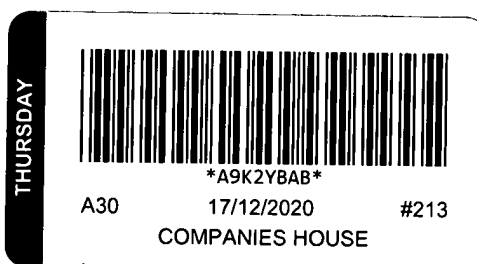


# **Novar ED&S Limited**

## **Annual Report and Financial Statements For the year ended 31 December 2019**



## Company Information

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### Officers and professional advisors

#### Directors

Madeleine Orbell-Thompson  
Nicola Dix

#### Auditor

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

#### Bankers

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

#### Registered address

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

## Strategic report

for the financial year ended 31 December 2019

The directors present their strategic report for the financial year ended 31 December 2019.

### Principal activities

The principal activity of the company is to develop and deliver electrical products, lighting controls and integrated solutions to improve energy efficiency, industrial productivity and safety while enhancing convenience and control. The company operates throughout the UK, mainland Europe and the Middle East. The company has a branch in Ireland.

### Review of the business and future developments

The profit for the financial year, after taxation, is £7,593,000 (2018: £22,104,000).

The 2018 profit was primarily driven by the gain on disposal of company's Homes business including related assets, liabilities and employees, as part of divestiture exercise, resulting in a gain of £10,173,000. Turnover for the year from continuing operations was £108,924,000 (2018: £117,287,000) which is a drop of 7.1% when compared to the prior year. This is primarily due to the unfavourable pricing mix, the challenging market in the UK for electrical products and overall economic uncertainty leading to lower demand. Gross margins for the year had an adverse impact due to the pricing mix, drop in volume along with relatively static fixed cost base and inflationary cost pressures.

The business continues to focus on cost controls and manufacturing efficiencies to offset the inflationary pressures. As part of site rationalisation, a decision was made in 2019 to close the St. Asaph site and sell all the related assets. This resulted in restructuring costs of £1,720,000 in the current year. Further, the assets having a net book value of £2,235,000 have been classified as held for sale which resulted in an impairment charge of £702,000. The site and certain business assets were sold to a third party in 2020. Product lines and other business activity from this site was relocated to other sites of the company in the UK or outsourced to third party vendors.

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:

	2019	2018
Turnover % change compared with previous year	(7.1)	(5.3)
Gross profit margin%	31.7	34.8
Operating profit margin% of turnover	6.2	12.6

### Turnover

Turnover from continuing operations has dropped by 7.1% to £108,924,000 (2018: £117,287,000). This is primarily due to the unfavourable pricing mix, the challenging market in the UK for electrical products and overall economic uncertainty leading to lower demand.

### Gross profit margin

Gross profit was negatively impacted mainly due to the relatively static fixed cost base with decreasing volumes in the year, particularly due to the market conditions in the UK and Middle East. The company continues to focus on maintaining margins through stringent cost controls and manufacturing efficiencies.

### Operating profit margin

Operating margins in the year were impacted mainly by the impairment and redundancy costs with the St. Asaph site closure and impacts discussed above for gross profit.

## Strategic report

for the financial year ended 31 December 2019

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### Strategy

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

- providing the highest standard of product service and delivery to its customer at a competitive cost;
- productivity and process improvement;
- product development;
- continued expansion into current and new markets;
- proactive alignment of its business structure to meet changing market demands;
- defending and extending the installed base through productivity improvements; and
- strong brand recognition through brand and channel management.

### Financial risk management, objectives and policies

#### *Interest risks*

The company is exposed to interest rate risk arising out of amounts owed by 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.

#### *Foreign currency risk*

The impact of the coronavirus disease ("COVID-19") has resulted in increased volatility in foreign exchange rates thus exposing the company to increased foreign currency risks.

The company continues to monitor and manage the increased foreign currency risks with the assistance of Treasury department of Honeywell International Inc.

#### *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*

Credit risk arises from 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.

In respect of intercompany receivables, the company does not have exposure to credit risk considering that we are receiving a guarantee letter from Honeywell International Inc. to support intercompany balances.

### Principal risks and uncertainties

As a trading company, the company is dependent on its continued ability to secure contracts with customers and its ability to perform under those contracts.

The coronavirus outbreak has developed rapidly, with a significant number of infections. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which can negatively impact the company's operations and adversely affect its business.

The global spread of COVID-19 has created significant volatility, uncertainty and economic disruption, which is likely to affect the demand for Honeywell products globally. The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic; governmental, business and individual decisions and actions; the impact of the pandemic on economic activity; and the extent to which we or our business partners may be prevented from conducting normal business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities.

## Strategic report

*for the financial year ended 31 December 2019*

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These factors could, among other things, disrupt the purchasing and payment behaviours of our customers and their end-users; our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and our liquidity and cash flow. The following risks will be applicable to the Honeywell companies operating in building technologies business as a whole:

- **Customer risk:** Existing and potential customers and their end-users may choose to reduce or delay spending. Customers may also attempt to renegotiate contracts and obtain concessions, face financial constraints on their ability to make payments to us on a timely basis or at all, or discontinue their business operations, and we may be required to discount the pricing of our products, all of which may materially and negatively impact our operating results, financial condition and prospects. In addition, unfavourable customer site conditions, such as closure of or access restrictions to customer facilities, and disruptions to our customers' third-party logistics, warehousing, inventory management and distribution services may limit our ability to sell products and provide services.
- **Operations risk:** The closure of our facilities, restrictions inhibiting our employees' ability to access those facilities, and disruptions to the ability of our suppliers or service providers to deliver goods or services to us (including as a result of supplier facility closures or access restrictions, disruptions to their supply chains, and supplier liquidity or bankruptcy risk) could disrupt our ability to provide our services and solutions and result in, among other things, terminations of customer contracts and losses of revenue. Because the COVID-19 pandemic could adversely affect our near-term and long-term revenues, earnings, liquidity and cash flows, we have begun to take and may be required to continue taking significant cost actions, including but not limited to reducing discretionary expenses (such as non-essential travel, contractors, and consultants), reducing hiring, cancelling annual merit increases; reducing executive and board of directors pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

The company develops and deliver electrical products, lighting controls and integrated solutions to improve energy efficiency, industrial productivity and safety while enhancing convenience and control to entities outside the Honeywell group. The current coronavirus pandemic has a material adverse impact on the demand for company's products mainly due to supply chain headwinds, customer site disruptions and lockdown restrictions. The company is undertaking various cost mitigating measures as described above to reduce its current cost base. The company expects gradual recovery in demand for its products and services once the lockdown measures are lifted.

