

Honeywell UK Limited

Annual Report and Financial Statements 2017

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Company Information

Officers and professional advisors

Directors

Anthony Hutchings
Dagmar Klimentova
John Tus
Melvyn White

Auditor

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

Bankers

Barclays Bank,
Level 11,
3 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 financial year ended 31 December 2017

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

Principal activities

The principal activity of the company is manufacturing turbo-chargers; repairing and maintaining aircraft wheels and brakes; and the design of navigation and special avionic mission control hardware and software. There are operating facilities at Cheadle, Feltham and Whitstable.

Review of the business and future developments

2017 was a good trading year for the Honeywell UK Ltd, which saw growth in the turnover of its aircraft wheels and brakes overhaul business and stabilisation in the other businesses. In consequence, during the year turnover increased to £30,243,000 (2016: £23,740,000) and gross profit rose to £9,048,000 (2016: £5,165,000). However operating loss increased to £4,816,000 (2016: 1,027,000) as the growth in gross profit was more than offset by a rise in administrative expenses caused by higher central charges which are based on net assets, as well as losses on foreign exchange.

Overall the company reported a loss before taxation of £2,887,000 (2016: profit before taxation £1,553,000), as interest expense remained broadly stable but interest income decreased compared with 2016, due to lower income from loans to group undertakings and lower expected return on the pension asset.

In October 2018, Honeywell International Inc. separately spun 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. Honeywell UK Limited disposed of its Transportation Systems business at the end of May 2018 to another Honeywell group company, in preparation for the spin-off.

The directors believe that after the spin-off of the Transportation Systems business, the company is well positioned to focus on and take advantage of growth opportunities in its aircraft wheels and brakes repair and maintenance operation.

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
	%	%
Turnover % change compared with previous year	27.4	(10.6)
Gross profit %	29.9	21.8
Operating result % of turnover	(15.9)	(4.3)
Headcount % change compared with previous year	3.1	(21.2)

Turnover

Turnover increased by 27.4%, from £23,740,000 in 2016 to £30,243,000 in 2017. This was driven mostly by growth in the company's aircraft wheels and brakes repair and overhaul business based in Feltham. Turnover in other divisions was stable as the decline observed in 2016 was halted.

Gross profit

Gross margin increased to 29.9% in 2017 from 21.8% in 2016, mostly due to the increased activity in the aircraft wheels and brakes repair and overhaul business, which also benefitted from favourable exchange rates as the revenue is mostly in dollars whereas staff costs are in pounds sterling.

Operating result

In spite of improved trading, the company continued to report an operating loss as the increase in gross profit was offset by an increase in administrative expenses due to significantly higher central charges, which are based on gross profit, and losses on foreign exchange.

Headcount

Headcount increased by 3.1% compared with 2016, entirely driven by the increase in number of employees in the Feltham wheels and brakes repair and overhaul business in order to meet the increase in demand. Employee numbers in the other divisions were largely stable.

Strategic report

for the financial year ended 31 December 2017

Financial risk management

Foreign currency risk

The company monitors and manages the foreign currency risk relating to the operations of the company, with the assistance of the treasury department of Honeywell International Inc.

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 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 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 technologically advanced and unique proposition.

The company aims to accelerate its transformation to a software-industrial company, building on its strengths by focusing on its wheels and brakes repair and overhaul business and continuing to deliver excellent service and product support to the aviation industry. Its aircraft wheels and brakes repairs and overhaul business makes a significant contribution to the company's global aircraft wheels and brakes manufacturing operation by contributing to its global maintenance and service offering.

In preparation for the spin off of its Transportation Systems business, on 29th May 2018 Honeywell UK Ltd limited sold the assets and liabilities relating this business and transferred all the related employees to MESL Microwave Limited, a Honeywell Group company.

Principal risks and uncertainties

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Company and the wider Honeywell Group's operations. The uncertainty during and after the period of negotiation is also expected to increase volatility and may have an economic impact particularly in the UK and Eurozone. Management are currently monitoring the situation and are developing contingency plans for various scenarios that could arise.

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:

DocuSigned by:

APV. Hutchings

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Anthony Hutchings
Director

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Directors' report

for the financial year ended 31 December 2017

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 loss for the financial year, after taxation was £3,716,000 (2016 profit: £445,000) which will be deducted from reserves. The results for the financial year are shown on page 7.

