

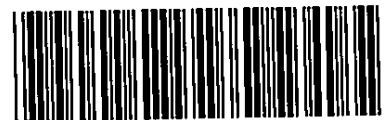
DSEP
Parent Acc for
00189291
Novar ED+S Ltd

Honeywell Group Ltd

Report and Financial statements 2014

These accounts form part of the subsidiary package
application for audit exemption for Novar ED&S Limited
(Co No 00189291) for the financial year ended 31
December 2014

FRIDAY



LD5

L4GOMZP6
25/09/2015
COMPANIES HOUSE

#48

Contents

	<u>Page</u>
Strategic report	1
Directors' report	4
Independent auditors' report	7
Consolidated profit and loss account	9
Statement of group total recognised gains and losses	10
Group and company balance sheets	11
Notes to the financial statements	12

Strategic report

for the year ended 31 December 2014

Honeywell Group Ltd

Registration number 03408580

The directors present the strategic report on the group and company for the year ended 31 December 2014

Review of the business and future developments

Despite ongoing uncertainty in some of the markets the group operates in, the group has delivered consistent operating financial performance in 2014. Operating results are impacted by the level of UK residential and commercial construction (including retrofits and upgrades), capital spending and operating expenditures on buildings and process automation, industrial plant capacity utilisation and expansion, inventory levels in distribution channels, and economic growth rates. UK government and public sector spending on large projects also influence our results.

Turnover increased by 3.3% to £1,023 million compared to 2013 turnover of £1,058 million (restated). The products businesses performed well, taking advantage of improved economic conditions in the UK. The projects businesses continue to operate in competitive environments.

Gross profit increased by 3.9% to £320 million compared to 2013 gross profit of £308 million (restated). Gross profit margin for the year improved to 31.3% compared to 2013 of 29.1% (restated). Ongoing supply chain initiatives and other cost control measures have contributed to this improved performance.

The gross profit performance has flowed through to operating profit, and along with administrative cost savings, it has risen by 28.8% to £67 million (2013 £52 million). Tight controls of SG&A costs as well as repositioning projects have contributed positively to the group's performance.

The group's net assets increased by 12.7% to £815 million (2013 £723 million). The primary driver of this movement was the group's net position in relation to defined benefit pension schemes improving to £81 million (2013 £12 million), mainly as a result of company contributions of £70 million (2013 £69 million) and net profit and loss credit recognised of £17 million (2013 £4 million) following improved market conditions (note 23), offset by an increase in deferred tax liability on the net pension asset of £19 million (2013 £7 million).

In December 2014, a subsidiary company Honeywell Life Safety Austria GmbH, sold its rights to intellectual property, technical know-how and customer intangibles relating to its AV digital business realising a profit on disposal of €79 million, sterling equivalent £64 million. The sales were made to a company within the Honeywell International Inc group. The subsidiary company will continue the operations of these businesses under new agreements made between the subsidiary and the purchaser, with an effective date of 1 January 2015. The agreements run for at least one year.

On 1 January 2014 the group acquired the engineering consultancy business and assets of another Honeywell company, Matrikon Europe Ltd. The consideration paid amounted to £6.7 million, and the value of the assets amounted to £2.9 million. Goodwill amounting to £3.8 million has been fully impaired and expensed to the current year profit and loss account.

The group is in a strong financial position and is looking forward to another challenging year in 2015, looking for growth opportunities using market leading technology and service to differentiate itself from the competition. The group will continue to strive for organic growth, at the same time as considering the acquisition of quality businesses to add to its portfolio.

Pensions

The group's net position in relation to defined benefit pension schemes increased from a net asset of £12 million to a net asset of £81 million, mainly as a result of company contributions of £70 million (2013 £69 million) (note 23).

Interest income and expense

The group monitors its net interest income/expense.

The interest receivable from group undertakings is consistent year on year at £9.4 million (2013 10.7 million).

Loans replaced in April 2013, at rates reducing from 7% and 7.5% to new rates of 2.9% and 3.25% have further reduced the annual interest payable to group undertakings in 2014 by £4.1 million compared to 2013. A further saving of approximately £1.3 million has been recognised on the repayment of borrowings made in November 2013.

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

Strategic report

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Key performance indicators

Management monitors the business using the following key indicators

	<u>2014</u>	<u>2013</u>
	<u>%</u>	<u>%</u>
<i>Turnover % change compared with previous year, due to</i>		<i>as restated</i>
Volume	(6.2)	1.8
Price	2.0	0.6
Acquisitions/(divestitures)	0.9	(3.3)
	<u>(3.3)</u>	<u>(0.9)</u>
Gross profit %	31.3	29.1
Operating result % of turnover	6.5	4.9
Headcount % change compared with previous year	<u>(1.7)</u>	<u>5.0</u>

Prior year reclassification

Revenue from the provision of technical, marketing and sales support to fellow group companies was deducted from cost of sales, distribution costs and administrative expenses in previous years instead of being shown in turnover. Prior year comparatives have been restated increasing turnover by £3.5 million and cost of sales by £1.6 million, a net increase at gross profit level of £1.9 million. Distribution costs have increased by £493,000 and administrative costs have increased by £1.4 million. The reclassification had no effect on the net results of the company and had no tax impact.

Turnover

Turnover has reduced by £35 million to £1,023 million. The completion of major install activity on large airport projects as well as the loss of a major customer through sector consolidation were the main drivers in this performance.

Gross profit

Gross profit improved by 2.2% to 31.3%. In the product business, the increase in gross profit can be attributed to manufacturing efficiencies and improved sales mix. In the projects businesses, exiting low margin installation projects helped generate a stable gross profit performance. Also across the group, effective controls on costs as well as repositioning activity has yielded positive results.

Operating result

Operating profit % has improved over 2013, given the improved gross profit performance offset in part by Matrikon goodwill write off.

Headcount

The decrease of 1.7% against 2013 is a result of ongoing restructuring activity and ongoing efficiency initiatives.

Strategy

The group 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 2014

Honeywell Group Ltd

Registration number 03408580

Principal risks and uncertainties

The management of the business and the execution of the group'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
- accuracy of budgeting and programme management in projects business
- 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 group

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



Grant Fraser

Director

21 September 2015

Directors' report

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

The directors present their report and group financial statements of the group and the company for the year ended 31 December 2014

Principal activities

The group's principal activities during the year include a diversified portfolio of manufacturing and integrated solutions businesses, across a range of industries including automation and control solutions, aerospace and transportation systems

Manufacturing activity includes electrical and electronic products, security equipment including intruder detection, video surveillance and building access control, life safety equipment including fire detection and emergency lighting, and intelligent products and systems for measurement and control of the building environments including energy consumption. The group's products are distributed across a wide network for use in domestic, commercial and industrial applications

The group's integrated solutions and products makes homes, buildings, industrial sites, airport facilities and infrastructure more efficient, safe and comfortable by improving energy efficiency, industrial productivity and safety while enhancing convenience and control

The group's operations in the UK are supported by employees primarily in Bracknell, Glasgow and Basildon

