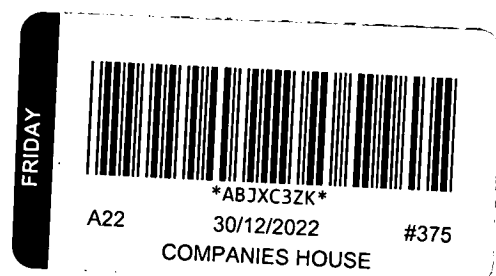


# Honeywell Control Systems Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



## Contents

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Company Information	1
Strategic Report	2 to 14
Directors' Report	15 to 18
Statement of Directors' Responsibilities	19
Independent Auditor's Report	20 to 22
Profit and Loss Account	23
Statement of Comprehensive Income	24
Balance Sheet	25
Statement of Changes in Equity	26
Notes to the Financial Statements	27 to 61

## Company Information

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<b>Directors</b>	James McKenna Sarah Martin David Kay David Juggins Antonio Carlos Ireneu Dos Santos Rodrigues Das Neves Hicham Khellafi Diane Bacquet-Herbaux
<b>Auditors</b>	Deloitte LLP Statutory Auditor Saltire Court 20 Castle Terrace Edinburgh EH1 2DB United Kingdom
<b>Bankers</b>	Barclays Bank Level 11 One Churchill Place London E14 5HP United Kingdom
<b>Registered office</b>	Honeywell House Skimped Hill Lane Bracknell Berkshire RG12 1EB United Kingdom

## Strategic Report for the Year Ended 31 December 2021

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The directors present their report for the year ended 31 December 2021.

### Principal activity

The company contains several divisions which operate in three of the four of Honeywell's strategic business groups. These are BT (Building Technologies) which provides building automation systems, service and products; PMT (Performance Materials & Technologies) which provides industrial process solutions, service and controls; and SPS (Safety and Productivity Solutions) which supplies electrical switches and sensors. All three strategic business groups develop and deliver products and integrated solutions that improve energy efficiency, industrial productivity and safety while enhancing convenience and control. The company operates mainly in the UK, with some product sales to mainland Europe, North and South America and Asia Pacific. The company also has a branch in Ireland.

### Review of the business and future developments

The profit for the financial year, after taxation, is £21,397,000 (2020: £23,095,000).

Turnover increased by 11.9% to £270,581,000 (2020: £241,788,000) in total. While the BT and SPS divisions experienced double-digit growth – 24.8% and 26.9% respectively – resulting from the resurgence of backlog orders from customers which restarted projects previously postponed due to the pandemic, the PMT division saw a 16.9% decline due to a decrease in new projects replacing ended projects. During the year, the company received dividend income of £nil (2020: £8,383,000).

Gross profit increased by 1.2% to £72,565,000 (2020: £71,704,000), mostly affected by the increase in revenue from projects in the SPS business offset by a sharp increase in contractor costs and freight charges.

Distribution expenses decreased by 7.0% to £23,109,000 (2020: £24,860,000) mostly due to a reduction in staff costs. Administrative expenses reduced by 36.7% to £20,144,000 (2020: £31,841,000) driven by a reduction in staff costs and recruitment fees following a restructuring programme carried out in 2020 to mitigate the adverse impact of the economic downturn. The balance sheet strengthened as a result of a net pension assets increase of £121,154,000 (2020: £77,308,000) driven by an actuarial gain of £117,495,000 (2020: £63,887,000).

Following the increase in turnover offset by a reduction in gross profit, operating profit increased by 93.9% to £29,351,000 (2020: £15,138,000) and consequently operating profit margin increased by 4.6% to 10.9% of turnover (2020: 6.3%).

The outbreak of the coronavirus disease ("COVID-19") had a significant impact on the entity due to the lockdown in the second and third quarters of 2020, as customers deferred projects, and the company's ability to provide services and therefore generate revenue and profit has been adversely affected due to challenges in accessing customer sites. The BT and SPS businesses saw partial recovery in the second half of 2020 and further recovery in 2021 as the lockdown restrictions eased. However, the PMT business continued to face adverse impact due to decline in oil prices and is expected to remain so until the oil and gas industry recovers.

The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and was effective from midnight on 31 December 2020. The company has a significant level of interaction with the European Union in both its supply chain and sales channels. Initially the Brexit deal is expected to cause a delay in product and materials shipments due to bottlenecks at border control resulting from additional clearance requirements. There is expected to be some divergence in regulations between European Union and the United Kingdom and Honeywell as a group has taken steps to ensure compliance with new regulations stemming from the Brexit deal. In the longer term the Brexit deal may result in an increase in logistics and product costs. The company has seen some short-term operational impact on export documentation requirements as the new regulations took effect, but processes have been updated to reflect the changes and delivery lead-times have not been materially impacted. Honeywell has implemented a number of mitigating actions which include adding further distribution channels and HR policies in order to reduce the impact of the Brexit deal. The effects of the Brexit deal are being monitored as detailed in the risk management and principal risks and uncertainties paragraphs included in this report.

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

## Strategic Report for the Year Ended 31 December 2021 (continued)

The company's key financial and other performance indicators during the year were as follows:

<b>Financial KPIs</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
Change in turnover compared with previous year	%	11.9	(9.9)
Gross profit margin	%	26.8	29.7
Operating profit margin	%	10.9	6.3
Headcount % change compared with previous year	%	(8.1)	(5.3)

### *Turnover*

Total turnover increased by 11.9%. The BT and SPS divisions experienced double-digit growth – 24.8% (2020: 10.5% decline) and 26.9% (2020: 5.5% decline) respectively – resulting from the resurgence of backlog orders from customers which restarted projects previously postponed due to the pandemic. The PMT division declined by 16.9% (2020: 13.5%) due to a decrease in new projects replacing ended projects and continuing depressed commodity prices in the oil and gas markets.

### *Gross profit margin*

Gross profit increased by 1.2% (2020: decreased by 13.4%) to £72,565,000 (2020: £71,704,000), mostly affected by the increase in revenue from projects in the SPS business offset by a sharp increase in contractor costs and freight charges. Consequently, gross margin decreased by 2.9% (2020: 1.2%), from 29.7% in 2020 to 26.8% in 2021.

### *Operating profit margin*

Following the increase in turnover offset by a reduction in gross profit, operating profit increased by 93.9% to £29,351,000 (2020: £15,138,000). Distribution expenses decreased by 7.0% to £23,109,000 (2020: £24,860,000) mostly due to a reduction in staff costs. Administrative expenses reduced by 36.7% to £20,144,000 (2020: £31,841,000) driven by a reduction in staff costs and recruitment fees following a restructuring programme carried out in 2020 to mitigate the adverse impact of the economic downturn. Consequently, operating profit margin increased by 4.6% to 10.9% of turnover (2020: 6.3%).

### *Headcount*

The average headcount decreased by 8.1% (2020: 5.3%) from 1,103 employees in 2020 to 1,039 employees in 2021 due to ongoing restructuring across all divisions, as further roles became redundant during the year to reduce costs and maintain profitability. The average headcount statistics are affected by the timing of the 2020 redundancies, most of which occurred in the second half of the prior year (122 out of 150 total).

## **Strategy**

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the BT, the PMT and the SPS Strategic Business Groups.

Across all its segments, the company's strategy is to build a unique position by offering its customers a software driven and connected solution. In the BT segment, the Business Group strategy is to build a unique position by offering customers a software-driven and connected solution. The starting point is listening carefully to customers to develop products and services that meet their specific needs. The solutions are then designed to operate seamlessly as part of an integrated management system. The Business Group aims to build a smarter, safer, and more sustainable world by helping customers to control their comfort, security, and energy use.

The PMT Business Group strategy is to generate long-term growth while building a world which is safer and more secure, more comfortable and energy efficient, and more innovative and productive. The Business Group aims to add value for oil and gas companies and enable them to operate more efficiently and profitably by offering them a deep process knowledge, combined with software expertise from HPS and an extensive network of laboratories and pilot plant facilities.

By focusing on solutions that offer greater efficiency, the Business Group provides reliable technical service and support, with expertise in plant operations, asset management, customized training, strategic and tactical support, troubleshooting, and engineering services.

## Strategic Report for the Year Ended 31 December 2021 (continued)

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In the SPS segment, the Business Group strategy is to build a unique position by offering its customers comprehensive solutions that enhance workplace safety and incident response, improve enterprise performance and enable greater product design innovation. The Business Group builds on Honeywell's expertise in connected solutions to provide real-time safety intelligence, increase worker productivity and enrich operational intelligence with data-driven insights.

The Business Group aims to build a unique position with a broad, deep installed base and understanding of key industries and marketplaces through investing significantly in next-generation technologies, from cloud to artificial intelligence to machine learning.

### Financial risk management, objectives and policies

#### *Interest rate risks*

The company is exposed to interest rate risk arising out of amounts owed to/from group undertakings respectively. 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 risks*

The impact of COVID-19 has resulted in increased volatility in foreign exchange rates thus exposing the company to increased foreign currency risks. This has been compounded by the effect of the Brexit deal on British Pound Sterling.

