

Honeywell Acquisitions II Ltd

Report and accounts 2011



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Directors' report

for the year ended 31 December 2011

The directors of Honeywell Acquisitions II Ltd present their report and audited accounts of the company for the year ended 31 December 2011

Principal activities

The principal activity of the company is to act as the holding company for its trading subsidiaries

Business review and future developments

The results for the year are in line with the directors' expectations. The directors intend that the company will continue to operate as a holding company for the foreseeable future

Results and dividends

The company's loss for the financial year was £13,520,000 (2010 £20,882,000 profit) which will be deducted from reserves. The results for the year are shown on page 4

The directors do not recommend the payment of a dividend (2010 £nil)

Directors

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

Allan Richards (resigned 21 February 2011)

David Protheroe

Marie Astrid Dubois

John Miller

Directors' indemnities

Pursuant to the company's articles of association, the directors were throughout the year to 31 December 2011 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 236 of the Companies Act 2006

Principal risks and uncertainties

The company acts as a holding company for its subsidiaries and does not trade. The management and execution of the company's strategy are exposed to a number of risks. The key business risks affecting the company are

- interest rate risk
- liquidity risk
- credit risk

In response to these risks the company monitors

- interest rate characteristics to ensure that new borrowings are positioned according to expected movements in interest rates,
- funding to ensure that sufficient funds are available to the company for its operations, and
- the financial institutions which the company has banking arrangements with are approved by the Honeywell group

Financial risk management

The company's financial risk management objectives and policies are described above and relate to the company's exposure to interest rate risk, liquidity risk, currency risk and credit risk

Key performance indicators

The company monitors its net interest income/expense

Directors' report (continued)

for the year ended 31 December 2011

Directors responsibilities statement

The directors are responsible for preparing the Directors' report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have prepared the accounts in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the accounts 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 of the company for that period.

In preparing these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts 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 accounts 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.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' 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 accounts.

The directors, having taken into account the financial support from the ultimate parent company have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern.

Disclosure of information to auditors

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

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

By order of the board



David Protheroe

Director

21 February 2012

Independent auditors' report

to the members of Honeywell Acquisitions II Ltd

We have audited the financial statements of Honeywell Acquisitions II Ltd for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 2, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss 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 matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Alison Cashmore (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London

24 February 2012

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Income from shares in group undertakings	5	-	34,000
Interest receivable and similar income	6	1,281	1,991
Interest payable and similar charges	6	(14,801)	(15,109)
(Loss)/profit on ordinary activities before taxation	4	(13,520)	20,882
Tax on (loss)/profit on ordinary activities	7	-	-
(Loss)/profit on ordinary activities after taxation	13	(13,520)	20,882

All amounts are derived from continuing operations

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

The company has no recognised gains and losses other than the loss for the year, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet

as at 31 December 2011

	<u>Note</u>	<u>2011</u> <u>£000</u>	<u>2010</u> <u>£000</u>
Fixed assets			
Investments	9	<u>794,514</u>	<u>794,514</u>
Current assets			
Debtors	10	73,686	135,553
Current liabilities			
Creditors: amounts falling due within one year	11	(234,389)	(282,736)
Net current liabilities		<u>(160,703)</u>	<u>(147,183)</u>
Net assets		<u>633,811</u>	<u>647,331</u>
Capital and reserves			
Called up share capital	12	698,753	698,753
Profit and loss account	13	(64,942)	(51,422)
Total shareholders' funds	13	<u>633,811</u>	<u>647,331</u>

The accounts were approved by the board of directors on *21 February* 2012 and were signed on its behalf by



David Protheroe
Director

Notes to the accounts

for the year ended 31 December 2011

1. Accounting policies

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

Changes in accounting policies

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

During the year amendments to FRS8 "Related Party Disclosures" have been adopted. The amendments to this policy had no impact on the accounts of the company.

