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FRONT DESK

# **Honeywell Control Systems** **Limited**

## **Annual Report and Financial Statements 2017**

MONDAY



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24/12/2018  
COMPANIES HOUSE

## Company Information

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### Officers and professional advisors

#### Directors

John Tus  
James McKenna  
Sarah Martin  
David Kay  
David Jiggins  
Sharon Treanor

#### Auditor

Deloitte LLP  
Saltire Court,  
20 Castle Terrace,  
Edinburgh,  
EH1 2DB  
Scotland  
United Kingdom

#### Bankers

Barclays Bank,  
Level 11,  
One Churchill Place,  
London,  
E14 5HP  
England  
United Kingdom

#### Registered address

Honeywell House,  
Skimped Hill Lane,  
Bracknell,  
Berkshire,  
RG12 1EB  
England  
United Kingdom

# Strategic report

for the year ended 31 December 2017

The directors present their strategic report for the financial year ended 31 December 2017.

## Principal activities

The company contains several divisions which operate in three of the four of Honeywell's strategic business groups. These are HBT (Home and Building Technologies) which provides building automation systems, service and products; PMT (Performance Materials & Technologies) which provides industrial process solutions, service and controls; and S&PS (Safety and Productivity Solutions) which supplies electrical switches and sensors. All three strategic business groups develop and deliver products and integrated solutions that improve energy efficiency, industrial productivity and safety while enhancing convenience and control. The company operates mainly in the UK, with some product sales to mainland Europe, North and South America and Asia Pacific. The company also has a branch in Ireland. The company provides contract manufacturing services to a fellow Honeywell group company.

## Review of the business and future developments

The profit for the financial year, after taxation, is £21,661,000 (2016: £18,799,000). Turnover increased by 11.2% from £319,379,000 in 2016 to £355,116,000 in 2017, mainly due to additional revenue from domestic projects and from new sales to Turkey. Gross margin improved from 24.9% in 2016 to 27.6% in 2017, due to favourable changes in the product mix.

Operating profit increased by 20.7% as a result of the increase in turnover and the improvement in gross margin; however operating margin only increased by 0.6%, from 6.7% in 2016 to 7.3% in 2017. This was mainly due to the positive impact in 2016 of a £14,766,000 one-off pension curtailment credit following the announced closure for future accruals of the Honeywell UK Pension scheme, of which Honeywell Control Systems Limited is a participating employer.

Investment in new product and service offerings was maintained to ensure that the company is strongly positioned to take advantage of future growth opportunities.

In 2017 Honeywell International Inc. announced its intention to separately spin off its Homes product portfolio and ADI global distribution business, as well as its Transportation Systems business, into two stand-alone, publicly-traded companies as a result of its comprehensive portfolio review. As part of the implementation, on 29 July 2018, Honeywell Control Systems Limited sold the assets and liabilities relating to its Homes division to Ademco1 Limited in consideration for shares valued at £48,497,749. Subsequently, on 29 October 2018 Honeywell spun off its former Homes and Global Distribution business including Ademco 1 Limited to a new, publicly traded company called Resideo Technologies, Inc. On 27 September 2018, the shareholders of Honeywell Control Systems Limited agreed that the company should reduce its share capital by £149,999,999. The reduction resulted in a credit to the profit and loss reserve.

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:

	2017	2016
	£000s	£000s
Turnover % change compared with previous year, due to:	%	%
Volume	8.8	0.9
Price	2.4	1.5
	11.2	2.4
Gross profit %	27.6	24.9
Operating result % of turnover	7.3	6.7
Headcount % change compared with previous year	(5.4)	(6.2)

## Strategic report

for the year ended 31 December 2017

### Turnover

Turnover increased by 11.2% from £319,379,000 in 2016 to £355,116,000 in 2017. The growth was mainly due to additional revenue from domestic projects in the UK PMT (Performance Materials Technologies) segment and from new sales to Turkey.

### Gross profit

Gross margin improved from 24.9% in 2016 to 27.6% in 2017, due to the impact of higher volumes in all divisions and price increases in the Homes business, and a higher turnover in the company's higher margin businesses.

### Operating result

Operating profit increased by 20.7% from £21,411,000 in 2016 to £25,843,000 in 2017, reflecting the increase in turnover and the improvement in gross profit; however operating margin only increased by 0.6%, from 6.7% in 2016 to 7.3% in 2017. This was mainly due to the positive impact of a £14,766,000 one-off pension curtailment credit in 2016, following the announced closure for future accruals of the Honeywell UK Pension scheme, of which Honeywell Control Systems Limited is a participating employer. Recurring administrative expenses are in line with expectations.

### Headcount

Headcount decreased by 5.4%, from 1,698 employees in 2016 to 1,606 employees in 2017. The decrease was largest for direct staff, as a result of restructuring programmes to improve efficiency in both production and sales support led to an decrease of 78 direct employees (-9.6%), from 807 direct employees in 2016 to 729 direct employees in 2017. The number of indirect employees decrease by 14 employees (-1.6%), from 891 employees in 2016 to 877 employees in 2017.

### Pensions

The company has two defined benefit pension schemes. It is a participating employer in the Honeywell UK pension scheme (HUKPS) which got closed to future accruals with effect from 30 June 2017. All active members at this date became deferred members. The net scheme assets attributable to Honeywell Control Systems increased from £84,598,000 in 2016 to £191,046,000 in 2017, mainly due to the actuarial gain on the pension assets of £88,043,000 in 2017. Honeywell Control Systems is the principal employer in the Honeywell Control Systems Limited Pension and Death Benefit Scheme (Irish plan) which shows an increased net liability of £3,830,000 from £3,757,000, as the actuarial gain of the pension assets of £370,000 was more than offset by an adverse exchange movement of £495,000.