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 year and up to the date of signing these financial statements were:

Dominic Allen (resigned 25 July 2018)

John Tus

James Vickerstaff (resigned 27 September 2018)

Melvyn White

Dagmar Klimentova

Anthony Hutchings (appointed on 22 February 2017)

Martin Stringer (resigned on 5 May 2017)

Johnathan Parker (resigned on 22 February 2017)

Mehmet Erkilic (resigned on 31 January 2018)

Directors' indemnities

Pursuant of the company's articles of association, the directors were throughout the 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 income for the year ended amounted to £96,000 (2016: £170,000).

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.

Directors' report

for the financial year ended 31 December 2017

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 the Regional Finance Leader for North and 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.

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 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 29th May 2018, Honeywell UK Ltd limited sold the assets and liabilities relating to its Transportation Systems business to MESL Microwave Limited, a Honeywell Group company, in consideration for \$10,000,000. On the same day, Transportation Systems employees under contract with Honeywell UK Limited were also transferred. Subsequently, on 1 October 2018 Honeywell spun off its former Transportation Systems business including MESL Microwave limited to a new, publicly traded company called Garrett Motion Inc.

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:

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APV Hutchings

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Anthony Hutchings
Director

6/2/19

Independent auditor's report

to the members of Honeywell UK Limited

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 loss 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 UK 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 26.

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.

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.

Independent auditor's report

to the members of Honeywell UK Limited

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. 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.

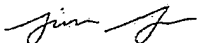
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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
7/2/2019

Profit and loss account

for the financial year ended 31 December 2017

	Notes	2017 £000s	2016 £000s
Turnover	5	30,243	23,740
Cost of sales		(21,195)	(18,575)
Gross profit		9,048	5,165
Distribution expenses		39	(116)
Administrative expenses		(13,903)	(6,076)
Operating loss	6	(4,816)	(1,027)
Interest receivable and similar income	9	4,003	4,917
Interest payable	10	(2,074)	(2,337)
(Loss)/profit before taxation		(2,887)	1,553
Tax on loss	11	(829)	(1,108)
(Loss)/profit for the financial year attributable to owners of the parent		(3,716)	445

All amounts are derived from continuing operations.

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

The notes on pages 11 to 29 form an integral part of the financial statements.

Statement of comprehensive income

at 31 December 2017

	Notes	2017 £000s	2016 £000s
(Loss)/profit for the financial year attributable to owners of the parent		(3,716)	445
Other comprehensive income/(expense):			
<i>Items that cannot be classified to profit or loss</i>			
Actuarial gains/(losses) on pension plan	20	23,088	(3,904)
Movement on deferred tax relating to pension scheme	11	(3,925)	742
Other comprehensive income/(expense) for the financial year net of tax		19,163	(3,162)
Total comprehensive income/(expense) for the financial year attributable to owners of the parent		15,447	(2,717)

Balance sheet

at 31 December 2017

	Notes	2017 £000s	2016 £000s
Fixed assets			
Intangible assets	12	246	256
Tangible assets	13	1,722	1,546
Investments	14	18,898	18,898
		20,866	20,700
Current assets			
Stocks	15	1,115	584
Debtors: amounts falling due within one year	16	225,531	261,014
Debtors: amounts falling after more than one year	16	-	2,690
Current Investments	17	31,705	24,341
Cash at bank and in hand		725	234
		259,076	288,873
Creditors: amounts falling due within one year	18	(152,555)	(172,435)
Net current assets		106,521	116,428
Total assets less current liabilities (excluding pension asset)		127,387	137,128
Provisions for liabilities	19	(10,296)	(5,584)
Pension asset	20	57,797	27,897
Net assets		174,888	159,441
Capital and reserves			
Share capital	21	15,641	15,641
Share premium account	22	11,309	11,309
Profit and loss account		147,938	132,491
Total shareholders' funds attributable to owners of the parent		174,888	159,441

The financial statements on pages 7 to 29 were approved by the board of directors on 06-Feb-2019 and signed on its behalf by:

DocuSigned by:
APV Hutchings
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Anthony Hutchings
Director