The aim of the group is to maintain a market leading position in these industries and to continue to grow turnover and profits through investment in technology and people, as well as through acquisitions

The company's primary activity is that of a holding company

Business review and future developments

A review of the business of the company and future developments is included in the strategic report

Results and dividends

The group's profit for the financial year was £123,219,000 (2013 £68,826,000 profit) which will be transferred to reserves. The results for the year are shown on page 9

The directors do not recommend the payment of a dividend (2013 £nil)

Financial risk management

Foreign currency risk

The worldwide group, including this UK group, hedges its exposures to significant foreign currency movements. At 31 December, the fair value of unrealised assets/(liabilities) under hedge contracts was not material (2013 £nil)

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 is 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 UK group ensures availability of funding for its operations through an appropriate amount of committed bank facilities on a group wide basis

Other risks

The UK group's exposure to other risks such as prices, interest and cash flow is within reasonable limits and these exposures are not hedged

Directors' report

for the year ended 31 December 2014

Honeywell Group Ltd

Registration number: 03408580

Directors

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

Cheryl Lim
Grant Fraser
James Vickerstaff
Richard Hogan

Directors' indemnities

Pursuant of the Company's articles of association, the directors were throughout the year ended 31 December 2014 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006

Research and development

Research and development expenditure for the year amounted to £19,765,000 (2013 £20,548,000)

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 group 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 group gives sympathetic consideration towards employing them, or retaining them in work should the disability emerge during employment. The group'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 group keeps employees fully informed of the company's strategies and their impact on the performance of the group and encourages employee participation. Briefing meetings are held for each division to give information on group 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 group. Furthermore, employees can acquire shares in the ultimate parent company through the UK ShareBuilder Plan.

Directors' report

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

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

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



Grant Fraser
Director

21 September 2015

Independent auditors' report

to the members of Honeywell Group Ltd

Registration number 03408580

Report on the financial statements

Our opinion

In our opinion, Honeywell Group Ltd's financial statements (the "financial statements")

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's 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

What we have audited

Honeywell Group Ltd's financial statements comprise

- the group and the parent company balance sheets as at 31 December 2014,
- the consolidated profit and loss account for the year then ended,
- the statement of group total recognised gains and losses for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report

to the members of Honeywell Group Ltd

Registration number 03408580

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 6, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard 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.

What an audit of the financial statements involves

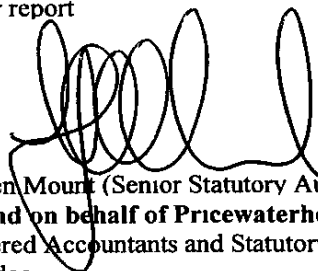
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the parent 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and financial statements 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.



Stephen Mount (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Uxbridge

21 September 2015

Consolidated profit and loss account

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

	Note	2014 £000	2013 £000 <i>as restated</i>
Turnover	3	1,023,552	1,058,422
Cost of sales		(703,067)	(750,632)
Gross profit		320,485	307,790
Distribution costs		(100,377)	(102,451)
Administrative expenses		(149,533)	(153,166)
Exceptional item goodwill impairment	4	(3,826)	-
Total administrative expenses		(153,359)	(153,166)
Operating profit	5	66,749	52,173
Income from other fixed assets investments	9	-	32,764
Profit on sale of fixed assets		-	4,818
Profit on disposal of intangibles	8	63,998	-
Interest receivable and similar income	10	48,593	40,240
Interest payable and similar charges	11	(23,265)	(30,023)
Profit on ordinary activities before taxation		156,075	99,972
Tax on profit on ordinary activities	12	(32,681)	(30,971)
Profit on ordinary activities after taxation before minority interests		123,394	69,001
Minority interests		(175)	(175)
Profit for the financial year	25	123,219	68,826

All amounts are derived from continuing operations

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

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. Its loss for the financial year was £455,000 (2013 £16,091,000 profit)

Prior year reclassification

Revenue from the provision of technical, marketing and sales support to fellow group companies was deducted from cost of sales, distribution costs and administrative expenses in previous years instead of being shown in turnover. Prior year comparatives have been restated increasing turnover by £3.5 million and cost of sales by £1.6 million, a net increase at gross profit level of £1.9 million. Distribution costs have increased by £493,000 and administrative costs have increased by £1.4 million. The reclassification had no effect on the net results of the company and had no tax impact.

Statement of group total recognised gains and losses
for the year ended 31 December 2014

Honeywell Group Ltd
 Registration number 03408580

	<u>Note</u>	2014 <u>£000</u>	2013 <u>£000</u>
Profit for the financial year		123,219	68,826
Exchange adjustments offset in reserves		(28,275)	(6,427)
Actuarial gain on pension plan	23	189	61,948
Movement on deferred tax relating to pension asset	13	(591)	(12,416)
Total recognised gains relating to the year		<u>94,542</u>	<u>111,931</u>

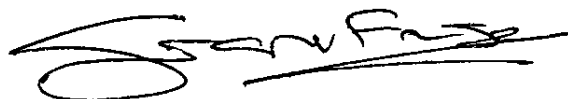
Balance sheets

at 31 December 2014

Honeywell Group Ltd
Registration number. 03408580

		Company		Group	
	Note	2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Intangible assets	14	-	-	290,665	320,770
Tangible assets	15	-	-	35,778	36,049
Investments	16	1,055,277	1,055,277	153,077	156,746
		<u>1,055,277</u>	<u>1,055,277</u>	<u>479,520</u>	<u>513,565</u>
Current assets					
Stocks	17	-	-	46,975	46,501
Debtors	18	2,309	2,220	1,358,682	1,396,223
Investments	19	-	-	81,935	80,770
Cash at bank and in hand		10	10	173,886	177,528
		<u>2,319</u>	<u>2,230</u>	<u>1,661,478</u>	<u>1,701,022</u>
Creditors amounts falling due within one year	20	(36,634)	(36,090)	(1,285,745)	(1,377,803)
Net current (liabilities)/assets		<u>(34,315)</u>	<u>(33,860)</u>	<u>375,733</u>	<u>323,219</u>
Total assets less current liabilities		<u>1,020,962</u>	<u>1,021,417</u>	<u>855,253</u>	<u>836,784</u>
Creditors: amounts falling due after after more than one year	21	-	-	(112,013)	(114,835)
Provisions for liabilities	22	-	-	(9,857)	(11,304)
Net assets excluding pension asset		<u>1,020,962</u>	<u>1,021,417</u>	<u>733,383</u>	<u>710,645</u>
Pension asset	23	-	-	81,083	12,483
Net assets including pension asset		<u>1,020,962</u>	<u>1,021,417</u>	<u>814,466</u>	<u>723,128</u>
Capital and reserves					
Called up share capital	24	837,064	837,064	837,064	837,064
Share premium account	25	1,003	1,003	1,003	1,003
Profit and loss account	25	182,895	183,350	(88,815)	(184,593)
Total shareholders' funds	25	<u>1,020,962</u>	<u>1,021,417</u>	<u>749,252</u>	<u>653,474</u>
Minority interests		-	-	65,214	69,654
Capital employed		<u>1,020,962</u>	<u>1,021,417</u>	<u>814,466</u>	<u>723,128</u>

The financial statements on pages 9 to 31 were approved by the board of directors on 21 September 2015 and signed on its behalf by



Grant Fraser
Director

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

1. Accounting policies

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The accounting policies that have been applied consistently throughout the year are set out below.

