Registration number: 00264047

Novar Systems Ltd

Amended Report and Financial Statements 2015

Strategic report

for the year ended 31 December 2015

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

Review of the business and future developments

2015 saw a successful year of revenue growth on the products side of the business while the projects/contract side continued to reduce in line with expectations as new projects/contracts are now bid from another group company. On the products side, trade revenues grew sharply as new products and customer wins came through in the year. These were accompanied by a more modest increase in intercompany revenue where volumes in high growth regions provided the momentum.

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

During the year the company transitioned from previously extant UK GAAP to FRS 101 – 'Reduced Disclosure Framework' and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Novar Electricals Holdings Ltd, was notified of and did not object to the use of the FRS 101 disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 24 to these financial statements.

Key performance indicators

	2015	*Unaudited* 2014
Management monitors the business using the following key indicators:	%	%
Turnover % change compared with previous year, due to:		
Volume	5.0	(1.3)
Price	1.4	2.4
	6.4	1.1
Gross profit %	43.2	39.5
Operating result % of turnover	21.8	18.4
Headcount % change compared with previous year	(3.3)	1.2

Turnover

Turnover has increased 6.4% in total. Volume increased through a combination of a number of factors, mainly, increased maintenance and replacement activity driven by customers wanting to avoid new EU Fire Product directives that are coming into effect, plus, new product introductions and increased intercompany activity in High Growth Regions. Offsetting this slightly were the number of new project installations which were marginally down compared to the prior year. The new EU directive also provided the opportunity for some price increases to be passed on.

Gross profit

Gross profit improved to 43.2% of revenue reflecting the price increase, volume contribution, favourable foreign exchange fluctuation, and margin from the mix of higher margin products versus lower value projects.

Operating result

Operating result % for the year is 21.8% reflecting the improved volume/gross profit performance. Higher administration costs reflect increases in incentive payments and headquarter allocations, as well as a reduction in re-charges to other group companies.

Headcount

There was a small reduction in headcount as a result of the reductions in project/contract and administration headcount more than offsetting the increase in production headcount.

Strategy

The company maintains market share and sustainable growth through the following strategies:

- focus on customers, including customer survey programmes to obtain and action customer feedback to improve business performance
- providing the highest standard of product, service and delivery to its customer at a competitive cost
- productivity and process improvement
- product development
- continued expansion into current and new markets
- proactive alignment of its business structure to meet changing market demands
- defending and extending the installed base through productivity improvements

Strategic report

for the year ended 31 December 2015

- strong brand recognition through brand and channel management

Principal risks and uncertainties

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

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

In response to the risks the company:

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

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

DocuSigned by:
Mehmet Erkilic
E42896109345408...

Mehmet Erkilic
Director
23rd February 2017

Directors' report

for the year ended 31 December 2015

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

Principal activities

The principal activity of the business is the design, manufacture, installation and service of business systems for life safety within the fire sector.

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 £12,083,000 (2014:£8,873,000) which will be transferred to reserves. The results for the year are shown on page 8.

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

Amended financial statements

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

Financial risk management

Credit risk

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

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

Liquidity risk

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

Other risks

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

Directors of the company

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

Mark Ayton
Piyush Jutha
John Tus
Mehmet Erkilic (appointed on 13 December 2016)
Grant Fraser (resigned on 07 October 2016)
Andrew Kay (appointed on 07 October 2016)
Kolja Kress (resigned on 31 December 2015)
Allan Richards

Directors' indemnities

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

Research and development

Research and development expenditure for the year amounted to £1,958,000 (2014:£1,896,000).

Directors' report

for the year ended 31 December 2015

Employment of disabled persons

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

Employee involvement

The company keeps employees fully informed of the company's strategies and their impact on the performance of the company and the group and encourages employee participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company. Furthermore, employees can acquire shares in the ultimate parent company through the UK Share Builder Plan.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless 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.

Directors' statement as to disclosure of information to auditors

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

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

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 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 2015

Events since the balance sheet date

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

Independent auditors

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

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

DocuSigned by:
Mehmet Erkilic
E42896109345408...