The scope and impact of the COVID-19 pandemic is changing rapidly, and additional impacts may arise. A sustained or prolonged COVID-19 outbreak could exacerbate the negative impacts described above, and the resumption of normal business operations may be delayed or constrained by lingering effects on our suppliers, third-party service providers, and/or customers. These effects, alone or taken together, could further impact each of the risks described above.

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 UK left the EU on 31 January 2020 and will be in a transition period until 31 December 2020, during which time negotiations around a trade deal with the EU will continue. 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. There is no evidence at this time of Brexit having a material adverse effect on the company's activities.

## Strategic report

for the financial year ended 31 December 2019

### Statement by the directors in performance of their statutory duties in accordance with s172(1) of Companies Act 2006

The following statement describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006.

We recognise the importance of clear communication and proactive engagement with our stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the company. In the table below, and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), we set out our stakeholder groups, as required by the Regulations, how we engage with them and the impact of that engagement.

Stakeholder group	How we engaged	Impact of engagement
<b>Workforce</b>		
<p>We create a workplace where our people can learn and develop their careers while contributing positively to our brand and initiatives. Our key aims for the workforce are as follows:</p> <ul style="list-style-type: none"> <li>maintain a low level of staff attrition;</li> <li>encourage employee engagement with our business in the context of the current market;</li> <li>encourage idea and knowledge-sharing to capitalise on employee ideas and initiatives that could add value to the business; and</li> <li>encourage a healthy work-life balance.</li> </ul>	<p>We have engaged with our workforce in a variety of ways and some specific initiatives are highlighted below:</p> <ul style="list-style-type: none"> <li>Business Overview Webinar 2019;</li> <li>weekly team meetings attended by directors and senior staff;</li> <li>monthly town halls; and</li> <li>'skip level' meetings between employees and senior management.</li> </ul>	<p>The impact of our employee engagement can be summarised as follows:</p> <ul style="list-style-type: none"> <li>the Business Overview Webinar helped our employees to understand and buy into our roadmap and long-term vision;</li> <li>monthly town halls enabled effective communication of business performance and targets. This resulted in increased two-way engagement and investment in the business plan from employees; and</li> <li>'skip level' meetings allow employees to escalate any issues they have and allows management to proactively implement corrective measures where needed. It also gives employees an opportunity to share ideas with senior management that could add to the value of the business.</li> </ul>
<b>Customers</b>		
<p>We have identified our key customers as those who have the highest impact on our short-to-medium term business. We have engaged with our customers in order to achieve the following objectives:</p> <ul style="list-style-type: none"> <li>improve customer engagement metrics;</li> <li>improve product quality and our service offering; and</li> <li>build and maintain positive customer relationships.</li> </ul>	<p>We have engaged with our customers in a variety of ways, some of which are highlighted below:</p> <ul style="list-style-type: none"> <li>organising 'Voice of Customer' visits giving our customers an opportunity to get involved and engaging them in the new product development programme;</li> <li>conducting surveys during customer service calls;</li> <li>having regular meetings with our key customers and distributors; and</li> <li>organising hospitality events with customers, attended by a director of the company who is also a member of the British Electrotechnical and Allied Manufacturers Association (BEAMA).</li> </ul>	<p>The customer engagement initiatives resulted in:</p> <ul style="list-style-type: none"> <li>the context of the new product development programme helped us in introducing our new products and their features to customers and collect their feedback to use it to improve our products in the future;</li> <li>customer surveys were processed regularly and the issues raised were flagged and escalated in the appropriate way which resulted in resolving customer issues and improved customer relationships; and</li> <li>customer hospitality events, in particular those associated with BEAMA helps expand our client network and gain experience, knowledge and skills that can be incorporated into our working practices for the benefit of our customers.</li> </ul>

## Strategic report

*for the financial year ended 31 December 2019*

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The company's ultimate controlling party, Honeywell International Inc, shapes the business strategies for the group which has an impact on the long-term development of the company. In practice, all decisions and policies affecting employees, suppliers and business relationships with stakeholders are implemented by the directors in line with the business strategies decided at the group level and promote the interests of the ultimate controlling party and group as a whole. For further information on the strategy and governance of Honeywell International Inc please refer to [www.honeywell.com](http://www.honeywell.com).

### Principal Decisions

Being a part of a large multinational group of companies, Novar ED&S Ltd adheres to policies and procedures which are often set by the ultimate parent company, Honeywell International Inc. During the year, the decision was made to dispose of the St. Asaph site as part of site rationalisation, and it was sold to a third party post year end 2019. All employees at the site were impacted, product lines and other business activity from the site were relocated to other sites of the company in the UK or outsourced to third party vendors.

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

DocuSigned by:  
  
9356FF07B41149F...  
Nicola Dix  
Director  
14-Dec-2020

## **Directors' report**

*for the financial year ended 31 December 2019*

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The directors present their annual report and audited financial statements for the company for the financial year ended 31 December 2019.

### **Business review and future developments**

A review of the business of the company and future developments is included in the strategic report on page 1.