Group accounts

The accounts 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 accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of Honeywell International Inc, a company registered in the USA and whose accounts the directors consider to be drawn up in a manner equivalent to the 7th Directive. The accounts of Honeywell International Inc are publicly available.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Directors' report. The company participates in the group's centralised treasury arrangement and so shares bank arrangements with its parent and fellow subsidiaries. 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 accounts.

The directors, having taken into account the financial support from the ultimate parent company, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements.

Dividend income

Dividend income is recognised when the shareholder's right to payment is established, that is on declaration of the dividend by the subsidiary.

Taxation

Taxation is calculated on profits chargeable to UK corporation tax at the current rate applicable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Investments

The company's interest in subsidiary undertakings is shown at cost less provision for permanent impairment. The value of investments is reviewed annually by the directors or more frequently if there is a triggering event, and provision made where it is considered that there has been a permanent impairment of value.

Notes to the accounts (continued)

for the year ended 31 December 2011

2. Cash flow statement and related party transactions

The company is a wholly owned subsidiary company of a group headed by Honeywell International Inc, and is included in the consolidated accounts of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 "Cash flow statements" (revised 1996) from preparing a cash flow statement.

In accordance with the exemptions available under FRS 8 "Related party disclosures", transactions with other wholly owned undertakings within the Honeywell group are not required to be disclosed in these accounts, on the grounds that this company is a wholly owned subsidiary of Honeywell International Inc, whose accounts are publicly available.

3. Employees and directors

The directors are 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 company. The company has no other employees (2010 none).

4. (Loss)/profit on ordinary activities before taxation

Audit fees of £3,225 (2010 £3,225) were borne by a fellow group company.

5. Income from shares in group undertakings

In 2010 the company received dividends from its subsidiary undertaking, Pittway UK Ltd of £34,000,000.

6. Interest

Interest receivable and similar income

Interest receivable from group undertakings

2011 2010

£000 £000

1,281 1,991

Interest payable and similar charges

Bank interest and overdrafts

Interest payable to group undertakings

38 252

14,763 14,857

14,801 15,109

7. Tax on (loss)/profit on ordinary activities

Current tax

UK corporation tax on (losses)/profits for the year

- -

The tax assessed for the year is different to the standard rate of UK corporation tax rate of 26½% (2010 28%) and the differences are explained below.

(Loss)/profit on ordinary activities before tax

(13,520) 20,882

(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26½% (2010 28%)

(3,583) 5,847

Effects of

Unrelieved overseas taxation

(613) -

Income from shares in group undertakings, not taxable

- (9,520)

Group relief surrendered for nil payment

4,196 3,673

Total current tax charge for the year

- -

8. Deferred taxation

Unrecognised deferred tax asset at 25% (2010 27%)

Overseas interest not paid

2,736 3,580

The directors consider that it is less likely than not that future taxable profits will be sufficient to realise the deferred tax asset. The asset has therefore not been recognised in these accounts.

Notes to the accounts (continued)

for the year ended 31 December 2011

9. Investments	Ordinary shares in subsidiary undertakings
<i>Cost</i>	<u>£000</u>
At 1 January 2011 and 31 December 2011	<u>824,126</u>
<i>Provision for impairment</i>	
At 1 January 2011 and 31 December 2011	<u>29,612</u>
<i>Net book value</i>	
At 31 December 2011	<u>794,514</u>
At 31 December 2010	<u>794,514</u>

The company had investments in the following subsidiary undertakings as at 31 December 2011. The company's principal subsidiary undertakings, all of which are 100% owned unless indicated, are as follows