Mehmet Erkilic
Director
23rd February 2017

Independent auditor's report

to the members of Novar Systems Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVAR SYSTEMS LTD

We have audited the financial statements of Novar Systems Ltd for the year ended 31 December 2015 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Basis for qualified opinion on financial statements

With respect to inventory having a carrying amount of £1,233k the audit evidence available to us was limited because we did not observe the counting of the physical inventory as at 31 December 2015, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities by using other audit procedures.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of Novar Systems Ltd

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to inventory, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matter

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

James Boyle CA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Edinburgh, United Kingdom

1 March 2017

Profit and loss account

for the year ended 31 December 2015

	Notes	2015 £000s	*Unaudited* 2014 £000s
Turnover	5	65,462	61,510
Cost of sales		(37,184)	(37,210)
Gross profit		**28,278**	**24,300**
Distribution costs		(3,027)	(3,430)
Administrative expenses		(10,949)	(9,530)
Operating profit	7	**14,302**	**11,340**
Interest receivable and similar income	10	1,831	1,418
Interest payable and similar charges	11	(1,280)	(1,301)
Profit on ordinary activities before taxation		**14,853**	**11,457**
Tax on profit on ordinary activities	12	(2,770)	(2,584)
Profit for the year attributable to owners of the parent		**12,083**	**8,873**

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

Statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £000s	*Unaudited* 2014 £000s
Profit for the year attributable to owners of the parent		12,083	8,873
Other comprehensive income:			
Items that cannot be classified to profit or loss			
Remeasurement gains on defined benefit pension scheme	19	4,843	8,410
Movement on deferred tax relating to pension scheme	12	(969)	(1,682)
Other comprehensive income for the year net of tax		**3,874**	**6,728**
Total comprehensive income for the year attributable to owners of the parent		**15,957**	**15,601**

Balance sheet

at 31 December 2015

	Notes	2015 £000s	*Unaudited* 2014 £000s
Fixed assets			
Tangible assets	13	235	432
Current assets and liabilities			
Stocks	14	1,233	1,030
Debtors : amount falling due within one year	15	48,993	47,596
Cash at bank and in hand		11,024	5,264
		61,250	53,890
Creditors: amount falling due within one year	16	(26,399)	(24,231)
Net current assets		**34,851**	**29,659**
Total assets less current liabilities		**35,086**	**30,091**
Creditors: amount falling due after more than one year	17	(16,868)	(16,868)
Provisions for liabilities	18	(8,374)	(4,651)
Net assets excluding pension assets		**9,844**	**8,572**
Pension asset	19	**42,336**	**27,651**
Net assets including pension asset		**52,180**	**36,223**
Capital and reserves			
Share capital	20	27	27
Share premium amount	21	2,990	2,990
Profit and loss account		49,163	33,206
Total shareholders' funds attributable to owners of the parent		**52,180**	**36,223**

The financial statements on pages 8 to 28 were approved by the board of directors on 23rd February 2017 and signed on its behalf by:

DocuSigned by:
Mehmet Erkilic
E42898109345408...

Mehmet Erkilic

Director

Statement of changes in equity

at 31 December 2015

	Share capital *£000s*	*Share Premium account* *£000s*	*Profit and loss account* *£000s*	*Total* *£000s*
At 1 January 2014 (unaudited)	27	2,990	17,605	20,622
Profit for the year attributable to owners of the parent	-	-	8,873	7,723
Other comprehensive income	-	-	6,728	7,878
At 31 December 2014 (unaudited)	**27**	**2,990**	**33,206**	**36,223**
Profit for the year attributable to owners of the parent	-	-	12,083	12,083
Other comprehensive income	-	-	3,874	3,874
At 31 December 2015	**27**	**2,990**	**49,163**	**52,180**

Notes to the financial statements

at 31 December 2015

1. General information

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

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

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as company's results are included in the consolidated financial statements of Honeywell International Inc, a company registered in the USA, which is the smallest and largest group to consolidate these financial statements. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at www.honeywell.com.

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

The accounting policies that have been applied consistently throughout the year are set out below.

2. Accounting policies

Basis of preparation

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

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

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 24.

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

The company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. The impact of the transition is explained in note 24. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

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

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

Notes to the financial statements

at 31 December 2015

2. Accounting policies (continued)

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 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.

Turnover and revenue recognition

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

Type of sale	*Recognition*
Product sales	-on delivery and when acceptance by the customer has occurred
Service contracts	-evenly over the period of the contract and the difference is reported in accrued or deferred income
Licensing agreements	-evenly over the period of the agreement
Long term contracts	-Percentage of completion basis once the outcome of the contract can be recognised with reasonable certainity.

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

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.

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.