Statement of changes in equity

at 31 December 2017

	<i>Share capital</i>	<i>Share Premium account</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2016	15,641	11,309	135,208	162,158
Profit for the year attributable to owners of the parent	-	-	445	445
Other comprehensive expense	-	-	(3,162)	(3,162)
At 31 December 2016	15,641	11,309	132,491	159,441
Profit for the year attributable to owners of the parent	-	-	(3,716)	(3,716)
Other comprehensive income	-	-	19,163	19,163
At 31 December 2017	15,641	11,309	147,938	174,888

Notes to the financial statements

at 31 December 2017

1. General information

Honeywell UK Limited is a private company limited by shares which is incorporated in the United Kingdom under the 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 International UK 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.

The accounting policies that have been applied consistently throughout the financial year and 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 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. 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 revenue from sales to customers and service revenues net of value added tax.

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

<u>Type of sale</u>	<u>Recognition</u>
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

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 exceeded turnover, the excess is included in payments on account.

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.

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

Foreign currency translation

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

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

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

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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.

Notes to the financial statements

at 31 December 2017

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

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

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

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

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

Intangible assets

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

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.

The useful life of the major assets are:

Software	5 years
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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 - leasehold improvements	10% or life of lease if under 10 years
Buildings - short leasehold	7% - 25%
Plant & machinery	8% - 33%
Fixtures & fittings	6% - 17%

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

Land is not depreciated.

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

Notes to the financial statements

at 31 December 2017

Investments

Investments in subsidiaries are accounted for at historical 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.

Goodwill is tested for impairment annually as at year end and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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 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.

Notes to the financial statements

at 31 December 2017

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.

Pensions

As described in note 20, 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.

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.

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.

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 Investment in subsidiaries

Notes to the financial statements

at 31 December 2017

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 £18,898,000 (2016: £18,898,000).

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 provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows.

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.

The dilapidation provision covers the anticipated dilapidation costs of returning properties at Cheadle, Feltham and Whitstable to their original condition at the end of their lease period in August 2022, July 2019 and June 2019 respectively. The carrying amount of the dilapidation provision as at 31 December 2017 was £809,000 (2016: £827,000).

(ii) Estimates used for Defined Benefit pension schemes

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

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 difference 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 the 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 £000s	2016 £000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	2,073	469
Rest of Europe	26,966	22,304
North America	1,076	827
Other	128	140
<i>Total Turnover by geographical market</i>	<u>30,243</u>	<u>23,740</u>
	2017 £000s	2016 £000s
<i>Analysis of turnover by category</i>		
Sale of goods	91	131
Rendering of services	3,0152	23,609
<i>Total turnover by category</i>	<u>30,243</u>	<u>23,740</u>

6. Operating loss

	2017 £000s	2016 £000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
-Tangible assets – owned	431	522
-Intangible assets	10	13
<i>Rental charges under operating leases</i>		
-Land and buildings	687	750
-Vehicle fleet	14	14
Lease Income	-	(60)
Gain/(loss) on foreign exchange	1,521	(1,891)
Lease surrender charges	-	1,550
Research and development income	(96)	(170)
Intercompany loan write off	(1,588)	-
Loss on disposal of tangible assets	-	476

7. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £23,460 (2016: £27,000) for the audit of the financial statements. This cost was incurred by Honeywell Control Systems Limited, a fellow UK subsidiary of Honeywell International Inc., and it is not recharged to the company.

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

Notes to the financial statements

at 31 December 2017

8. Employees and directors

(a) Staff costs

	2017 £000s	2016 £000s
Wages and salaries	6,640	5,945
Social security costs	770	750
Contributions to defined contribution pension plans	647	587
Pension costs for defined benefit plans (note 20)	344	127
Total staff costs	8,401	7,409

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

(Including executive directors)

	2017 No.	2016 No.
Direct	73	68
Indirect	92	92
Total monthly average number of employees	165	160

(b) Directors' remuneration

	2017 £000s	2016 £000s
Aggregate emoluments	170	275
Pension costs – defined contribution	12	19
Total payments to directors	182	294

Highest paid director		
Aggregate emoluments	92	109
Accrued pension at financial year end	5	8
Total payments to highest paid director	97	117

	2017 No.	2016 No.
<i>During the financial year number of directors who:</i>		
Were members of defined contribution plans	2	3
Exercised options over shares of Honeywell International Inc., the ultimate parent	-	-

In 2017, seven directors (2016: seven directors) were remunerated by other group companies for their services to the group as a whole.

