

# **Novar ED&S Ltd**

## **Amended Report and Financial Statements 2015**



# Strategic report

for the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

## Review of the business and future developments

The profit for the year, after taxation, was £14,180,000 (2014: £14,758,000).

Turnover for 2015 showed a 2.8% increase over 2014 at £131,475,000 (2014: £127,877,000). The economic environment continued to be challenging which affected sales particularly within the wholesale channel and products sold under Ex-or brand. This was offset by a strong performance in Retail channel. The increase in turnover was driven by an equal mix of volume and pricing, the volume being driven by new product launches. The outlook for 2016 is positive with continued investment in new product development, an example being EvoHome security which is expected to generate revenue of up to £500,000. Operating profit remains relatively stable and includes defined benefit pension service costs of £3,221,000 (2014: £3,783,000).

During the year the company transitioned from previously extant UK GAAP to FRS 101 – Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Novar Electrical Holdings Ltd, was notified of and did not object to the use of the FRS 101 disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 27 to these financial statements.

The company is in a net asset position and expects to remain so for the foreseeable future.

## Key performance indicators

Management monitors the business using the following key indicators:	2015	Unaudited 2014
	%	%
Turnover % change compared with previous year, due to:		
Volume	1.2	(1.1)
Price	1.6	2.0
	<u>2.8</u>	<u>0.9</u>
Gross profit %	37.6	36.6
Operating result % of turnover	14.1	14.6
Headcount % change compared with previous year	<u>(20.0)</u>	<u>0.9</u>

## Turnover

Turnover has increased by 2.8%. The increase in the turnover was due to increased volume for the new products launches and pricing.

## Gross profit

The increase is a result of improved manufacturing efficiencies and a favourable mix of products. Newly launched products had significantly higher margins

## Operating result

Operating result % for the year is 14.1%. This is a decline on last year due to administration costs that have been driven by redundancy as result of reorganisation.

## Headcount

The decrease in headcount is a result of continued global HR transformation to create a lean organisation.

## 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
- providing the highest standard of product, service and delivery to its customer at a competitive cost
- productivity and process improvement
- product development
- continued expansion into current and new markets
- proactive alignment of its business structure to meet changing market demands
- defending and extending the installed base through productivity improvements
- strong brand recognition through brand and channel management

## Strategic report

for the year ended 31 December 2015

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### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are:

- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic conditions
- raw material price fluctuations
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- cost of employee retirement benefits
- health and safety of employees and contractors

In response to the risks the company:

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

Approved by the board of directors and signed on its behalf by:

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Mehmet Erkilic

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Mehmet Erkilic

Director

23<sup>rd</sup> February 2017

## Directors' report

for the year ended 31 December 2015

The directors present their report and financial statements for the company for the year ended 31 December 2015.

### Principal activities

Novar ED&S Ltd is a wholly owned subsidiary of Honeywell International Inc., aligned to operate within Honeywell International Inc. It develops and delivers electrical products, lighting controls and integrated solutions to improve energy efficiency, industrial productivity and safety while enhancing convenience and control. Novar ED&S Ltd operates throughout the UK, mainland Europe, the Middle East and Far East. The company has a branch in Ireland.

### Business review and future developments

A review of the business of the company and future developments is included in the strategic report on page 1.

### Results and dividends

The company's profit for the financial year, after taxation was £14,180,000 (2014: £14,758,000) which will be transferred to reserves. The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend (2014:£nil).

### Amended financial statements

These amended financial statements replace the original accounts previously submitted and have been prepared as at 31st December 2015, the same date as the original accounts and are the final statutory accounts for the company.

### Financial risk management

#### Credit risk

Credit risk arises from cash at bank and credit exposures to customers. Bank balances are maintained within the permitted credit limits set by the group's Investment Committee who frequently monitor banks' credit ratings. The creditworthiness of customers granted credit terms in the normal course of business are monitored continually.

The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

#### Liquidity risk

The company ensures availability of funding for its operations through an appropriate amount of committed bank facilities on a group wide basis.

#### Other risks

The company's exposure to other risks such as interest rate risk and cash flow risk is within reasonable limits and these exposures are not hedged.

### Directors of the company

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

Michael Hill

John Tus

Grant Fraser (resigned 07 October 2016)

Mehmet Erkilic (appointed on 13 December 2016)

James Chorlton (resigned 29 May 2015)

### Directors' indemnities

Pursuant of the company's articles of association, the directors were throughout the year ended 31 December 2015 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

## Directors' report

for the year ended 31 December 2015

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### Research and development

Research and development expenditure for the year amounted to £6,226,000 (2014:£5,692,000).

### Market value of land

In the directors' opinion, the difference between the market value of land (as at the end of the financial year) and the amount at which it is included in the balance sheet is not significant.

### Employment of disabled persons

The company recognises that physically or otherwise disabled individuals are not, of necessity, prevented from making a valuable and significant contribution to the business, and where people have the attitudes and abilities necessary for the job, the company gives sympathetic consideration towards employing them, or retaining them in work should the disability emerge during employment. The company's policy is to ensure that no discrimination, either direct or indirect, occurs against employees or applicants, whether in selection, promotion, access to training, or appraisal.

