*

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We have audited the financial statements of Novar Ltd for the year ended 31 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 2 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

30 March 2011

## Profit and loss account

for the year ended 31 December 2010

|  | Note | 2010<br>£000  | 2009<br>£000    |
|--|------|---------------|-----------------|
| Income from fixed asset investments                        | 4    | 60            | -               |
| Administration expenses                                    |      | (5,222)       | (1,884)         |
| Other income   | 12   | 43,571        | -               |
| <b>Operating profit/(loss)</b>                             | 3    | <b>38,409</b> | <b>(1,884)</b>  |
| Interest receivable and similar income                     | 6    | 9,272         | 15,224          |
| Interest payable and similar charges                       | 6    | (7,763)       | (8,692)         |
| Other finance income/(expense)                             | 12   | 200           | (2,600)         |
| <b>Profit on ordinary activities before taxation</b>       |      | <b>40,118</b> | <b>2,048</b>    |
| Tax on profit on ordinary activities                       | 7    | (608)         | (14,485)        |
| <b>Profit/(loss) on ordinary activities after taxation</b> | 14   | <b>39,510</b> | <b>(12,437)</b> |

All results derive from continuing operations

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

## Statement of total recognised gains and losses

for the year ended 31 December 2010

|   | Note | 2010<br>£000  | 2009<br>£000    |
|---|------|---------------|-----------------|
| <b>Profit/(loss) for the financial year</b>                 |      | <b>39,510</b> | <b>(12,437)</b> |
| Actuarial gain/(loss)                                       | 12   | 11,200        | (83,600)        |
| Movement on deferred tax relating to pension deficit        | 8    | -             | 566             |
| <b>Total recognised gains/(losses) relating to the year</b> |      | <b>50,710</b> | <b>(95,471)</b> |

**Balance sheet***as at 31 December 2010*

|   | <u>Note</u> | <u>2010</u><br><u>£000</u> | <u>2009</u><br><u>£000</u> |
|---|-------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                   |             |                            |                            |
| Investments   | 9           | 843,920                    | 843,920                    |
| <b>Current assets</b>                                 |             |                            |                            |
| Debtors - amounts falling due within one year         | 10          | 1,303,467                  | 1,365,785                  |
| Cash at bank and in hand                              |             | 200                        | 215                        |
|   |             | <u>1,303,667</u>           | <u>1,366,000</u>           |
| <b>Creditors: amounts falling due within one year</b> | 11          | <u>(1,406,463)</u>         | <u>(1,456,106)</u>         |
| <b>Net current liabilities</b>                        |             | <u>(102,796)</u>           | <u>(90,106)</u>            |
| <b>Total assets less current liabilities</b>          |             | <u>741,124</u>             | <u>753,814</u>             |
| <b>Net assets excluding pension liability</b>         |             | 741,124                    | 753,814                    |
| Pension deficit                                       | 12          | (27,500)                   | (90,900)                   |
| <b>Net assets including pension liability</b>         |             | <u>713,624</u>             | <u>662,914</u>             |
| <b>Capital and reserves</b>                           |             |                            |                            |
| Called up share capital                               | 13          | 677,911                    | 677,911                    |
| Share premium account                                 | 14          | 31,309                     | 31,309                     |
| Capital redemption reserve                            | 14          | 29,958                     | 29,958                     |
| Profit and loss account                               | 14          | (25,554)                   | (76,264)                   |
| <b>Total equity shareholders' funds</b>               | 14          | <u>713,624</u>             | <u>662,914</u>             |

The accounts were approved by the board of directors on 30 March 2011 and were signed on its behalf by



**David Protheroe**  
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 financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts 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.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' report. The company participates in the group's centralised treasury arrangement and so shares bank arrangements with its parent and fellow subsidiaries. The ultimate parent company, Honeywell International Inc, has indicated it will provide financial support to the company for at least one year from the date of signing these accounts.

The directors, having taken into account the financial support from the ultimate parent company, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements.