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

#### *Liquidity risks*

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

#### *Credit 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.

## Strategic Report for the Year Ended 31 December 2021 (continued)

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In December 2019, a novel strain of coronavirus ("COVID-19") was identified in Asia. Over the next several months, COVID-19 quickly spread across the world. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic. The outbreak of the 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 could negatively impact the company's operations and adversely affect its business. As of December 31, 2021, the virus continues to spread and many countries are experiencing a resurgence in infection rates. Although vaccines have recently been made available, the availability and distribution of the vaccines continues to provide challenges. We remain cautious as many factors remain unpredictable, including the increasing rate of COVID-19 infections. We continue to monitor COVID-19 infection rates and acknowledge the risk of new surges in COVID-19 infections.

The global spread of COVID-19 creates significant volatility, uncertainty and economic disruption, which impacts our business, operations and financial results and may continue to do so. Honeywell's capabilities adapted towards addressing the COVID-19 challenges of our customers around the world. The enduring impact of the COVID-19 pandemic on 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; as well as the timing and availability of effective medical treatments and vaccines; 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 due to shutdowns or other restrictive measures that may be requested or mandated by governmental authorities.

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 companies dealing in building technologies, performance materials and technologies, and safety productivity solutions businesses as a whole.

- **Customer risk:** Existing and potential customers and their end-users may choose to reduce or delay spending, cancel contracts, or cut costs in a manner that reduces demand for our products and services. 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, meet billing milestones or 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 taken 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, as well as increasing supplier-based productivity and enhancing spending-limit controls. 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.

## Strategic Report for the Year Ended 31 December 2021 (continued)

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In the BT part of the business, some supply and installation projects were put on hold in the second quarter of 2020 due to lockdown restrictions. However, the business partially recovered in the fourth quarter of 2020 and achieved a full recovery in 2021 despite challenging trading conditions. Further growth is expected throughout 2022.

In the HPS, part of Performance Materials and Technologies, revenue generation is continued on existing projects. However, several new projects have been delayed, especially in the oil and gas sector, until they recover from the volatility in the commodity prices. The HPS business continues to face adverse impact in 2022 due to decline in oil prices and is expected to remain so until the oil and gas industry recovers.

In the SPS division, the company saw lower demand for electrical switches and sensors in the second quarter of 2020. However, recovery, which started in the fourth quarter of 2020, continued throughout 2021. Although the expected full recovery was hindered by further lockdown measures introduced in the second half of 2021, the company achieved fully recovery in 2021 and is expecting further growth in 2022. The company also benefitted from an increase in demand for personal protective equipment and medical sensors in 2020, which continued in 2021.

The company continues to undertake various cost-mitigating measures to reduce its current cost base.

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 was in a transition period until 31 December 2020. The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and is effective from 1 January 2021. The deal imposes additional rules and regulations to govern the transfer of goods and services between the United Kingdom and European Union. This may lead in future years to an increase in costs and administrative requirements and procedures of trading with the European Union. The implementation of the deal is also expected to impact macroeconomic factors such as exchange rates. A working group has been established by Honeywell International Inc. to monitor the trade deal and regulation and implement mitigating actions to respond to any changes.

The company has a significant degree of interactions with the European Union through its supply chain and sales distribution channels. It will be impacted through additional costs and complexities of transferring products and services between the United Kingdom and the European Union. The company has implemented actions to mitigate the impact of Brexit and continues to monitor the Brexit regulations and will adapt the mitigating actions as needed. In addition, the company may be affected by macroeconomic factors, such as exchange rate and interest rate fluctuations, that are influenced by the deal and affect the environment in which the company operates.

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

Set out below is the company's report as required under the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"). The Regulations require Honeywell Control Systems Limited (the "company") to report how the Directors of the company (the "Board") have considered their duties under section 172 ("Section 172") of the Companies Act 2006 (the "Act"), to promote the success of the Company for the benefit of its shareholder whilst having due regard to the company's stakeholders. The principal activity of the company is several divisions which operate in three of the four of Honeywell's strategic business groups. These are BT (Building Technologies) which provides building automation systems, service and products; PMT (Performance Materials & Technologies) which provides industrial process solutions, service and controls; and SPS (Safety and Productivity Solutions) which supplies electrical switches and sensors. All three strategic business groups develop and deliver products and integrated solutions that improve energy efficiency, industrial productivity and safety while enhancing convenience and control. The company operates mainly in the UK, with some product sales to mainland Europe, North and South America and Asia Pacific. The company also has a branch in Ireland.

The company is part of the Honeywell group of companies (the "Honeywell Group") and is ultimately owned by Honeywell International Inc. The duty under Section 172 is owed by the Directors to the company. In the context of a group of companies, the company's Directors owe their primary duty to the company and not Honeywell International Inc (though Honeywell International Inc is considered a relevant factor under the Section 172 duty).



## Strategic Report for the Year Ended 31 December 2021 (continued)

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The Board recognises the need to have appropriate levels of corporate governance as part of its approach to risk mitigation and wider stakeholder engagement strategy, and that the overall framework that Section 172 promotes is to drive the long-term success and sustained economic viability of the company for the benefit of its sole shareholder and other key stakeholders.

The Directors are mindful of corporate governance and seek to demonstrate understanding of their accountability and statutory responsibilities, including application of their Section 172 duties under the Act. Honeywell Group's legal function provides regular corporate governance updates to the Board on new and amended legislation, including the steps taken to ensure compliance. The Directors always consider whether the decisions to be taken are in the best interest of the company, whilst also considering the impact on the company's wider stakeholder base.

For details of the issues, factors and stakeholders the Directors consider relevant in complying with Section 172 of the Act, and the main methods the Directors have used to engage with stakeholders and understand the issues to which they must have regard, refer to the "Engagement with suppliers, customers and other relationships" and "Engagement with employees" statements on pages 10 and 13 respectively.

### *Purpose*

The purpose of our company is aligned to the Honeywell Group strategy for the business unit and all values are aligned in accordance with the context of the ultimate parent company, Honeywell International Inc. The company develops and delivers a range of products and integrated solutions that improve energy efficiency, industrial productivity and safety while enhancing convenience and control.

The Board is responsible for promoting the purpose of the company and ensuring that its values, strategy and culture complement this purpose and are strategically aligned with the wider Honeywell business unit. Our purpose is at the heart of everything that we do, it inspires our employees and guides our day-to-day operations, our culture and decision making by the Board.

The Board discusses its strategic direction based on the values and culture promoted by the overall parent and considers the policies provided for the Honeywell Group to shape its operational activities.

We align our values with the Honeywell Group's clearly defined core values, which encompass inclusion and diversity, sustainability, integrity and compliance and communities. By incorporating these values, the company creates an environment where individuals and teams grow together whilst recognising a culture that balances accountability and results with a high value on its people. The company's commitment to integrity, ethics, supporting diversity and workplace respect underlie the Directors' duties to promote the success of the company as a whole whilst encouraging such behaviours enabling a "performance culture" that the Honeywell Group seeks to achieve throughout.

Our culture is determined by the values set out above which defines the expectations, attitudes and behaviors expected by the company's Directors and its employees, in its activities and relationships with colleagues, shareholders and wider stakeholders. In doing so, this ensures that the business maintains a reputation for high standards of business conduct and stakeholder engagement.

Our culture and values are further reinforced by training and development of the Board and employees. The company and its Directors are able to apply the core values, which produce a continuously high standard of business ethics, when considering the statutory requirements of Section 172 in pursuit of promoting the long-term success of the company.

In making its decisions, including strategic decisions that impact our stakeholders, a key principle applied by the Directors is to always consider whether the decision they are about to take leads to a positive long-term increase in shareholder value whilst balancing the interests of, and long term impacts on, stakeholders of the company. The Directors and senior management are provided with clear guidance and appropriate corporate governance protocols to support the decision making process, at the heart of which is the necessity to promote the sustainable, long-term success of the company, whilst having sufficient regard for stakeholders.

### *Decision making process*

Decision making within the company is undertaken by the Board with supporting information from subject matter experts at executive level in the business, including various Honeywell group functions such as Tax, Treasury and Legal. Decision making is guided by the strategic direction of the global business and the business unit.

## Strategic Report for the Year Ended 31 December 2021 (continued)

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The Board has a robust set of reserved matters relevant and appropriate to its purpose and function, with appropriate thresholds, to ensure applicable approvals are obtained before certain actions/business decisions can be taken. Certain matters are delegated to senior management with appropriate levels of authority and escalation. These matters are strictly reserved to ensure the directors of the Board can demonstrate sound and competent execution of their statutory duties (including oversight of the management of relationships and engagement with stakeholders on their behalf) in accordance with the Act and the Regulations and are driven by the need to promote the success of the company. A key principle underlying these delegations in the company is that the flow of delegation originates from the Board to senior management.