### **Results and dividends**

The company's profit for the financial year, after taxation was £7,593,000 (2018: £22,104,000) which will be transferred to reserves. The results for the financial year are shown on page 12.

The directors do not recommend the payment of a dividend (2018: £nil).

### **Financial risk management, objectives and policies**

The details of the financial risk management of the company are included in the strategic report on page 2.

### **Directors of the company**

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

Ian Snadden (resigned on 15 May 2020)  
Neil Eric Garland (resigned on 15 May 2020)  
Madeleine Orbell-Thompson  
John J Tus (resigned on 24 September 2019)  
Nicola Dix (appointed on 14 May 2020)

### **Directors' indemnities**

Pursuant to the company's articles of association, the directors were throughout the financial year ended 31 December 2019 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### **Stakeholder engagement**

We recognise the importance of clear communication and proactive engagement with our stakeholders and further detail on the engagement with stakeholders undertaken during the year appears as part of our Section 172 Statement on page 4.

### **Research and development**

Research and development expenditure for the financial year related mostly to the development of a new software and a hardware platform which will be used for all future product developments and amounted to £4,097,000 (2018: £5,050,000).

### **Employment of disabled persons**

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



## Directors' report

for the financial year ended 31 December 2019

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### 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. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the operating results for 2019 and 9 months ended 30 September 2020 and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID-19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc and the group's cash, cash equivalents and short term investments balance at 30 September 2020 of \$15.0 billion.

The directors, have a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves 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

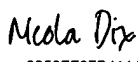
Subsequent to the balance sheet date, as noted in the strategic report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.

Following the announcement in 2019 for the closure of St Asaph site by January 2020, the tangible assets and inventories were sold in January 2020 to Goldfish Group Limited at an agreed value of £1,533,000 respectively and staff were also made redundant. These assets are therefore been shown separately under the head "Assets held for sale" in accordance with IFRS 5.

### Independent auditor

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

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

DocuSigned by:  
  
9356FE07B41149F...  
Nicola Dix  
Director  
14-Dec-2020

## **Directors' responsibilities statement**

*for the financial year ended 31 December 2019*

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To assist them in discharging these responsibilities, the directors have engaged a number of third party providers including accounting firms who are engaged to prepare the company's financial statements, as well as Honeywell International Inc.'s own finance shared service centre located in Bengaluru, Prague and Bucharest. 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 Western 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.

## **Independent auditor's report**

*to the members of Novar ED&S Limited*

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

#### **Opinion**

In our opinion the financial statements of Novar ED&S Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 31.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

We have nothing to report in respect of these matters.

#### **Other information**

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

## **Independent auditor's report**

*to the members of Novar ED&S Limited*

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### **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.

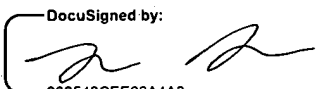
## **Independent auditor's report**

*to the members of Novar ED&S Limited*

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### **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.

DocuSigned by:  
  
282542CE568AA3  
James Boyle CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom  
15-Dec-2020

## Profit and loss account

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
<b>Continuing operations</b>			
Turnover	5	108,924	117,287
Cost of sales		(74,434)	(76,445)
<b>Gross profit</b>		<b>34,490</b>	<b>40,842</b>
Distribution expenses		(10,280)	(9,208)
Administrative expenses		(17,509)	(17,694)
<b>Operating profit</b>	<b>6</b>	<b>6,701</b>	<b>13,940</b>
Dividend income	9	-	4,280
Loss on sale of investments	17	-	(4,280)
Interest receivable and similar income	10	5,668	3,957
Interest payable and similar charges	11	(3,613)	(3,175)
<b>Profit before taxation from continuing operations</b>		<b>8,756</b>	<b>14,722</b>
Tax on profit	13	(1,163)	(2,612)
<b>Profit for the financial year from continuing operations</b>		<b>7,593</b>	<b>12,110</b>
<b>Discontinued operations</b>			
Profit after tax from discontinued operations	12	-	9,994
<b>Profit for the financial year</b>		<b>7,593</b>	<b>22,104</b>

The notes on pages 16 to 44 form an integral part of the financial statements.

**Statement of comprehensive income**  
*for the financial year ended 31 December 2019*

		2019	2018
	Notes	£000s	£000s
Profit for the financial year		7,593	22,104
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss</i>			
Actuarial (losses)/ gains on pension plan	24	(3,941)	18,776
Movement on deferred tax relating to pension scheme	13	670	(3,192)
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(3,271)</b>	<b>15,584</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>4,322</b>	<b>37,688</b>

**Balance sheet**  
as at 31 December 2019

	Notes	2019 £000s	2018 £000s
<b>Fixed assets</b>			
Intangible assets	14	7	13
Tangible assets	15	10,047	12,690
Right-of-use assets	16	18,347	-
Investments	17	693	693
		<b>29,094</b>	<b>13,396</b>
<b>Current assets</b>			
Stocks	18	7,802	11,401
Debtors: amounts falling due within one year	19	100,505	102,423
Cash at bank and in hand		3,009	-
		<b>111,316</b>	<b>113,824</b>
Assets held for sale	12	1,533	-
		<b>112,849</b>	<b>113,824</b>
<b>Creditors: amounts falling due within one year</b>	20	<b>(58,323)</b>	<b>(68,181)</b>
<b>Net current assets</b>		<b>54,526</b>	<b>45,643</b>
<b>Total assets less current liabilities (excluding pension asset)</b>		<b>83,620</b>	<b>59,039</b>
Creditors: amounts falling due after more than one year	21	(58,380)	(40,441)
Provisions for liabilities	23	(27,419)	(25,489)
Pension asset	24	157,640	158,030
<b>Net assets</b>		<b>155,461</b>	<b>151,139</b>
<b>Capital and reserves</b>			
Called-up share capital	25	1,101	1,101
Share premium account	26	19,800	19,800
Other reserves	27	714	714
Profit and loss account		133,846	129,524
<b>Total shareholders' funds</b>		<b>155,461</b>	<b>151,139</b>