#### *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.



## Notes to the accounts (continued)

for the year ended 31 December 2010

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### 1. Accounting policies (continued)

#### *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

#### *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

#### *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*

|   |             |             |
|---|-------------|-------------|
| <b>3. Operating profit/(loss)</b>                       | 2010        | 2009        |
| <i>Operating profit/(loss) is stated after charging</i> | <u>£000</u> | <u>£000</u> |
| Loss on foreign exchange                                | 130         | 259         |

Audit fees of £7,350 (2009 £9,800) were borne by a fellow group company

|   |           |          |
|---|-----------|----------|
| <b>4. Income from fixed asset investments</b> |           |          |
| Write back of intercompany balances           | <u>60</u> | <u>-</u> |

On 8th December 2010 CPS Disposal (No 8) Ltd was dissolved resulting in an intercompany balance of £60,000 being written back to the profit and loss during the year

**5. Employees and directors**

The directors are 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 of total remuneration by company. There were no employees during the current year (2009 £none)

|   |              |               |
|---|--------------|---------------|
| <b>6. Interest</b>                            | 2010         | 2009          |
| <i>Interest receivable and similar income</i> | <u>£000</u>  | <u>£000</u>   |
| Interest receivable from group undertakings   | 8,270        | 15,224        |
| Other interest receivable                     | 1,002        | -             |
|   | <u>9,272</u> | <u>15,224</u> |
| <i>Interest payable and similar charges</i>   |              |               |
| Bank interest and overdrafts                  | 3,085        | 3,957         |
| Interest payable to group undertakings        | 4,678        | 4,735         |
|   | <u>7,763</u> | <u>8,692</u>  |

**7. Tax on profit on ordinary activities***Current tax*

|  |            |                |
|--|------------|----------------|
| UK corporation tax on profits for the year |            | -              |
| Adjustment in respect of prior years       | 608        | (3,861)        |
| Total current tax                          | <u>608</u> | <u>(3,861)</u> |

*Deferred tax*

|  |   |        |
|--|---|--------|
| Difference between pension contribution relief and net pension cost charge | - | 18,346 |
|--|---|--------|

|                                      |            |               |
|--------------------------------------|------------|---------------|
| Tax on profit on ordinary activities | <u>608</u> | <u>14,485</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>40,118</u> | <u>2,048</u> |
|--|---------------|--------------|

|  |        |     |
|--|--------|-----|
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%) | 11,233 | 573 |
|--|--------|-----|

*Effects of*

|  |            |                |
|--|------------|----------------|
| Expenses not deductible for tax purposes and other permanent differences   | (68)       | (350)          |
| Capital allowances for the year in excess of depreciation                  | (140)      | (175)          |
| Movements in general provisions and other short term timing differences    | (2,998)    | 9,038          |
| Group relief not paid for  | 6,589      | 6,650          |
| Adjustment in respect of prior years                                       | 608        | (3,861)        |
| Difference between pension contribution relief and net pension cost charge | (14,616)   | (15,736)       |
| Total current tax charge for the year                                      | <u>608</u> | <u>(3,861)</u> |

## Notes to the accounts (continued)

for the year ended 31 December 2010

### 8. Deferred taxation

|   | 2010          | 2009          |
|---|---------------|---------------|
| <i>Amounts included within pension deficit relating to deferred tax</i> | <u>£000</u>   | <u>£000</u>   |
| At 1 January  | -             | 17,780        |
| Charge to the profit and loss account                                   | -             | (18,346)      |
| Credit to the statement of total recognised gains and losses            | -             | 566           |
| At 31 December  | -             | -             |
| <i>Unrecognised deferred tax asset @ 27% (2009 28%)</i>                 |               |               |
| Differences between capital allowances and depreciation                 | 541           | 701           |
| Tax losses  | 11,966        | 12,409        |
| Short term timing differences   | 5,907         | 9,123         |
|   | <u>18,414</u> | <u>22,233</u> |

The directors consider that it is less likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these accounts