During 2020 as a result of the Covid-19 pandemic the company experienced the need for a reduction in workforce due to budgeting constraints. As a result the Directors ensured that appropriate risk mitigation steps were taken and strong engagement with employees occurred. The Directors, in making their decisions surrounding the reduction, considered the values and protocols set by the Honeywell group.

As detailed in the "Training" section below, training has been undertaken by the Directors to understand the requirements of the Regulations and the process for approving principal decisions. This training also informed the directors of future regulatory developments which the Board will continue to monitor through the overarching corporate governance across the UK.

Board meetings are scheduled on an adhoc basis and occur at least once a year. The Board processes that support the application of our corporate governance and decision-making more widely, and Section 172 more specifically, require board paper preparers to ensure sufficient and relevant information is provided to the Board, senior management and Honeywell International Inc. Board meetings and minutes demonstrate the relevant aspects of Section 172 are considered and appropriately addressed. The corporate governance process provides the company with a framework to ensure everyone involved in and contributing to the decision-making process understands the duties which the directors are obligated to consider in the decision-making process and applicable regulations, to be able to provide relevant information and therefore lead to effective decision making.

To further support effective decision-making, the Board takes into account various group-wide governance policies and practices, including the Delegations of Authority, Code of Ethics, Anti-Bribery and Corruption Policy, Environmental Policy, Security Policy (the "Honeywell Policies"), when making decisions on behalf of the company, together with established practices.

### *Board composition*

The company has 7 Directors, as further described on page 15 of the Directors' Report. The current Directors, in addition to their role as statutory Directors of the Company, also occupy key positions within the wider organisation and ensure ongoing oversight of various segments of the business. For example, S.R.Martin previously worked as the General Manager of Electronic and Gas Sensors, SIoT at Honeywell International Inc. giving her a broad depth of product knowledge and experience. D.Juggins previously worked as the District Finance Leader for Midlands and South West and is a qualified lawyer and accountant. D.Bacquet-Herbaux has extensive experience as EMEA Chief Labour and Employment Counsel and as a strategic legal partner for all Honeywell's businesses, advising on labour and employment issues for management change projects, acquisitions and disposals, restructurings, reorganisations, relationships with unions, European works council and local works council. D.Bacquet-Herbaux has also been part of the Honeywell group for the past 12 years, bringing extensive knowledge to the Board of the group's values and culture.

J.M.Dunn is a Senior HR Professional with nearly 16 years of international HR experience in roles of increasing scope and responsibility including specialist experience in compensation and HR integration. She has a solid understanding of the importance and complexity of working within a high-performing global business environment. J.Mckenna, has experience working as the European product director which brings a broad range of knowledge to be shared and utilised at Board level. Finally, A.C.Neves has had previous involvement with a number of other Honeywell entities where he has built relationships with a range of other Honeywell top-level executives.

The composition of the Board provides a level of seniority, extensive business and industry experience and in-depth understanding of the company's and the wider organization's affairs to enable the Directors to meet the needs of the business and for the Directors to each carry out their role and statutory duties to a high standard. The Board's collective experience enables them to identify and consider a broad range of stakeholders in their deliberations and decision-making.

## Strategic Report for the Year Ended 31 December 2021 (continued)

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### *Training*

New Directors are subject to a formal induction process and the current Directors have an opportunity to receive training relevant to their role on the Board and the wider organization. To support the Directors in their roles and enable them to discharge their responsibilities as statutory directors, the induction and ongoing training contains materials and training sessions on Section 172 duties and wider responsibilities of the Directors.

The Directors of the Company are given access to an online training portal where regularly updated training material and modules are made available to enable the Directors to continually refresh and develop their skills and knowledge.

In 2021, and annually going forward, Directors of the company will attend bespoke training sessions from an external facilitator to ensure they are continually up to date with relevant legislation in order to actively demonstrate compliance and application of their statutory duties. Director training will consist of presentations, breakout sessions and case study analysis. New Directors will be provided with induction packs detailing the course content to ensure that they are up to date as soon as they take on a Honeywell directorship.

### *Principal decisions*

Being a part of a large multinational group of companies, the company adheres to the compliance policies and procedures which are set out by its parent company alongside those of the wider group. During the year, all key strategic decisions made by the company have been made with due consideration of the business unit and wider Honeywell Group strategy.

The Board has the necessary skills and experience required to identify the impacts of their decisions on the company's stakeholders, and where relevant, the likely consequences of the decisions in the long-term. The Directors are supported by information provided by Honeywell Group functions, such as Tax, Treasury and Legal - who support and consult when necessary. Responsibility for making principal decisions is reserved for the company's Board and can include the following decisions: (i) those linked to matters of strategic importance; (ii) commercially material matters of financial or operational importance; and (iii) those that impact key stakeholders. Examples of principal decisions can include:

- dividends;
- changes to key investments owned by the company;
- substantial reorganisation projects;
- business contracts above certain value;
- changes to the company's strategic objectives, in line with wider business unit priorities;
- substantial changes to the Honeywell brand; and
- matters that will substantially affect the company's employees.

In making its decisions, the Board is required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it making that principal decision.

In line with the Regulations and FRC guidance, and in accordance with the approach taken during the financial year under review, having considered the company's principal risks and uncertainties as detailed in the Strategic Report, the company made the following principal decisions during the year ended 31 December 2021:

- approval of re-appointment of auditors;
- approval of Slavery and Human Trafficking Statement 2021;
- pivoting ways of working in response to disruption from Covid-19; and
- making use of the government Furlough scheme for the Company's employees.

### *Covid-19 related decisions*

The Honeywell Group undertook a formal analysis, "Going Concern and Impact of Covid 19", of the impact of Covid 19 on global and local economies and the effect on Honeywell's UK holding and financial companies, as well as Honeywell International Inc. The report contained an analysis of the impacts of the global pandemic on areas such as employee health, safety, economic wellness, Honeywell's commitment to public health, plant productivity and safety, customers and suppliers, liquidity resources and prudent cost control measures.

## Strategic Report for the Year Ended 31 December 2021 (continued)

During 2020, the Covid-19 pandemic meant that the Board had to take decisions to rearrange the ways of operating the business with many employees having to work from home. Decisions on this matter were taken with the highest regard to the well-being and safety of employees whilst maintaining the highest operational standards of compliance as set by Honeywell International Inc.

Additionally, the Board took advantage of the assistance provided by the UK government by way of the "Furlough" scheme which aided the company in the payment of employee's wages if it was necessary to place them onto flexible furlough due to effects of the pandemic.

### Engagement with suppliers, customers and other relationships

The Board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By thoroughly understanding the company's key stakeholder groups, the Board can successfully factor in and address the needs of these stakeholders and foster good business relationships with them. The company considers its employees, suppliers, customers, the community and environment, our shareholder and regulators to be our key stakeholders. We aim to build and maintain lasting relationships with its key stakeholders in the countries where it operates. The company engages with its key stakeholders and considers their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision-making.

The Board delegates stakeholder engagement to the senior management and considers the stakeholders that are impacted by the company and its business activities, including its employees, suppliers, customers, the local community and the shareholder.

The company's Board operates within the Honeywell Group's vision which recognises the importance of clear and effective communication as well as proactive engagement with stakeholders. By enabling a range of engagement channels, informed decision-making is achieved and supports the long-term success of the company.

Regularly engaging with the key stakeholders is a priority for the company and the following information describes how the Directors had regard to the need to foster relationships with the company's key stakeholders, how outcomes were considered and how concerns were identified and addressed during the reporting period. Further detail of these decisions, and in particular the Principal Decisions in relation to the stakeholders, are discussed in the s172 Statement on page 15:

Stakeholder group / interests	How we engage	Impact of engagement
<b>Employees</b>		

For details on how we have engaged with the company's UK-based employees, how the Directors had regard to those employees' interests, and the effect of that regard, including on the decisions taken during the reporting period, refer to the "Engagement with employees" statement in the Directors' report (details of which are set out on page 15).

<b>Customers</b>		
<ul style="list-style-type: none"> <li>To provide the company's customers with top quality services.</li> <li>To demonstrate excellence in service delivery on a global scale and build trust between customers and the Company.</li> </ul>	<ul style="list-style-type: none"> <li>The company maintains a number of group-wide policies aimed at ensuring ongoing security of customer data, high standards of safety and quality of the products and services and continued confidence and trust of our customers.</li> </ul>	<ul style="list-style-type: none"> <li>The Board is provided with regular reports on renewals of, and negotiations for new, supplier agreements by a dedicated supply chain team. The information received supports effective decision making by the Board and considering long-term consequences on customers well-being and satisfaction.</li> </ul>

## Strategic Report for the Year Ended 31 December 2021 (continued)

### Customers (continued)

- Ensuring safety of the products and services provided to customers.
  - Ensuring that any claims in relation to quality of safety of products or services are addressed and resolved.
  - Ensuring that customer data is kept in a secure environment and only for the duration and purposes the data was collected for.
  - In the event of an escalated issue, if appropriate, members of the Board will seek to resolve directly with customers.
- The sales group team's active daily engagement with customers is fed back to the Board to be used when decision making, providing insight into demand and improve customer retention.
- By understanding our customers, it has allowed us to clarify the company's vision for future growth and ways to continually add brand value.