### 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 for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company. Furthermore, employees can acquire shares in the ultimate parent company through the UK ShareBuilder Plan.

### Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' 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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework.'

Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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 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 financial statements 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.

### Directors' statement as to disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Directors' report

for the year ended 31 December 2015

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### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. The directors, having taken into account both the future trading of the company and the financial support from the ultimate parent undertaking, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

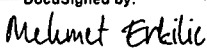
### Events since the balance sheet date

There have been no material adjusting or disclosable post balance sheet events since the year end.

### Independent auditors

During the year the directors appointed Deloitte LLP to provide independent auditing services.

Approved by the board of directors and signed on its behalf by:

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Mehmet Erkilic.  
23<sup>rd</sup>

February

2017

## **Independent auditor's report**

*to the members of Novar ED&S Ltd*

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVAR ED&S LTD**

We have audited the financial statements of Novar ED&S Ltd for the year ended 31 December 2015 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 27. 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), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement, 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.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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 matters prescribed by the Companies Act 2006**

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

## Independent auditor's report

*to the members of Novar ED&S Ltd*

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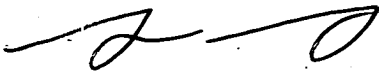
### Matters on which we are required to report by exception

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.

### Other matter

As the company was exempt from audit under section 479 of the Companies Act 2006 in the prior year, we have not audited the corresponding amounts for that year.



James Boyle CA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Edinburgh, United Kingdom  
1 March 2017



**Profit and loss account***for the year ended 31 December 2015*

	Notes	2015 £000s	Unaudited 2014 £000s
Turnover	5	131,475	127,877
Cost of sales		(82,058)	(81,109)
<b>Gross profit</b>		<b>49,417</b>	<b>46,768</b>
Distribution costs		(10,776)	(11,713)
Administrative expenses		(20,048)	(16,356)
<b>Operating profit</b>	6	<b>18,593</b>	<b>18,699</b>
Interest receivable and similar income	9	1,610	1,610
Interest payable and similar charges	10	(3,033)	(3,049)
<b>Profit on ordinary activities before taxation</b>		<b>17,170</b>	<b>17,260</b>
Tax on profit on ordinary activities	11	(2,990)	(2,502)
<b>Profit for the year attributable to owners of the parent</b>		<b>14,180</b>	<b>14,758</b>

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

**Statement of comprehensive income***for the year ended 31 December 2015*

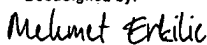
	Notes	2015 £000s	Unaudited 2014 £000s
Profit for the year attributable to owners of the parent		14,180	14,758
Other comprehensive income:			
<i>Items that cannot be classified to profit or loss</i>			
Remeasurement gains on defined benefit pension scheme	20	5,782	10,480
Movement on deferred tax relating to pension scheme	11	(1,156)	(2,096)
<b>Other comprehensive income for the year net of tax</b>		<b>4,626</b>	<b>8,384</b>
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>18,806</b>	<b>23,142</b>

**Balance sheet**

at 31 December 2015

	Notes	2015 £000s	Unaudited 2014 £000s
<b>Fixed assets</b>			
Intangible assets	12	6,341	6,354
Tangible assets	13	13,779	14,078
Investments	14	4,973	4,973
		<u>25,093</u>	<u>25,405</u>
<b>Current assets and liabilities</b>			
Stocks	15	10,144	10,569
Debtors: amounts falling due within one year	16	28,802	27,930
Cash at bank and in hand		24,416	13,735
		<u>63,362</u>	<u>52,234</u>
Creditors: amounts falling due within one year	17	(71,813)	(65,471)
<b>Net current liabilities</b>		<u>(8,451)</u>	<u>(13,237)</u>
<b>Total assets less current liabilities</b>		16,642	12,168
Creditors: amounts falling due after more than one year	18	(40,441)	(40,441)
Provisions for liabilities	19	(6,955)	(3,250)
<b>Net liabilities excluding pension asset</b>		<u>(30,754)</u>	<u>(31,523)</u>
<b>Pension asset</b>	20	51,562	33,525
<b>Net assets including pension asset</b>		<u>20,808</u>	<u>2,002</u>
<b>Capital and reserves</b>			
Share capital	21	1,101	1,101
Share premium account	22	19,800	19,800
Other reserves	23	714	714
Profit and loss account		(807)	(19,613)
<b>Total shareholders' funds attributable to owners of the parent</b>		<u>20,808</u>	<u>2,002</u>

The financial statements on pages 8 to 29 were approved by the board of directors on 23<sup>rd</sup> February 2017 and signed on its behalf by:

DocuSigned by:  
  