The financial statements on pages 12 to 44 were approved by the board of directors on 14-Dec-2020 and signed on its behalf by:

DocuSigned by:  
Nicola Dix  
8358EF096A1149F...  
Nicola Dix  
Director



**Statement of changes in equity**  
for the financial year ended 31 December 2019

	<i>Called-up share capital</i>	<i>Share premium account</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2018	1,101	19,800	714	91,836	113,451
Profit for the financial year	-	-	-	22,104	22,104
Other comprehensive income	-	-	-	15,584	15,584
<b>At 31 December 2018</b>	<b>1,101</b>	<b>19,800</b>	<b>714</b>	<b>129,524</b>	<b>151,139</b>
Profit for the financial year	-	-	-	7,593	7,593
Other comprehensive income	-	-	-	(3,271)	(3,271)
<b>At 31 December 2019</b>	<b>1,101</b>	<b>19,800</b>	<b>714</b>	<b>133,846</b>	<b>155,461</b>

## Notes to the financial statements

for the financial year ended 31 December 2019

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### 1. General information

Novar ED&S Limited is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. 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 Novar Electrical Holdings Limited., a company incorporated in United Kingdom. The registered address of the parent is Honeywell House, Skimped Hill Lane, Bracknell Berks, 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, Honeywell, 300 South Tryon Street, Charlotte, North Carolina, 28202, USA or from the Internet at [www.honeywell.com](http://www.honeywell.com).

### 2. Significant accounting policies

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

#### *Basis of preparation*

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

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

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

The company has 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 and Equipment, 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;
- 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;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52 of IFRS 16 Leases; and
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

## Notes to the financial statements

for the financial year ended 31 December 2019

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### *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. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the operating results for 2019 and 9 months ended 30 September 2020 and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID-19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc and the group's cash, cash equivalents and short term investments balance at 30 September 2020 of \$15.0 billion.

The directors, have a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### *Turnover and revenue recognition*

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

The company recognises revenue when it satisfies an identified performance obligation by transferring a promised good to a customer excluding amounts collected on behalf of third parties. The company measures revenue at the transaction price, excluding estimates of variable considerations. A good is considered to be transferred when the customer obtains control. IFRS 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset". Control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good.

As per IFRS 15, the performance obligations are deemed to be satisfied as follows:

<u>Type of sale</u>	<u>Recognition</u>
Product sales	On delivery and when acceptance by the customer has occurred.
Royalty income	Royalty revenue in the prior period relates to the sale of the licence for use of internally generated intellectual property. The licence has been valued by an external third party. As the licence is perpetual, the full amount of the sale has been recognised as royalty income in the prior period.

### *Volume rebates*

The company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

### *Warranty obligations*

The company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

## Notes to the financial statements

for the financial year ended 31 December 2019

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The service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the good and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

### *Contract balances*

### *Trade receivables*

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in financial instruments – initial recognition and subsequent measurement.

### *Interest receivable*

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.

### *Leases – as lessee*

The company has adopted IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability for all leasing arrangements, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than £5,000). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

### *Lease liability – initial measurement*

The lease liability is initially measured at the present value of the lease payments, excluding payments made at or before the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments); and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments are not included in the determination of the lease liability and are charged to the profit and loss in the period that they arise.

### *Lease liability – subsequent measurement*

The lease liability is subsequently measured at amortised cost.

The lease liability is remeasured, with a corresponding adjustment to the related right-of-use asset, whenever:

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

## Notes to the financial statements

for the financial year ended 31 December 2019

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### *Right-of-use assets*

The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for:

- lease payments made at or before the commencement day, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

### ***Operating leases – accounting policies applied until 31 December 2018***

- 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, unless the costs meet the recognition criteria under IAS 38 to be capitalised. R&D expenditure credit reclaimable from HM Revenue and Customs in respect of those costs is recognised when the actual claim is submitted to revenue authorities. The amount claimed reduces the research and development costs in the profit and loss account in the year of claim.

### *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 the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### *Taxation*

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

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

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

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

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

## Notes to the financial statements

for the financial year ended 31 December 2019

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 is:

Capitalised 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:

Land and buildings	2-3%
Plant and equipment	5-8%
Fixtures and fittings	8%

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

Land is not depreciated.

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

### *Investments*

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

### *Impairment of non-financial assets*

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

## Notes to the financial statements

for the financial year ended 31 December 2019

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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. The company also assess the right-of-use asset for impairment when such indicators exists.

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 instruments*

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

### *Financial asset – recognition and measurement*

#### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attribute able to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

#### *Classification of financial assets*

Currently, all financial assets meet the following conditions and hence are classified at amortised costs:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- 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.

#### *Impairment of financial assets*

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on all financial assets not measured at fair value.

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required.

## Notes to the financial statements

for the financial year ended 31 December 2019

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ECL is the weighted average of difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the company is required to consider:

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### *Financial liabilities - recognition and measurement*

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

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

The company's financial liabilities comprise of trade creditors and borrowings.

#### *Subsequent measurement*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable in the profit and loss account.

#### *De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### *Stocks*

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

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

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

### *Pensions*

As described in note 24, 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.



## Notes to the financial statements

for the financial year ended 31 December 2019

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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 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.

### *Assets held for sale and Discontinued operations*

#### *Assets held for sale*

The non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

#### *Discontinued operations*

A discontinued operation is a component of the company's business, the operations and cash flows of which can be clearly distinguished from the rest of the company and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in note 12. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

## Notes to the financial statements

for the financial year ended 31 December 2019

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

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Judgements

There are no judgements that have a significant effect on amounts recognised in the financial statements.