Changes in accounting policies

The accounting policies have been reviewed by the board of directors in accordance with FRS18 "Accounting policies".

There were no changes to accounting standards in 2014 that were applicable to the group or to the company.

Consolidation of group companies

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings and incorporate the results of its associated undertakings. The results of subsidiaries acquired during the year are included from the date of acquisition and are accounted for using the acquisition method of accounting. Associates are accounted for using the equity method.

The group's subsidiaries are shown in note 32 of these financial statements.

Turnover and revenue recognition

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

Revenue is recognised as follows:

<u>Type of sale</u>	<u>Recognition</u>
Product and service sales	-on delivery and when acceptance by the customer has occurred
Service contracts	-evenly over the period of the contract and the difference is reported in accrued or deferred income
Sale of consignment stock	-when the title of goods sold passes to the customer
Cost plus mark-up	-as the cost is incurred
Licensing agreements	-evenly over the period of the agreement
Long term licensing agreements	-percentage of completion basis
Instalments receivable after completion	-when the timing of their receipt becomes certain
Rental income	-as earned (shown as other operating income)
Long term contracts	-percentage of completion basis once the outcome of the contract can be recognised with reasonable certainty

Where, for a particular contract, turnover exceeds amounts invoiced on account, the excess is included in debtors as amounts recoverable on contracts. Where amounts invoiced exceed turnover, the excess is included in payments on account.

Leases - as lessee

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

Leases- as lessor

Operating lease income is recognised on a straight line basis with any rental increases recognised during the period of the lease.

Bad debt provision

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

Research and development

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

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Commission income

On 1 September 2002 a UK General Partnership ('the partnership') was formed by Honeywell Aerospace BV (99%), a company registered in the Netherlands, and Honeywell UK Ltd (1%), a UK registered company. From this date certain subsidiaries of the group have acted as a disclosed agent for the partnership earning commission income on staff costs recharged to the partnership. Commission income on staff costs is recognised upon supply to the partnership.

Interest income

On formation of the partnership the business and net assets of the company were sold to the partnership creating an intercompany loan payable to the company by the partnership. The interest income generated by this loan is recognised on a daily basis.

Foreign currency

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

The cost of investment in overseas subsidiaries and associates is stated at the rate of exchange in force at the date each investment was made. The results of overseas subsidiaries and associates are translated into Pounds sterling at the average rate of exchange during the year. Assets and liabilities of overseas subsidiaries are translated into Pounds sterling at rates ruling at the balance sheet date. Currency differences arising from the retranslation of the opening net investments subsidiaries and associates are taken into reserves.

Taxation

Current tax is the amount of tax estimated to be payable or recoverable in respect of the taxable profit or loss for a period, along with adjustments to estimates in respect of previous periods.

Deferred tax

Deferred tax is recognised in respect of the future estimated tax consequences of transactions or events recognised in the financial statements of the current and previous periods.

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Intangible assets

Purchased goodwill is stated at purchase cost and amortised on a straight line basis over its estimated useful life. Purchased goodwill is assessed on a business by business basis to determine its useful life, the useful life being the period of amortisation. The period of amortisation ranges from 3 years to 20 years.

Purchased know-how and licences are stated at cost and amortised on a straight line basis over the period that the group expects to derive economic benefit. The period of amortisation ranges from 3 to 5 years.

Patents are stated at purchased cost and are amortised on a straight line basis over the period that the group expects to derive economic benefit. The period of amortisation is 5 years.

The group evaluates the carrying value of intangible assets in each financial year to determine if there has been an impairment in value resulting in the group 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 - short leasehold	10% or life of lease if less than 10 years
Buildings - leasehold improvements	7-30%
Buildings - freehold	2-3%
Plant & machinery	5-33%
Fixtures & fittings	6-20%

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

Land is not depreciated.

Investments

An investment is classed as a subsidiary undertaking if the company or group has controlling interest.

An investment is classed as a participating interest if the group has significant control or influence, but not a 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.

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.

Consignment stock is held by certain customers as part of maintenance agreements between the group and those customers. This stock is replenished when used.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd

Registration number 03408580

Amounts recoverable on contracts

Debtors include amounts recoverable on contracts, representing work in progress on long term contracts not included in stocks. Amounts recoverable on contracts are stated at cost incurred net of amounts transferred to cost of sales, after deducting foreseeable losses and payments on account not matched to turnover.

Provisions

The group recognises a provision when it has a 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.

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 group'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 surplus is recognised to the extent that it is recoverable through reduced contributions and refunds.

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 group in separate trustee administered funds. Contributions to such plans are charged to the profit and loss account as they become payable.

Share-based payments

The group's employees participate in share option plans operated by Honeywell International Inc, the ultimate parent company. All share-based payments are equity-settled and are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the group's estimate of the number of options that will eventually vest. At each balance sheet date, the group's reviews its estimate of the number of options that are expected to vest.

In accordance with FRS20, the charge arising for share-based payments is recognised in the profit and loss account of the group that employs those to whom share-based awards are granted. The credit entry is reported directly to reserves as a capital contribution.

The group accrues for employers' national insurance contributions payable on share-based payments at the applicable contribution rate.

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 financial statements of that company, which are publicly available. Consequently, the group 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 financial statements, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc, whose financial statements are publicly available.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

3. Segmental reporting

	2014 £000	2013 £000
		<i>as restated</i>
<i>Analysis of turnover by geographical market</i>		
United Kingdom	433,090	451,547
Europe	289,566	305,835
North America	227,775	231,747
Other	73,121	69,293
	<u>1,023,552</u>	<u>1,058,422</u>
<i>Turnover by class of business</i>		
Automation and control solutions	893,780	927,342
Aerospace	33,902	35,466
Performance materials and technologies	95,870	95,614
	<u>1,023,552</u>	<u>1,058,422</u>
<i>Profit before tax by origin</i>		
United Kingdom	70,365	94,267
Europe	72,137	8,124
North America	6,438	(9,547)
Other	7,135	7,128
	<u>156,075</u>	<u>99,972</u>
<i>Profit before tax by class of business</i>		
Automation and control solutions	147,079	54,983
Aerospace	8,507	6,907
Performance materials and technologies	8,646	8,044
Other	(8,157)	30,038
	<u>156,075</u>	<u>99,972</u>
<i>Net assets/(liabilities) by origin</i>		
United Kingdom	125,437	63,204
Europe	388,771	310,714
North America	249,895	293,407
Other	50,363	55,803
	<u>814,466</u>	<u>723,128</u>
<i>Net assets/(liabilities) by class of business</i>		
Automation and control solutions	857,511	733,505
Aerospace	159,630	150,700
Performance materials and technologies	35,489	30,227
Other	(238,164)	(191,304)
	<u>814,466</u>	<u>723,128</u>

Following a global directive in 2014, the business segments of Honeywell have been realigned. Honeywell Process Solutions business has moved from the Automation and control solution segment to the Performance materials and technologies segment and Transportation systems segment has merged with Aerospace segment. The prior year comparatives have been restated. The restatement had no impact on the results of the group.

