

Honeywell Aftermarket Europe Limited
(formerly Alliedsignal Aftermarket Europe Limited)

Financial statements

for the year ended 31 December 1998

Registered Number 1085502



Honeywell Aftermarket Europe Limited

Financial statements

for the year ended 31 December 1998

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Honeywell Aftermarket Europe Limited

Directors and Advisors

Directors

P.C.A. James

P. Bernard

K. Korengold

Secretary

SISEC Limited

Auditors

PricewaterhouseCoopers

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Solicitors

Lovells

21 Holborn Viaduce

London

EC1A 2DY

Bankers

National Westminster Bank PLC

22 Castle Street

Liverpool

L69 2BE

Registered office

21 Holborn Viaduct

London

EC1A 2DY

Registered Number

1085502

Honeywell Aftermarket Europe Limited

Directors' report for the year ended 31 December 1998

The directors present their report, together with the financial statements, for the year ended 31 December 1998.

Principal activities and review of business

The principal activity of the company is the distribution of automotive parts. It is expected that this will remain for the foreseeable future.

Results and dividends

The results for the year and the financial position of the company are shown in the annexed financial statements. The directors recommend that no dividend be paid in respect of the year and that the loss of £1,235,681 (1997: profit £378,019) be transferred to reserves.

Directors and their interests

The directors who held office during the year are given below.

G De Berard	(Chairman)(resigned 23 August 1999)
T Ryan	(resigned 20 August 1999)
R Martinez	(resigned 31 March 1998)

The following directors were appointed after the financial year end:

K Korengold	(Chairman) (appointed 20 August 1999)
PCA James	(appointed 20 August 1999)
L Tarrago	(appointed 20 August 1999; resigned 25 April 2000)
P Bernard	(appointed 25 April 2000)

None of the directors in office at 31 December 1998 had any beneficial interest in the share capital of the company or in any other group company located in the United Kingdom at any time during the year. No options to subscribe for shares in the company or other group companies located in the United Kingdom were granted to, or exercised by, the directors of the company who were in office at 31 December 1998.

Fixed assets

Movements in fixed assets during the year are shown in note 6 to the financial statements.

Subsequent events

On the 13 July 2000, the company changed its name to Honeywell Aftermarket Europe Limited. The immediate parent company, Financière AlliedSignal SA changed its name to Financière Honeywell SA in 2000. AlliedSignal Inc., the ultimate parent undertaking, changed its name to Honeywell Inc.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Honeywell Aftermarket Europe Limited

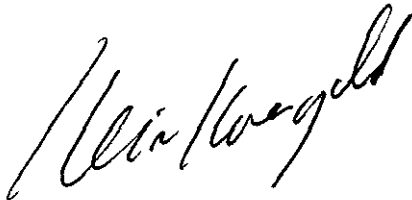
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

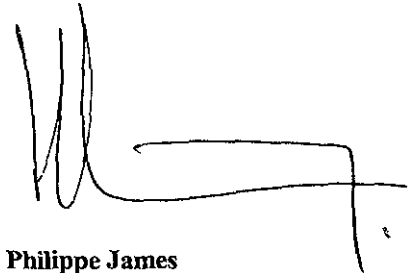
Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to confirm their appointment will be proposed at the Annual General Meeting.

By order of the board



Kevin Korengold
Director
30 November 2000



Philippe James
Director
30 November 2000

Honeywell Aftermarket Europe Limited

Auditors' report to the members of Honeywell Aftermarket Europe Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on pages 2 and 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
30 November 2000

Honeywell Aftermarket Europe Limited

Profit and loss account for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover – (continuing operations)	1	7,018,641	6,699,451
Cost of sales		(5,143,005)	(4,733,248)
Gross profit		1,875,636	1,966,203
Distribution costs		(2,554,115)	(1,904,723)
Administrative expenses		(656,070)	(151,358)
Other operating charges		-	(26,100)
Other operating income		145,271	403,750
Operating (loss)/profit – (continuing operations)		(1,189,278)	287,772
Interest receivable and similar income	3	111,546	71,316
Interest payable and similar charges	3	(7,949)	(16,464)
(Loss)/profit on ordinary activities before taxation	2	(1,085,681)	342,624
Tax on (loss) / profit on ordinary activities	5	(150,000)	35,395
Retained (loss)/profit for the financial year	12,13	(1,235,681)	378,019

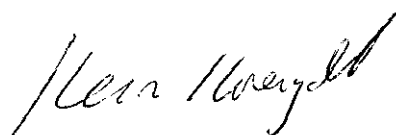
The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