#### 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) Impairment of Investments*

The investment in subsidiary undertakings is carried at cost less impairment. The assessment of impairment involves estimation in relation to the value of the unquoted investment based on the net assets of the underlying investment and projected cash flows, wherever applicable. At the period end the value of the investment was £693,000 (2018: £693,000). There was no impairment charge during the year.

##### *(ii) Estimates used for provisions*

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken where required through internal or external subject matter experts.

Judgements are also required where there is a high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise.

#### *Warranty provision*

Provisions for warranty costs are recognised when the product is sold to the customer. Initial recognition is based on historical experiences. To calculate the provision for warranty cost, management take all returns/credit in relation to the products for the last 12 months and considers the cost of sales for those credits for the warranty period. The estimate of warranty costs is revised annually. The carrying amount of the warranty provision as at 31 December 2019 was £255,000 (2018: £304,000).

#### *Severance pay provision*

The severance pay provision covers a number of employees and is calculated on individual basis to take account of variables such as length of service. As at 31 December 2019, the carrying amount of severance pay provision was £1,720,000 (2018: £nil).

## Notes to the financial statements

for the financial year ended 31 December 2019

### (iii) Estimates used for DB pension scheme

The cost of defined benefit pensions plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that 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 24.

### (iv) Impairment of financial assets

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required. Accordingly, the company has recognised a provision for expected credit loss amounting to £12,000 (2018: £325,000).

In respect of other financial assets which primarily comprises of amounts owed from group undertakings, a letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. indicating that support will be given in order to settle these amounts should it be necessary.

## 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 2019. 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 impact of each new standard or amendment is described below:

### IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

Under previous standards, leases where the lessor retained a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable were charged to the profit and loss account on a straight-line basis over the lease term. Under IFRS 16 the company is required to recognise a right-of-use asset and related lease liability for all leases, including those previously classified as operating leases, except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

On transition to IFRS 16, the company recognised £9,389,000 of right-of-use assets and lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account. (refer note 30)

The company also applied the available practical expedients wherein it:

- Used a central incremental borrowing rate (IBR) to the leases entered into by it;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 5. Turnover

	2019	2018	2018	2018
	£000s	£000s	£000s	£000s
		Continuing operations	Discontinued operations	Total
<i>Analysis of turnover by geographical market</i>				
United Kingdom	86,594	94,443	1,913	96,356
Rest of Europe	4,335	5,304	4,815	10,119
Middle east	15,483	14,390	4	14,394
North America	409	414	4	418
Malaysia	460	596	4	600
Other	1,643	2,140	8	2,148
<b>Total turnover</b>	<b>108,924</b>	<b>117,287</b>	<b>6,748</b>	<b>124,035</b>

#### *Analysis of turnover by category*

Sale of goods	108,924	117,272	6,748	124,020
Royalty income	-	15	-	15
<b>Total turnover by category</b>	<b>108,924</b>	<b>117,287</b>	<b>6,748</b>	<b>124,035</b>

### 6. Operating profit

	2019	2018
	£000s	£000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Tangible assets – owned (note 15)	1,871	1,959
Intangible assets (note 14)	6	7
Right-of-use assets (note 16)	409	-
(Gain)/loss on disposal of fixed assets	(30)	1
Impairment of tangible assets (note 15)	702	-
Reorganisation and redundancy	1,720	253
Research and development	4,097	5,050
(Gain)/loss on foreign exchange	(346)	484

## Notes to the financial statements

for the financial year ended 31 December 2019

### 7. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £25,000 (2018: £29,900) 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 (2018: nil).

### 8. Employees and directors

#### (a). Staff costs

	2019	2018
	£000s	£000s
Wages and salaries	20,341	19,917
Social security costs	2,134	1,887
Contributions to defined contribution pension plans	2,533	2,237
Pension costs for defined benefit plans (note 24)	726	3,176
<b>Total staff costs</b>	<b>25,734</b>	<b>27,217</b>

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

(including executive directors)

	2019	2018
	No.	No.
Direct	195	206
Indirect	358	391
<b>Total monthly average number of employees</b>	<b>553</b>	<b>597</b>

#### (b). Directors' remuneration

	2019	2018
	£000s	£000s
Aggregate emoluments	607	263
Pension costs-defined contribution	77	27
<b>Total payments to directors</b>	<b>684</b>	<b>290</b>
Highest paid director		
Aggregate emoluments	512	99
<b>Total payments to highest paid director</b>	<b>512</b>	<b>99</b>

During the financial year the highest paid director did not (2018: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company.

In 2019, two directors (2018: four directors) were remunerated by other group companies for their services to the group as a whole.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 9. Dividend income

	2019	2018
	£000s	£000s
Dividend from subsidiary	-	4,280
<b>Total dividend income</b>	<b>-</b>	<b>4,280</b>

### 10. Interest receivable and similar income

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	1,391	698
Pension interest (note 24)	4,277	3,259
<b>Total interest receivable and similar income</b>	<b>5,668</b>	<b>3,957</b>

### 11. Interest payable and similar charges

	2019	2018
	£000s	£000s
Interest payable on bank overdraft	308	142
Interest expense on lease liability	272	-
Preference share dividend	3,033	3,033
<b>Total interest expense and similar expenses</b>	<b>3,613</b>	<b>3,175</b>

### 12. Assets held for sale and discontinued operations

#### Asset held for sale

In the year 2019 an announcement was made for the closure of St. Asaph site by January 2020, the tangible assets, land and building will be sold and staff will be made redundant. Any costs associated to site closure are shown in the financial statements for the year ended 31 December 2019.

The major classes of assets of St. Asaph site classified as held for sale as at 31 December 2019, are as follows:

	2019
	£000s
Tangible assets	1,200
Inventories	333
<b>Total assets</b>	<b>1,533</b>

## Notes to the financial statements

for the financial year ended 31 December 2019

### Discontinued operations

In 2018 the ultimate parent company Honeywell International Inc. spun off its Homes product portfolio and ADI global distribution business into a stand-alone, publicly traded company as a result of its comprehensive portfolio review. As part of the implementation, on 29 July 2018, the company sold the assets and liabilities relating to its Homes division to Ackermann Limited in consideration for shares valued at £10,609,000, resulting in a gain on disposal of £10,174,000. This represented the entirety of the company's Homes operating segment as at 29 July 2018.