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 Mehmet Erkilic  
 Director

**Statement of changes in equity***at 31 December 2015*

	<i>Share capital £000s</i>	<i>Share premium account £000s</i>	<i>Other reserves £000s</i>	<i>Profit and loss account £000s</i>	<i>Total £000s</i>
At 1 January 2014 (Unaudited)	1,101	19,800	714	(42,755)	(21,140)
Profit for the year attributable to owners of the parent	-	-	-	14,758	14,758
Other comprehensive income	-	-	-	8,384	8,384
<b>At 31 December 2014 (Unaudited)</b>	<b>1,101</b>	<b>19,800</b>	<b>714</b>	<b>(19,613)</b>	<b>2,002</b>
Profit for the year attributable to owners of the parent	-	-	-	14,180	14,180
Other comprehensive income	-	-	-	4,626	4,626
<b>At 31 December 2015</b>	<b>1,101</b>	<b>19,800</b>	<b>714</b>	<b>(807)</b>	<b>20,808</b>

# Notes to the financial statements

at 31 December 2015

## 1. General information

Novar ED&S Ltd is a limited company which is incorporated and domiciled in England. The nature of the company's operations and its principal activities are set out in the directors' report on page 3. The registered address of the company is Honeywell House, Skimped Hill Lane, Bracknell, Berks, United Kingdom, RG12 1EB.

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 immediate parent undertaking is Novar Electrical Holdings Ltd, a company incorporated in England.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as the company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA, which is the smallest and largest group to consolidate these financial statements. The financial statements of Honeywell International Inc. 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).

On transition to FRS 101, the group decided to not prepare the intermediate consolidation of Honeywell Group Ltd and as a result the company is no longer entitled to the exemption under section 479 of the Companies Act 2006.

The principal accounting policies adopted by the company are set out below:

## 2. Accounting policies

### *Basis of preparation*

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 27.

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and in accordance with FRS 101. The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. The impact of the transition is explained in note 27. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant, Equipment and paragraph 118(e) of IAS 38 Intangible Assets and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (continued)

#### *Turnover and revenue recognition*

Turnover comprises revenue sales to customers and service revenues net of value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Type of sale

#### Recognition

Product and service sales

On delivery and when acceptance by the customer has occurred

#### *Operating leases – as lessee*

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

#### *Research and development*

All costs associated with research and development are written off to the profit and loss account in the year of expenditure, less any R&D expenditure credit reclaimable from HM Revenue and Customs in respect of those costs.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. The directors, having taken into account both the future trading of the company and the financial support from the ultimate parent undertaking, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### *Foreign currency translation*

The company's financial statements are presented in Sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (continued)

#### *Taxation*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

#### *Intangible assets*

Goodwill is initially recognised at purchase costs less accumulated impairment loss, if any.

In testing indefinite-lived intangible assets, the fair value is estimated utilising a discounted cash flow approach utilising cash flow forecasts in our five year strategic and annual operating plans adjusted for terminal value assumptions. These impairment tests involve the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

Software is stated at purchase cost and amortised on a straight line basis over the useful life of the asset.

The company evaluates the carrying value of intangible assets in each financial year to determine if there has been an impairment in value resulting in the company being unable to recover the carrying amount. Where it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

#### *Tangible assets and depreciation*

Tangible assets are stated at historical purchase cost less accumulated depreciation. Depreciation is calculated using the straight line method at rates calculated to write down the cost to the estimated residual value over the estimate useful life. Cost comprises purchase costs together with any incidental expenses of acquisition. The annual depreciation rates used for the major assets are:

Buildings - freehold	2-3%
Plant & machinery	5-8%
Fixtures & fittings	8%

Depreciation is not provided on construction in progress until the asset is completed.

Land is not depreciated.

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (continued)

#### *Investments*

Investments in subsidiaries are accounted for at historical cost less any provision for impairment.

An investment is classed as a subsidiary undertaking if the company has controlling interest. Investments are shown at cost less provision for permanent impairment. The value of investments is reviewed annually by 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.

#### *Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

#### *Financial assets - recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The company determines the classification of its financial assets at initial recognition. Trade debtors, amounts owed by group undertakings and other debtors have been classified as loans and receivables. The company has no other financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit and loss account.

#### *Impairment of financial assets*

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An allowance for doubtful debts is made against trade debtors that exceed 180 days past due date. Losses arising from impairment are recognised in the profit and loss account in administrative expenses.

Provisioning made against debts subsequently settled after 180 days past due is treated as a change in accounting estimate and released to profit or loss.

#### *Derecognition of financial assets*

Financial assets are derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Notes to the financial statements

at 31 December 2015

### 2. Accounting policies (continued)

#### *Financial liabilities*

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Thereafter, the company's trade creditors and amounts owed to group undertakings are carried at amortised cost using the EIR method.

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable and similar charges in profit or loss.

#### *Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Provisions for obsolete and slow moving stocks are made where appropriate.

The cost of raw materials, consumables and goods for resale is the 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.

#### *Pensions*

Defined benefit plan assets are measured at market value and plan liabilities are measured using the projected unit method. Liabilities are discounted at the current rate of return on a high quality corporate bond of term and equivalent currency to the liability. Full actuarial valuations are obtained every three years, and are updated at each balance sheet date.

The company's share of the surplus or deficit of a defined benefit plan 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 plan, normally in proportion to the number of defined benefit members reported on the most recent annual return from the trustees to the pension regulator.

A net defined benefit surplus is recognised to the extent that it is recoverable through reduced contributions and refunds to the plan.