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

Notes to the financial statements

at 31 December 2015

2. Accounting policies (continued)

Operating leases – as lessee

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

Research and development

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

Foreign currency translation

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

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

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

Taxation

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement 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.

Tangible assets and depreciation

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

Buildings - short leasehold	13%
Buildings - leasehold improvements	13%
Plant and machinery	6-33%
Fixtures & fittings	7 - 25%

Notes to the financial statements

at 31 December 2015

2. Accounting policies (continued)

Tangible assets and depreciation (continued)

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

Land is not depreciated.

Impairment of non-financial assets

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

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

Financial assets - recognition and measurement

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

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

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Notes to the financial statements

at 31 December 2015

2. Accounting policies (continued)

Financial liabilities

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

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

Loans and other borrowings

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

Stocks

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

The cost of raw materials, consumables and goods for resale is the purchase cost on a first-in, first-out basis. The cost of work in progress and finished goods is the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

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.

Pensions

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

The company's share of the surplus or deficit of a defined benefit plan in which it participates is based on its actual shares of assets and obligations to the extent they are identifiable, or otherwise in proportion to its anticipated share of future contributions to the plan, normally in proportion to the number of defined benefit members reported on the most recent annual return from the trustees to the pension regulator.

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

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

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

Notes to the financial statements

at 31 December 2015

3. Judgements and key sources of estimation uncertainty

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

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.

Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. Judgements are also required to where high degree of uncertainty exists and which is associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise.

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

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.

Pension commitments

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds I'm really not on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Management works closely with the actuary to agree to these assumptions. 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. Further details are given in note 19.

4. New and amended standards and interpretations

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

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Notes to the financial statements

at 31 December 2015

4. New and amended standards and interpretations (continued)

Annual Improvements 2010-2012 Cycle

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

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

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

5. Turnover

	2015	Unaudited 2014
Analysis of turnover by geographical market	*£000s*	*£000s*
United Kingdom	50,322	50,509
Europe	6,389	5,793
North America	6	-
Other	8,745	5,208
Total Turnover	65,462	61,510

Analysis of turnover by category	2015	Unaudited 2014
	£000s	*£000s*
Sale of goods	48,236	43,785
Rendering of services	17,226	17,725
Total turnover by category	65,462	61,510

6. Construction contracts

	2015	Unaudited 2014
	£000s	*£000s*
Contract revenue recognised in the period	693	479
Retention asset	10	8
Contract costs incurred	31,054	30,532
Recognised profit less recognised losses	7,168	6,998
Contract costs incurred and recognised profits (less recognised losses)	**38,222**	**37,530**
Less: progress billings	(38,063)	(37,354)
Amount due from customers	**159**	**176**

Retention assets are included in trade debtors.

7. Operating profit

	2015	Unaudited

Notes to the financial statements

at 31 December 2015

	£000s	2014 £000s
This is stated after charging/(crediting):		
Depreciation and amortisation		
Tangible assets – owned	65	113
Rental charges under operating leases		
Land and buildings	393	393
Reorganisation and redundancy	-	99
Research and development	1,958	1,896
(Gain)/loss on foreign exchange	(29)	5

8. Auditor's remuneration

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

9. Employees and directors

(a) *Staff costs*

	2015 £000s	Unaudited 2014 £000s
Wages and salaries	13,262	12,708
Social security costs	1,366	1,502
Contributions to defined contribution pension plans	168	375
Pension costs for defined benefit plans (note 19)	2,170	2,398
Total staff costs	16,966	16,983

	2015 £000s	Unaudited 2014 £000s
Outstanding contributions for defined contribution plans at the end of the year:	-	-

In addition to the staff costs above, the company is re-charged costs of £877,000 (2014: £1,441,000) for 17 (2014: 23) employees from other Honeywell group companies who work on projects within Novar Systems. These costs are included within Cost of Sales.