### Suppliers

- To receive a clearly stated set of requirements to understand the company's needs and expectations.
- To receive regular support from the company to improve suppliers' business management system and effectively avoid any defects and operational issues.
- To be part of a fair and respectful tender and supplier selection process.
- To be part of an ongoing supplier relationship based on mutual respect and treating each other as valued business partners.
- The company maintains a number of group-wide policies to ensure fair and respectful treatment of its actual and potential suppliers across the organisation. The policies clearly set out the company's expectations in relation to the quality of supplier products and services delivered and requirements that need to be met to ensure smooth and mutually beneficial business relationship.
- As part of the wider Honeywell Group, the company's supplier engagement is measured as part of Honeywell's global procurement organisation.
- Further information can be found on Honeywell International's supplier code of business; [www.honeywell.com/en-us/company/integrity-and-compliance.com](http://www.honeywell.com/en-us/company/integrity-and-compliance.com).
- On an exceptional basis, the Directors will engage with suppliers through means of the procurement teams in the case of any escalation.

### Community and environment

- To manufacture and deliver high quality products and services in an energy efficient and environmentally responsible manner.
- The company maintains a number of group-wide policies to promote sustainable and environmentally friendly business and operational practices.
- By following and implementing the group wide sustainability policy, the company has been able to foster the interests of the community and environment in which it operates in Board decisions.

## Strategic Report for the Year Ended 31 December 2021 (continued)

### Community and environment (continued)

- To conduct business in a manner to minimise negative impact on the surrounding area and be respectful and conscientious of the environment.
- To take into account the interest of the local community when considering future investments and business decisions.
- As aforementioned, the company as part of the wider Honeywell Group takes into consideration the sustainability policy of Honeywell International Inc.
- Engagement with employees has resulted in the Board understanding that there is an increasing desire for a more environmentally friendly workplace.
- From listening to the views of employees, the Board is moving towards implementing electric car charging points and parking bays during refurbishments of the company's places of work.

### Shareholder

- The company is 100% owned by Honeywell Limited and the ultimate shareholder is Honeywell International Inc.
- Group Treasury, Tax and Finance functions, in conjunction with the senior management, make recommendations to declare dividends, coordinate and evaluate the amount of dividend and impact at local level.
- The company reports to its shareholder on a regular basis in the form of its financial statements, monthly and quarterly Board reports and business reviews, presentations to the Board of the Group, business plans and strategic plans as well as risk reporting.
- The company's strategy is to pursue strategic growth to create long-term value for its shareholder.
- The receipt of this information, and the coordination with Group functions, aids the Board when considering whether to declare dividends, the amount of dividend and impact at local level.
- Dividends, which are categorised as a principal decision, were considered and however were not subject for approval this financial period.

### Regulator(s)

- To receive regular feedback on any consultations.
- To have an open and honest relationship with the company where Regulation and Guidance can be discussed.
- The company's Directors have delegated much responsibility for engagement with the Regulators to the ultimate parent Honeywell International Inc.
- The company keeps the Regulators informed of any significant changes to the company.

## Strategic Report for the Year Ended 31 December 2021 (continued)

### Engagement with employees

The company identifies its employees as its key stakeholders and recognizes their importance to the long-term success of the company. Throughout the year, the Directors, through their delegated authority to senior management, HR functions and wider Honeywell Group functions, engaged with the company's employees in various ways to provide information on matters of concern to them as employees, to take into account their views in making decisions likely to affect their interests, to encourage involvement in the company's performance and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company engages with its employees to create an environment where its people can continue to learn and establish their careers alongside adding value to the attainment of the company's initiatives. The company promotes the use of specific lines of communication such as employee surveys, business performance updates and presentations, among other things.

This ongoing engagement with the company's stakeholders aims to minimise levels of staff attrition, actively invite employee engagement within the context of the current market, capitalise on knowledge share schemes and promote and continue to develop a healthy work-life balance.

The table below sets out the details of how the company engaged with its employees and how the Directors have regard to the employees' interests and the impact of these considerations on the decisions taken by the Board during the reporting period. Further detail of these decisions, and in particular the Principal Decisions in relation to the employees, are discussed in the s172 Statement on page 6:

Employees' interests	How we engage	Impact of engagement
<ul style="list-style-type: none"> <li>• Providing information on matters of concern to them as employees and to achieve an awareness of factors affecting the performance of the company, such as quarterly results, strategy, sustainability, training, bi-annual performance related bonus scheme, career development and diversity and inclusion.</li> <li>• Being consulted on a regular basis so that the views of employees can be taken into account in the decisions made by the Directors which are likely to affect their interests.</li> </ul>	<ul style="list-style-type: none"> <li>• The Directors have delegated much of the engagement to Group's employee engagement mechanisms, including the Group intranet, Group social media channel, regular team and one-to-one updates provided by divisional leaders and line managers.</li> <li>• The Group HR function, to whom the Directors have delegated training responsibility, ensure that training and career development sessions to employees are provided. The company also publishes annually the company's Gender Pay Gap Report, as well as communications around how and what improvements the company is trying to progress.</li> <li>• Employees are kept informed by ad hoc updates on key developments, changes to strategic objectives and priorities, updates on progress of ongoing projects, updates on Brexit developments and its impact on the business and workforce, updates and announcements in respect of the Covid-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• The Directors strive to promote inclusivity and do not discriminate between employees or potential employees on grounds of race or ethnic origin, disability, gender, sexual orientation, age, religion or belief.</li> <li>• The Directors are committed to valuing the diversity of its people and it monitors and reports internally on aspects such as gender and age equality. The company and the group are strongly dedicated to ensuring equal pay for all workforce across the organization regardless of gender, race or ethnic origin, disability, gender, sexual orientation, age, religion or belief and regularly report on both group and legal entity level.</li> <li>• The results of the townhall are submitted to the Board and considered. The outcomes and any workforce-related issues and requests are considered, addressed and the employees updated on the actions to be taken.</li> </ul>


## Strategic Report for the Year Ended 31 December 2021 (continued)

Employees' interests	How we engage	Impact of engagement
	<ul style="list-style-type: none"><li>• The company's employees are actively encouraged to participate in company "townhalls", where open and honest discussions take place and questions are permitted from all those in attendance. The townhalls take place on either a monthly and quarterly basis held by leadership where the employees are able to voice their opinions and raise any outstanding issues. The results of the townhalls are reported back to the Board for consideration and analysis.</li><li>• An employee forum is in place allowing our Board to consult with employee representatives on a regular basis.</li></ul>	<ul style="list-style-type: none"><li>• The presence of the employee forum allows the Board to receive input from employees at all levels of the company to be considered when decision making.</li></ul>

### Principal decisions

Principal decisions, within the context of Section 172, are made within the context of the ultimate parent company Honeywell International Inc's group strategy and in accordance with policies and procedures set by Honeywell International Inc. During the year there were no principal decisions, within the context of Section 172 reporting, for the company to disclose.

Approved by the Board on 30-Dec-2022 and signed on its behalf by:

DocuSigned by:  
  
82ED57230E3A435...  
David Kay  
Director



## Directors' Report for the Year Ended 31 December 2021

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The directors present their report and the financial statements for the year ended 31 December 2021.

### Business review and future developments

A review of the business of the company and future developments is included in the strategic report on page 2.

### Results and dividends

The company's profit for the financial year, after taxation was £21,397,000 (2020: £23,095,000) which will be transferred to reserves. The results for the financial year are shown on page 23.

The directors do not recommend the payment of a dividend (2020: £8,000,000 for 1 equity share at £8,000,000 per share).

### 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, who held office during the year, and up to the date of signing these financial statements, were as follows:

James McKenna

Sarah Martin

David Kay

David Juggins

Jennifer Dunn (resigned 27 July 2022)

Antonio Carlos Ireneu Dos Santos Rodrigues Das Neves

Diane Bacquet-Herbaux

Hicham Khellafi - Director (appointed 27 July 2022)

### Directors' indemnities

Pursuant to the company's articles of association, the directors were throughout the financial year ended 31 December 2021 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### Research and development

Research and development expenditure for the financial year amounted to £1,285,000 (2020: £2,078,000), due to a reduction in research and development roles in BT as well the associated costs related to the R&D department.

### 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.

### Engagement with employees

The company keeps employees fully informed of the company's strategies and their impact on the performance of the company and the group and encourages employee participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company. Furthermore, employees can acquire shares in the ultimate parent company through the UK Share Builder Plan. Further detail on the engagement with employees undertaken during the year appears as part of our Section 172 statement on page 6.

## Directors' Report for the Year Ended 31 December 2021 (continued)

### Engagement with suppliers, customers and other relationships

We recognise the importance of clear communication and proactive engagement with our stakeholders. Details of engagement with stakeholders undertaken during the year appears as part of our Section 172 statement on page 6.