### 9. Investments

|                                 | Ordinary shares in subsidiary undertakings |
|---------------------------------|--|
| <i>Cost and net book value</i>  | <u>£000</u>                                |
| At 1 January 2010               | 1,057,147                                  |
| Disposals during the year       | (60)                                       |
| At 31 December 2010             | <u>1,057,087</u>                           |
| <i>Provision for impairment</i> |  |
| At 1 January 2010               | 213,227                                    |
| Disposals during the year       | (60)                                       |
| At 31 December 2010             | <u>213,167</u>                             |
| <i>Net book value</i>           |  |
| At 31 December 2010             | <u>843,920</u>                             |
| At 31 December 2009             | <u>843,920</u>                             |

CPS Disposal (No 8) Ltd liquidated on 8th December 2010

The directors believe that the book value of the investments is not less than the value of the underlying net assets

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 indicated, are as follows

| <u>Name of company</u>              | <u>Principal activities</u> | <u>Country of incorporation</u> |
|-------------------------------------|-----------------------------|---------------------------------|
| <u>Directly held subsidiaries</u>   |                             |                                 |
| Novar Dormant Holdings Company Ltd  | Holding company             | England                         |
| Novar Europe Ltd                    | Holding company             | England                         |
| Novar Properties Ltd                | Holding company             | England                         |
| Novar Holdings Ltd                  | Holding company             | England                         |
| <u>Indirectly held subsidiaries</u> |                             |                                 |
| Ademco International Ltd            | Holding company             | England                         |
| BW Australia Pty Ltd                | Gas detection equipment     | Australia                       |
| BW Europe Ltd                       | Gas detection equipment     | England                         |
| BW Research                         | Gas detection research      | Canada                          |
| B&W Technologies Inc                | Gas detection equipment     | USA                             |

## Notes to the accounts (continued)

for the year ended 31 December 2010

### 9. Investments (continued)

#### Indirectly held subsidiaries (continued)

|   |  |              |
|---|--|--------------|
| BW Technologies LP  | Gas detection equipment                              | Canada       |
| BW Technologies Ltd   | Gas detection equipment                              | Canada       |
| BW Technology GmbH  | Gas detection equipment                              | Germany      |
| City Technology Ltd   | Gas sensors  | England      |
| EnviteC-Wismar GmbH (90%)   | Gas sensors and medical devices                      | Germany      |
| First Technology (2002) Ltd   | Holding company                                      | England      |
| First Technology Holdings GmbH  | Holding company                                      | Germany      |
| First Technology Ltd  | Holding company                                      | England      |
| First Technology Overseas Ltd   | Holding company                                      | England      |
| First Technology Sarl   | Holding company                                      | Luxembourg   |
| FT Hungary 1 Asset Management Kft*  | Holding company                                      | Hungary      |
| FT Hungary 2 Asset Management Kft*  | Holding company                                      | Hungary      |
| FT North America (Holdings) Ltd   | Holding company                                      | England      |
| FT North America Ltd  | Holding company                                      | England      |
| FT Finance Ltd  | Holding company                                      | England      |
| Hansaholding SGPS Lda   | Holding company                                      | Portugal     |
| Honeywell Automation and Control Solutions South Africa (Pty) Ltd (74.9%) | Control systems                                      | South Africa |
| Honeywell Acquisitions II Ltd   | Holding company                                      | England      |
| Honeywell Analytics (Sales and Service) Ltd                               | Gas sensors  | England      |
| Honeywell Austria GmbH  | Control systems                                      | Austria      |
| Honeywell Avionics Systems Ltd  | Staff supply   | England      |
| Honeywell Control Systems Ltd   | Control systems                                      | England      |
| Honeywell Electrical Devices and Systems India Ltd                        | Control systems                                      | India        |
| Honeywell Finance Ontario LP*   | Finance company                                      | Canada       |
| Honeywell Holdings Ltd  | Holding company                                      | England      |
| Honeywell Life Safety Austria GmbH  | Fire and security                                    | Austria      |
| Honeywell Ltd   | Holding company                                      | England      |
| Honeywell Security UK Ltd   | Intruder/fire detection equipment                    | England      |
| Honeywell Southern Africa (Pty) Ltd                                       | Control systems                                      | South Africa |
| Inozemne Pidpriyemstvo Honeywell Ukraine                                  | Control systems                                      | Ukraine      |
| KAC Alarm Company Ltd   | Security systems                                     | England      |
| MST Technology GmbH   | Gas sensors  | Germany      |
| Novar (Stelrad) Ltd   | Finance company                                      | England      |
| Novar ED&S Ltd  | Electric and electronic connection equipment systems | England      |
| Novar Electrical Holdings Ltd   | Holding company                                      | England      |
| Novar European Holdings BV  | Holding company                                      | Netherlands  |
| Novar International Ltd   | Finance company                                      | England      |
| Novar Overseas Holdings BV  | Holding company                                      | Netherlands  |
| Novar Projects Ltd  | Building management                                  | England      |
| Novar Systems Ltd   | Fire and security                                    | England      |
| Novar Vermoegensverwaltungs GmbH  | Holding company                                      | Austria      |
| Pillar Electrical Overseas Ltd  | Holding company                                      | England      |
| Pittway Systems Technology Group Europe Ltd                               | Life safety systems                                  | England      |
| Pittway UK Ltd  | Holding company                                      | England      |
| Trend Control Systems Ltd   | Building management systems                          | England      |