4. Goodwill on acquired business

On 1 January 2014 the group acquired the engineering consultancy business and assets of another Honeywell company, Matrikon Europe Ltd. The consideration paid amounted to £6.7 million, and the value of the assets amounted to £2.9 million. Goodwill amounting to £3.8 million has been fully impaired and expensed to the current year profit and loss account.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

5. Operating profit	2014	2013
<i>Operating profit is stated after charging/(crediting)</i>	<u>£000</u>	<u>£000</u>
<i>Depreciation and amortisation</i>		
Tangible assets - owned	7,610	7,826
Intangible assets	30,070	30,071
Government grants	(573)	-
<i>Rental charges under operating leases</i>		
Land and buildings	8,621	9,295
Plant and machinery	7,881	8,925
Rental or hire income	(221)	(219)
Goodwill impairment	3,826	-
Research and development	19,765	20,548
Obsolete stock write off	406	-
Reorganisation and redundancy	3,040	3,124
Loss on foreign exchange	1,373	4,397

During the year staff and other costs of £42,532,000 (2013 £43,009,000) were recharged to Honeywell Aerospace UK (the 'partnership') at 2% mark up in line with the terms of the partnership agreement. The mark up earned of £850,000 (2013 £860,000) is included within turnover.

During the year operating leases of £1,217,000 (2013 £1,187,000) were recharged to partnership at cost in line with the terms of the partnership agreement.

6. Auditors' remuneration	2014	2013
	<u>£000</u>	<u>£000</u>
Fees payable for audit of these financial statements	707	707
Audit of financial statements of subsidiaries and associates	156	142
Tax compliance services	-	2
Other non-audit services	6	1

7. Employees and directors	2014	2013
<i>Monthly average number of persons employed during the year</i>		<i>as restated</i>
<i>(including executive directors)</i>	<u>number</u>	<u>number</u>
Factory and engineering	3,591	3,676
Selling, servicing and marketing	2,211	2,214
General and administration	652	678
	<u>6,454</u>	<u>6,568</u>

<i>Staff costs</i>	<u>£000</u>	<u>£000</u>
		<i>as restated</i>
Wages and salaries	227,158	232,707
Social security costs	23,297	24,059
Contributions to defined contribution pension plans	12,389	13,480
Pension costs for defined benefit plans (note 23)	15,686	19,437
Share based payment charges (note 26)	931	1,739
	<u>279,461</u>	<u>291,422</u>

	<u>£000</u>	<u>£000</u>
		<i>as restated</i>
Outstanding contributions for defined contribution plans at the end of the year	6	14

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

	2014 £000	2013 £000
<i>Directors' remuneration</i>		<i>as restated</i>
Aggregate emoluments	409	342
Pension costs - defined contribution	22	20
	<u>431</u>	<u>362</u>
<i>Highest paid director</i>		<i>as restated</i>
Aggregate emoluments	201	168
Pension costs - defined contribution	10	10
	<u>211</u>	<u>178</u>

During the year the highest paid director did not (2013 did not) exercise options over shares of Honeywell International Inc, the ultimate parent company

	<u>number</u>	<u>number</u>
<i>Number of directors who</i>		
Were members of a defined contribution plans	3	3
Exercised options over shares of Honeywell International Inc, the ultimate parent	-	-

In 2014, one director (2013 one director) were remunerated by other group companies for their services to the group as a whole. No charge has been made to the group as in the opinion of the directors it is not possible to determine with reasonable accuracy the split by company

	2014 £000	2013 £000
8. Profit on disposal of intangibles		
Profit on disposal of intangibles	<u>63,998</u>	<u>-</u>

In December 2014, a subsidiary company Honeywell Life Safety Austria GmbH, sold its rights to intellectual property, technical know-how and customer intangibles relating to its AV digital business realising a profit on disposal of €79 million, sterling equivalent £64 million. The sales were made to a company within the Honeywell International Inc group. The subsidiary company will continue the operations of these businesses under new agreements made between the subsidiary and the purchaser, with an effective date of 1 January 2015. The agreements run for at least one year.

9. Income from other fixed asset investments

Listed investments

In 2013 the group sold its 807,578 \$0.01 shares in B/E Aerospace Inc for £42,756,000, realising a gain of £32,764,000. The shares had been acquired as part of the consideration for the sale of the Consumable Solutions business in 2009, at a cost of £9,992,000. Their market value at 31 December 2012 was £19,923,000. B/E Aerospace Inc is a company incorporated in USA and listed on the NASDAQ exchange.

	2014 £000	2013 £000
10. Interest receivable and similar income		
Interest receivable from group undertakings	9,388	10,682
Share of associated companies' interest income	3,026	3,783
Bank interest receivable	2,425	2,318
Other interest receivable	576	-
Other finance income (note 23)	<u>33,178</u>	<u>23,457</u>
	<u>48,593</u>	<u>40,240</u>

11. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank overdrafts	418	-
Interest payable to group undertakings	22,795	29,961
Other interest payable	52	62
	<u>23,265</u>	<u>30,023</u>

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

12. Tax on profit on ordinary activities

	2014	2013
	<u>£000</u>	<u>£000</u>
<i>Current tax</i>		
UK corporation tax on profit for the year	-	-
Foreign tax	11,821	10,606
Adjustment in respect of prior years	45	(489)
Total current tax	<u>11,866</u>	<u>10,117</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	22,399	19,538
Effect of decreased tax rate on opening balance	(1,584)	1,316
Total deferred tax	<u>20,815</u>	<u>20,854</u>
Tax on profit on ordinary activities	<u>32,681</u>	<u>30,971</u>

Factors affecting tax charge for the year

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the group's results for this financial year are taxed at an effective rate of 21.5%.