Notes to the financial statements

at 31 December 2017

9. Interest receivable and similar income

	2017 £000s	2016 £000s
Interest receivable from group undertakings	2,900	3,348
Bank interest receivable	206	391
Pension interest (note 20)	897	1,178
<i>Total interest receivable and similar income</i>	<u>4,003</u>	<u>4,917</u>

10. Interest payable

	2017 £000s	2016 £000s
Interest payable on bank overdrafts	112	128
Interest payable to group undertakings	1,962	2,209
<i>Total interest payable</i>	<u>2,074</u>	<u>2,337</u>

11. Taxation

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

	2017 £000s	2016 £000s
<i>Current tax:</i>		
UK corporation tax on profit for financial year	-	-
<i>Total tax expense in the profit and loss account</i>	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	1,256	1,183
Prior year adjustments	82	145
Effect of change in tax laws and rates	(509)	(220)
<i>Total deferred tax</i>	<u>829</u>	<u>1,108</u>
<i>Total tax charge reported in the profit and loss account</i>	<u>829</u>	<u>1,108</u>

Notes to the financial statements

at 31 December 2017

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

	2017 £000s	2016 £000s
<i>Current tax:</i>		
Tax on items relating to components of other comprehensive income	-	-
Total current tax	-	-
<i>Deferred tax:</i>		
Remeasurements on defined benefit pension plans	3,925	(742)
Total deferred tax	3,925	(742)
<i>Total tax expense/(income) in the statement of comprehensive income</i>	<i>3,925</i>	<i>(742)</i>

(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 £000s	* 2016 £000s
(Loss)/Profit before tax	(2,887)	1,553
(Loss)/Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19.25% (2016: 20%)	(556)	311

Effects of:

Expenses not deductible for tax purposes and other permanent differences	68	261
Income not taxable	(306)	-
Difference in current tax rate to deferred tax rate	(166)	(61)
Prior year adjustments	82	145
Effect of change in tax laws and rates	(509)	(220)
Group relief surrendered	2,216	672
<i>Total tax expense reported in the profit and loss account</i>	<i>829</i>	<i>1,108</i>

(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 £000s	2016 £000s
<i>The deferred tax included in the balance sheet is as follows:</i>		
Differences between capital allowances and depreciation	245	318
Other short term timing differences	69	225
Total deferred tax asset	314	543
Deferred tax liability on pension asset (note 20)	(9,825)	(5,300)
Total deferred tax liability	(9,825)	(5,300)
Net deferred tax liability	(9,511)	(4,757)

Movement in deferred tax

	Excluding pension £000s	Pension £000s	Total £000s
At 1 January 2017	543	(5,300)	(4,757)
Charged to profit and loss account	(229)	(600)	(829)
Charged to statement of comprehensive income	-	(3,925)	(3,925)
At 31 December 2017	314	(9,825)	(9,511)

There are no unprovided amounts relating to deferred tax.

12. Intangible assets

	Goodwill £000s	Software £000s	Total £000s
Cost			
At 1 January	242	721	963
Additions	-	-	-
At 31 December 2017	242	721	963
Accumulated amortisation/impairment			
At 1 January 2017	-	707	707
Provided during the year	-	10	10
At 31 December 2017	-	717	717
Net book value:			
At 31 December 2017	242	4	246
At 31 December 2016	242	14	256

Notes to the financial statements

at 31 December 2017

Goodwill impairment analysis

The goodwill balance of £242,000 relates to the Feltham aircraft wheels and brakes repair and overhaul division. The recoverable amount has been determined on a value in use basis using cash-flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the projected demand for products and services. The pre-tax discount rate applied to cash flow projections is 8.75% (2016: 8%) and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate (2016: 2.5%) that is the same as the long-term average growth rate for the aerospace industry. The Directors performed an impairment test in the year, and the current year tests confirmed that there are no indicators of impairment.