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
Remeasurements						
Liability losses due to changes in assumptions	-	17,421	17,421	1,163	175,777	176,940
Liability losses/(gains) due to experience during the year	171	(11,330)	(11,159)	138	2,473	2,611
Asset gains arising during the financial year	(370)	(87,673)	(88,043)	(258)	(146,723)	(146,981)
Total actuarial (gain)/loss recognised in OCI	(199)	(81,582)	(81,781)	1,043	31,527	32,570

### Financial risk management

#### Credit risk

Credit risk arises from credit exposures to customers. 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 concentration of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

## Strategic report

for the year ended 31 December 2017

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### *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 is exposed to interest rate risk arising out of amounts owed by and to group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

### **Strategy**

Across all its segments, the company's strategy is to build a unique position by offering its customers a software-driven and connected solution. In the Homes and Building Technology segment, the company aims to build a smarter, safer, and more sustainable world by helping customers control their comfort, security, and energy use, with technologies ranging from environmental and building controls to security and fire alarm systems and smart grid solutions.

In its Performance and Materials Technologies segment, the company aims to improve performance and business results for its customers through its expertise in Connected Plant, technologies and advanced materials.

Further, the company aims to accelerate its transformation to a software-industrial company in its Safety and Productivity Solutions segment and build a unique position with a broad, deep installed base and understanding of key industries and marketplaces through investing significantly in next-generation technologies, from cloud to artificial intelligence to machine learning.

### **Principal risks and uncertainties**

The key business risks affecting the company include downturns in the level of capital spending, lower customer demand due to the failure to anticipate and respond to overall trends related to end market demand, changes in the competitive landscape including new market entrants and technology, adverse industry economic conditions including any adverse impact of Brexit, and raw material price fluctuations, all of which could result in lower market share, reduced selling prices or lower margins.

In response to these risks, the company strives to identify emerging technology trends in its target end-markets, understand its customers' needs, and enhance its range of products and systems by adding innovative and differentiating features and bringing them to market quickly and cost effectively.

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

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David Kay  
Director

21-Dec-2018

## **Directors' report**

*for the year ended 31 December 2017*

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The directors present their annual report and audited financial statements for the company for the financial year ended 31 December 2017.

### **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 £21,661,000 (2016: £18,799,000) which will be transferred to reserves. The results for the financial year are shown on page 10.

The directors do not recommend the payment of a dividend (2016: £nil).

### **Financial risk management**

Financial risk management of the company is included in the strategic report on page 1.

### **Directors of the company**

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

Cheryl Lim (resigned 6 November 2018)  
John Tus  
Peter Selby (resigned on 31 March 2017)  
James McKenna  
Sarah Martin  
Mehmet Erkilic (resigned on 31 January 2018)  
David Kay  
David Juggins (appointed on 1 July 2017)  
Sharon Treanor (appointed on 1 July 2017)

### **Directors' indemnities**

Pursuant of the company's articles of association, the directors were throughout the financial year ended 31 December 2017 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 financial year ended amounted to £2,802,000 (2016: £2,701,000).

### **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.

## Directors' report

for the year ended 31 December 2017

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### 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 Share Builder Plan.

### Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. 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 they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those 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 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.

To assist them in discharging these responsibilities, the directors have engaged a number of third party providers, including two separate Big Four accounting firms who are engaged to prepare the company's financial statements and tax returns respectively, as well as Honeywell International Inc.'s own finance shared service centre based in Bengaluru, India. Honeywell operates a country controllership model under which an identified senior finance representative is responsible for all of the UK and Ireland entities, supported by a wider finance team and under the supervision of Regional Finance Leader for North & South Europe. The directors have ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

### 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.

## Directors' report

for the year ended 31 December 2017

### Disclosure of information to auditor

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

- so far as the directors are 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### Events since the balance sheet date

On 29 July 2018, Honeywell Control Systems Limited sold the assets and liabilities relating to its Homes division to Ademco 1 Limited in consideration for shares valued at £48,497,749. Subsequently, on 29 October 2018 Honeywell spun off its former Homes and Global Distribution business including Ademco 1 Limited to a new, publicly traded company called Resideo Technologies, Inc. On 27 September 2018, the shareholders of Honeywell Control Systems Limited agreed that the company should reduce its share capital by £149,999,999. The reduction resulted in a credit to the profit and loss reserve.

### Independent auditors

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

DocuSigned by:  
  
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David Kay  
Director

21-Dec-2018



## **Independent auditor's report**

*to the members of Honeywell Control Systems Limited*

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Honeywell Control Systems Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent auditor's report**

*to the members of Honeywell Control Systems Limited*

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **Independent auditor's report**

*to the members of Honeywell Control Systems Limited*

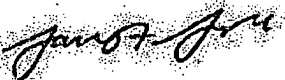
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### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



James Boyle CA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom  
21 December 2018

## Profit and loss account

for the financial year ended 31 December 2017

		2017	2016
	Notes	£000s	£000s
Turnover	5	355,116	319,379
Cost of sales		(257,167)	(239,886)
<b>Gross profit</b>		<b>97,949</b>	<b>79,493</b>
Distribution expenses		(33,629)	(29,672)
Administrative expenses		(38,477)	(28,410)
<b>Operating profit</b>	<b>7</b>	<b>25,843</b>	<b>21,411</b>
Interest receivable and similar income	10	4,245	5,660
Interest payable and similar charges	11	(1,695)	(1,474)
<b>Profit before taxation</b>		<b>28,393</b>	<b>25,597</b>
Tax on profit	12	(6,732)	(6,798)
<b>Profit for the financial year attributable to owners of the parent</b>		<b>21,661</b>	<b>18,799</b>

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.