Current and past service costs are included in the profit and loss account within operating expenses. The net amount of interest cost and expected return on assets is shown as other finance costs or income. Actuarial gains and losses, including differences between the expected and actual return on plan assets, are recognised in the statement of total recognised gains and losses, net of related deferred tax.

Defined contribution plans are externally funded, with the assets of the plan held separately from those of the company in separate trustee administered funds. Contributions to such plans are charged to the profit and loss account as they become payable.

#### *Provisions*

The company recognises a provision when it has present obligation, either legal or constructive, that can be reliably measured and it is probable that the transfer of economic benefits will be required to settle that obligation.

Provisions are based on the best estimate of expenditure required to settle the obligation.



## Notes to the financial statements

at 31 December 2015

### 3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have a significant effect on amounts recognised in the financial statements:

#### *Impairment of Investments*

The investment in subsidiary is carried at cost less impairment. The assessment of impairment involves judgement and estimations as to the value of the unquoted investment. At the period end the value of the investment was £4,973,000 (2014: £4,973,000).

#### *Estimates used for intangibles*

In testing indefinite-lived intangible assets, the fair value is estimated utilising a discounted cash flow approach utilising cash flow forecasts in our five year strategic and annual operating plans adjusted for terminal value assumptions. These impairment tests involve the use of accounting estimates and assumptions, changes in which could materially impact our financial condition or operating performance if actual results differ from such estimates and assumptions. To address this uncertainty we perform sensitivity analysis on key estimates and assumptions.

#### *Estimates used for provisions*

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken where required through internal or external subject matter experts.

Judgements are also required to where high degree of uncertainty exists and which is associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise.

Provisions for customer remediation also require significant levels of estimation and judgement in assessing the circumstances where customer is in financial turbulence and will fail to make payment as and when due.

#### *Estimates used for DB pension scheme*

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Management works closely with the actuary to agree to these assumptions. Further details are given in note 20.

## Notes to the financial statements

at 31 December 2015

### 4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

#### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

#### *Annual Improvements 2010-2012 Cycle*

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The company has applied these improvements for the first time in these financial statements.

#### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

### 5. Turnover

	2015	Unaudited 2014
	£000s	£000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	101,827	98,217
Europe	9,720	9,245
North America	369	401
Other	19,559	20,014
<i>Total turnover</i>	<u>131,475</u>	<u>127,877</u>

#### *Analysis of turnover by category*

	2015	Unaudited 2014
	£000s	£000s
Sale of goods	<u>131,475</u>	<u>127,877</u>

**Notes to the financial statements**

at 31 December 2015

**6. Operating profit**

	2015 £000s	Unaudited 2014 £000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Tangible assets – owned	1,953	1,809
Intangible assets	13	13
<i>Rental charges under operating leases</i>		
Land and buildings	525	525
Plant and machinery	254	254
Loss on disposal of fixed assets	-	7
Reorganisation and redundancy	462	299
Research and development	6,226	5,692
Loss/(Gain) on foreign exchange	126	(56)

The reorganisation and redundancy costs are due to transformation projects carried out during 2015 which have all been completed within the year and no further costs are expected.

**7. Auditor's remuneration**

Fees paid to the auditor, Deloitte LLP, have not been disclosed in the stand-alone entity as the total UK audit fee is agreed on an aggregate basis and is incurred and disclosed in Honeywell Control Systems Ltd, a fellow UK subsidiary of Honeywell International Inc.

**8. Employees and directors****(a) Staff costs**

	2015 £000s	Unaudited 2014 £000s
Wages and salaries	25,101	25,351
Social security costs	2,212	2,507
Contributions to defined contribution pension plans	679	1,007
Pension costs for defined benefit plans (note 20)	3,221	3,783
<b>Total staff costs</b>	<b>31,213</b>	<b>32,648</b>

	2015 No.	Unaudited 2014 No.
--	-------------	-----------------------

Outstanding contributions for defined contribution plans at the end of the year:

The average monthly number of employees during the year was made up as follows:

(Including executive directors)

	2015 No.	Unaudited 2014 No.
Factory and engineering	511	595
Selling, servicing and marketing	118	177
General and administration	59	85
	<b>688</b>	<b>857</b>

**Notes to the financial statements***at 31 December 2015***8. Employees and directors (continued)***(b) Directors' remuneration*

	2015 £000s	Unaudited 2014 £000s
Aggregate emoluments	252	343
Pension costs- defined contribution	4	-
Highest-paid director		
Aggregate emoluments	197	195
Accrued pension at year end	-	71
Total payments to highest paid director	197	266

During the year the highest paid director did not (2014: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company

	2015 No.	Unaudited 2014 No.
Number of directors who:		
Were members of defined benefit plans	2	2

In 2015, three directors (2014: two directors) were remunerated by other group companies for their services to the group as a whole. No charge has been made to the company as in the opinion of the directors it is not possible to determine with reasonable accuracy the split by the company.