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

(including executive directors)

	2015 No.	Unaudited 2014 No.
Factory and engineering	123	128
Selling, servicing and marketing	180	185
General and administration	23	24
Total monthly average number of employees	326	337

9. Employees and directors (continued)

(b) Directors' remuneration

	2015 £000s	Unaudited 2014 £000s
Aggregate emoluments	409	375
Accrued pension at year end	7	-
Total payments to directors	416	375
Highest paid director		
Aggregate emoluments	265	240
Accrued pension at year end	-	77
Total payments to highest paid director	265	317

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

Number of directors who:	2015 No.	Unaudited 2014 No.
Were members of defined benefit plans	2	2
Exercised options over shares of Honeywell International Inc., the ultimate parent undertaking	1	1

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

10. Interest receivable and similar income

	2015 £000s	Unaudited 2014 £000s
Interest receivable from group undertakings	567	559
Other finance income (note 19)	1,264	859
Total interest receivable and similar income	1,831	1,418

11. Interest payable and similar charges

	2015 £000s	Unaudited 2014 £000s
Interest payable on bank overdrafts	15	36
Preference share dividend	1,265	1,265
Total interest payable and similar charges	1,280	1,301

12. Taxation

(a) Tax charged in the profit and loss account

	2015 £000s	Unaudited 2014 £000s
Current income tax:		
UK corporation tax on profit for the year	-	-
Deferred tax:		
Origination and reversal of temporary differences	2,770	2,921
Effect of change in tax laws and rates	-	(337)
Total deferred tax	2,770	2,584
Tax expense in the profit and loss account from continuing operations	2,770	2,584

Notes to the financial statements

at 31 December 2015

12. Taxation (continued)

(b) *Tax relating to items charged to Statement of comprehensive income*

	2015 £000s	Unaudited 2014 £000s
Current tax:		
Tax on items relating to components of other comprehensive income	-	-
Deferred tax:		
Remeasurements on defined benefit pension plans	969	1,682
Total deferred tax	969	1,682
Tax expense in the Statement of comprehensive income	969	1,682

(c) *Reconciliation of the total tax charge*

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

	2015 £000s	Unaudited 2014 £000s
Profit before tax	14,853	11,457
Effective tax calculated at 20.25% (2014: 21.5%)	20.25	21.5
Profit on ordinary activities multiplied by the effective rate tax	3,008	2,463
Effects of :		
Expenses not deductible for tax purposes	267	292
Capital allowances less than depreciation	2	(250)
Timing differences related to pensions	(757)	(2,195)
Movements in general provisions and other short term timing differences	690	734
Group relief not paid	(440)	1,540
Total tax expense reported in the profit and loss account	2,770	2,584

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

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

(e) *Deferred tax*

	2015 £000s	Unaudited 2014 £000s
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	1,032	1,021
Other short term timing differences	225	1,037
Deferred tax asset	1,257	2,058
Deferred tax liability on pension asset (note 19)	(8,468)	(5,530)
Net deferred tax liability	(7,211)	(3,472)

	Excluding pension £000s	Pension £000s	Total £000s
Movements in deferred tax			
At 1 January 2015 (unaudited)	2,058	(5,530)	(3,472)
Charge to the profit and loss account	(801)	(1,969)	(2,770)
Charged to statement of comprehensive income	-	(969)	(969)
At 31 December 2015	1,257	(8,468)	(7,211)

There are no unprovided amounts relating to deferred tax.

Notes to the financial statements

at 31 December 2015

13. Tangible assets

	Land and buildings £000s	*Plant and machinery £000s*	*Construction in progress £000s*	*Fixtures and fittings £000s*	*Total £000s*
Cost					
At 1 January 2015	94	1,416	228	612	2,350
Disposal	-	-	(132)	-	(132)
At 1 January and 31 December 2015	94	1,416	96	612	2,218
Accumulated depreciation					
At 1 January 2015	60	1,290	-	568	1,918
Provided during the year	5	45	-	15	65
At 31 December 2015	65	1,335	-	583	1,983
Net book value:					
At 31 December 2015	29	81	96	29	235
At 31 December 2014 (Unaudited)	34	126	228	44	432

The above figures include:

	2015 £000s	*Unaudited 2014 £000s*
Short leasehold land and buildings, at net book value	29	34

14. Stocks

	2015 £000s	*Unaudited 2014 £000s*
Raw materials	833	842
Work in progress	127	101
Finished goods for sale	273	87
Total stocks	1,233	1,030
The amount of inventories recognised as an expense during the period	24,984	25,229
The amount inventories written down recognised as an expense in the period	65	65

15. Debtors : amounts falling due within one year

	2015 £000s	*Unaudited 2014 £000s*
Amounts falling due within one year		
Trade debtors	8,117	7,020
Amounts owed by group undertakings	40,404	40,004
Other debtors	4	3
Prepayments and accrued income	468	569
Total amount owed by debtors	48,993	47,596

Notes to the financial statements

at 31 December 2015

16. Creditors: amounts falling due within one year

	2015 £000s	Unaudited 2014 £000s
Payments received on account	1,258	1,240
Trade creditors	3,832	3,791
Amounts owed to group undertakings	2,291	1,642
Accruals and deferred income	2,035	1,885
Taxation and social security	1,654	1,609
Accrued preference dividend	15,329	14,064
Total amount owed to creditors	26,399	24,231

Accrued preference dividends represent an annual dividend of £1,265,000 since 2003 on 7.5% cumulative preference shares of £1 each.