The tax assessed for the year is different to the standard rate of UK corporation tax of 21.5% (2013 23.25%) and the differences are explained below

	2014	2013
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before taxation	156,075	99,972
Standard rate of UK corporation tax (%)	21.5	23.25
Profit on ordinary activities multiplied by the standard rate of UK corporation tax	<u>33,556</u>	<u>23,243</u>

Effects of

Expenses not deductible for tax purposes and other permanent differences	(4,763)	272
Capital allowances less than depreciation	(1,389)	(1,359)
Timing differences related to pensions	(20,371)	(19,288)
Movements in general provisions and other short term timing differences	(3,435)	(3,422)
Effect of overseas taxation at different rates	2,062	2,258
Group relief not paid for	6,231	7,101
Tax losses (utilised)/carried forward	(70)	1,801
Adjustments in respect of previous years	45	(489)
Total tax charge for the year	<u>11,866</u>	<u>10,117</u>

Factors that may affect future tax charges

The UK Corporation Tax rate reduces to 20% in April 2015. Deferred tax is provided at 20% on temporary differences reversing in 2015 and thereafter.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

13. Deferred tax

	2014	2013
	£000	£000
<i>Tax effect of timing differences because of</i>		
Differences between capital allowances and depreciation	3,754	4,057
Other short term timing differences	7,056	10,087
Tax losses carried forward	3,286	3,030
Deferred tax asset (note 18)	14,096	17,174
Deferred tax liability on pension assets (note 23)	(25,717)	(6,842)
Net deferred tax (provision)/asset	(11,621)	10,332

Movements in deferred tax

	Excluding pension £000	Pension £000	Total £000
At 1 January 2014	17,174	(6,842)	10,332
Charge to the profit and loss account (note 12)	(2,531)	(18,284)	(20,815)
Charge to the SGTRGL	-	(591)	(591)
Exchange adjustments	(547)	-	(547)
At 31 December 2014	14,096	(25,717)	(11,621)

	2014	2013
	£000	£000
<i>Unrecognised deferred tax asset @20% (2013 20%)</i>		
Accelerated capital allowances	369	1,166
Other short term timing differences	101	1,451
Overseas interest not paid	5,067	6,851
Pensions	-	(1,148)
Tax losses carried forward	9,380	11,377
	14,917	19,697

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

14. Intangible assets

	Goodwill £000	Patents £000	Know-how and licences £000	Total £000
<i>Cost</i>				
At 1 January 2014	600,889	488	1,992	603,369
Disposal	-	-	(1,992)	(1,992)
Exchange adjustments	(29)	(34)	-	(63)
At 31 December 2014	600,860	454	-	601,314
<i>Accumulated amortisation</i>				
At 1 January 2014	280,327	280	1,992	282,599
Charge for the year	30,024	46	-	30,070
Disposals	-	-	(1,992)	(1,992)
Exchange adjustments	(6)	(22)	-	(28)
At 31 December 2014	310,345	304	-	310,649
<i>Net book value</i>				
At 31 December 2014	290,515	150	-	290,665
At 31 December 2013	320,562	208	-	320,770

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

15. Tangible assets

	Land & buildings	Plant & machinery	Construction in progress	Fixtures & fittings	Total
<i>Cost</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January 2014	37,291	75,277	3,567	15,342	131,477
Additions	636	3,003	4,574	513	8,726
Disposals	(1,845)	(5,930)	-	(1,757)	(9,532)
Exchange adjustments	(205)	(447)	(1)	(385)	(1,038)
Reclassification	434	3,220	(3,907)	253	-
Transfers (to)/from affiliated undertakings	11	54	(10)	318	373
At 31 December 2014	<u>36,322</u>	<u>75,177</u>	<u>4,223</u>	<u>14,284</u>	<u>130,006</u>

Accumulated depreciation

At 1 January 2014	22,551	60,004	-	12,873	95,428
Charge for the year	1,960	5,085	-	565	7,610
Disposals	(1,047)	(5,745)	-	(1,746)	(8,538)
Exchange adjustments	(104)	(353)	-	(182)	(639)
Reclassification	-	181	-	(181)	-
Transfers from affiliated undertakings	-	51	-	316	367
At 31 December 2014	<u>23,360</u>	<u>59,223</u>	<u>-</u>	<u>11,645</u>	<u>94,228</u>

Net book value

At 31 December 2014	<u>12,962</u>	<u>15,954</u>	<u>4,223</u>	<u>2,639</u>	<u>35,778</u>
At 31 December 2013	<u>14,740</u>	<u>15,273</u>	<u>3,567</u>	<u>2,469</u>	<u>36,049</u>

The above figures include

	2014 <u>£000</u>	2013 <u>£000</u>
Freehold land and buildings, at net book value	5,730	7,408
Short leasehold land and buildings, at net book value	<u>7,232</u>	<u>7,332</u>

The intra-group transfers were at net book value

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

16. Fixed asset investments

	Company subsidiary undertakings	Associated companies	Other investments	Total
Cost	£000	£000	£000	£000
At 1 January 2014	1,055,277	156,746	919	157,665
Share of associated companies' profits	-	2,750	-	2,750
Exchange adjustments	-	(6,419)	-	(6,419)
At 31 December 2014	1,055,277	153,077	919	153,996
<i>Provision for impairment</i>				
At 1 January and 31 December 2014	-	-	919	919
<i>Net book value</i>				
At 31 December 2014	1,055,277	153,077	-	153,077
At 31 December 2013	1,055,277	156,746	-	156,746

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

Associated companies

Name of company	Principal activity	% holding	Country of incorporation
FT Hungary 1 Asset Management Kft	Holding company	34	Hungary
FT Hungary 2 Asset Management Kft	Holding company	34	Hungary
Honeywell Finance Ontario LP	Finance company	34	Canada

Through its subsidiary, FT North America Ltd, the group holds class B shares in FT Hungary 1 Asset Management Kft which entitle the group 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 turns owns 99.5% of Honeywell Finance Ontario LP

Subsidiary undertakings

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 32.

Other investments

The group holds a 1% share of the Honeywell Aerospace UK partnership, a manufacturer of aerospace equipment.

17. Stocks

	2014 £000	2013 £000
Raw materials	13,434	14,375
Work in progress	2,372	2,914
Finished goods for sale	29,192	27,173
Consignment stocks	1,977	2,039
	46,975	46,501

Consignment stocks are held by certain customers under maintenance agreements with the group. The stocks are replenished when used.

18. Debtors

	Company		Group	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Amounts falling due within one year</i>				
Amounts recoverable on contracts	-	-	14,534	17,919
Trade debtors	-	-	157,585	155,767
Amounts owed by group undertakings	2,309	2,220	1,152,900	1,196,042
Corporation tax	-	-	6,441	-
Deferred tax asset (note 13)	-	-	14,096	17,174
Other debtors	-	-	3,782	5,409
Prepayments and accrued income	-	-	9,344	3,912
	2,309	2,220	1,358,682	1,396,223

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

19. Current asset investments - group

	2014	2013
	<u>£000</u>	<u>£000</u>
Short term deposits	81,935	80,770

Short term deposits are with banks approved by the group's treasury department. The credit risk associated with these deposits is considered to be low

20. Creditors: amounts falling due within one year

	Company		Group	
	2014	2013	2014	2013
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Bank overdrafts	-	-	256,431	274,804
Payments received on account	-	-	14,497	20,007
Trade creditors	-	-	79,246	80,761
Amounts owed to group undertakings	36,634	36,090	872,006	940,761
Corporation tax	-	-	-	1,337
Taxation and social security	-	-	17,025	17,180
Other creditors	-	-	392	-
Accruals and deferred income	-	-	46,148	42,953
	<u>36,634</u>	<u>36,090</u>	<u>1,285,745</u>	<u>1,377,803</u>

The prior year comparatives for taxation and social security and accruals and deferred income has been restated £7,281,000 of PAYE and NIC had been recorded as part of accruals and deferred income in error. Taxation and social security increased from £9,899,000 to £17,180,000 and accruals and deferred income decreased from £50,234,000 to £42,953,000. There is no change in the overall total of creditors and no tax impact.