The notes on pages 14 to 42 form an integral part of the financial statements.

## Statement of comprehensive income

for the financial year ended 31 December 2017

		2017	2016
	Notes	£000s	£000s
Profit for the financial year attributable to owners of the parent		21,661	18,799
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss</i>			
Actuarial gains/(losses) on pension plans	21	81,781	(32,570)
Movement on deferred tax relating to pension scheme	12	(13,903)	6,188
<b>Other comprehensive income/(expense) for the financial year net of tax</b>		<b>67,878</b>	<b>(26,382)</b>
<b>Total comprehensive income/(expense) for the financial year attributable to owners of the parent</b>		<b>89,539</b>	<b>(7,583)</b>

## Balance sheet

at 31 December 2017

	Notes	2017 £000s	2016 £000s
<b>Fixed assets</b>			
Intangible assets	13	11	29
Tangible assets	14	9,445	11,159
Investments	15	1,167	1,167
		<b>10,623</b>	<b>12,355</b>
<b>Current assets</b>			
Stocks	16	7,786	6,384
Debtors: amounts falling due within one year	17	206,411	238,574
Debtors: amounts falling due after one year	17	783	-
Investments	18	73,892	74,942
		<b>288,872</b>	<b>319,900</b>
<b>Creditors: amounts falling due within one year</b>	19	<b>(216,797)</b>	<b>(254,026)</b>
<b>Net current assets</b>		<b>72,075</b>	<b>65,874</b>
<b>Total assets less current liabilities (excluding pension asset)</b>		<b>82,698</b>	<b>78,229</b>
Provisions for liabilities	20	(30,569)	(10,399)
Pension asset	21	191,046	84,598
Pension liability	21	(3,830)	(3,757)
<b>Net assets</b>		<b>239,345</b>	<b>148,671</b>
<b>Capital and reserves</b>			
Share capital	22	150,000	150,000
Share premium account	23	14,537	14,537
Profit and loss account		74,808	(15,866)
<b>Total shareholders' funds attributable to owners of the parent</b>		<b>239,345</b>	<b>148,671</b>

The financial statements on pages 10 to 42 were approved by the board of directors on \_\_\_\_ 2018 and signed on its behalf by: 21-Dec-2018

DocuSigned by:  
David Kay  
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David Kay  
Director

## Statement of changes in equity

at 31 December 2017

	Share capital £000s	Share premium account £000s	Profit and loss account £000s	Total £000s
At 1 January 2016	150,000	14,537	(8,916)	155,621
Profit for the financial year attributable to owners of the parent	-	-	18,799	18,799
Other comprehensive expense	-	-	(26,382)	(26,382)
Total comprehensive loss for the financial year attributable to owners of the parent	-	-	(7,583)	(7,583)
Movements in respect of share options (note 24)	-	-	633	633
<b>At 31 December 2016</b>	<b>150,000</b>	<b>14,537</b>	<b>(15,866)</b>	<b>148,671</b>
Profit for the financial year attributable to owners of the parent	-	-	21,661	21,661
Other comprehensive income	-	-	67,878	67,878
Total comprehensive profit for the financial year attributable to owners of the parent	-	-	89,539	89,539
Movements in respect of share options (note 24)	-	-	1,135	1,135
<b>At 31 December 2017</b>	<b>150,000</b>	<b>14,537</b>	<b>74,808</b>	<b>239,345</b>

## Notes to the financial statements

at 31 December 2017

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### 1. General information

Honeywell Control Systems Limited is a private company limited by shares which is incorporated in the United Kingdom under Companies Act 2006 and is registered in England. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The immediate parent undertaking is Honeywell Limited, a company incorporated in the United Kingdom. The registered address of the parent is Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB, England, United Kingdom.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 251, Little Falls Drive, Wilmington, DE 19808, USA. 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).

The accounting policies that have been applied consistently throughout the year and in the preceding year are set out below:

### 2. Significant accounting policies

#### *Basis of preparation*

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

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 accounting policies which follow set out those policies which apply in preparing the financial statements for the financial year ended 31 December 2017.

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 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 2017

### *Turnover and revenue recognition*

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

Turnover also comprises the cost plus mark-up of general administration support to fellow group companies, 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:

<u>Type of sale</u>	<u>Recognition</u>
Product sales	On delivery and when acceptance by the customer has occurred
Licensing agreements	Evenly over the period of the agreement
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
Long term contracts	Percentage of completion basis once the outcome of the contract can be recognised with reasonable certainty.

Percentage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### *Construction contracts*

The company recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

**Contract revenue** — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

**Contract costs** — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The company's contracts are typically negotiated for the construction of a single asset or a group of assets that are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a

## Notes to the financial statements

at 31 December 2017

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single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- the separate proposals have been submitted for each asset
- each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- the costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

- the group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- the contracts are performed concurrently or in a continuous sequence

### *Interest income*

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

### *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.

### *Operating leases – as lessor*

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Rental income arising from operating leases where the company is lessor is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

### *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

## Notes to the financial statements

at 31 December 2017

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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.

### *Taxation*

The tax currently payable is based on taxable profit for the financial 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 financial 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*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

### *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:

## Notes to the financial statements

at 31 December 2017

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Buildings - leasehold improvements	10% or life of lease if under 10 years
Buildings - freehold	2.0% - 3.3%
Plant & machinery	6.6% - 33.3%
Fixtures & fittings	6.6% - 33.3%

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.