13. Tangible assets

	Land and buildings £000s	Plant and equipment £000s	Fixtures and fittings £000s	Construction in progress £000s	Total £000s
Cost					
At 1 January 2017	2,341	4,532	279	233	7,385
Additions	126	251	-	231	608
Disposals	-	(291)	-	-	(291)
Transfers	71	165	-	(236)	-
At 31 December 2017	2,538	4,657	279	228	7,702
Accumulated depreciation					
At 1 January 2017	1,973	3,685	181	-	5,839
Provided during the year	117	300	14	-	431
Disposals	-	(290)	-	-	(290)
At 31 December 2017	2,090	3,695	195	-	5,980
Net book value:					
At 31 December 2017	448	962	84	228	1,722
At 31 December 2016	368	847	98	233	1,546

The above figures include:

	2017 £000s	2016 £000s
Short leasehold land and buildings, at net book value	448	368

Notes to the financial statements

at 31 December 2017

14. Investments

	2017			2016		
	Share in subsidiary undertaking £000s	Other investment £000s	Total £000s	Share in subsidiary undertaking £000s	Other investment £000s	Total £000s
<i>Cost</i>						
At 1 January and at 31 December	18,898	919	19,817	18,898	919	19,817
<i>Provision for impairment</i>						
At 1 January and at 31 December	-	(919)	(919)	-	(919)	(919)
<i>Net book value</i>	18,898	-	18,898	18,898	-	18,898

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

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 25.

Other investments

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

15. Stocks

	2017 £000s	2016 £000s
Raw materials	797	529
Finished goods	63	14
Work in progress	255	41
<i>Total stocks</i>	1,115	584
The amount of inventories recognised as an expense during the period	9,361	7,547
The amount of inventories written down recognised as a expense/(credit) in the period	(506)	(7)

Notes to the financial statements

at 31 December 2017

16. Debtors

	2017 £000s	2016 £000s
<i>Amounts falling due within one year</i>		
Trade debtors	2,771	586
Amounts owed by group undertakings	219,630	258,716
Other debtors	115	1,663
Prepayments and accrued income	3,015	49
<i>Total amounts falling due within one year</i>	<u>225,531</u>	<u>261,014</u>
<i>Amounts falling due after more than one year</i>		
Prepayments and accrued income	-	2,690
<i>Total amounts falling due after more than one year</i>	-	<u>2,690</u>

Prepayments includes amounts related to accrued income for repairs to wheels and brakes, where income is linked to the number of aircraft landings.

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

<i>Receivable</i>	<i>Currency</i>	<i>Interest terms</i>	2017 £000s	2016 £000s
On demand	GBP	UK base rate plus 1%	63,988	63,169
On demand	GBP	1.277%	<u>139,004</u>	<u>192,905</u>

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

17. Current investments

	2017 £000s	2016 £000s
Short term deposits	<u>31,705</u>	<u>24,341</u>

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

18. Creditors: amounts falling due within one year

	2017 £000s	2016 £000s
Trade creditors	5,423	1,730
Amounts owed to group undertakings	145,056	169,225
Taxation and social security	-	690
Accruals and deferred income	1,835	768
Other creditors	241	22
Total amount owed to creditors	152,555	172,435

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

<i>Repayable</i>	<i>Currency</i>	<i>Interest terms</i>	2017 £000s	2016 £000s
On demand	GBP	UK base rate + 1%	141,998	167,381

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

19. Provision for liabilities

	At 1 January 2017 £000	Charge to P&L £000	Charge to OCI £000	At 31 December 2017 £000
Deferred tax liability (note 11)	4,757	829	3,925	9,511
Dilapidation provision	827	(42)	-	785
Total	5,584	787	3,925	10,296

Dilapidation provision

Dilapidation provision is recognised against the company's obligation under the operating lease contracts entered into by the company for repairing the property and reinstating the property to the way it was before the company entered into the operating lease contract to use the property as a lessee.

Notes to the financial statements

at 31 December 2017

20. Pension commitments

Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined benefit plan based on salary. It is closed to new entrants and from June 2017 closed to future accruals and employee contributions. Regular employer contributions to the plan by the company in 2018 are estimated to be £551,321. Defined benefit obligations are based on a full valuation of the schemes liabilities as at 31 March 2017, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2017.