**9. Interest receivable and similar income**

	2015 £000s	Unaudited 2014 £000s
Interest receivable from group undertakings	59	59
Other interest receivable	-	498
Pension interest (note 20)	1,551	1,053
Total interest receivable and similar income	1,610	1,610

**10. Interest payable and similar charges**

	2015 £000s	Unaudited 2014 £000s
Preference share dividend	3,033	3,033
Other interest payable	-	16
	3,033	3,049

**11. Taxation***(a) Tax charged in the profit and loss account*

	2015 £000s	Unaudited 2014 £000s
Current income tax:		
UK corporation tax on profit for year	-	-
Foreign tax	-	(672)
Total current income tax	-	(672)
Deferred tax:		
Origination and reversal of temporary differences	2,990	3,633
Effect of change in tax laws and rates	-	(459)
Total deferred tax	2,990	3,174
Total tax expense in the profit and loss account	2,990	2,502

**Notes to the financial statements**

at 31 December 2015

**11. Taxation (continued)***(b) Tax relating to items charged or credited to statement of comprehensive income*

	2015 £000s	Unaudited 2014 £000s
<i>Current tax:</i>		
Tax on items relating to components of other comprehensive income		
Total current income tax		
<i>Deferred tax:</i>		
Remeasurements on defined benefit pension plans	1,156	2,096
Total deferred tax	1,156	2,096
<i>Tax expense in the statement of comprehensive income</i>	1,156	2,096

*(c) Reconciliation of the total tax charge*

The tax expense in the profit and loss account for the year is different to the standard rate of corporation tax in the UK of 20% (2014: 21%). The differences are reconciled below:

	2015 £000s	Unaudited 2014 £000s
Profit before tax	17,170	17,260
Effective tax at 20.25% (2014: 21.5%)	20.25	21.5
<i>Total tax expense reported in the profit and loss account</i>	3,477	3,711
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	538	965
Capital allowances less than depreciation	(104)	(948)
Timing differences related to pensions	(31)	2,189
Movements in general provisions and other short term timing differences	23	(3,951)
Effect of overseas taxation at different rates	-	(672)
Group relief (not paid for)/surrendered	(913)	1,208
Total tax charge for the year	2,990	2,502

*(d) Factors affecting tax charge for the year*

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2016 Finance Act received Royal Assent on 15 September 2016 which will reduce the rate further to 19% from 1 April 2016, and to 17% from 1 April 2019. These reductions will reduce the company's future tax charge accordingly.

*(e) Deferred tax*

	2015 £000s	Unaudited 2014 £000s
<i>The deferred tax included in the balance sheet is as follows:</i>		
Deferred tax liability		
Deferred tax provision on pension asset (note 20)	(10,312)	(6,705)
Total deferred tax liability	(10,312)	(6,705)
Deferred tax asset		
Differences between capital allowances and depreciation	3,657	3,157
Other short term timing differences	131	1,170
Total deferred tax asset	3,788	4,327
Net deferred tax liability	(6,524)	(2,378)

**Notes to the financial statements**

at 31 December 2015

**11. Taxation (continued)**(e) *Deferred tax*

<i>Movements in deferred tax</i>	<i>Excluding pension £000s</i>	<i>Pension £000s</i>	<i>Total £000s</i>
At 1 January 2015 (unaudited)	4,327	(6,705)	(2,378)
Charge to the profit and loss account	(539)	(2,451)	(2,990)
Charged to statement of comprehensive income		(1,156)	(1,156)
At 31 December 2015	3,788	(10,312)	(6,524)

**12. Intangible assets**

	<i>Goodwill £000s</i>	<i>Capitalised software £000s</i>	<i>Total £000s</i>
<i>Cost</i>			
At 1 January and 31 December 2015	6,318	854	5,177
<i>Accumulated amortisation/impairment</i>			
At 1 January 2015	-	818	818
Provided during the year	-	13	13
At 31 December 2015	-	831	831
<i>Net book value:</i>			
At 31 December 2015	6,318	23	6,341
At 31 December 2014 (Unaudited)	6,318	36	6,354

**13. Tangible assets**

	<i>Land and buildings £000s</i>	<i>Plant and equipment £000s</i>	<i>Fixtures and fittings £000s</i>	<i>Construction in progress £000s</i>	<i>Total £000s</i>
<i>Cost</i>					
At 1 January 2015 (Unaudited)	10,736	19,551	2,231	1,486	34,004
Additions	-	-	-	1,684	1,684
Disposals	-	(219)	(25)	-	(244)
Reclassification	14	1,460	358	(1,832)	-
At 31 December 2015	10,750	20,792	2,564	1,338	35,444
<i>Accumulated depreciation</i>					
At 1 January 2015 (Unaudited)	5,025	13,006	1,895	-	19,926
Provided during the year	416	1,452	85	-	1,953
Disposals	-	(214)	-	-	(214)
At 31 December 2015	5,441	14,244	1,980	-	21,665
<i>Net book value:</i>					
At 31 December 2015	5,309	6,547	585	1,338	13,779
At 31 December 2014 (Unaudited)	5,711	6,545	336	1,486	14,078

The above figures include:

	<i>2015 £000s</i>	<i>Unaudited 2014 £000s</i>
Freehold land and buildings, at net book value	4,958	5,333
Short leasehold land and buildings, at net book value	351	378

**Notes to the financial statements**

at 31 December 2015

**14. Investments**

	2015 £000s	Unaudited 2014 £000s
Investment in subsidiaries		
Cost and net book value	4,973	4,973

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

*Participating interests*

<u>Name of company</u>	<u>Principal activity</u>	<u>% holding</u>	<u>Country of incorporation</u>
Hawa-MK Electrical Accessories Ltd	Electrical devices	40	Saudi Arabia

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 26.