### 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 2021 and Q3 2022 operating results 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, including rollout of the vaccine, 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., the group's cash, cash equivalents and short term investments balance at 30 September 2022 of \$8.0 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 signing these financial statements.

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine; Russia or Belarus. At the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.

### Environmental report

#### Emissions and energy consumption

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2021:

		2021 Tons CO2e	2021 KWh	2020 Tons CO2e	2020 KWh
Natural gas	Scope 1	1,192	6,508,416	1,000	5,436,762
Fleet	Scope 1	1,256	4,960,380	1,527	6,044,821
Purchased electricity	Scope 2	1,033	4,863,886	1,116	4,788,102
Business travel & personal mileage	Scope 3	117	449,789	86	325,315
Gross emissions & energy		<u>3,598</u>	<u>16,782,471</u>	<u>3,729</u>	<u>16,596,000</u>

#### Turnover (£000)

2021: 270,581

2020: 241,788

#### Tons CO2e/ Turnover (£000)

0.0133

0.0154

## Directors' Report for the Year Ended 31 December 2021 (continued)

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### *Energy actions taken*

Honeywell has a commitment to making our business operations more environmentally friendly and sustainable. Our internal efforts have improved our Scope 1 and Scope 2 greenhouse gas intensity by more than 90% since 2004. And we are committed to achieving more. In 2019, Honeywell set a new five-year "10-10-10" target to reduce global Scope 1 and Scope 2 greenhouse gas emissions by an additional 10% per dollar of sales from 2018 levels, to deploy at least 10 renewable energy opportunities, and to achieve certification to ISO's 50001 Energy Management Standard at 10 facilities, all by 2024. Environmental responsibility is important to our long-term growth. Being a steward of the environment ensures economic sustainability for our shareholders and employees, and it enables continued development of products to meet the demands of an expanding global economy.

We have implemented the following actions to reduce/offset our emissions and energy consumption:

- Global energy program allowing any site to avail funding for energy reduction projects;
- Implementing lighting and control systems upgrade projects, compressed air and cooling plant upgrade projects in the UK;
- Newsletter communications on Honeywell Sustainability that includes best practice sharing. These communications provide awareness and knowledge sharing of energy savings across UK; and
- Purchasing electricity with REC's in many UK sites.

### *Methodologies used to calculate emissions*

GHG Protocol: The corporate standard used in conjunction with DEFRA conversion factors was used. Actual consumption of electricity and fuels where available used for the calculations.

Intensity ratios calculated using revenue.

- Tons CO<sub>2</sub>e / Turnover

### **Data estimation:**

- Estimation of sites energy consumption was done by CBECS factors for labs and offices using the square footage information
- Business travel calculations are based on spend data converted to liters and assumed diesel as the fuel used
- Personal mileage calculations are based on spend data converted to km and assumed diesel as the fuel used

### **Disclosure of information to the auditors**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Events since the balance sheet date**

There have been no material adjusting or disclosable events since the financial year end.

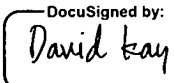
### **Independent auditor**

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.

## Directors' Report for the Year Ended 31 December 2021 (continued)

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Approved by the Board on 30-Dec-2022 and signed on its behalf by:

DocuSigned by:  
  
82EDF7290E3A43B...  
David Kay  
Director

## Statement of Directors' Responsibilities

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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 Accounting 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 of the company for that period.

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to the Members of Honeywell Control Systems Limited**

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

#### **Opinion**

In our opinion the financial statements of Honeywell Control Systems Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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:

- profit and loss account;
- statement of comprehensive income;
- balance sheet;
- statement of changes in equity; and
- the related notes 1 to 32.

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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## **Independent Auditor's Report to the Members of Honeywell Control Systems Limited (continued)**

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We have nothing to report in this regard.

### **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.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- due to the significant judgements in determining the percentage of completion for revenue contracts, there is a risk that revenue could be inaccurately recorded: we tested the design and implementation of relevant controls and have tested a sample by reviewing the contract, agreeing cumulative costs incurred to date to invoice and comparing the estimated costs to complete against invoices received post period end.

## Independent Auditor's Report to the Members of Honeywell Control Systems Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.

### Report on other legal and regulatory requirements

#### Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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:

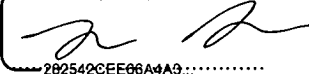
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

#### 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:



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James Boyle CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
Edinburgh  
United Kingdom

Date: 30-Dec-2022.....



## Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	5	270,581	241,788
Cost of sales		<u>(198,016)</u>	<u>(170,084)</u>
Gross profit		72,565	71,704
Distribution expenses		(23,109)	(24,860)
Administrative expenses		(20,144)	(31,841)
Government grant income	6	<u>39</u>	<u>135</u>
Operating profit		29,351	15,138
Dividend income	4	-	8,383
Interest receivable and similar income	11	5,546	8,187
Interest payable and similar expenses	12	<u>(2,241)</u>	<u>(3,195)</u>
Profit before taxation		32,656	28,513
Tax on profit	13	<u>(11,259)</u>	<u>(5,418)</u>
Profit for the financial year		<u><u>21,397</u></u>	<u><u>23,095</u></u>

The above results were derived from continuing operations.

The notes on pages 27 to 61 form an integral part of these financial statements.

## Statement of Comprehensive Income for the Year Ended 31 December 2021

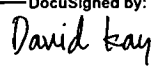
	Note	2021 £000	2020 £000
Profit for the year		<u>21,397</u>	<u>23,095</u>
<b>Items that cannot be reclassified subsequently to profit or loss</b>			
Actuarial gain or loss on defined benefit pension schemes	24	117,495	63,887
Movement on deferred tax in relating to pension scheme	13	<u>(40,083)</u>	<u>(14,223)</u>
		<u>77,412</u>	<u>49,664</u>
Total comprehensive income for the year		<u><u>98,809</u></u>	<u><u>72,759</u></u>

The notes on pages 27 to 61 form an integral part of these financial statements.

## Balance Sheet as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
<b>Fixed assets</b>			
Tangible assets	14	14,072	12,488
Right-of-use assets	15	16,139	19,126
Investments	16	1,167	1,167
		<u>31,378</u>	<u>32,781</u>
<b>Current assets</b>			
Stocks	17	9,670	8,828
Debtors: amounts falling due within one year	18	167,008	128,483
Debtors: amounts falling due after one year	18	1,459	3,179
Contract assets		8,712	8,983
Short-term deposits	19	-	60,000
Cash at bank and in hand		81,954	72,360
		<u>268,803</u>	<u>281,833</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(142,817)</u>	<u>(181,919)</u>
<b>Net current assets</b>		<u>125,986</u>	<u>99,914</u>
<b>Total assets less current liabilities</b>		157,364	132,695
<b>Creditors: Amounts falling due after more than one year</b>	21	(15,720)	(18,666)
<b>Provisions for liabilities</b>	23, 13	<u>(110,781)</u>	<u>(61,273)</u>
<b>Net assets excluding pension asset</b>		30,863	52,756
Net pension asset	24	<u>439,422</u>	<u>318,268</u>
<b>Net assets</b>		<u>470,285</u>	<u>371,024</u>
<b>Capital and reserves</b>			
Called-up share capital	25	-	-
Share premium	26	14,537	14,537
Merger reserve	27	(1,107)	-
Retained earnings		<u>456,855</u>	<u>356,487</u>
<b>Shareholders' funds</b>		<u>470,285</u>	<u>371,024</u>

The financial statements on pages 23 to 61 were approved by the Board of directors on 30-Dec-2022 and signed on its behalf by:

DocuSigned by:  
  
 825DF7230E3A435...  
 David Kay  
 Director

The notes on pages 27 to 61 form an integral part of these financial statements.

## Statement of Changes in Equity for the Year Ended 31 December 2021

	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Merger reserve £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
At 1 January 2020	-	14,537	-	290,482	305,019
Profit for the year	-	-	-	23,095	23,095
Other comprehensive income	-	-	-	49,664	49,664
Total comprehensive income	-	-	-	72,759	72,759
Dividends paid (note 28)	-	-	-	(8,000)	(8,000)
Share-based payment transactions (note 30)	-	-	-	1,246	1,246
At 31 December 2020	-	14,537	-	356,487	371,024
	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Merger reserve £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
At 1 January 2021	-	14,537	-	356,487	371,024
Profit for the year	-	-	-	21,397	21,397
Other comprehensive income	-	-	-	77,412	77,412
Total comprehensive income	-	-	-	98,809	98,809
Merger reserve (note 27)	-	-	(1,107)	-	(1,107)
Share-based payment transactions (note 30)	-	-	-	1,559	1,559
At 31 December 2021	-	14,537	(1,107)	456,855	470,285

The notes on pages 27 to 61 form an integral part of these financial statements.