\*FT North America Ltd owns class B shares in FT Hungary 1 Asset Management Kft which entitle the company to 99% of its distributions and 34% of the voting rights. FT Hungary 1 Asset Management Kft owns 100% of FT Hungary 2 Asset Management Kft who in turn owns 99.5% of Honeywell Finance Ontario LP.

**Notes to the accounts (continued)***for the year ended 31 December 2010*

| 10. Debtors                        | 2010             | 2009             |
|------------------------------------|------------------|------------------|
|                                    | £000             | £000             |
| Amounts owed by group undertakings | 1,303,415        | 1,361,921        |
| Corporation tax                    | 35               | 3,861            |
| Prepayments and accrued income     | 15               | -                |
| Other debtors                      | 2                | 3                |
|                                    | <u>1,303,467</u> | <u>1,365,785</u> |

Included in amounts owed by group undertakings are loans of £536,943,000 (2009 £583,424,000) that bear interest at UK base rate plus 1% All other amounts are non interest bearing All amounts are unsecured and repayable on demand

| 11. Creditors: amounts falling due within one year | 2010             | 2009             |
|--|------------------|------------------|
|  | £000             | £000             |
| Bank overdraft                                     | 149,678          | 282,345          |
| Amounts owed to group undertakings                 | 1,233,742        | 1,150,819        |
| Trade creditors                                    | -                | -                |
| Other creditors                                    | 394              | 290              |
| Accruals and deferred income                       | 2                | 5                |
| Dividends proposed and accrued non-equity          | 22,647           | 22,647           |
|  | <u>1,406,463</u> | <u>1,456,106</u> |

Included in amounts owed to group undertakings are loans of £344,922,000 (2009 £270,688,000) which bear interest at UK base rate plus 1%, loans of £2,532,000 (2009 £2,579,000) which bear interest at a fixed rate of 2.3936%, and a loan of £83,000 (2009 £75,000) which bear interest at SIBOR (Singapore interbank offer rate) plus ¼% All amounts are unsecured and repayable on demand

**12. 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

Until 9 April 2010, the company operated a defined benefit scheme, the Novar Pension Scheme (the "Predecessor Scheme") This scheme is closed to new entrants

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

The company has an unfunded obligation to pay the administrative costs incurred by members of the Novar Ltd Funded Unapproved Retirement Benefit Scheme, about £4,000 a year in total, until their retirement The scheme is a defined contribution scheme closed to new members The members are all past employees of the company

Defined benefit sectionsHoneywell 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 Regular employer contributions to the scheme by the company in 2011 are estimated to be £1,381,000

Assets are based on the assets transferred from the Predecessor Scheme, adjusted for the return on those assets plus contributions from the company and its employees during the remainder of 2010 The defined benefit obligation is based on a full assessment of the liabilities of the Predecessor Schemes as at 31 March 2006 using the projected unit credit method The three yearly valuation of the Predecessor Scheme due on 31 March 2009 was postponed because of the impending transfer to HUKPS, and a valuation of the HUKPS scheme will be carried out as at 31 March 2011 The results of the 2011 valuation are not available as at the date of signing these accounts