Honeywell Aftermarket Europe Limited

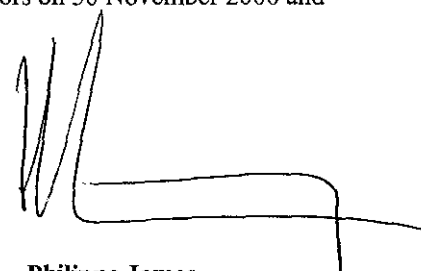
Balance sheet as at 31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	6	962,471	128,331
Current assets			
Stocks	7	1,949,475	1,655,017
Debtors	8	3,115,395	4,588,797
Cash at bank and in hand		1,524,769	1,654,265
		6,589,639	7,898,079
Creditors: amounts falling due within one year	9	(7,111,822)	(6,350,441)
Net current (liabilities)/assets		(522,183)	1,547,638
Total assets less current liabilities		440,288	1,675,969
Creditors : amounts falling due after more than one year	10	(646,279)	(646,279)
Net (liabilities) / assets		(205,991)	1,029,690
Capital and reserves			
Called up share capital	11	35,000	35,000
Profit and loss account	13	(240,991)	994,690
Total equity shareholders' funds	12	(205,991)	1,029,690

The financial statements on pages 5 to 13 were approved by the board of directors on 30 November 2000 and were signed on its behalf by:



Kevin Korengold
Director



Philippe James
Director

Honeywell Aftermarket Europe Limited

Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued financial support of the holding company and the company's fellow subsidiaries. Having considered the uncertainty surrounding the company's ability to continue as a going concern, the Directors consider that it is appropriate to continue to prepare the financial statements under the going concern basis.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Financière Honeywell SA and is included in the consolidated financial statements of Honeywell Aftermarket Europe SA, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Honeywell Aftermarket Europe SA group.

Turnover

Turnover represents the value of goods invoiced to customers, net of discount, less returns.

Inventories

Inventories, which consist of bought-out automotive parts, have been valued at the lower of cost (first in, first out) and net realisable value. Cost represents the invoice price, together with an appropriate addition for duty and freight.

Depreciation

Depreciation is calculated to write off the costs of fixed assets in equal annual instalments as follows:

Computer equipment	Over 3 years
Motor vehicles	Over 3 years
Office equipment and warehouse equipment	Over 3 to 15 years
Furniture and fittings	Over 10 years

Operating leases

The rental cost of assets held under operating leases are charged against profits as incurred.

Translation of foreign currency amounts

Transactions denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

Deferred taxation

The company provides for deferred tax differences, except where it can be reasonably demonstrated that no corporate tax liabilities will arise in respect of those differences in the foreseeable future.

Pension costs

Honeywell Aftermarket Europe Limited

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with the Common Investment Fund of AlliedSignal (Pension Investments) Limited. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by professionally qualified actuaries.

Honeywell Aftermarket Europe Limited

Notes to the financial statements for the year ended 31 December 1998

1 Turnover

The geographical analysis of turnover is as follows:

	1998	1997
Geographical market	£	£
United Kingdom	6,653,027	6,566,927
Rest of Europe	88,790	59,000
Sales to other group undertakings	276,824	73,524
	7,018,641	6,699,451

In the opinion of the directors, the company's activities, which are based entirely in the UK, represent one class of business for the purpose of segmental reporting.

2 (Loss) / profit on ordinary activities

	1998	1997
	£	£
(Loss) / profit on ordinary activities before taxation is stated after charging:		
Wages and salaries	469,213	563,355
Social security costs	55,132	65,548
Other pension costs	6,311	8,644
Staff costs	530,656	637,547
Depreciation (Note 6)	363,653	46,183
Operating lease charges		
- plant and machinery	54,715	32,887
- other	40,665	134,567
Auditors' remuneration for:		
Audit services	15,172	12,500
Non-audit services	10,275	12,500

Honeywell Aftermarket Europe Limited

3 Interest

	1998 £	1997 £
Interest receivable	111,546	71,316
Interest payable on bank loans and overdrafts	7,949	16,464

4 Directors' emoluments

	1998 £	1997 £
Aggregate directors' emoluments	-	-

The chairman and other directors work wholly or mainly outside the United Kingdom and receive no emoluments in respect of this company.

5 Tax on loss on ordinary activities

	1998 £	1997 £
Tax on loss for the year:		
UK corporation tax	-	(35,395)
Adjustment to prior year	150,000	-
	150,000	(35,395)

There is an amount unprovided in respect of deferred taxation of £180,000. This consists of an asset in respect of accelerated capital allowances of £37,000, less short term timing differences of £2,000 and tax losses carried forward of £215,000.