## Notes to the Financial Statements for the Year Ended 31 December 2021

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### 1 General information

Honeywell Control Systems Limited is a private company limited by share capital, incorporated and domiciled in 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 address of its registered office is:

Honeywell House  
Skimped Hill Lane  
Bracknell  
Berkshire  
RG12 1EB  
United Kingdom

The immediate parent undertaking is Honeywell Limited, a company incorporated in United Kingdom. The registered address of the parent is Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB, England, United Kingdom.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 300 South Tryon Street, Charlotte, NC 28202, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from the internet at [www.honeywell.com](http://www.honeywell.com).

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 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' and the Companies Act 2006.

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

#### Summary of disclosure exemptions

In these financial statements, as a qualifying entity, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7 - 'Financial instruments: Disclosures';

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- 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' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15);
- The requirements of paragraph 52 of IFRS 16 - 'Leases', the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 - 'Leases';
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
  - paragraph 79(a)(iv) of IAS 1 (reconciliation of number of shares at the beginning and end of the period),
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliations between the carrying amount at the beginning and end of the period),
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period), and
  - and paragraph 17 of IAS 24 Related Party Disclosures (key management compensation);
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
  - 10(d) (statement of cash flows),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements and 16 (statement of compliance with all IFRS),
  - 38A to 38D (requirement for minimum of two primary statements, including cash flow statements and additional comparative information), and
  - 40A to 40D, 111 (statement of cash flows information) and 134-136 (capital management disclosures) of IAS 1;
- IAS 7 - 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- 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 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.

### 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.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

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 2021 and Q3 2022 operating results 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, including rollout of the vaccine 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, the group's cash, cash equivalents and short term investments balance at 31 December 2021 of \$11.5 billion and 30 September 2022 of \$8.0 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 signing these financial statements.

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation may have an impact on the European and global economy. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. At the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

The financial statements have been prepared on a going concern basis.

#### Changes in accounting policy

##### New standards, interpretations and amendments that are effective for the current year

The following IFRS standards have been applied for the first time from 1 January 2021:

***Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform (Phase 2)***

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. These amendments had no impact on the financial statements of the company, which will apply the guidance to impacted transactions during the transition period. The company does not expect the adoption of this standard to have a material impact on the company's future financial statements.

##### ***Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021***

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment had no impact on the financial statements of the company.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 2 Accounting policies (continued)

#### Turnover and revenue recognition

##### Recognition

Turnover comprises revenue from sales to customers, licensing agreements and service revenues net of value added tax. Turnover also comprises the cost-plus mark-up of general administration support to fellow group companies, net of value added tax.

The company recognises revenue when it satisfies an identified performance obligation by transferring a promised good or service 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 or service 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 or service.

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

<i>Type of sale</i>	<i>Recognition</i>
Product and services sales	On delivery and when acceptance by the customer has occurred.
Licensing agreements	Where licensing agreement is distinct from other goods and services the same is treated as a separate performance obligation and the revenue is recognised when such performance obligation is satisfied.  Where licensing agreement is not distinct from other goods and services the same is treated as a single performance obligation and the revenue is recognised when the combined performance obligation is satisfied.
Licensing agreements	Where licensing agreement is distinct from other goods and services the same is treated as a separate performance obligation and is recognised over a period of time.  Where licensing agreement is not distinct from other goods and services the same is treated as a single performance obligation and is recognised over a period of time when the combined performance obligation is satisfied.
Sale of consignment stock	When the title of goods sold passes to the customer.
Service contracts	As and when performance obligations are satisfied using cost to cost measure of progress.
Long term contracts	Percentage of completion basis once the outcome of the contract can be recognised with reasonable certainty.

##### Construction contracts

Revenue from construction contracts is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The company considers that the input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

The company determines at contract inception that the control of a promised good or service is transferred over time, when any of the following conditions are satisfied:

- The customer is receiving and consuming the benefits of the company's performance as the company performs;
- The company creates or enhances an asset that the customer controls as it is created or enhanced;



## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

- The company's performance does not create an asset with alternative use and the company has a right to payment for performance completed to date.

The company becomes entitled to invoice customers for contracts based on achieving a series of performance-related milestones. The company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the company recognises a contract liability for the difference.

The company's contracts are typically negotiated for the construction of a single asset or a group of assets that are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the measurement criteria are applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Owing to the nature of the contracts entered into by the company, it assumes significant integration of goods and services in order to affect the delivery of the combined item the customer contracts for and hence considers the contracted services under such contracts as a single performance obligation.

Assets covered by a single contract are treated separately when:

- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset;
- the costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- the group of contracts is negotiated with a single commercial objective;
- the consideration paid for one contract is dependent on the price or performance of another contract or goods; or
- services promised are a single performance obligation.

#### *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.

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 assets and receivables*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

#### *Capitalisation of costs to obtain or fulfil a contract*

The company recognises the incremental costs of obtaining contracts with customers and the costs incurred in fulfilling the contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable. The company amortises such costs using the straight-line method over the period of the contract.

The company pays sales commission to its employees/third party for each contract that they obtain for bundled sales of equipment and installation services. The company has elected to apply the optional practical expedient for costs to obtain a contract which allows the company to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the company otherwise would have used is one year or less.

#### **Interest receivable**

Interest receivable 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.

#### **Interest payable**

Interest payable is recognised using the effective interest rate method. In calculating interest payable, the effective interest rate is applied to the amortised cost of the liability.

#### **Leases - as lessee**

##### *Definition*

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 recognition and 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 (applicable for car lease rentals).

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### *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.

#### **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.

#### **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 expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

#### Business combinations

The company uses best estimates in allocating the purchase price across assets acquired and liabilities assumed. When amounts are not finalised at a reporting date they are described as provisional and are recorded using the information available at that reporting date.

#### Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as per the table below. The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Asset class	Depreciation method and rate
Buildings - leasehold improvements	10% or life of lease if under 10 years
Buildings - freehold	2.0% - 3.3% straight line
Plant and equipment	6.6% - 33.3% straight line
Fixtures and fittings	6.6% - 33.3% straight line

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 losses are recognised in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment losses been recognised for the investment in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### Impairment of non-financial assets

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

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

#### 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 assets – 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 attributable 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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

##### *Classification of financial assets*

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The company classifies its financial assets in the following measurement categories:

- Those measured at amortised cost, and
- Those to be measured subsequently at fair value, either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL).

##### *Financial asset at amortised cost*

A financial asset is measured at the amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cashflows; 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.

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 finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### *Financial asset at FVTOCI*

A financial asset is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- The asset's contractual cash flows represent SPPI.

#### *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.

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, or financial liabilities at amortised cost as appropriate.

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

Currently, the company holds financial liabilities measured at amortised cost which comprises of loans and borrowings and trade payables.

##### *Subsequent measurement*

After initial recognition, financial liabilities at amortised cost are 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.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### *Derecognition*

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 derecognition 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.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **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.

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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### 2 Accounting policies (continued)

#### Defined contribution pension obligation

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.

The company has obligations in respect of redundancy relating principally to 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.

Provisions are based on the best estimate of expenditure required to settle the obligation.

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

#### Share-based payments

The company's employees participate in share option plans operated by Honeywell International Inc., the ultimate parent company. All share-based payments are equity-settled and are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the company's estimate of the number of options that will eventually vest. At each balance sheet date, the company reviews its estimate of the number of options that are expected to vest.

In accordance with IFRS 2, the charge arising for share-based payments is recognised in the profit and loss account of the company that employs those to whom share-based awards are granted. The credit entry is reported directly to retained earnings reserves as a capital contribution.

The company accrues for employers' national insurance contributions payable on share-based payments at the applicable contribution rate.

#### Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Grants for specific expenses such as furlough costs are credited to income in profit and loss account in the same period as the relevant expense.



## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 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.

#### Estimates used for revenue recognition

##### Construction contracts

The use of the cost-to-cost method requires the company to estimate the proportion of costs incurred to the total estimated costs to complete the contract.

The percentage of completion and the revenue to recognise are determined on the basis of a large number of estimates. Consequently, the company has implemented an internal financial budgeting and reporting system. In particular, the company reviews each quarter the estimates of contract revenue and contract costs as the contract progress. Contract revenue recognised in the year is £88,934,000 (2020: £85,270,000).

#### 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.

### 4 Dividend income

	2021 £000	2020 £000
Dividend from subsidiaries	-	8,383

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 5 Turnover

The analysis of the company's turnover for the year by class of business is as follows:

	2021 £000	2020 £000
Building technologies	94,083	75,432
Performance materials and technologies	65,657	79,027
Safety and productivity solutions	110,841	87,329
	<u>270,581</u>	<u>241,788</u>

The analysis of the company's turnover for the year by geographical market is as follows:

	2021 £000	2020 £000
United Kingdom	166,908	156,537
Rest of Europe	96,215	73,114
North America	3,417	3,726
Middle East and Asia	256	-
Rest of the world	3,785	8,411
	<u>270,581</u>	<u>241,788</u>

### Construction contracts

	2021 £000	2020 £000
Contract revenue recognised in period	88,934	85,270
Advances received	-	13
Retention asset	2,527	1,945
	<u>1,236,775</u>	<u>1,174,222</u>
Contract costs incurred	377,110	355,405
Recognised profits less recognised losses	<u>1,613,885</u>	<u>1,529,627</u>
Contract costs incurred and recognised profits (less recognised losses)	(1,617,864)	(1,530,189)
Less: progress billings	<u>(3,979)</u>	<u>(562)</u>
Amounts due to customers	<u>3,069</u>	<u>6,758</u>
Amounts due from customers included within debtors	(7,048)	(7,320)
Amounts due to customers included within creditors		

Retention assets are included in trade receivables.