**15. Stocks**

	2015 £000s	Unaudited 2014 £000s
Raw materials	3,574	3,980
Work in progress	1,069	974
Finished goods for sale	5,501	5,615
Total stocks	10,144	10,569

The amount of inventories recognised as an expense during the period  
The amount inventories written down recognised as an expense in the period

50,400	49,762
624	714

**16. Debtors**

	2015 £000s	Unaudited 2014 £000s
<i>Amounts falling due within one year</i>		
Trade debtors	18,157	17,207
Amounts owed by group undertakings	9,680	9,960
Other debtors	6	211
Prepayments and accrued income	959	552
	28,802	27,930

**17. Creditors: amounts falling due within one year**

	2015 £000s	Unaudited 2014 £000s
Trade creditors	17,609	14,597
Amounts owed to group undertakings	12,950	12,390
Taxation and social security	3,236	3,111
Other creditors	59	4
Accruals and deferred income	4,596	5,039
Accrued preference dividends	33,363	30,330
	71,813	65,471

Accrued preference dividends represent an annual dividend of £3,033,000 since 2005 on 7.5% cumulative preference shares of £1 each.

**Notes to the financial statements**

at 31 December 2015

**18. Creditors: amounts falling more than one year**

	2015	Unaudited 2014
	£000s	£000s
7.5% cumulative preference shares of £1 each	40,441	40,441

The holders of the redeemable cumulative preference shares have the right to be paid a fixed cumulative preference dividend at the rate of 7.5% per annum payable annually in arrears.

The company can redeem all or part of the preference shares at any time together with arrears of dividends. In the case of winding up the company, the holders of the preference shares are entitled to receive the face value of the shares together with arrears of dividends up to the date of winding up.

**19. Provision for liabilities**

	Unaudited At 1 January 2015 £000s	Charge to P&L £000s	Charge to OCI £000s	Utilised £000s	At 31 December 2015 £000s
Warranty	872	-	-	(441)	431
Deferred tax liability (note 11)	2,378	2,990	1,156	-	6,524
Total	3,250	2,990	1,156	(441)	6,955

The warranty provision represents the best estimate of the costs associated with the sale of products and services supplied under warranty before the balance sheet date.

**20. Pensions and other post-employment benefits****Honeywell UK Pension Scheme (HUKPS)**

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined benefit plan based on salary. It is closed to new entrants. Regular employer contributions to the plan by the company in 2016 are estimated to be £14,083,000. Defined benefit obligations are based on a full valuation of the schemes liabilities as at 31 March 2015, measured using the projected unit credit method and rolled forward to the yearend date as at 31 December 2015.

	2015 £000s	Unaudited 2014 £000s
Amounts recognised in the balance sheet		
Fair value of plan assets	529,462	519,238
Present value of defined benefit obligations	(477,900)	(485,713)
Asset recognised on the balance sheet	51,562	33,525

**Amounts recognised in the profit or loss**

	2015 £000s	Unaudited 2014 £000s
Interest cost	16,510	19,424
Expected return on pension plan assets	(18,061)	(20,477)
Finance credit recognised	(1,551)	(1,053)
Current service cost	3,221	3,783
Total administration expenses recognised in P&L	543	544
Cost recognised in profit and loss	2,213	3,274
Actual return on assets	14,107	57,084



**Notes to the financial statements**

at 31 December 2015

**20. Pensions and other post-employment benefits (continued)**

	2015	Unaudited 2014
	£000s	£000s
<i>Remeasurements</i>		
Liability (gains)/losses due to changes in assumptions	(12,087)	38,250
Liability losses /(gains) due to experience during the year	2,351	(12,123)
Asset losses /(gains) arising during the year	3,954	(36,607)
Actuarial gain recognised in the OCI	(5,782)	(10,480)

	2015	Unaudited 2014
	£000s	£000s
<i>Changes in present value of defined benefit obligation</i>		
At 1 January	485,713	452,489
Current service cost	3,221	3,783
Interest cost	16,510	19,424
Actuarial (gains)/losses on liabilities - financial assumptions	(12,087)	48,700
Actuarial gains on liabilities - demographic assumptions	-	(10,450)
Actuarial losses/(gains) on liabilities - experience	2,351	(12,123)
Contributions by participants	79	92
Net benefits paid out	(17,887)	(16,202)
At 31 December	477,900	485,713

	2015	Unaudited 2014
	£000s	£000s
<i>Changes in fair value of scheme assets</i>		
At 1 January	519,238	464,192
Expected return on assets	18,061	20,477
Actuarial (gains)/losses on assets	(3,954)	36,607
Contributions by employer	14,468	14,616
Actual administration expenses paid	(543)	(544)
Contributions by participants	79	92
Net benefits paid out	(17,887)	(16,202)
At 31 December	529,462	519,238