Honeywell Aftermarket Europe Limited

6 Tangible fixed assets

	Computer equipment	Motor Vehicles, Plant and Machinery £	Total £
Cost			
At 31 December 1997	-	380,156	380,156
Additions	1,226,000	33,089	1,259,089
Disposals	-	(322,892)	(322,892)
At 31 December 1998	1,226,000	90,353	1,316,353
Depreciation			
At 31 December 1997	-	251,825	251,825
Provision for the year	340,000	23,653	363,653
Disposals	-	(261,596)	(261,596)
At 31 December 1998	340,000	13,882	353,882
Net book value			
At 31 December 1998	886,000	76,471	962,471
At 31 December 1997	-	128,331	128,331

7 Stocks

	1998 £	1997 £
Finished goods	1,949,475	1,665,017

The replacement cost of stocks does not differ materially from that shown above.

8 Debtors

	1998 £	1997 £
Trade debtors	2,221,913	1,589,220
Amounts owed by group undertakings	282,262	2,641,417
Other debtors	220,384	22,871
Corporation tax recoverable	265,835	150,446
Prepayments and accrued income	125,001	184,843
	3,115,395	4,588,797

Honeywell Aftermarket Europe Limited

9 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	3,705,421	2,037,414
Amounts owed to group undertakings	1,714,169	3,785,546
Taxation and social security	140,916	230,111
Accruals and deferred income	1,551,316	297,370
	7,111,822	6,350,441

10 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Amounts due to group undertakings	646,279	646,279

11 Called up share capital

	1998 £	1997 £
Authorised, issued and fully paid Ordinary shares of £1 each	35,000	35,000

12 Reconciliation of equity shareholders' funds

	1998 £	1997 £
Retained (loss)/profit for the year	(1,235,681)	378,019
Net (deduction from)/addition to equity shareholders' funds	(1,235,681)	378,019
Opening equity shareholders' funds	1,029,690	651,671
Closing equity shareholders' funds	(205,991)	1,029,690

Honeywell Aftermarket Europe Limited

13 Reserves

	Profit and loss account £
At 31 December 1997	994,690
Retained loss for the year	(1,235,681)
At 31 December 1998	(240,991)

14 Contingent liabilities

A bond of £60,000 (1997: £60,000) exists with the Seaboard Survey Company in respect of VAT deferment given to HM Customs & Excise.

15 Commitments

	1998 £	1997 £
Capital commitments authorised but not contracted for	-	-

16 Pensions

The company sponsors a defined benefit pension scheme, the Bendix Parts Limited Retirement Benefits Scheme. There were two active members of the Scheme as at 1 January 1998 and the last active member left the Scheme on 31 January 1999. The last formal actuarial valuation of the Scheme was completed as at 1 January 1995, which recommended a company contribution rate of 11.9% of pensionable pays.

The pension cost charged in respect of the company's defined benefit schemes amounts to £6,311 (1997: £8,644). The pension cost relating to these schemes has been determined by a qualified actuary using the Projected Unit Credit Method.

The main financial assumptions used in calculating the pension cost are as follows:

Investment return	9% per annum
Salary escalation	7.5% per annum
Pension increases	3% per annum (5% per annum for members joining before 5 April 1984)

The company wrote to the Trustees on 22 March 1999 exercising its prerogative to cease contributions to the scheme. The Trustees subsequently resolved that the scheme should be wound-up. There is no further liability on the Company apart from meeting the administration and other costs associated with the wind-up.

17 Employees

Honeywell Aftermarket Europe Limited

The average number of permanent employees during the year was 16 (1997: 16).

18 Operating leases

The company is committed to operating lease payments in the next twelve months in respect of leases expiring as follows:

	Land and Buildings £	Other operating leases £	Total £
Within 1 year	38,932	12,286	51,218
Within 2 - 5 years	-	41,241	41,241
	38,932	53,527	92,459

19 Parent undertaking

Financière Honeywell SA, a company incorporated in France, is the immediate parent undertaking into which these financial statements are consolidated. The ultimate parent undertaking of the company is Honeywell Inc (formerly AlliedSignal Inc.), incorporated in the United States of America. Copies of the group financial statements of the entities noted above can be obtained from Route d'Oncourt, 88155 Thaon les Vosges, France and 101 Columbia Road, Turnpike, Morristown, New Jersey, 07962, respectively.