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

## Notes to the accounts (continued)

for the year ended 31 December 2010

### 12. Pension commitments (continued)

#### Main actuarial assumptions

|  | 2010 | 2009 |
|--|------|------|
| Inflation                                      | 3.4% | 3.4% |
| Rate of general long-term increase in salaries | 4.4% | 4.4% |
| Pension increases pre 1 April 2005             | 3.2% | 3.2% |
| Pension increases post 1 April 2005            | 2.2% | 2.2% |
| Discount rate for scheme liabilities           | 5.5% | 5.7% |
| Expected rate of return                        | 6.9% | 6.9% |

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 company employs a building block approach in determining the long-term rate of return on pension scheme assets. Historical markets are studied and assets with a higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the scheme at the year end.

#### Mortality assumptions

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. These tables assume that a member who retires in 2010 at age 65 will live on average for a further 21 years after retirement if male or a further 24 years if female, and a member who retires in 2030 at age 65 will live on average for a further 23 years after retirement if male or a further 24 years if female.

|                                     | 2010           | 2009           |
|-------------------------------------|----------------|----------------|
| <i>Fair value by class of asset</i> | <i>£000</i>    | <i>£000</i>    |
| Equities                            | 349,800        | 289,600        |
| Property                            | 26,700         | 26,800         |
| Government bonds                    | 13,000         | 89,700         |
| Corporate bonds                     | 202,800        | 41,000         |
| Other                               | 30,900         | 72,400         |
| <b>Total market value of assets</b> | <b>623,200</b> | <b>519,500</b> |

#### Reconciliation of funded status to balance sheet

|   |           |           |
|---|-----------|-----------|
| Fair value of assets                                | 623,200   | 519,500   |
| Present value of funded defined benefit obligations | (650,700) | (610,400) |
| Net pension deficit                                 | (27,500)  | (90,900)  |

The directors consider that it is less likely than not that future taxable profits will be sufficient to realise the deferred tax assets. No deferred tax asset has therefore been recognised in these accounts in respect of the net pension deficit.

The scheme assets and liabilities relate to the defined benefit scheme only. The company has had no employees since June 2006, but holds the cost and liabilities of the Novar pension schemes in which its subsidiaries are participating employers.

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

|  | 2010            | 2009         |
|--|-----------------|--------------|
|  | <i>£000</i>     | <i>£000</i>  |
| Current service cost                     | 5,800           | 2,800        |
| Past service cost                        | 100             | -            |
| Contributions paid by subsidiaries       | (43,571)        | -            |
| Interest cost                            | 34,200          | 29,300       |
| Expected return on pension scheme assets | (34,400)        | (26,700)     |
|  | <b>(37,871)</b> | <b>5,400</b> |

**Notes to the accounts (continued)***for the year ended 31 December 2010*

| <b>12. Pension commitments (continued)</b>                    | <b>2010</b>    | <b>2009</b>    |
|---|----------------|----------------|
| <i>Changes in present value of defined benefit obligation</i> | <u>£000</u>    | <u>£000</u>    |
| Opening defined benefit obligation                            | 610,400        | 475,900        |
| Current service cost  | 5,800          | 2,800          |
| Past service cost   | 100            | -              |
| Interest cost   | 34,200         | 29,300         |
| Contributions by participants                                 | 100            | 100            |
| Actuarial losses on liabilities                               | 22,200         | 124,600        |
| Net benefits paid out   | (22,100)       | (22,300)       |
| Closing defined benefit obligation                            | <u>650,700</u> | <u>610,400</u> |

|   |                |                |
|---|----------------|----------------|
| <i>Changes in fair value of scheme assets during the year</i> |                |                |
| Opening fair value of assets                                  | 519,500        | 412,400        |
| Expected return on assets                                     | 34,400         | 26,700         |
| Actuarial gains on assets                                     | 33,400         | 41,000         |
| Contributions by company                                      | 12,948         | 60,000         |
| Contributions by subsidiaries                                 | 43,571         | -              |
| Contributions by other participating companies                | 1,381          | 1,600          |
| Contributions by participants                                 | 100            | 100            |
| Net benefits paid out   | (22,100)       | (22,300)       |
| Closing fair value of assets                                  | <u>623,200</u> | <u>519,500</u> |