	2015	Unaudited 2014
	%	%
<i>Major categories of plan assets as a percentage of total plan assets</i>		
Equities (including venture cap and alternative investments)	57.0	57.0
Bonds	37.0	38.0
Property	5.0	4.0
Cash	1.0	1.0
Total	100.0	100.0

**Notes to the financial statements**

at 31 December 2015

**20. Pensions and other post-employment benefits (continued)**

Honeywell UK Pension Scheme (HUKPS) (continued)

<i>Main actuarial assumptions</i>	<i>2015 %</i>	<i>Unaudited 2014 %</i>
Inflation (RPI)	3.1	3.1
Inflation (CPI)	2.0	2.0
Rate of general long term increases in salaries	2.5	2.5
<i>Rate of increases for pensions</i>		
Pensions subject to limited price indexation to 5%	3.0	2.9
Pensions subject to limited price indexation to 2.5%	2.1	2.1
Other pensions and deferred pensions	2.0	2.0
Discount rate for scheme liabilities	3.8	3.6

*Mortality*

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2015 at age 65 will live on average for a further 22.8 years (2014: 22.8 years) after retirement if male or a further 24.5 years (2014: 24.5 years) if female.

*Overall long-term rate of return*

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

**21. Share capital**

	<i>2015 £000s</i>	<i>Unaudited 2014 £000s</i>
Allotted, called up and fully paid:		
1,100,605 ordinary shares of £1 each	1,101	1,101

**22. Share premium account**

	<i>2015 £000s</i>	<i>Unaudited 2014 £000s</i>
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	19,800	19,800

**23. Other reserves**

	<i>2015 £000s</i>	<i>Unaudited 2014 £000s</i>
<i>Balance at 1 January and 31 December</i>		
Other reserve	714	714

# Notes to the financial statements

at 31 December 2015

## 24. Operating lease commitments

	2015	Unaudited 2014
	£000s	£000s
<i>At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:</i>		
<i>Land and building</i>		
Not later than one year	525	525
After one year but not more than five years	1,829	2,100
After five years	13,767	13,639
<b>Total operating lease commitments</b>	<b>16,121</b>	<b>16,264</b>
<i>Other leases</i>		
Not later than one year	254	254
After one year but not more than five years	254	508
<b>Total other leases</b>	<b>508</b>	<b>762</b>

The Company has entered into commercial leases on certain properties and items of machinery. The leases pertaining to machinery have an average duration of 3 years.

There are two property leases, one will expire in 2018 and another which relates to the Arnold centre has another 38 years to run, this agreement contains an option for review in 2024.

There are no restrictions placed upon the lessee by entering into these leases.

## 25. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £421,960,000 (2014:£393,260,000).

Positive cash balances held by the group exceeded overdrawn balances in 2015 and 2014.

## 26. Subsidiary undertakings

The company's subsidiary undertakings, all of which are 100%, are as follows:

Name of company	Principal activity	% holding if not 100%	Country of incorporation
<i>Directly held subsidiaries:</i>			
Ackermann Ltd	Dormant		England
<i>Indirectly held subsidiaries</i>			
Honeywell Electrical Devices & Systems India Ltd	Electrical devices and systems	91%	India

## 27. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with FRS 101

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2014, the company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

**Notes to the financial statements**

at 31 December 2015

**27. Transition to FRS 101 (continued)**

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards" except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

*Exemptions applied*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The company has taken advantage of the following exemption:

- The requirements of IFRS 1 Appendix D14-15, to measure investments in the company's subsidiaries at the transition date at deemed cost, being the carrying amount at transition under UK GAAP.

*Reconciliation of equity as at 1 January 2014 (Unaudited)*

		UK GAAP £000s	FRS 101 Re- classification £000s	FRS 101 Re- measurements £000s	FRS 101 £000s
<b>Fixed assets</b>					
Intangible assets	d, f	6,526	52	(208)	6,370
Tangible assets		13,223	(52)	-	13,171
Investments		4,973	-	-	4,973
		<b>24,722</b>	<b>-</b>	<b>(208)</b>	<b>24,514</b>
<b>Current assets and liabilities</b>					
Stock		10,631	-	-	10,631
Debtors: amounts falling due within one year	b	30,327	(2,341)	-	27,986
Cash at bank and in hand		8,888	-	-	8,888
		<b>49,846</b>	<b>(2,341)</b>	<b>-</b>	<b>47,505</b>
Creditors: amounts falling due within one year		(63,429)	-	-	(63,429)
<b>Net current liabilities</b>		<b>(13,583)</b>	<b>(2,341)</b>	<b>-</b>	<b>(15,924)</b>
<b>Total assets less current liabilities</b>		<b>11,139</b>	<b>(2,341)</b>	<b>(208)</b>	<b>8,590</b>
Creditors: amounts falling due after more than one year		(40,441)	-	-	(40,441)
Provision for liabilities		(992)	-	-	(992)
<b>Net liabilities excluding pension assets</b>		<b>(30,294)</b>	<b>(2,341)</b>	<b>(208)</b>	<b>(32,843)</b>
Pension assets	b	9,362	2,341	-	11,703
<b>Net liabilities including pension assets</b>		<b>(20,932)</b>	<b>-</b>	<b>(208)</b>	<b>(21,140)</b>
<b>Capital and reserves</b>					
Share capital		1,101	-	-	1,101
Share premium account		19,800	-	-	19,800
Other reserves		714	-	-	714
Profit and loss account	d	(42,547)	-	(208)	(42,755)
<b>Total shareholders' funds attributable to owners of the parent</b>		<b>(20,932)</b>	<b>-</b>	<b>(208)</b>	<b>(21,140)</b>