The results of Homes division for the year 2018 are presented below:

	2018
	£000s
<i>Results of discontinued operations</i>	
Turnover	6,748
Expenses	(6,801)
Loss from operating activities	(53)
Loss before tax from discontinued operations	(53)
Tax charged (note 13)	(127)
Loss for the year from discontinued operations after tax	(180)
Gain on sale of operation after tax	10,174
Profit for the year from discontinued operations after tax	9,994

The details of net assets transferred are as follows:

	29 July 2018
	£000s
Tangible assets	285
Inventories	1,809
Debtors: amount falling due within one year	176
<b>Total assets</b>	<b>2,270</b>
Creditors: amount falling due within one year	(1,748)
Provisions for liabilities	(87)
<b>Total liabilities</b>	<b>(1,835)</b>
<b>Net assets transferred</b>	<b>435</b>
<b>Sale consideration</b>	<b>10,609</b>
<b>Gain on disposal of business</b>	<b>10,174</b>

## Notes to the financial statements

for the financial year ended 31 December 2019

### 13. Taxation

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

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
Adjustments in respect of prior years	234	-
<i>Total current tax</i>	234	-
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	889	2,743
Adjustment in respect of prior years	40	(4)
<i>Total deferred tax</i>	929	2,739
<i>Total tax expense in the profit and loss account</i>	1,163	2,739
Tax expenses reported in the statement of profit or loss	1,163	2,612
Tax expenses attributable to discontinued operations	-	127

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

	2019	2018
	£000s	£000s
<i>Deferred tax:</i>		
Remeasurements on defined benefit pension plans	670	3,192
<i>Total deferred tax</i>	670	3,192
<i>Total tax expense in the statement of comprehensive income</i>	670	3,192



## Notes to the financial statements

for the financial year ended 31 December 2019

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

The tax expense in the profit and loss account for the financial year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000s	£000s
Profit before tax from continuing operations	8,756	14,722
Profit before tax from a discontinued operations	-	10,121
Profit before tax	8,756	24,843
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	1,664	4,720
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	959	1,443
Income not taxable for tax purposes	(663)	(3,204)
Effect of change in tax laws and rates	-	-
Difference in current tax rate to deferred rate	(105)	(323)
Adjustment in respect of prior years	274	(4)
Group relief (not paid for)/surrendered	(966)	106
<i>Total tax expense reported in the profit and loss account</i>	1,163	2,739
Tax expenses reported in the statement of profit or loss	1,163	2,612
Tax expenses attributable to discontinued operations	-	127

### (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 decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

## Notes to the financial statements

for the financial year ended 31 December 2019

### (e). Deferred tax

	2019	2018
	£000s	£000s
<i>The deferred tax included in the balance sheet is as follows:</i>		
Deferred tax asset		
Differences between capital allowances and depreciation	1,309	1,626
Other short-term timing differences	45	54
<i>Total deferred tax asset</i>	<i>1,354</i>	<i>1,680</i>
Deferred tax liability		
Deferred tax provision on pension asset (note 24)	(26,798)	(26,865)
<i>Total deferred tax liability</i>	<i>(26,798)</i>	<i>(26,865)</i>
<i>Net deferred tax liability</i>	<i>(25,444)</i>	<i>(25,185)</i>

<i>Movements in deferred tax</i>	<i>Excluding pension £000s</i>	<i>Pension £000s</i>	<i>Total £000s</i>
At 1 January 2019	1,680	(26,865)	(25,185)
Charge to the profit and loss account	(326)	(603)	(929)
Credit to statement of comprehensive income	-	670	670
<i>At 31 December 2019</i>	<i>1,354</i>	<i>(26,798)</i>	<i>(25,444)</i>

The deferred tax liability has been calculated at 17%, since this was the enacted rate at the balance sheet date expected to be in place when the deferred tax liability reverses. In his Budget on 11 March 2020, the Chancellor indicated that the rate reduction of 2% would be removed and therefore the deferred tax is likely to unwind in future when the corporation tax rate is 19%. Had the deferred tax been calculated at 19%, then the tax charge in the income statement would have been £1,039,000 and the deferred tax liability £28,438,000.

There are no unprovided amounts relating to deferred tax.

**Notes to the financial statements**  
*for the financial year ended 31 December 2019*

**14. Intangible assets**

	<i>Software</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<i>Cost</i>			
At 1 January and December 2019	886	6,318	7,204
<i>Accumulated amortisation</i>			
At 1 January 2019	873	6,318	7,191
Provided during the financial year	6	-	6
At 31 December 2019	879	6,318	7,197
<i>Net book value:</i>			
At 31 December 2019	7	-	7
At 31 December 2018	13	-	13

**Notes to the financial statements**  
for the financial year ended 31 December 2019

**15. Tangible assets**

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Construction in progress</i>	<i>Total</i>
	£000s	£000s	£000s	£000s	£000s
<i>Cost</i>					
At 1 January 2019	11,092	23,065	2,544	2,506	39,207
Additions	8	900	5	1,132	2,045
Disposals	(7)	(1,317)	-	-	(1,324)
Reclassification	123	2,192	2	(2,317)	-
Assets held for sale	(2,238)	(3,861)	(451)	(5)	(6,555)
At 31 December 2019	8,978	20,979	2,100	1,316	33,373
<i>Accumulated depreciation</i>					
At 1 January 2019	6,410	17,891	2,216	-	26,517
Provided during the financial year	363	1,432	76	-	1,871
Disposals	(7)	(402)	-	-	(409)
Impairment	355	303	42	2	702
Assets held for sale	(1,460)	(3,493)	(400)	(2)	(5,355)
At 31 December 2019	5,661	15,371	1,934	-	23,326
<i>Net book value:</i>					
At 31 December 2019	3,317	5,248	166	1,316	10,047
At 31 December 2018	4,682	5,174	328	2,506	12,690