Contract cost incurred, recognised profits and progress billings are stated from inception of the contract to 31 December 2021. As a result of certain contracts spanning several years, these amounts are therefore not recognised in entirety, in the current year.

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the company receives payments from customers in line with a series of performance – related milestones.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 5 Turnover (continued)

#### Disclosures in respect of contracts with customers

		31 December 2021 £000	31 December 2020 £000
Trade receivables	18	49,116	35,701
Contract assets	18	8,712	8,983
Contract liabilities	20	(9,111)	(9,463)

		31 December 2021 £000	31 December 2020 £000
Gross trade receivables		49,600	36,312
Provision for expected credit loss		(482)	(611)
Trade receivables	18	49,118	35,701
Gross contract assets		8,712	8,983
Contract liabilities	20	(9,111)	(9,463)

#### Revenue recognised in the period from:

	31 December 2021 £000	31 December 2020 £000
Revenue from contracts with customers	265,729	241,788
Impairment losses on receivables or contract assets arising from contracts with customers	(505)	(395)

### 6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £000	2020 £000
Government grants	39	135

During the year, the company recognised a government grant of £39,000 (2020: £135,000) under the Coronavirus Job Retention Scheme (JRS). The grant is given to UK employers to cover all or part of the wages and salary costs of employees on temporary leave (furlough) due to the COVID-19 pandemic.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 7 Operating profit

Arrived at after charging/(crediting)

	2021 £000	2020 £000
Depreciation expense	2,422	1,561
Depreciation on right-of-use assets	3,195	3,303
Research and development cost	1,285	2,078
Foreign exchange gains	81	890
Reorganisation and redundancy costs	1,887	6,377
Loss on disposal of property, plant and equipment	-	503
Expense of variable lease payments not included in lease liabilities	2,116	3,828
Expense on short-term leases	-	228

### 8 Auditors' remuneration

	2021 £000	2020 £000
Audit of the financial statements	27	27
<b>Other fees to auditors</b>		
Audit of the financial statements of other group companies	518	596

Audit fees have been incurred with the company incurring fees for the other UK Honeywell companies as mentioned in their respective financial statements. The company did not recharge these costs in 2021 and 2020.

There are no non-audit services fees payable to the auditor (2020: £nil).

### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £000	2020 £000
Wages and salaries	66,670	70,539
Social security costs	8,922	8,671
Pension costs, defined contribution scheme	8,443	9,363
Pension costs, defined benefit scheme (note 24)	337	331
Share-based payment expenses (note 29)	1,559	1,246
	<b>85,931</b>	<b>90,150</b>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 9 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Direct	494	511
Indirect	545	619
	<u>1,039</u>	<u>1,130</u>

### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £000	2020 £000
Remuneration	577	609
Contributions paid to money purchase schemes	110	125
	<u>687</u>	<u>734</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Received or were entitled to receive shares under long term incentive schemes	1	1
Accruing benefits under defined benefit pension scheme	4	5
In respect of the highest paid director:		

	2021 £000	2020 £000
Remuneration	201	227
Defined benefit accrued pension entitlement at the end of the period	19	43

During the financial year the highest paid director did not (2020: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company.

### 11 Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group undertakings	841	2,517
Pension interest	4,690	5,586
Other interest receivable	15	84
	<u>5,546</u>	<u>8,187</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 12 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on bank overdrafts	1,468	2,266
Interest expense on other financing liabilities	-	35
Interest payable to group undertakings	367	429
Interest expense on leases	406	465
	<u>2,241</u>	<u>3,195</u>

### 13 Tax on profit

Tax (credited)/charged in the profit and loss account:

	2021 £000	2020 £000
<b>Current taxation</b>		
UK corporation tax	<u>1,090</u>	<u>-</u>
Total current income tax	<u>1,090</u>	<u>-</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	1,052	2,407
Arising from changes in tax rates and laws	1	376
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>9,116</u>	<u>2,635</u>
Total deferred taxation	<u>10,169</u>	<u>5,418</u>
Tax expense in the profit and loss account	<u>11,259</u>	<u>5,418</u>

Tax relating to items credited or charged to statement of comprehensive income:

	2021 £000	2020 £000
<b>Current taxation</b>		
Tax on items relating to components of other comprehensive income	<u>-</u>	<u>-</u>
Total current taxation	<u>-</u>	<u>-</u>
<b>Deferred taxation</b>		
Effect of change in tax laws and rates	17,287	2,085
Remeasurements on defined benefit pension plans	<u>22,796</u>	<u>12,138</u>
Total deferred taxation	<u>40,083</u>	<u>14,223</u>
Total tax expense in the statement of comprehensive income	40,083	14,223

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 13 Tax on profit (continued)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £000	2020 £000
Profit before tax	32,656	28,513
Corporation tax at standard rate	6,205	5,417
Effect of income exempt from taxation	(11)	(1,962)
Expenses not deductible for tax purposes and other permanent differences	282	307
Group relief not paid for	(5,430)	(1,355)
Adjustments in respect of prior years	1,089	376
Effect of change in tax laws and rates	9,117	2,635
Other tax effects for reconciliation between accounting profit and tax	7	-
Total tax charge	11,259	5,418

### Factors affecting tax charge for the financial year

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 25% (2020:19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%. The Finance Act 2021 reading on 24 May 2021 substantively enacted the increase, and, therefore, is considered effective at the balance sheet date for deferred tax re-measurement purposes. The company has assessed the impact of the change in rate on its deferred tax assets and liabilities and the impact would be to increase the deferred tax liability at the balance sheet date by £nil (2020: £19,000,000).

### Deferred tax

	2021 £000	2020 £000
<b>Deferred tax asset</b>		
Differences between capital allowances and depreciation	128	341
Other short-term timing differences	190	152
<i>Total deferred tax asset</i>	318	493
<b>Deferred tax liability</b>		
Deferred tax provision on pension asset	(110,334)	(60,255)
<i>Total deferred tax liability</i>	(110,334)	(60,255)
<b>Net deferred tax liability</b>	(110,016)	(59,762)

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 13 Tax on profit (continued)

	Excluding pension £000	Pension £000	Total £000
<b>Movements in deferred tax</b>			
At 1 January 2021	493	(60,255)	(59,762)
Charge to the profit and loss account	(175)	(9,996)	(10,171)
Charge to statement of comprehensive income	-	(40,083)	(40,083)
At 31 December 2021	<u>318</u>	<u>(110,334)</u>	<u>(110,016)</u>

The deferred tax asset is recognised because it is more likely than not that there will be sufficient taxable profits in the future to recover the assets.

### 14 Tangible assets

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Construction in progress £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2021	6,337	9,514	2,458	4,975	23,284
Additions	126	2,418	63	1,399	4,006
Transfers	<u>1,668</u>	<u>3,326</u>	-	<u>(4,994)</u>	-
At 31 December 2021	<u>8,131</u>	<u>15,258</u>	<u>2,521</u>	<u>1,380</u>	<u>27,290</u>
<b>Depreciation</b>					
At 1 January 2021	1,237	7,901	1,658	-	10,796
Charge for the year	<u>917</u>	<u>1,368</u>	<u>137</u>	-	<u>2,422</u>
At 31 December 2021	<u>2,154</u>	<u>9,269</u>	<u>1,795</u>	-	<u>13,218</u>
<b>Carrying amount</b>					
At 31 December 2021	<u>5,977</u>	<u>5,989</u>	<u>726</u>	<u>1,380</u>	<u>14,072</u>
At 31 December 2020	<u>5,100</u>	<u>1,613</u>	<u>800</u>	<u>4,975</u>	<u>12,488</u>



## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 15 Right-of-use assets

	<b>Land and buildings £000</b>
<b>Cost or valuation</b>	
At 1 January 2021	24,988
Additions	207
Disposals	(145)
At 31 December 2021	<u>25,050</u>
<b>Depreciation</b>	
At 1 January 2021	5,862
Charge for the year	3,195
Eliminated on disposal	(146)
At 31 December 2021	<u>8,911</u>
<b>Carrying amount</b>	
At 31 December 2021	<u><u>16,139</u></u>
At 31 December 2020	<u><u>19,126</u></u>

The company has entered into commercial leases on certain properties. The terms of the leases range from 2 years to 11 years.