### *Investments*

Investments in subsidiaries are accounted for at cost less any provision for impairment. The value of investments is reviewed annually by the directors or more frequently if there is a triggering event and provision made where the investment's carrying amount exceeds its recoverable amount.

### *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 less impairment.

### *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

## Notes to the financial statements

at 31 December 2017

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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.

### *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.

### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

### *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.

### *Pension*

As described in note 21, the company participates in a defined benefit pension scheme for the benefit of certain of its employees; the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as interest receivable or payable.

## Notes to the financial statements

at 31 December 2017

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Remeasurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

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.

### *Current asset investment*

Amounts held as current asset investments represent short term deposits held by banks approved by the worldwide group's treasury facility.

### *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 company 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.

### *Share-based payments*

The company'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 company's estimate of the number of options that will eventually vest. At each balance sheet date, the company reviews its estimate of the number of options that are expected to vest.

In accordance with IFRS 2, the charge arising for share-based payments is recognised in the profit and loss account of the company that employs those to whom share-based awards are granted. The credit entry is reported directly to reserves as a capital contribution.

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

## Notes to the financial statements

at 31 December 2017

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

The preparation of financial statements requires management to make judgments, 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 financial year.

#### Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### *Impairment of investments*

The investment in subsidiaries 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 £1,167,000 (2016: £1,167,000).

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

##### *(i) Estimates used for revenue recognition*

The company uses the percentage-of-completion method in accounting for its sales of services when the outcome of a transaction involving the rendering of services can be estimated reliably and services are performed by determinate number of acts and not specified over a period of time. The use of the percentage-of-completion method requires the company to estimate the services performed to date as a proportion of the total services to be performed.

##### *(ii) 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 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.

A warranty provision is estimated based on historical warranty return rate and time lag, applied to the revenue generated over the lag period. The carrying amount of the warranty provision as at 31 December 2017 is £357,000 (2016: £224,000).

The redundancy provision covers a number of employees and is calculated on individual basis to take account of variables such as length of service. As at 31 December 2017, the carrying amount of redundancy provision was £607,000 (2016: £480,000).

The contract provision represents the expected loss on installation projects based on current estimate at completion. As at 31 December 2017, the carrying amount of contract loss provision was £638,000 (2016: £615,000).

##### *(iii) Estimates used for Defined Benefit pension scheme*

The cost of defined benefit pensions plans and other post-employment medical benefits is 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

## Notes to the financial statements

at 31 December 2017

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they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the UK. Future salary increases and pension increases are based on expected future inflation rates for the UK. Management works closely with the actuary to agree to these assumptions. Further details are given in note 21.

### 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 2017. 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 2017, 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 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary differences related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The company applied amendments retrospectively. However, their application has no effect on the company's financial position and performance as the company has no deductible temporary differences or assets that are in the scope of the amendments

#### *Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017 the company had none of its investments classified as held for sale and therefore there is no impact of this amendment on the financial statements of the company.



## Notes to the financial statements

at 31 December 2017

### 5. Turnover

	2017	2016
	£000s	£000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	275,930	251,846
Rest of Europe	70,198	61,515
North America	3,776	2,786
Other	5,212	3,232
<i>Total turnover by geographical market</i>	<u>355,116</u>	<u>319,379</u>

	2017	2016
	£000s	£000s
<i>Analysis of turnover by business category</i>		
Home and building technologies	177,377	187,034
Performance material and technologies	99,319	66,202
Safety and productivity solutions	78,420	66,143
<i>Total turnover by business category</i>	<u>355,116</u>	<u>319,379</u>

## Notes to the financial statements

at 31 December 2017

### 6. Construction contracts

	2017	2016
	£000s	£000s
Contract revenue recognised in period	92,822	71,626
Retention asset	900	1,514
Contract costs incurred	939,917	870,901
Recognised profits less recognised losses	254,354	230,317
<b>Contract costs incurred and recognised profits (less recognised losses)</b>	<b>1,194,271</b>	<b>1,101,218</b>
Less: progress billings	(1,199,001)	(1,090,187)
<b>Amounts due (to)/from customers</b>	<b>(4,730)</b>	<b>11,031</b>
Amounts due from customers included within debtors	10,264	15,467
Amounts due to customers included within creditors	(14,994)	(4,436)

Contract costs incurred, recognised profits and progress billings are stated from inception of the contract to 31 December 2017. As a result of certain contracts spanning several years, these amounts are therefore not all recognised in the current year.

### 7. Operating profit

	2017	2016
	£000s	£000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Tangible assets – owned	1,851	2,113
Intangible assets	18	26
<i>Rental charges under operating leases</i>		
Land and buildings	2,227	2,227
Vehicle fleet and other rental expenses	5,463	6,284
Rental income under operating lease	(1,431)	(1,091)
Research and development	2,802	2,701
Loss on foreign exchange	907	277
Reorganisation and redundancy	607	1,339

## Notes to the financial statements

at 31 December 2017

### 8. Auditor's remuneration

	2017 £000s	2016 £000s
Audit of the financial statements of the company	23	27
Audit of the financial statements of other group companies	716	675
<b>Total auditor remuneration</b>	<b>739</b>	<b>702</b>

Audit fees have been incurred with the company incurring fees for the other UK Honeywell companies as mentioned in their respective financial statements. The company did not recharge these costs.

There are no non audit services fees payable to the auditor.