21. Creditors: amounts falling due after more than one year

	2014	2013
	<u>£000</u>	<u>£000</u>
Amounts owed to group undertakings	105,553	110,101
Share-based payment	6,460	4,734
	<u>112,013</u>	<u>114,835</u>

The share-based payment liability represents a put option held by the minority shareholder of Honeywell Automation and Control Solutions South Africa (Pty) Ltd to sell its interests to Honeywell at a price linked to the subsidiary's earnings. The group anticipates the option will be exercised in April 2020.

Loans and other borrowings- company

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

			2014	2013
	Currency	Interest terms	<u>£000</u>	<u>£000</u>
Repayable on demand	GBP	UK base rate plus 1%	36,634	36,090

Loans and other borrowings - group

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

			2014	2013
	Currency	Interest terms	<u>£000</u>	<u>£000</u>
Repayable on demand	GBP	UK base rate plus 1%	289,430 00	293,469
on demand	GBP	2.90%-3.25%	423,453 00	412,044
on demand	EUR	3 month Euribor plus 1%	-	54,580
on demand	CAD	3 month BAR plus 25%	12,931 00	-
on demand	GBP	5.23%	3,281 00	3,162
on demand	EUR	2.39%	2,537 00	2,663
on demand	EUR	0.24%-0.76%	138,571 00	-
on demand	SGD	SIBOR plus 25%	85 00	84
on demand	EUR	3 month Euribor plus 2.51%	-	791
2 April - 25 May 2017	CAD	7.50%	105,553 00	110,101
			<u>975,841 00</u>	<u>876,894</u>

All amounts are unsecured

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

22. Provisions for liabilities

	At 1 January 2014 £000	Charge/ (credit) to P&L £000	Utilised £000	At 31 December 2014 £000
Property	412	105	-	517
Warranty	6,968	344	-	7,312
Contract	609	(484)	-	125
Indemnities	936	(445)	(491)	-
Environmental	276	-	-	276
Future loss	1,843	(434)	-	1,409
Other provisions	260	(31)	(11)	218
	<u>11,304</u>	<u>(945)</u>	<u>(502)</u>	<u>9,857</u>

The property provision is for the remaining rent and termination expenses of a vacated property. The provision is expected to be utilised by 2023.

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. Warranties range from 1 to 3 years.

The contract provision relates to future losses on long term contracts based on the estimated completion costs.

The group transferred its production of seat belt spares to a fellow subsidiary undertaking in 2003 and has given an indemnity for losses resulting from the difference between sales price and production cost up to €600,000 a year. The provision was settled in full during 2014.

The provision for site closure is in respect of environmental remediation works. The expected utilisation of the provision is dependent on the chosen course of remediation that has yet to be decided.

The future losses provision relates to business, assets and liabilities acquired from another Honeywell company, Honeywell Enraf UK Ltd. The provision is expected to be utilised over the next 4 years.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

23. Pension commitments

Defined benefit plans

Honeywell UK Pension Scheme (HUKPS)

Several group companies are participating employers in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined benefit plan providing retirement benefits based on salary. It is closed to new entrants. Regular employer contributions to the plan by the group in 2015 are estimated to be £65,219,000. Defined benefit pension obligations are based on a full valuation of the liabilities of HUKPS as at 31 March 2014, measured using the projected unit credit method.

Austria

The Honeywell Austria GmbH scheme is an unfunded defined benefit plan providing retirement and termination benefits based on salary. Regular employer contributions to the plan in 2015 are estimated to be £815,000. Defined benefit obligations are based on a full valuation of the liabilities as at 31 December 2014, measured using the projected unit credit method.

	HUKPS 2014 £000	Austria 2014 £000	Total 2014 £000	Total 2013 £000
<i>Amounts recognised in the balance sheet</i>				
Fair value of plan assets	2,379,050	-	2,379,050	2,105,805
Present value of defined benefit obligations	(2,238,355)	(21,791)	(2,260,146)	(2,084,160)
Surplus not recoverable through reduced contributions or refunds	140,695	(21,791)	118,904	21,645
Surplus/(deficit)	(12,104)	-	(12,104)	(2,320)
Related deferred tax liability @20% (2013 20%)	128,591	(21,791)	106,800	19,325
Net asset/(liability)	(25,717)	-	(25,717)	(6,842)
	102,874	(21,791)	81,083	12,483
<i>Amounts recognised in profit or loss</i>				
Interest cost	91,923	593	92,516	88,913
Expected return on pension plan assets	(125,694)	-	(125,694)	(112,370)
Finance (credit)/charge recognised	(33,771)	593	(33,178)	(23,457)
Exchange movement	(157)	(1,437)	(1,594)	673
Current service cost	17,032	248	17,280	18,764
Credit recognised in profit and loss	(16,896)	(596)	(17,492)	(4,020)
Actual return on assets	278,857	-	278,857	223,882
<i>Amounts recognised in the statement of total recognised gains and losses (SGTRGL)</i>				
Total actuarial gains/(losses)	12,527	(2,554)	9,973	64,268
Change in assets not recoverable in future	(9,784)	-	(9,784)	(2,320)
Actuarial gain recognised in SGTRGL	2,743	(2,554)	189	61,948
Cumulative amount of actuarial losses recognised in SGTRGL	(461,772)	(9,669)	(471,441)	(471,630)

Notes to the financial statements
for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

	HUKPS 2014 £000	Austria 2014 £000	Total 2014 £000	Total 2013 £000
<i>Changes in present value of defined benefit obligation</i>				
At 1 January	2,063,532	20,628	2,084,160	1,999,296
Current service cost	17,032	248	17,280	18,764
Exchange movement	(463)	(1,437)	(1,900)	776
Interest cost	91,923	593	92,516	88,913
Actuarial losses on liabilities	140,636	2,554	143,190	47,242
Contributions by participants	433	-	433	377
Net benefits paid out	(74,738)	(795)	(75,533)	(71,208)
At 31 December	2,238,355	21,791	2,260,146	2,084,160

<i>Changes in fair value of scheme assets</i>				
At 1 January	2,105,805	-	2,105,805	1,883,192
Expected return on assets	125,694	-	125,694	112,370
Actuarial gains on assets	153,163	-	153,163	111,510
Exchange movement	(306)	-	(306)	103
Contributions by employer	68,999	795	69,794	69,461
Contributions by participants	433	-	433	377
Net benefits paid out	(74,738)	(795)	(75,533)	(71,208)
At 31 December	2,379,050	-	2,379,050	2,105,805

Major categories of plan assets as a percentage of total plan assets

	2014 %	2013 %
Equities	57	55.0
Bonds	38	38.0
Property	4	4.0
Cash	1	3.0
	100	100.0

Main actuarial assumptions

	2014 %	2013 %
Inflation (RPI)	3.1	3.4
Inflation (CPI)	2.0	2.4
Rate of general long term increases in salaries	2.5	2.9
<i>Rate of increase for pensions</i>		
Pensions subject to limited price indexation to 5%	2.9	3.2
Pensions subject to limited price indexation to 2.5%	2.1	2.2
Other pensions and deferred pensions	2.0	2.4
Discount rate for scheme liabilities	3.6	4.5

Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2014 at age 65 will live on average for a further 22.8 years (2013 23.1 years) after retirement if male or a further 24.5 years (2013 25.3 years) if female.