The above figures include:

	2019	2018
	£000s	£000s
Freehold land and buildings, at net book value	3,317	4,682

## Notes to the financial statements

for the financial year ended 31 December 2019

### 16. Right-of-use assets

	Land and buildings
	£000s
<i>Cost</i>	
At 1 January 2019	-
Transition to IFRS 16 (note 30)	9,389
Additions	9,367
At 31 December 2019	18,756
<i>Accumulated depreciation</i>	
At 1 January 2019	-
Provided during the financial year	409
At 31 December 2019	409
<i>Net book value:</i>	
At 31 December 2019	18,347

### 17. Investments

	2019 £000s	2018 £000s
<i>Cost</i>		
At 1 January	693	4,973
Additions during the year	-	10,609
Disposals during the year	-	(14,889)
At 31 December	693	693
<i>Provision for impairment</i>		
At 1 January and at 31 December 2019	-	-
<i>Net book value</i>	693	693

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

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 29.

During the prior period, Novar ED&S Limited acquired additional shares of £10,609,000 in Ackermann Limited, as consideration for the transfer of Homes business. Subsequently, the entire investment in Ackermann Limited with a carrying value of £14,889,000 was transferred to Novar Limited for a consideration of £10,609,000, resulting in a loss on disposal of investment of £4,280,000.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 18. Stocks

	2019	2018
	£000s	£000s
Raw materials	2,953	3,456
Work in progress	1,059	1,369
Finished goods	3,790	6,576
<i>Total stocks</i>	<u>7,802</u>	<u>11,401</u>
The amount of inventories recognised as an expense during the year	42,530	50,058
The amount inventories written down recognised as an expense in the year	1,224	1,009

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

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	14,629	18,443
Amounts owed by group undertakings	84,922	83,901
R&D tax recoverable	954	-
Prepayments and accrued income	-	70
Other debtors	-	9
<i>Total amounts falling due within one year</i>	<u>100,505</u>	<u>102,423</u>

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

<i>Receivable</i>	<i>Currency</i>	<i>Interest terms</i>	2019	2018
			£000s	£000s
On demand	GBP	UK Base Rate Plus 1%	80,369	78,978

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

## Notes to the financial statements

for the financial year ended 31 December 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

### Trade receivables

	Gross carrying amount at risk of default £000s	2019 Expected credit loss rate %	Expected credit loss £000s	Gross carrying amount at risk of default £000s	2018 Expected credit loss rate %	Expected credit loss £000s
Amounts due:						
Not due	13,570	0.01	1	28,462	0.22	63
within 30 days	7	0.03	-	(10,722)	0.03	(3)
30 – 60 days	577	0.40	2	434	3.00	13
61 – 90 days	234	1.07	3	(67)	4.48	(3)
91 – 180 days	108	1.53	2	108	12.96	14
After 180 days	145	2.95	4	553	43.56	241
Total	<u>14,641</u>		<u>12</u>	<u>18,768</u>		<u>325</u>

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

	2019 £000s	2018 £000s
Trade creditors	16,596	18,080
Bank overdraft	-	12,225
Amounts owed to group undertakings	5,480	6,570
Taxation and social security	710	2,166
Accruals and deferred income	3,689	1,567
Accrued preference dividends	30,606	27,573
Lease liability (note 22)	1,170	-
Other creditors	72	-
Total amount owed to creditors	<u>58,323</u>	<u>68,181</u>

Accrued preference dividends represent an annual dividend of £3,033,000 since 2005 on 7.5% cumulative preference shares of £1 each.

All amounts owed to group undertakings are payable on demand, unsecured and non-interest bearing.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 21. Creditors: amounts falling due after more than one year

	2019	2018
	£000s	£000s
7.5% cumulative preference shares of £1 each	40,441	40,441
Lease liability (note 22)	17,939	-
<b>Total amount owed to creditors</b>	<b>58,380</b>	<b>40,441</b>

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

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

### 22. Lease liabilities

	2019	2018
	£000s	£000s
Land and buildings		
Non-current (note 21)	17,939	-
Current (note 20)	1,170	-
<b>Total</b>	<b>19,109</b>	<b>-</b>

The non-cancellable lease payments are due

	2019	2018
	£000s	£000s
Within 1 year	1,170	-
Between 1 and 5 years	4,771	-
After 5 years	13,168	-
<b>Total</b>	<b>19,109</b>	<b>-</b>

The company has entered into commercial leases on certain properties. There are three property leases: first one relates to the Progress Road, Eastwood, Southend-on-Sea with a remaining term at year end of 2 years; second one relates to the Arnold Centre, Basildon with a remaining term at year end of 35 years, and the last one relates to Pioneer 210 North Road, Ellesmere Port with a remaining term at year end of 9 years. A lease incentive was given under the UKAH property for £1,313,000. There are no restrictions placed upon the lessee by entering into these leases.

The total cash outflow for leases amount to £1,232,000.



## Notes to the financial statements

for the financial year ended 31 December 2019

### 23. Provisions for liabilities

	Warranty	Severance Pay	Deferred tax liability (note 13)	Total
	£000s	£000s	£000s	£000s
At 1 January 2019	304	-	25,185	25,489
Charge to profit and loss account	-	1,720	929	2,649
Credit to statement of comprehensive income	-	-	(670)	(670)
Utilised	(49)	-	-	(49)
At 31 December 2019	255	1,720	25,444	27,419

The warranty provision represents the best estimate of the costs associated with the sale of products under warranty before the balance sheet date.