### 9. Employees and directors

#### (a). Staff costs

	2017 £000s	2016 £000s
Wages and salaries	85,679	84,836
Social security costs	10,576	10,601
Contributions to defined contribution pension plans	8,027	6,451
Pension costs for defined benefit plans (note 21)	4,265	6,800
Share based payment charges (note 24)	1,135	633
<b>Total staff costs</b>	<b>109,682</b>	<b>109,321</b>

The average monthly number of employees during the financial year was made up as follows:  
(including executive directors)

	2017 No.	2016 No.
Direct	729	807
Indirect	877	891
<b>Total monthly average number of employees</b>	<b>1,606</b>	<b>1,698</b>

#### (b). Directors' remuneration

	2017 £000s	2016 £000s
Aggregate emoluments	736	930
Pension costs – defined contribution	54	67
<b>Total payments to directors</b>	<b>790</b>	<b>997</b>

## Notes to the financial statements

at 31 December 2017

Highest paid director		
Aggregate emoluments	289	273
<i>Total payments to highest paid director</i>	<u>289</u>	<u>273</u>

During the financial year the highest paid director exercised options over 1,390 shares (2016: 1,583 shares) of Honeywell International Inc., the ultimate parent company

	2017	2016
	No.	No.
Number of directors who:		
Were members of a defined contribution plan	4	5
Exercised options over shares of Honeywell International Inc., the ultimate parent	1	1

In 2017, three directors (2016: three directors) were not remunerated by the company for their role as a director for their services as they were remunerated by the group as a whole.

### 10. Interest receivable and similar income

	2017	2016
	£000s	£000s
Interest receivable from group undertakings	1,114	1,501
Pension interest (note 21)	3,089	4,101
Other interest receivable	42	58
<i>Total interest receivable and similar income</i>	<u>4,245</u>	<u>5,660</u>

### 11. Interest payable and similar charges

	2017	2016
	£000s	£000s
Interest payable to group undertakings	576	810
Interest payable on bank overdrafts	1,119	664
<i>Total interest payable and similar charges</i>	<u>1,695</u>	<u>1,474</u>

## Notes to the financial statements

at 31 December 2017

### 12. Taxation

#### (a). Tax charged in the profit and loss account

	2017	2016
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on profit for financial year	-	-
Foreign tax	748	-
<i>Total current tax</i>	748	-
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	4,607	7,062
Effect of change in tax laws and rates	(1,230)	(424)
Adjustment in respect of prior years	2,607	160
<i>Total deferred tax</i>	5,984	6,798
<i>Total tax expense in the profit and loss account</i>	6,732	6,798

#### (b). Tax relating to items credited or charged to statement of comprehensive income

	2017	2016
	£000s	£000s
<i>Current tax:</i>		
Tax on items relating to components of other comprehensive income	-	-
<i>Total current tax</i>	-	-
<i>Deferred tax:</i>		
Remeasurements on defined benefit pension plans	13,903	(6,188)
<i>Total deferred tax</i>	13,903	(6,188)
<i>Total tax expense/(credit) in the statement of comprehensive income</i>	13,903	(6,188)

## Notes to the financial statements

at 31 December 2017

### (c). Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is higher than the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are reconciled below:

	2017	2016
	£000s	£000s
Profit before tax	28,393	25,597
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19.25% (2016: 20%)	5,466	5,119
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	63	86
Income not taxable	(34)	-
Share based payments	3	127
Adjustments in respect of prior years	2,607	160
Effect of change in tax laws and rates	(1,230)	(424)
Difference in current tax rate to deferred rate	(610)	(365)
Withholding tax suffered	748	-
Group relief (not paid for) surrendered	(281)	2,095
Total tax expense reported in the profit and loss account	6,732	6,798

### (d). Factors affecting tax charge for the financial year

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which will reduce the rate further to 17% from 1 April 2020. These reductions may reduce the company's future tax charge accordingly.

## Notes to the financial statements

at 31 December 2017

### (e). Deferred tax

	2017	2016
	£000s	£000s
<i>The deferred tax included in the balance sheet is as follows:</i>		
Deferred tax liability		
Deferred tax provision on pension asset	(31,827)	(15,360)
<b>Total deferred tax liability</b>	<b>(31,827)</b>	<b>(15,360)</b>
Deferred tax asset		
Other short term timing differences	255	456
Differences between capital allowances and depreciation	1,732	1,670
Tax loss carried forward	873	4,154
<b>Total deferred tax asset</b>	<b>2,860</b>	<b>6,280</b>
<b>Net deferred tax provision (note 20)</b>	<b>(28,967)</b>	<b>(9,080)</b>

### Movement in deferred tax

	Excluding pension £000s	Pension £000s	Total £000s
At 1 January 2017	6,280	(15,360)	(9,080)
Charge to profit and loss account	(3,420)	(2,564)	(5,984)
Charge to statement of comprehensive income	-	(13,903)	(13,903)
<b>At 31 December 2017</b>	<b>2,860</b>	<b>(31,827)</b>	<b>(28,967)</b>

The deferred tax asset is recognised because it is more likely than not that there will be sufficient taxable profits in the future to recover the assets.

There are no un-provided amounts relating to deferred tax.