<u>Name of company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>
<u>Directly held subsidiaries</u>		
Honeywell Holdings Ltd	Holding company	England
First Technology Ltd	Holding company	England
<u>Indirectly held subsidiaries</u>		
Ademco International Ltd	Holding company	England
BW Australia Pty Ltd	Gas detection equipment	Australia
BW Europe Ltd	Gas detection equipment	England
BW Research	Gas detection research	Canada
B&W Technologies Inc	Gas detection equipment	USA
BW Technologies LP	Gas detection equipment	Canada
BW Technologies Ltd	Gas detection equipment	Canada
City Technology Ltd	Gas sensors	England
First Technology (2002) Ltd	Finance company	England
First Technology Overseas Ltd	Holding company	England
First Technology Sarl	Holding company	Luxembourg
FT Hungary 1 Asset Management Kft*	Holding company	Hungary
FT Hungary 2 Asset Management Kft*	Holding company	Hungary
FT North America (Holdings) Ltd	Holding company	England
FT North America Ltd	Holding company	England
FT Finance Ltd	Holding company	England
Honeywell Automation and Control Solutions South Africa (Pty) Ltd (74.9%)	Control systems	South Africa
Honeywell Analytics (Sales and Service) Ltd	Gas sensors	England
Honeywell Avionics Systems Ltd	Staff supply	England
Honeywell Control Systems Ltd	Control systems	England
Honeywell Finance Ontario LP*	Finance company	Canada

Notes to the accounts (continued)

for the year ended 31 December 2011

9. Investments (continued)

<u>Name of company</u>	<u>Principal activities</u>	<u>Country of incorporation</u>
<u>Indirectly held subsidiaries</u>		
Honeywell Ltd	Holding company	England
Honeywell Security UK Ltd	Intruder/fire detection equipment	England
Honeywell Southern Africa (Pty) Ltd	Control systems	South Africa
KAC Alarm Company Ltd	Security systems	England
Pittway UK Ltd	Holding company	England
Pittway Systems Technology Group Europe Ltd	Life safety systems	England

*FT North America Ltd owns class B shares in FT Hungary 1 Asset Management Kft which entitle the company to 99% of its distributions and 34% of the voting rights FT Hungary 1 Asset Management Kft owns 100% of FT Hungary 2 Asset Management Kft who in turn owns 99.5% of Honeywell Finance Ontario LP

10. Debtors

	2011	2010
	<u>£000</u>	<u>£000</u>
Amounts owed by group undertakings	73,686	135,553

Amounts owed by group undertakings are unsecured, repayable on demand and bear interest at UK base rate plus 1%

11. Creditors: amounts falling due within one year

	2011	2010
	<u>£000</u>	<u>£000</u>
Bank overdraft	9,942	262
Amounts owed to group undertakings	224,447	282,474
	<u>234,389</u>	<u>282,736</u>

Amounts owed to group undertakings consist of the following loans £224,447,000 (2010 £279,530,000) which bear interest at 7% per annum and £nil (2010 £2,944,000) which bears interest at 6% per annum. All amounts are unsecured and repayable on demand.

12. Called up share capital

	2011	2010
	<u>£000</u>	<u>£000</u>
<i>Authorised</i>		
1,500,000,000 ordinary shares of £1 each	1,500,000	1,500,000
<i>Allotted, called up, and fully paid</i>		
698,753,000 ordinary shares of £1 each	698,753	698,753

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit and loss account	2011 Total	2010 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	698,753	(51,422)	647,331	626,449
(Loss)/profit for the financial year	-	(13,520)	(13,520)	20,882
At 31 December	698,753	(64,942)	633,811	647,331

Notes to the accounts (continued)

for the year ended 31 December 2011

14. Contingent liabilities

All UK Honeywell group companies have entered into a composite accounting agreement whereby each company has provided a guarantee to the bank. This agreement permits the set-off of balances, on a group basis, for interest purposes. The maximum liability arising from this arrangement, on a group basis, is the total overdraft balances held by group companies amounting to £568,591,000 (2010:£470,428,000). Positive cash balances held in the group exceeded the overdraft balances in 2011 and 2010.

15. Ultimate parent undertakings

The immediate parent company is Novar Europe Ltd.

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