Overall long-term rate of return

The group 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.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Amounts for current year and previous four years	2014	2013	2012	2011	2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fair value of assets	2,379,050	2,105,805	1,883,192	1,722,175	966,237
Defined benefit obligation (DBO)	(2,260,146)	(2,084,160)	(1,999,296)	(1,869,775)	(964,918)
Assets not recoverable in future	(12,104)	(2,320)	-	1,134	(12,634)
Net surplus/(deficit)	106,800	19,325	(116,104)	(146,466)	(11,315)
Experience gain/(loss) on assets	153,163	111,510	27,749	(78,788)	26,387
Experience gain/(loss) on liabilities	42,718	(11,795)	(87,463)	135,861	5,376

24. Called up share capital	2014	2013
Allotted, called up and fully paid	<u>£000</u>	<u>£000</u>
At 1 January and 31 December 837,064,000 ordinary shares of £1 each	837,064	837,064

25. Reconciliation of movement in shareholders' funds and reserves

Company	Called up share capital	Share premium	Profit and loss account	2014 Total	2013 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	837,064	1,003	183,350	1,021,417	1,005,326
(Loss)/profit for the financial year	-	-	(455)	(455)	16,091
At 31 December	837,064	1,003	182,895	1,020,962	1,021,417

Group	Called up share capital	Share premium	Profit and loss account	2014 Total	2013 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	837,064	1,003	(184,593)	653,474	539,962
Profit for the financial year	-	-	123,219	123,219	68,826
Movement in respect of share options	-	-	1,236	1,236	1,581
Exchange adjustments offset in reserves	-	-	(28,275)	(28,275)	(6,427)
Actuarial gain on pension plan	-	-	189	189	61,948
Movement on deferred tax relating to pension plan	-	-	(591)	(591)	(12,416)
At 31 December	837,064	1,003	(88,815)	749,252	653,474

26. Share-based payment

Share option plan

The group participates in the Honeywell Stock Incentive Plan for employees. Options are granted over shares in Honeywell International Inc. Options are granted with a fixed exercise price that is not less than the market price of the shares on that date. The options vest over a four year period at 25% per year and expire after 10 years. There are no specific performance criteria attached to the options.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell stock. We used a Monte Carlo simulation model to derive an expected term, using historic data to estimate option activity and post-vest termination behaviour. The expected term represents an estimate of the time that options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the US Treasury yield curve in effect at the time of the grant.

The fair value of each stock option grant made during 2012 was estimated on the grant date using the Black-Scholes model using the following weighted-average assumptions consistent with the requirements of FRS20:

The group has taken advantage of the exemption available and has applied the provisions of FRS20 only to those options granted after 7 November 2002 and that had not vested on or before 31 December 2005.

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

	2014	2013
Expected volatility	23.06%	24.73%
Expected annual dividend yield	2.05%	2.55%
Risk-free rate of return	1.48%	0.91%
Expected option term (years)	5.0	5.5

Share options during the year

	2014 number	2014 price £	2013 number	2013 price £
Outstanding at 1 January	276,080	35.89	460,535	25.28
Granted	82,600	56.37	71,200	46.10
Exercised	(116,029)	31.85	(154,775)	24.21
Transferred in	84,650	40.41	36,000	31.75
Transferred out	(85,050)	36.67	(122,005)	32.99
Forfeited	(25,500)	28.18	(14,875)	22.73
Outstanding at 31 December	216,751	41.04	276,080	35.89
Exercisable at 31 December	69,150	33.28	88,380	26.47

Weighted average life and average exercise price by range

	2014 Number outstanding	2014 Weighted average life in years	2014 Weighted exercise price £	2013 Number outstanding	2013 Weighted average life in years	2013 Weighted exercise price £
Exercise price (range)						
£14.05-£19.99	-	-	-	6,880	2.7	19.52
£20.00-£26.99	8,950	2.2	22.16	54,525	4.7	23.93
£27.00-£33.99	64,451	6.9	36.95	18,850	4.2	30.05
£34.00-£37.47	-	-	-	124,625	7.6	36.43
£46.10-£56.37	143,350	8.7	52.02	71,200	9.4	46.10
Total	216,751	7.92	46.31	276,080	7.1	35.60

Restricted stock units

The Honeywell Stock Incentive Plan includes restricted stock units (RSUs) that entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as remuneration. RSUs typically vest after three years and are payable in common stock of Honeywell International Inc. upon vesting.

Restricted stock units outstanding during the year

	2014 number	2014 price £	2013 number	2013 price £
Outstanding at 1 January	110,300	42.91	228,327	29.37
Granted	22,720	55.17	29,120	49.92
Exercised	(31,972)	34.02	(84,340)	27.21
Transferred in	16,810	38.90	19,139	32.11
Transferred out	(18,148)	36.84	(70,853)	30.02
Forfeited	(8,080)	37.57	(11,093)	35.13
Outstanding at 31 December	91,630	45.58	110,300	42.91

Weighted average remaining contractual life at 31 December

1.78 years

2.11 years

The charge for the year relating to share based payment plans was £931,000 (2013 £1,739,000).
After deferred tax the total charge was £1,062,000 (2013 £2,654,000)

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

27. Capital commitments - group

	2014	2013
	<u>£000</u>	<u>£000</u>
Commitments contracted for but not yet provided	65	422

28. Operating lease commitments - group

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

Land and buildings

	2014	2013
	<u>£000</u>	<u>£000</u>
expiring in within one year	1,001	2,391
expiring in two to five years	5,138	4,720
expiring in more than five years	4,709	5,683
	<u>10,848</u>	<u>12,794</u>

Other leases

	2014	2013
	<u>£000</u>	<u>£000</u>
expiring in within one year	1,145	1,537
expiring in two to five years	4,042	6,272
expiring in more than five years	258	-
	<u>5,445</u>	<u>7,809</u>

29. Contingent liabilities

The group, 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 £393,260,000 (2013 £470,197,000). Positive cash balances held by the group exceeded overdrawn balances in 2014 and 2013.

Guarantees

Performance guarantees amounting to £215,000 (2013 £1,328,000) have been given to customers of a fellow group company, Honeywell Turki-Arabia Ltd.

30. Post balance sheet events

In 2015, as part of a global restructuring programme, the investments in BW Technologies Ltd and its subsidiaries have been sold to another Honeywell company outside of this consolidated group.

31. Parent undertakings

The immediate parent undertaking is Honeywell Group Holding UK, a company incorporated in England.