## Notes to the financial statements

at 31 December 2017

### 13. Intangible assets

	Software £000s
<i>Cost</i>	
At 1 January 2017	1,447
At 31 December 2017	<u>1,447</u>
<i>Accumulated amortisation/impairment</i>	
At 1 January 2017	1,418
Provided during the financial year	18
At 31 December 2017	<u>1,436</u>
<i>Net book value:</i>	
At 31 December 2017	<u>11</u>
At 31 December 2016	<u>29</u>



## Notes to the financial statements

at 31 December 2017

### 14. Tangible assets

	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 January 2017	13,804	19,415	4,663	2,063	39,945
Additions	144	944	-	856	1,944
Disposals	(279)	(1,838)	(31)	(273)	(2,421)
Transfer	54	1,035	-	(1,089)	-
At 31 December 2017	13,723	19,556	4,632	1,557	39,468

#### Accumulated depreciation

At 1 January 2017	10,524	14,506	3,756	-	28,786
Provided during the financial year	576	1,162	113	-	1,851
Disposals	(131)	(452)	(31)	-	(614)
At 31 December 2017	10,969	15,216	3,838	-	30,023

#### Net book value:

At 31 December 2017	2,754	4,340	794	1,557	9,445
At 31 December 2016	3,280	4,909	907	2,063	11,159

#### The above figures include:

	2017	2016
	£000s	£000s
Freehold land and buildings, at net book value	377	397
Short leasehold land and buildings, at net book value	2,377	2,883

## Notes to the financial statements

at 31 December 2017

### 15. Investments

	2017	2016
	£000s	£000s
<i>Cost</i>		
At 1 January and 31 December	1,167	1,167
<i>Provision for impairment</i>		
At 1 January and 31 December	-	-
<i>Net book value</i>	1,167	1,167

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

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 28.

### 16. Stocks

	2017	2016
	£000s	£000s
Raw materials	3,540	2,342
Work in progress	203	92
Finished goods	2,073	2,034
Consignment stock	1,970	1,916
<i>Total stocks</i>	7,786	6,384
The amount of inventories recognised as an expense during the period	49,249	38,523
The amount inventories written down recognised as an expense in the period	457	402

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

## Notes to the financial statements

at 31 December 2017

### 17. Debtors

	2017	2016
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	68,708	69,678
Retention assets	900	1,514
Amounts owed by group undertakings	98,267	135,055
Other debtors	1,458	511
Corporation tax	-	717
Prepayments and accrued income	5,051	5,024
Amount recoverable on contracts	32,027	26,075
<i>Total amounts falling due within one year</i>	<u>206,411</u>	<u>238,574</u>
<i>Amounts falling due after more than one year</i>		
Trade debtors	783	-
<i>Total amounts owed by debtors</i>	<u>207,194</u>	<u>238,574</u>

Amounts owed by group undertakings include the following interest bearing loans and other borrowings:

Receivable	Currency	Interest terms	2017	2016
			£000s	£000s
On demand	GBP	UK Base Rate Plus 1%	71,963	108,194

All amounts owed by group undertakings are payable on demand and unsecured.

### 18. Current asset investments

	2017	2016
	£000s	£000s
Short term deposits	73,892	74,942

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.

## Notes to the financial statements

at 31 December 2017

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

	2017	2016
	£000s	£000s
Bank Overdraft	62,026	95,398
Payments received on account	68	89
Trade creditors	32,177	30,890
Taxation and social security	9,990	8,329
Amounts owed to group undertakings	85,336	90,658
Accruals and deferred income	27,200	28,662
<b>Total amount owed to creditors</b>	<b>216,797</b>	<b>254,026</b>

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

Repayable	Currency	Interest terms	2017	2016
			£000s	£000s
On demand	GBP	UK base rate plus 1%	45,056	44,479

All amounts owed to group undertakings are payable on demand and unsecured.

### 20. Provisions for liabilities

	At 1 January 2017	Charge to P&L	Charge to OCI	Utilised	At 31 December 2017
	£000s	£000s	£000s	£000s	£000s
Warranty	224	188	-	(55)	357
Contract	615	23	-	-	638
Severance pay	480	607	-	(480)	607
Deferred tax liability (note 12)	9,080	5,984	13,903	-	28,967
	<b>10,399</b>	<b>6,802</b>	<b>13,903</b>	<b>(535)</b>	<b>30,569</b>

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.

The contract provision represents the expected loss on installation projects based on current estimate at completion.

The company has constructive obligations in respect of redundancy relating principally to restructuring of its operations. The amount of the provision is based on the best estimate of the cost of severance pay for notified individuals at the balance sheet date.

## Notes to the financial statements

at 31 December 2017

### 21. Pension commitments

Honeywell UK Pension Scheme (HUKPS)

#### Defined benefit plans

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 got closed for future accruals of benefits with effect from 30 June 2017 and all active members at this date became deferred members. Regular employer contributions to the plan by the company in 2018 are estimated to be £33,360,411. Defined benefit obligations are based on a full valuation of the schemes liabilities as at 31 December 2017, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2017.

Honeywell Control Systems Ltd Pension and Death Benefit Scheme (Irish plan)

The Honeywell Control Systems Ltd Pension and Death Benefit Scheme is a funded defined benefit plan providing retirement benefits based on salary. The plan also provides life assurance cover. Regular employer contributions to the plan in 2017 are estimated to be £225,000. Defined benefit obligations are based on a full valuation of the liabilities of the Irish plan as at 31 December 2017, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2017.

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
<i>Amounts recognised in the balance sheet</i>						
Fair value of plan assets	7,364	1,154,383	1,161,747	6,304	1,048,470	1,054,774
Present value of defined benefit obligations	(11,194)	(963,337)	(974,531)	(10,061)	(963,872)	(973,933)
Net assets	(3,830)	191,046	187,216	(3,757)	84,598	80,841

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
<i>Amounts recognised in the profit or loss</i>						
Interest cost	220	26,624	26,844	209	30,780	30,989
Expected return on pension plan assets	(139)	(29,794)	(29,933)	(145)	(34,945)	(35,090)
Finance cost/(credit) recognised	81	(3,170)	(3,089)	64	(4,165)	(4,101)
Current service cost	252	4,013	4,265	185	6,615	6,800
Past service cost (including curtailments)	-	-	-	-	(14,766)	(14,766)
Total administration expenses recognised in P&L	11	1,135	1,146	9	730	739
Exchange movement	180	-	180	398	-	398
Cost/(credit) recognised in profit and loss	524	1,978	2,502	656	(11,586)	(10,930)
Actual return on assets	509	117,467	117,976	403	181,668	182,071

## Notes to the financial statements

at 31 December 2017.