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

	2015 £000s	Unaudited 2014 £000s
7.5% cumulative preference shares of £1 each	16,868	16,868

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

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

18. Provision for liabilities

	At 1 January 2015 (unaudited) £000s	Charge/ (credit) to P&L £000s	Charge/ (credit) to OCI £000s	At 31 December 2015 £000s
Warranty	1,179	(16)	-	1,163
Deferred tax liability	3,472	2,770	969	7,211
Total provision for liabilities	4,651	2,754	969	8,374

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.

Notes to the financial statements

at 31 December 2015

19. Pensions commitments

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 providing retirement benefits based on salary. It is closed to new entrants. Regular employer contributions to the plan by the company in 2016 are estimated to be £10,939,152. Defined benefit pension obligations are based on a full valuation of the liabilities of HUKPS as at 31 March 2015, measured using the projected unit credit method and rolled forward to the yearend date as at 31 December 2015.

		Unaudited
	2015	*2014*
Amounts recognised in the balance sheet	*£000s*	*£000s*
Fair value of plan assets	432,950	424,926
Present value of defined benefit obligations	(390,614)	(397,275)
Net assets	42,336	27,651

		Unaudited
	2015	*2014*
Amounts recognised in profit or loss	*£000s*	*£000s*
Interest cost	13,457	15,836
Expected return on pension plan assets	(14,721)	(16,695)
Finance credit recognised	(1,264)	(859)
Current service cost	2,170	2,398
Administrative expenses	443	444
Charge recognised in profit and loss account	1,349	1,983
Actual return on assets	11,807	44,709

Amounts recognised in the statement of comprehensive income (SOCI)

		Unaudited
	2015	*2014*
	£000s	*£000s*
Actuarial (gains)/losses on changes in financial assumptions	(9,851)	31,183
Actuarial losses/(gains) due to experience	2,094	(11,579)
Asset losses/(gains) arising during the year	2,914	(28,014)
Total actuarial gain	(4,843)	(8,410)

Changes in present value of defined benefit obligation

		Unaudited
	2015	*2014*
	£000s	*£000s*
At 1 January	397,275	372,629
Current service cost	2,170	2,398
Interest cost	13,457	15,836
Actuarial (losses)/gains on liabilities-financial assumption	(9,851)	39,703
Actuarial losses on liabilities-demographic assumptions	-	(8,520)
Actuarial gains/(losses) on liabilities-experience	2,094	(11,579)
Contributions by participants	53	58
Net benefits paid out	(14,584)	(13,250)
At 31 December	390,614	397,275

Notes to the financial statements

at 31 December 2015

19. Pensions commitments (continued)

Changes in fair value of scheme assets	*2015* *£000s*	*Unaudited 2014* *£000s*
At 1 January	424,926	382,481
Expected return on assets	14,721	16,695
Actuarial (losses)/gains on assets	(2,914)	28,014
Contributions by employer	11,191	11,372
Actual administrative expenses paid	(443)	(444)
Contributions by participants	53	58
Net benefits paid out	(14,584)	(13,250)
At 31 December	432,950	424,926

Major categories of plan assets as a percentage of total plan assets	*2015* *%*	*Unaudited 2014* *%*
Equities	57.0	57.0
Bonds	37.0	38.0
Property	5.0	4.0
Cash	1.0	1.0
	100.0	100.0

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

Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2015 at age 65 will live on average for a further 22.8 years (2014:23.1 years) after retirement if male or a further 24.5 years (2014:25.3 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.