The ultimate parent undertaking and controlling party is Honeywell International Inc, a company incorporated in the USA, which is the smallest and largest group to consolidate these financial statements. Copies of their financial statements 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.

32. Subsidiary undertakings

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

* Company registration numbers are given for UK subsidiaries which have taken the exemption from audit under section 479A of the Companies Act 2006.

<u>Name of company</u>	<u>*Registration number</u>	<u>Principal activity</u>	<u>% holding if not 100%</u>	<u>Country of incorporation</u>
<i>Directly held subsidiaries</i>				
Garrett Thermal Systems UK Ltd		Dormant		England
Garrett Thermal Systems US Ltd		Dormant		England
<i>Indirectly held subsidiaries</i>				
1077900 Alberta Ltd		Dormant		Canada
1135198 Alberta Ltd		Dormant		Canada
Ackermann Ltd		Dormant		England
Ademco Australia Pty Ltd		Dormant		Australia

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Ademco International Ltd		Dormant		England
AlliedSignal Holding BV		Holding company	55%	Netherlands
B&W Technologies Inc		Gas detection equipment		USA
BW Europe Ltd	3887202	Gas detection equipment		England
BW Research LP		Gas detection equipment		Canada
BW Technologies LP		Gas detection equipment		Canada
BW Technologies Ltd		Gas detection equipment		Canada
Chloride Safety Systems Ltd		Dormant		England
City Technology Holdings Ltd		Dormant		England
City Technology Ltd	1326515	Gas sensors		England
Comstack Ltd		Dormant		England
CPS Disposal (No 3) Ltd		Dormant		England
Egatube (Isle of Man) Ltd		Dormant		Isle of Man
Elmwood Sensors Ltd		Dormant		England
Ex-Or Holdings Ltd		Dormant		England
Ex-Or Ltd		Dormant		England
First Technology (2002) Ltd	4624611	Finance company		England
First Technology Alberta Ltd		Dormant		Canada
First Technology Automotive Ltd		Dormant		England
First Technology International Ltd		Dormant		England
First Technology Ltd	1882393	Holding company		England
First Technology Overseas Ltd	4302488	Holding company		England
First Technology Sarl		Holding company		Luxembourg
Friedland Doggart Group Ltd		Dormant		England
FT Finance Ltd	2504094	Holding company		England
FT North America (Holdings) Ltd	5054486	Holding company		England
FT North America Ltd	5054501	Holding company		England
FT Nova Scotia Ltd		Dormant		Canada
Garrett Thermal Systems Ltd	3427415	Dormant		England
Hansaholding SGPS Lda		Holding company		Portugal
Honeywell Acquisitions II Ltd	5667809	Holding company		England
Honeywell Acquisitions Ltd	5319521	Holding company		England
Honeywell Analytics (Sales and Service) Ltd		In liquidation		England
Honeywell Austria GmbH		Gas detection equipment		Austria
Honeywell Automation and Control Solutions South Africa (Pty) Ltd		Control systems	75%	South Africa
Honeywell Avionics Systems Ltd	2160822	Staff supply		England
Honeywell CIF Trustee Ltd		Dormant		England
Honeywell Control Systems Ltd	217803	Control systems		England
Honeywell Electrical Devices & Systems India Ltd		Electrical devices and systems	91%	India
Honeywell FM² Ltd		Dormant		England
Honeywell Group Holding UK II	3896222	Holding company		England
Honeywell Holdings Ltd	3560836	Holding company		England
Honeywell Integrated Pension Scheme Trustee Ltd		Dormant		England
Honeywell International UK Ltd	78289	Holding company		England
Honeywell Life Safety Austria GmbH		Fire and security		Austria
Honeywell Ltd		Dormant		England
Honeywell Normalair-Garrett Ltd		Dormant		England
Honeywell Normalair-Garrett (Holdings) Ltd	406281	Staff supply		England
Honeywell Pension Trustees Ltd		Dormant		England
Honeywell Security UK Ltd	1248725	Intruder/fire detection equipment		England
Honeywell Southern Africa (Pty) Ltd		Control systems		South Africa
Honeywell UK Healthcare Plan Ltd		Dormant		England
Honeywell UK Ltd	301598	Various		England
Honeywell UK Pension Scheme Trustee Ltd		Dormant		England
Honeywell Video Systems UK Ltd		Dormant		England

Notes to the financial statements

for the year ended 31 December 2014

Honeywell Group Ltd
Registration number 03408580

Hymatic Aerospace Ltd		Dormant	England
Hymatic Industrial Products Ltd		Dormant	England
Hymatic Technologies Ltd		Dormant	England
Inline Electronics Ltd		Dormant	England
Inozemne Pidpriyemstvo Honeywell Ukraine		Control systems	Ukraine
KAC Alarm Company Ltd	1205354	Security systems	England
La France Vinicole Ltd		Dormant	England
MK Electric International Ltd		Finance company	Jersey
Normalair-Garrett Manufacturing Pty Ltd		Finance company	Australia
Normalair-Garrett Pty Ltd		Dormant	Australia
Novar (Stelrad) Ltd	2226002	Finance company	England
Novar (Twyfords) Ltd		Dormant	England
Novar Building Products Ltd		Dormant	England
Novar Dormant Holdings Company Ltd		Dormant	England
Novar ED&S Ltd	189291	Electric and electronic connection equipment systems	England
Novar Electrical Holdings Ltd	866782	Holding company	England
Novar Europe Ltd	557280	Holding company	England
Novar European Holdings BV		Holding company	Netherlands
Novar Holding GmbH		Holding company	Austria
Novar Holdings Ltd		Dormant	England
Novar International Ltd	2957947	Finance company	England
Novar Ltd	2262172	Holding company	England
Novar NA Holdings Ltd		Dormant	England
Novar Overseas Holding BV		Holding company	Netherlands
Novar Overseas Ltd		Dormant	England
Novar Plumbing Ltd		Dormant	England
Novar Projects Ltd		Dormant	England
Novar Properties Ltd		Dormant	England
Novar Systems Ltd	264047	Fire and security	England
Novar USA Holdings Ltd		Dormant	England
Novar Vermögensverwaltung GmbH		Holding company	Austria
Pillar Electrical Overseas Ltd	277288	Holding company	England
Pillar Overseas Holdings Ltd		Dormant	England
Pittway Systems Technology			
Group Europe Ltd	2247430	Life safety systems	England
Pittway UK Ltd		Dormant	England
Rallip Aluminium Ltd		Dormant	England
SHT Intermediate Inc		Finance company	USA
Skyforce Avionics Ltd		Dormant	England
Sutax Ltd		Dormant	England
The Hymatic Engineering Company Ltd	331969	Avionics equipment	England
The Hymatic Group Ltd		Dormant	England
Trend Control Systems Ltd	1664519	Building management systems	England
Video Controls Ltd		Dormant	England

Honeywell UK Ltd's activities include the manufacture of turbo-chargers, the repair and maintenance of aircraft wheels and brakes, and the manufacture of navigation and mission role aviation equipment