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
<b>Remeasurements</b>						
Liability losses due to changes in assumptions	-	17,421	17,421	1,163	175,777	176,940
Liability losses/(gains) due to experience during the year	171	(11,330)	(11,159)	138	2,473	2,611
Asset gains arising during the financial year	(370)	(87,673)	(88,043)	(258)	(146,723)	(146,981)
Total actuarial (gain)/loss recognised in OCI	(199)	(81,582)	(81,781)	1,043	31,527	32,570

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
<b>Changes in present value of defined benefit obligation</b>						
At 1 January	10,061	963,872	973,933	7,175	794,734	801,909
Current service cost	252	4,013	4,265	185	6,615	6,800
Interest cost	220	26,624	26,844	209	30,780	30,989
Exchange movement	495	-	495	1,197	-	1,197
Curtailements	-	-	-	-	(14,765)	(14,765)
Actuarial losses on liabilities - financial assumptions	-	32,746	32,746	1,163	191,040	192,203
Actuarial gains on liabilities - demographic assumptions	-	(15,325)	(15,325)	-	(15,263)	(15,263)
Actuarial losses/(gains) on liabilities - experience	171	(11,330)	(11,159)	138	2,473	2,611
Contributions by participants	27	91	118	23	164	187
Net benefits paid out	(32)	(37,354)	(37,386)	(29)	(31,906)	(31,935)
At 31 December	11,194	963,337	974,531	10,061	963,872	973,933

	2017			2016		
	Irish Scheme £000s	HUKPS £000s	Total £000s	Irish Scheme £000s	HUKPS £000s	Total £000s
<b>Changes in fair value of scheme assets</b>						
At 1 January	6,304	1,048,470	1,054,774	4,892	872,022	876,914
Expected return on assets	139	29,794	29,933	145	34,945	35,090
Actuarial gain on assets	370	87,673	88,043	258	146,723	146,981
Contributions by employer	252	26,844	27,096	225	27,252	27,477
Actual administration expenses paid	(11)	(1,135)	(1,146)	(9)	(730)	(739)
Exchange movement	315	-	315	799	-	799
Contributions by participants	27	91	118	23	164	187
Net benefits paid out	(32)	(37,354)	(37,386)	(29)	(31,906)	(31,935)
At 31 December	7,364	1,154,383	1,161,747	6,304	1,048,470	1,054,774

## Notes to the financial statements

at 31 December 2017

	2017		2016	
Major categories of plan assets as a percentage of total plan assets	Irish Scheme %	HUKPS %	Irish Scheme %	HUKPS %
Equities (including venture cap and alternative investments)	51	60	52	57
Bonds	39	35	39	38
Property	2	1	2	4
Cash	8	4	7	1
Total	100	100	100	100

	2017		2016	
Main actuarial assumptions	Irish Scheme %	HUKPS %	Irish Scheme %	HUKPS %
Inflation (RPI)	1.5	3.2	1.5	3.2
Inflation (CPI)	-	2.1	-	2.1
Rate of general long term increases in salaries	3.0	n/a	3.0	2.6
Rate of increases for pensions	3.0	-	-	-
Pensions subject to limited price indexation to 5%	-	3.1	-	3.1
Pensions subject to limited price indexation to 2.5%	-	2.2	-	2.2
Other pensions and deferred pensions	1.5	2.1	1.5	2.1
Discount rate for scheme liabilities	2.1	2.5	2.1	2.7

### Mortality

#### HUKPS

For HUKPS, mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2017 at age 65 will live on average for a further 22.7 years (2016: 22.5 years) after retirement if male or a further 24.6 years (2016: 24.5 years) if female.

#### Irish scheme

Irish scheme, mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2017 at age 65 will live on average for a further 22.8 years after retirement if male or a further 26 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.

## 22. Share capital

	2017	2016
	£000s	£000s
Authorised & allotted, called up and fully paid		
150,000,000 ordinary shares of £1 each	150,000	150,000

## Notes to the financial statements

at 31 December 2017

### 23. Share premium account

	2017	2016
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	14,537	14,537

### 24. Share-based payments

#### Share option plan

The company 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 IFRS 2.

The company has taken advantage of the exemption available and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and that had not vested on or before 31 December 2005.

The expense recognised for employee services received during the financial year is shown in the following table:

	2017	2016
	£000s	£000s
Expense arising from equity-settled share-based payment transactions	1,135	633
<i>Total expense arising from share-based payment transactions</i>	<i>1,135</i>	<i>633</i>

There were no cancellations or modifications to the awards in 2017 or 2016

	2017	2016
Weighted average fair values at the measurement date	£16.68	£11.16
Expected annual dividend yield	2.81%	2.92%
Expected volatility	18.96%	23.07%
Risk-free interest rate	2.02%	1.29%



## Notes to the financial statements

at 31 December 2017

Expected life of share options (years)	5.04	7.0
Weighted average share price	124.99	74.31

Model used		Black-Scholes option-pricing	Black-Scholes option-pricing	
<i>Share options during the financial year</i>	<i>2017 Number</i>	<i>2017 price £</i>	<i>2016 Number</i>	<i>2016 price £</i>
Outstanding at 1 January	116,877	62.33	186,914	53.44
Granted during the financial year	32,000	100.43	43,844	74.31
Exercised during the financial year	(22,287) <sup>2</sup>	64.07	(69,661) <sup>1</sup>	48.34
Transferred in	-	-	40	61.79
Transferred out	(23,927)	46.32	(12,897)	57.70
Forfeited	(9,763)	68.95	(31,363)	59.09
Outstanding at 31 December	92,900	78.42	116,877	62.33
Exercisable at 31 December	19,318	59.75	10,562	60.87

1 The weighted average share price at the date of exercise of these options was £48.34.

2 The weighted average share price at the date of exercise of these options was £64.07.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 7.93 years (2016: 7.80 years).