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

### 24. 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. The scheme was closed for future accruals of benefits with effect from 30 June 2017 and all active members at this date became deferred members. Regular employer contributions to the plan by the company in 2020 are estimated to be nil. Defined benefit obligations are based on a full valuation of the schemes liabilities as at 31 December 2019, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2019.

	2019	2018
	£000s	£000s
<i>Amounts recognised in the balance sheet</i>		
Fair value of plan assets	747,722	686,947
Present value of defined benefit obligations	(590,082)	(528,917)
Net assets	157,640	158,030

**Notes to the financial statements**  
*for the financial year ended 31 December 2019*

	2019	2018
<i>Amounts recognised in profit or loss</i>	<i>£000s</i>	<i>£000s</i>
Interest cost	14,557	13,704
Expected return on pension plan assets	(18,834)	(16,963)
<i>Finance credit recognised</i>	<i>(4,277)</i>	<i>(3,259)</i>
Past service cost (including curtailments)	-	2,575
Total administrative expenses recognised in profit and loss	726	601
Cost recognised in profit and loss	(3,551)	(83)
Actual return on assets	85,027	(6,820)
<i>Remeasurements</i>	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Liability losses/(gains) due to changes in assumptions	70,421	(47,923)
Liability (gains)/losses due to experience during the year	(286)	5,363
Asset (gains)/losses arising during the financial year	(66,194)	23,784
Total actuarial loss/(gain) recognised in OCI	3,941	(18,776)
Changes in present value of defined benefit obligation		
At 1 January	528,917	575,409
Interest cost	14,557	13,704
Curtailments	-	2,574
Actuarial losses/(gains) on liabilities-financial assumption	75,270	(39,306)
Actuarial gains on liabilities - demographic assumptions	(4,849)	(8,617)
Actuarial (gains)/losses on liabilities-experience	(286)	5,363
Net benefits paid out	(23,527)	(20,210)
At 31 December	590,082	528,917

## Notes to the financial statements

for the financial year ended 31 December 2019

	2019	2018
<i>Changes in fair value of scheme assets</i>	£000s	£000s
At 1 January	686,947	700,509
Expected return on assets	18,834	16,963
Actuarial gains/(losses) on assets	66,194	(23,784)
Contributions by employer	-	14,071
Actual administration expenses paid	(726)	(602)
Net benefits paid out	(23,527)	(20,210)
At 31 December	747,722	686,947

	2019	2018
<i>Major categories of plan assets as a percentage of total plan assets</i>	%	%
Equities (including venture cap and alternative investments)	32	32
Bonds	13	63
Property	3	4
Cash	52	1
Total	100	100

	2019	2018
<i>Main actuarial assumptions</i>	%	%
Inflation (RPI)	2.9	3.2
Inflation (CPI)	1.9	2.1
Rate of general long term increases in salaries	n/a	n/a

### *Rate of increase for pensions*

Pensions subject to limited price indexation to 5%	2.8	3.1
Pensions subject to limited price indexation to 2.5%	2.1	2.2
Other pensions and deferred pensions	1.9	2.1
Discount rate for scheme liabilities	2.0	2.9

### *Mortality*

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2019 at age 65 will live on average for a further 22.4 years (2018: 21.6 years) after retirement if male or a further 24.4 years (2018: 23.5 years) if female.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 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.

## 25. Called-up share capital

	2019	2018
	£000s	£000s
<i>Authorised and allotted, called up and fully paid</i>		
1,100,605 (2018: 1,100,605) ordinary shares of £1 each	1,101	1,101

## 26. Share premium account

	2019	2018
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	19,800	19,800

## 27. Other reserves

	2019	2019
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Other reserves	714	714

## 28. 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 £560,423,000 (2018: £423,389,000).

Positive cash balances held by the group exceeded overdrawn balances in 2019 and 2018.

## Notes to the financial statements

for the financial year ended 31 December 2019

### 29. Subsidiary undertakings

The company's subsidiary undertaking is as follows:

Name of company	Principal activity	% holding	Country of incorporation	Registered address
Directly held subsidiaries:				
Honeywell Electrical Devices & Systems India Ltd	Electrical devices and systems	91%	India	Dowlath Tower 3 & 4 Floor, Taylors Road, Kilpauk, Chennai Tamil Nadu-TN 600010 India

### 30. Change in accounting policies

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

#### IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

On transition to IFRS 16, the company recognised £9,389,000 of right-of-use assets and lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account.

#### Impact on financial statements

Effect of adoption of IFRS 16 on the balance sheet as at 1 January 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Right-of-use assets	9,389	9,389	-
Total assets	9,389	9,389	-
Lease liabilities	9,389	9,389	-
Total liabilities	9,389	9,389	-

## Notes to the financial statements

for the financial year ended 31 December 2019

Effect of adoption of IFRS 16 on the balance sheet as at 31 December 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Debtors	-	(383)	383
Right-of-use assets	18,347	18,347	-
Total assets	<b>18,347</b>	<b>17,964</b>	<b>383</b>
Lease liabilities	19,109	19,109	-
Total liabilities	<b>19,109</b>	<b>19,109</b>	-

Effect of adoption of IFRS 16 on the statement of profit and loss for the year ending 31 December 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Rental charges	-	(849)	849
Depreciation on ROU assets	409	409	-
Interest payable on lease liabilities	272	272	-
Profit before tax	(8,756)	(168)	(8,588)
Income tax expense	1,163	-	1,163
Profit for the year	(7,593)	(168)	(7,425)

### 31. Events after balance sheet date

Subsequent to the balance sheet date, as noted in the strategic report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.

Following the announcement of the closure of St Asaph site by January 2020, the tangible assets and inventories were sold in January 2020 to Goodfish Group Limited at an agreed value of £1,533,000 respectively and staff was also made redundant. These assets are therefore been shown separately under the head "Assets held for sale" in accordance with IFRS 5.