	2017	2016
	£000s	£000s
<i>Amounts recognised in the balance sheet</i>		
Fair value of plan assets	338,208	308,580
Present value of defined benefit obligations	(280,411)	(280,683)
Net asset	57,797	27,897

	2017	2016
	£000s	£000s
<i>Amounts recognised in profit or loss</i>		
Interest cost	7,535	8,710
Expected return on pension plan assets	(8,432)	(9,888)
Finance credit recognised	(897)	(1,178)
Current service cost	23	127
Past service cost (including curtailments)	-	(283)
Total administrative expenses recognised in P&L	321	207
Credit recognised in profit and loss account	(553)	(1,127)
Actual return on assets	34,615	55,024

	2017	2016
	£000s	£000s
<i>Remeasurements</i>		
Liability losses due to changes in assumptions	4,930	49,739
Liability gains due to experience during the year	(1,835)	(699)
Asset gains arising during the financial year	(26,183)	(45,136)
Total actuarial (gains)/losses recognised in OCI	(23,088)	3,904

Notes to the financial statements

at 31 December 2017

Changes in present value of defined benefit obligation	2017 £000s	2016 £000s
At 1 January	280,683	232,439
Current service cost	23	127
Interest cost	7,535	8,710
Curtailments	-	(283)
Actuarial losses on liabilities - financial assumptions	9,267	54,058
Actuarial gains on liabilities - demographic assumptions	(4,337)	(4,319)
Actuarial gains on liabilities - experience	(1,835)	(699)
Contributions by participants	1	3
Net benefits paid out	(10,926)	(9,353)
At 31 December	280,411	280,683

Changes in fair value of scheme assets	2017 £000s	2016 £000s
At 1 January	308,580	257,641
Expected return on assets	8,432	9,888
Actuarial gains on assets	26,183	45,136
Contributions by employer	6,259	5,472
Actual administration expenses paid	(321)	(207)
Contributions by participants	1	3
Net benefits paid out	(10,926)	(9,353)
At 31 December	338,208	308,580

Major categories of plan assets as a percentage of total plan assets	2017 %	2016 %
Equities (including venture cap and alternative investments)	60.0	57.0
Bonds	35.0	38.0
Property	1	4.0
Cash	4	1.0
Total	100.0	100.0

Notes to the financial statements

at 31 December 2017

Main actuarial assumptions

	2017 %	2016 %
Inflation (RPI)	3.2	3.2
Inflation (CPI)	2.1	2.1
Rate of general long term increases in salaries	-	2.6
<i>Rate of increase for pensions</i>		
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	2.1	2.1
Discount rate for scheme liabilities	2.5	2.7

Mortality

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.

Overall long-term rate of return

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

21. Share capital

	2017 £000s	2016 £000s
<i>Authorised and allotted, called up and fully paid</i>		
15,641,000 ordinary shares of £1 each	15,641	15,641

22. Share premium account

	2017 £000s	2016 £000s
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	11,309	11,309

Notes to the financial statements

at 31 December 2017

23. Operating lease commitments

	2017 £000s	2016 £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	489	697
After one year but not more than five years	515	1,042
<i>Total land and buildings operating lease commitments</i>	1,004	1,739
<i>Other leases</i>		
Not later than one year	14	14
After one year but not more than five years	3	17
<i>Total other leases commitments</i>	17	31

The company has entered into commercial leases on certain properties. These leases have an average duration of between 3 and 5 years. None of the lease agreements contain an option for renewal. There are no restrictions placed upon the lessee by entering into these leases.

24. 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.

25. Subsidiary undertakings

The company's subsidiary undertakings are as follows:

Name of company	Principal activity	% holding if not 100%	Country of incorporation	Registered address
<i>Directly held subsidiaries</i>				
AlliedSignal Holding BV	Finance company	55%	Netherlands	Laarderhoogtwed 18 101 EA Amsterdam Netherlands

26. Events since the balance sheet date

On 29th May 2018, Honeywell UK Ltd limited sold the assets and liabilities relating to its Transportation Systems business to MESL Microwave Limited, a Honeywell Group company, in consideration for \$10,000,000. On the same day, Transportation Systems employees under contract with Honeywell UK Limited were also transferred. Subsequently, on 1 October 2018 Honeywell spun off its former Transportation Systems business including MESL Microwave limited to a new, publicly traded company called Garrett Motion Inc.