**Notes to the financial statements**

at 31 December 2015

**27. Transition to FRS 101 (continued)***Reconciliation of equity as at 31  
December 2014 (Unaudited)*

		UK GAAP £000s	FRS 101 Re- classification £000s	FRS 101 Re- measurements £000s	FRS 101 £000s
<b>Fixed assets</b>					
Intangible assets	d, f	5,784	36	534	6,354
Tangible assets		14,114	(36)	-	14,078
Investments		4,973	-	-	4,973
		<b>24,871</b>	<b>-</b>	<b>534</b>	<b>25,405</b>
<b>Current assets and liabilities</b>					
Stock		10,569	-	-	10,569
Debtors: amounts falling due within one year	b	32,257	(4,327)	-	27,930
Cash at bank and in hand		13,735	-	-	13,735
		<b>56,561</b>	<b>(4,327)</b>	<b>-</b>	<b>52,234</b>
Creditors: amounts falling due within one year	b	(65,471)	-	-	(65,471)
<b>Net current liabilities</b>		<b>(8,910)</b>	<b>(4,327)</b>	<b>-</b>	<b>(13,237)</b>
<b>Total assets less current liabilities</b>		<b>15,961</b>	<b>(4,327)</b>	<b>534</b>	<b>12,168</b>
Creditors: amounts falling due after more than one year		(40,441)	-	-	(40,441)
Provision for liabilities		(872)	(2,378)	-	(3,250)
<b>Net liabilities excluding pension assets</b>		<b>(25,352)</b>	<b>(6,705)</b>	<b>534</b>	<b>(31,523)</b>
Pension assets	b	26,820	6,705	-	33,525
<b>Net liabilities including pension assets</b>		<b>1,468</b>	<b>-</b>	<b>534</b>	<b>2,002</b>
<b>Capital and reserves</b>					
Share capital		1,101	-	-	1,101
Share premium account		19,800	-	-	19,800
Other reserves		714	-	-	714
Profit and loss account	d	(20,147)	-	534	(19,613)
<b>Total shareholders' funds attributable to owners of the parent</b>		<b>1,468</b>	<b>-</b>	<b>534</b>	<b>2,002</b>

**Current and deferred tax****(a) Re-measurements**

IFRS defines deferred tax in relation to temporary differences between carrying values and their related tax bases, rather than timing differences in the profit and loss account. Therefore, adjustments are required to recognise a number of items for which no deferred tax was recognised under UK GAAP.

**(b) Deferred tax on pension liability**

Under previous UK GAAP the pension liability or asset was required to be shown net of the related deferred tax asset or liability. Under FRS 101 the pension liability or asset is required to be shown gross and the related deferred tax included within deferred tax asset or liability line on the balance sheet.

## Notes to the financial statements

at 31 December 2015

### 27. Transition to FRS 101 (continued)

#### (c) Pensions: Net interest on pension liability

Under previous UK GAAP the interest cost was determined by applying the discount rate to the opening present value of the defined benefit obligation, and the interest income on the expected return on plan assets based on an assessment made at the beginning of the year of the long-term market returns on scheme assets. Under IAS 19 net interest is calculated by applying the discount rate to the net defined liability or asset. As a result of transition to FRS 101, net interest for the year ended 31 December was £624,000 higher than had been recognised under previous UK GAAP, with a corresponding reduction in re-measurement gains recognised in other comprehensive income.

#### (d) Intangible assets adjustments

During the year the company adopted FRS 101 and based on an impairment assessment, it was assessed that goodwill pertaining to the Gilflex brand was fully impaired as on the date of transition, with a resulting adjustment through the profit and loss account. The net book value of this goodwill was £208,000 on 1 January 2014. Further, as required by FRS 101, the company stopped the amortisation of the goodwill balance with effect from 1 January 2014, therefore reversing the prior year amortisation charge of £742,000 through the profit and loss reserve. The net impact of both of these adjustments to the profit and loss reserve as at 31 December 2014 was £534,000.

#### (e) Reconciliation of total comprehensive income

The effect of the re-measurement differences on the reported total comprehensive income of the company for the year ended 31 December 2014 is as follows:

	£000s
Profit for the year ended 31 December 2014 under UK GAAP (Unaudited)	22,400
Transition adjustments	742
Total Comprehensive income for the year ended 31 December 2014 under FRS 101 (Unaudited)	<u>23,142</u>

#### (f) Reclassification of Software

During the year the company has adopted FRS 101 and on account of the transition the company has reclassified software which was grouped in tangible assets into intangible assets with effect from 1 January 2014.