The weighted average fair value of options granted during the financial year was £8.82 (2016: £8.93).

The range of exercise prices for options outstanding at the end of the financial year was £46.10 to £100.43 (2016: £37.47 to £78.14).

## Notes to the financial statements

at 31 December 2017

### Weighted average life and average exercise price by range

	2017	2017	2017	2016	2016	2016
Exercise price (range)	Number outstanding	Weighted average life in years	Weighted exercise price £	Number outstanding	Weighted average life in years	Weighted exercise price £
£34.00-£37.47	-	-	-	10,480	5.16	37.47
£46.10-£56.37	16,867	5.89	53.56	38,864	6.66	51.23
£67.21	15,549	7.16	67.21	63,209	8.65	70.55
£73.89	24,160	8.15	73.89	-	-	-
£78.14	4,324	8.34	78.14	4,324	9.33	78.14
£100.43	32,000	9.16	100.43	-	-	-
Total	92,900	7.93	78.42	116,877	7.45	59.35

### 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 3 years and are payable in common stock of Honeywell International Inc. upon vesting.

### Restricted stock units outstanding during the financial year

	2017	2017	2016	2016
	Number	value £	Number	value £
Outstanding at 1 January	38,858	62.00	63,991	55.23
Granted during the financial year	14,530	98.84	10,465	76.78
Exercised during the financial year	(9,391) <sup>2</sup>	52.08	(8,260) <sup>1</sup>	36.64
Transferred in	216	41.77	4,406	35.24
Transferred out	(1,997)	56.34	(6,204)	54.41
Forfeited	(2,207)	70.86	(25,540)	52.87
Outstanding at 31 December	40,009	77.39	38,858	62.00

1 The weighted average share price at the date of exercise of these options was £36.64.

2 The weighted average share price at the date of exercise of these options was £52.08.

## Notes to the financial statements

at 31 December 2017

### 25. Capital commitments

	2017	2016
	£000s	£000s
Commitments contracted for but not yet provided	598	962

At 31 December 2017, the company had commitments of £598,000 relating to the acquisition of property, plant and equipment.

### 26. Operating lease commitments

(a) Where the company is a lessee

	2017	2016
	£000s	£000s
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
<i>Land and buildings</i>		
Not later than one year	2,227	2,227
After one year but not more than five years	7,271	8,366
After five years	339	1,471
<i>Total land and building operating lease commitments</i>	<u>9,837</u>	<u>12,064</u>
<i>Other leases</i>		
Not later than one year	3,205	3,374
After one year but not more than five years	3,750	4,918
<i>Total other leases commitments</i>	<u>6,955</u>	<u>8,292</u>

The company has entered into commercial leases on certain properties and vehicles. These leases have an average duration of between 4 and 25 years. Only the property lease agreements contain an option for renewal, with such options being exercisable six months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

## Notes to the financial statements

at 31 December 2017

(b) Where the company is a lessor

	2017	2016
	£000s	£000s
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	-	2,958
After one year but not more than five years	-	675
<b>Total other leases</b>	<b>-</b>	<b>3,633</b>

The company leases various equipment under operating leases. The leases typically run for periods ranging from 1 year to 2 years and in some cases provide for an option to renew the lease after expiry.

During the financial year ended 31 December 2017, the company recognised £2,455,000 (2016: £1,091,000) as lease rental income in the profit or loss account. At year end 31 December 2017, there were no lease contracts where the company is a lessor.

## 27. 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 £527,287,000 (2016: £596,213,000).

Positive cash balances held by the group exceeded overdrawn balances in 2017 and 2016.

### Guarantees

Performance guarantees amounting to £175,080 (2016: £233,000) have been given to customers of a fellow group company, Honeywell Turki Arabia Limited.

## 28. Subsidiary undertakings

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

Name of company	Principal activity	% holding	Country of incorporation	Registered address
Directly held subsidiaries:				
Honeywell Southern Africa (Pty) Ltd	Control systems	-	South Africa	Honeywell House, Treur Close, Waterfall Park, Vorna Valley, PO Box 6674, Midrand, 1685.
Indirectly held subsidiaries:				
Honeywell Automation and Control Solutions South Africa (Pty) Ltd	Control systems	75%	South Africa	Honeywell House, Treur Close, Waterfall Park, Vorna Valley, PO Box 6674, Midrand, 1685.

## 29. Events since the balance sheet date

On 29 July 2018, Honeywell Control Systems Limited sold the assets and liabilities relating to its Homes division to Ademco 1 Limited in consideration for shares valued at £48,497,749. Subsequently, on 29 October 2018 Honeywell spun off its former Homes and Global Distribution business including Ademco 1 Limited to a new, publicly traded company called Resideo Technologies, Inc. On 27 September 2018, the shareholders of Honeywell Control Systems Limited agreed that the company should reduce its share capital by £149,999,999. The reduction resulted in a credit to the profit and loss reserve.