Notes to the financial statements

at 31 December 2015

20. Share capital

	2015 £000s	Unaudited 2014 £000s
Allotted, called up and fully paid		
11,540 ordinary shares of £1 each	12	12
15,400 non-cumulative preference shares of £1 each	15	15
Total share capital	27	27

21. Share premium account

	2015 £000s	Unaudited 2014 £000s
Balance at 1 January and 31 December		
Premium arising on issue of equity shares	2,990	2,990

22. Operating lease commitments

	2015 £000s	Unaudited 2014 £000s
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
Land and buildings		
Not later than one year	380	406
After one year but not more than five years	1,490	1,501
After five years	369	738
Total operating lease commitments	2,239	2,645

The Company has entered into commercial leases on certain properties. One lease has a duration of 3 years and the other two are for 20 years. The two 20 year leases contain an option for renewal, with such options being exercisable three 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.

23. Contingent liabilities

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

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

24. Transition to FRS 101

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

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

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

Notes to the financial statements

at 31 December 2015

24. Transition to FRS 101(continued)

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

Reconciliation of equity as at 1 January 2014	*Notes*	*Unaudited UK GAAP £000s*	*FRS 101 Re-classification £000s*	*FRS 101 Re-measurements £000s*	*FRS 101 £000s*
Fixed assets					
Tangible assets		546	-	-	546
		546	**-**	**-**	**546**
Current assets					
Stocks		1,338	-	-	1,338
Debtors : amount falling due within one year		48,991	-	-	48,991
Cash at bank and in hand		7,089	-	-	7,089
		57,418	-	-	57,418
Creditors: amounts falling due within one year		(27,191)	-	-	(27,191)
Net current assets		**30,227**	**-**	**-**	**30,227**
Total assets less current liabilities		**30,773**	**-**	**-**	**30,773**
Provision for liabilities		(1,165)	-	(1,970)	(3,135)
Creditors: amount falling due after more than one year		(16,868)	-	-	(16,868)
Net assets excluding pension asset		**12,740**	**-**	**(1,970)**	**10,770**
Pension asset		**7,882**	**-**	**1,970**	**9,852**
Net assets including pension asset		**20,622**	**-**	**-**	**20,622**
Capital and reserves					
Share capital		27	-	-	27
Share Premium amount		2,990	-	-	2,990
Profit and loss account		17,605	-	-	17,605
Total shareholders' funds attributable to owners of the parent		**20,622**	**-**	**-**	**20,622**

Notes to the financial statements

at 31 December 2015

24. Transition to FRS 101 (continued)

Reconciliation of equity as at 31 December 2014	*Notes*	*Unaudited UK GAAP £000s*	*FRS 101 Re-classification £000s*	*FRS 101 Re-measurements £000s*	*FRS 101 £000s*
Fixed assets					
Tangible assets		432	-	-	432
		432	**-**	**-**	**432**
Current assets					
Stocks		1,030	-	-	1,030
Debtors: amounts falling due within one year		49,654	-	(2,058)	47,596
Cash at bank and in hand		5,264	-	-	5,264
		55,948	-	(2,058)	53,890
Creditors: amounts falling due within one year		(24,231)	-	-	(24,231)
Net current assets		**31,717**	**-**	**(2,058)**	**29,659**
Total assets less current liabilities		**32,149**	**-**	**(2,058)**	**30,019**
Creditors: amount falling due after more than one year		(16,868)	-	-	(16,868)
Provision for liabilities		(1,179)	-	(3,472)	(4,651)
Net assets excluding pension asset		**14,102**	**-**	**(5,530)**	**8,572**
Pension asset		**22,121**	**-**	**5,530**	**27,651**
Net assets including pension asset		**36,223**	**-**	**-**	**36,223**
Capital and reserves					
Share capital		27	-	-	27
Share premium amount		2,990	-	-	2,990
Profit and loss account		33,206	-	-	33,206
Total shareholders' funds attributable to owners of the parent		**36,223**	**-**	**-**	**36,223**

Current and deferred tax

(a) Re-measurements

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

(b) Deferred tax on pension liability

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

Notes to the financial statements

at 31 December 2015

24. Transition to FRS 101 (continued)

(c) Pensions: Net interest on pension liability

Under previous UK GAAP the interest cost was determined by applying the discount rate to the opening present value of the defined benefit obligation, and the interest income on the expected return on plan assets based on an assessment made at the beginning of the year of the long-term market returns on scheme assets. Under IAS 19 net interest is calculated by applying the discount rate to the net defined liability or asset. As a result of transition to FRS 101, net interest for the year ended 31 December 2014 was £5,493,000 higher than had been recognised under previous UK GAAP, with a corresponding reduction in re-measurement gains recognised in other comprehensive income.