|                                |               |               |
|--------------------------------|---------------|---------------|
| <i>Actual return on assets</i> |               |               |
| Expected return on assets      | 34,400        | 26,700        |
| Actuarial gains on assets      | 33,400        | 41,000        |
| Actual return on assets        | <u>67,800</u> | <u>67,700</u> |

|   |               |                 |
|---|---------------|-----------------|
| <i>Amounts recognised in the statement of total recognised gains and losses (STRGL)</i> |               |                 |
| Total actuarial gains/(losses)  | 11,200        | (83,600)        |
| Total loss in STRGL   | <u>11,200</u> | <u>(83,600)</u> |

|   |                  |                  |
|---|------------------|------------------|
| Cumulative amount of losses recognised in STRGL | <u>(118,100)</u> | <u>(129,300)</u> |
|---|------------------|------------------|

|   |                 |                 |                 |                 |                  |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| <i>History of asset values, DBO and deficit</i> | <b>2010</b>     | <b>2009</b>     | <b>2008</b>     | <b>2007</b>     | <b>2006</b>      |
|   | <u>£000</u>     | <u>£000</u>     | <u>£000</u>     | <u>£000</u>     | <u>£000</u>      |
| Fair value of assets                            | 623,200         | 519,500         | 412,400         | 511,700         | 474,400          |
| Defined benefit obligation (DBO)                | (650,700)       | (610,400)       | (475,900)       | (552,500)       | (580,300)        |
| Deficit in scheme                               | <u>(27,500)</u> | <u>(90,900)</u> | <u>(63,500)</u> | <u>(40,800)</u> | <u>(105,900)</u> |

|   |        |          |           |          |        |
|---|--------|----------|-----------|----------|--------|
| <i>History of experience gains and losses</i> |        |          |           |          |        |
| Experience gain/(loss) on assets              | 33,400 | 41,000   | (131,700) | (12,500) | 22,400 |
| Experience gain/(loss) on liabilities         | 100    | (26,500) | (1,200)   | (3,000)  | 34,800 |

|   |                |                |
|---|----------------|----------------|
| <b>13. Called up share capital</b>            | <b>2010</b>    | <b>2009</b>    |
| <i>Authorised</i>                             | <u>£000</u>    | <u>£000</u>    |
| 3,763,073,107 ordinary shares of 27 7/9p each | 1,045,298      | 1,045,298      |
| <i>Allotted, called up and fully paid</i>     |                |                |
| 2,440,477,073 ordinary shares of 27 7/9p each | <u>677,911</u> | <u>677,911</u> |

**Notes to the accounts (continued)***for the year ended 31 December 2010***14. Reconciliation of shareholders' funds and movements on reserves**

|   | Share<br>capital<br><u>£000</u> | Share<br>premium<br>account<br><u>£000</u> | Capital<br>redemption<br>reserve<br><u>£000</u> | Profit<br>and loss<br>account<br><u>£000</u> | 2010<br>Total<br><u>£000</u> | 2009<br>Total<br><u>£000</u> |
|---|---------------------------------|--|---|--|------------------------------|------------------------------|
| At 1 January  | 677,911                         | 31,309                                     | 29,958  | (76,264)                                     | 662,914                      | 758,385                      |
| Profit/loss for the financial year                      | -                               | -  | -   | 39,510                                       | 39,510                       | (12,437)                     |
| Actuarial gain/loss on the pension plan                 | -                               | -  | -   | 11,200                                       | 11,200                       | (83,600)                     |
| Movement on deferred tax relating<br>to pension deficit | -                               | -  | -   | -  | -                            | 566                          |
| At 31 December  | 677,911                         | 31,309                                     | 29,958  | (25,554)                                     | 713,624                      | 662,914                      |

**15. 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.

**16. Ultimate parent undertakings**

The immediate parent company is Honeywell Acquisitions Ltd.

The ultimate parent undertaking and controlling party is Honeywell International Inc, a company incorporated in the USA, which is the smallest and largest group to consolidate these accounts. Copies of these accounts are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at [www.honeywell.com](http://www.honeywell.com).