### 16 Investments

	<b>£000</b>
<b>Subsidiaries</b>	
<b>Cost</b>	
At 1 January 2021	<u>1,167</u>
At 31 December 2021	<u>1,167</u>
<b>Provision for impairment</b>	
At 1 January 2021	<u>-</u>
At 31 December 2021	<u>-</u>
<b>Carrying amount</b>	
At 31 December 2021	<u><u>1,167</u></u>
At 31 December 2020	<u><u>1,167</u></u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 16 Investments (continued)

Details of the subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Country of incorporation	Holding
Honeywell Southern Africa (Pty) Limited*	Control Systems	Honeywell House, Treur Close, Waterfall Park, Vorna Valley. PO Box 6674, Midrand, 1685	South Africa	100%
Honeywell Automation and Control Solutions South Africa (Pty) Limited	Control Systems	Honeywell House, Treur Close, Waterfall Park, Vorna Valley. PO Box 6674, Midrand, 1685	South Africa	75%

\* indicates direct investment of the company

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 above.

### 17 Stocks

	31 December 2021 £000	31 December 2020 £000
Raw materials and consumables	5,143	4,379
Work in progress	887	731
Finished goods	2,105	2,213
Consignment stock	1,535	1,505
	<u>9,670</u>	<u>8,828</u>

The cost of stocks recognised as an expense in the year amounted to £71,164,000 (2020: £47,880,000). This is included within cost of sales.

The amount of write-down of stocks recognised as an expense in the year is £1,074,000 (2020: £1,093,000). This is included within cost of sales.

**Notes to the Financial Statements for the Year Ended 31 December 2021  
(continued)**

**18 Debtors**

	<b>31 December 2021 £000</b>	<b>31 December 2020 £000</b>
<b><i>Amounts falling due within one year</i></b>		
Trade debtors	49,116	35,701
Amounts owed by group undertakings	109,402	87,231
Prepayments	5,776	4,976
Retention asset	1,932	568
Other debtors	782	7
	<u>167,008</u>	<u>128,483</u>
<b><i>Amounts falling due after more than one year</i></b>		
Long-term retention assets	595	1,377
Accrued income	864	1,802
	<u>1,459</u>	<u>3,179</u>

Amounts owed by group undertakings include the following interest-bearing loans and other borrowings, all other amounts are interest free:

<b>Receivable</b>	<b>Currency</b>	<b>Interest terms</b>	<b>31 December 2021 £000</b>	<b>31 December 2020 £000</b>
On demand	GBP	UK Base Rate Plus 1%	<u>76,972</u>	<u>76,131</u>

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

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

	<b>31 December 2021</b>		
	<b>Gross carrying amount at risk of default £000</b>	<b>Expected credit loss rate %</b>	<b>Expected credit loss £000</b>
<b>Amounts due:</b>			
Not due	39,099	0.30%	116
Within 30 days	5,992	0.51%	31
30 - 60 days	2,557	2.65%	68
61 - 90 days	517	6.00%	31
After 90 days	1,433	16.49%	236
	<u>49,598</u>		<u>482</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 18 Debtors (continued)

	31 December 2020		
	Gross carrying amount at risk of default £000	Expected credit loss rate %	Expected credit loss £000
<b>Amounts due:</b>			
Not due	28,662	0.35%	101
Within 30 days	4,422	0.63%	28
30 - 60 days	1,087	2.48%	27
61 - 90 days	801	7.24%	58
After 90 days	1,340	29.63%	397
	<u>36,312</u>		<u>611</u>

### 19 Short-term deposits

	31 December 2021 £000	31 December 2020 £000
Short-term deposits	-	60,000

Short-term deposits are with banks approved by the group's treasury department. The credit risk associated with these deposits is considered to be low.

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

	31 December 2021 £000	31 December 2020 £000
Bank overdraft	3,256	63,168
Trade creditors	33,765	31,214
Amounts due to group undertakings	68,890	54,629
Social security and other taxes	13,772	10,324
Corporation tax liability	2,089	1,348
Accrued expenses	8,622	8,577
Current portion of long-term lease liabilities	3,058	3,178
Other creditors	32	9
Contract liabilities	9,111	9,463
Payments received on account	222	9
	<u>142,817</u>	<u>181,919</u>

Amounts owed to group undertakings include the following loans and other borrowings, all other amounts are interest free:

Payable	Currency	Interest terms	31 December 2021 £000	31 December 2020 £000
On demand	GBP	UK Base Rate Plus 1%	<u>33,617</u>	<u>33,250</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 20 Creditors: amounts falling due within one year (continued)

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

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

	31 December 2021 £000	31 December 2020 £000
Long-term lease liabilities	15,720	18,666

### 22 Leases

#### Leases included in creditors

	31 December 2021 £000	31 December 2020 £000
Current portion of long-term lease liabilities	3,058	3,178
Long-term lease liabilities	15,720	18,666
	18,778	21,844

#### Lease liabilities maturity analysis

The non-cancellable lease payments are due:

	31 December 2021 £000	31 December 2020 £000
Within one year	3,058	3,178
In two to five years	12,232	13,012
In over five years	3,488	5,654
	18,778	21,844

The company has entered into commercial leases on certain properties and networking equipment leases. The term of lease ranges from 2 years to 11 years. There are no restrictions placed upon the lessee by entering into these leases.

Lease payments of £2,163,000 are payable in the following year in respect of short-term and variable payments as car lease rentals.

### 23 Provisions for liabilities

	Warranties £000	Severance pay £000	Contract £000	Deferred tax £000	Total £000
At 1 January 2021	272	1,076	163	59,762	61,273
Charge to profit and loss account	232	503	126	-	861
Charge to other comprehensive income	-	-	-	40,083	40,083
Utilised during the year	(273)	(1,076)	(258)	10,171	8,564
At 31 December 2021	231	503	31	110,016	110,781

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 23 Provisions for liabilities (continued)

The company has obligations in respect of redundancy relating principally to 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.

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

The contract provision represents the expected loss on installation projects based on current estimate at completion.

### 24 Pension commitments

#### Defined benefit pension schemes

##### 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 2021 are estimated to be £nil. Defined benefit obligations are based on a full valuation of the scheme's liabilities as at 31 March 2020, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2021.

#### Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2021 £000	31 December 2020 £000
Fair value of scheme assets	1,420,219	1,378,749
Present value of scheme liabilities	(976,686)	(1,054,837)
Defined benefit pension scheme surplus	<u>443,533</u>	<u>323,912</u>

#### Amounts recognised in the income statement

	2021 £000	2020 £000
<b>Amounts recognised in operating profit</b>		
Past service cost	-	84
Total administrative expenses recognised in profit and loss account	<u>1,926</u>	<u>1,698</u>
Recognised in arriving at operating profit	<u>1,926</u>	<u>1,782</u>
<b>Amounts recognised in finance income or costs</b>		
Interest cost	14,797	19,728
Expected return on pension plan assets	<u>(19,540)</u>	<u>(25,370)</u>
Recognised in other finance cost	<u>(4,743)</u>	<u>(5,642)</u>
Total recognised in the income statement	<u>(2,817)</u>	<u>(3,860)</u>
Actual return on assets	<u>74,584</u>	<u>152,977</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 24 Pension commitments (continued)

#### *Amounts taken to the Statement of Comprehensive Income*

	2021 £000	2020 £000
Liability (gains)/losses due to changes in assumptions	(62,120)	83,796
Liability losses/(gains) due to experience during the year	360	(15,869)
Asset gains arising during the financial year	(55,044)	(127,607)
Gains on transfer between companies	-	(5,912)
Amounts recognised in the Statement of Comprehensive Income	<u>(116,804)</u>	<u>(65,592)</u>

#### *Scheme assets*

Changes in the fair value of scheme assets are as follows:

	2021 £000	2020 £000
Fair value at start of year	1,378,749	1,227,419
Transfer between companies*	-	25,166
Expected return on assets	19,540	25,370
Actuarial gains on assets	55,044	127,607
Contributions by employer	-	8,438
Actual administration expenses paid	(1,926)	(1,698)
Net benefit paid out	<u>(31,188)</u>	<u>(33,553)</u>
Fair value at end of year	<u>1,420,219</u>	<u>1,378,749</u>

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2021 %	2020 %
Equities (including venture capital and alternative investments)	15	28
Bonds	69	59
Property	3	12
Cash	4	1
Assets held by insurance company	<u>9</u>	<u>-</u>
	<u>100</u>	<u>100</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 24 Pension commitments (continued)

#### *Scheme liabilities*

Changes in the present value of scheme liabilities are as follows:

	2021 £000	2021 £000
Present value at start of year	1,054,837	981,397
Transfer between companies*	-	19,254
Interest cost	14,797	19,728
Past service cost and curtailments	-	84
Actuarial losses/(gains) on liabilities - financial assumptions	(49,648)	78,611
Actuarial losses/(gains) on liabilities - demographic assumptions	(12,472)	5,185
Actuarial losses/(gains) on liabilities - experience	360	(15,869)
Net benefits paid out	(31,188)	(33,553)
Present value at end of year	976,686	1,054,837

\* In 2020, Honeywell Normalair Garrett (Holdings) Limited settled a section 75 debt as per the Pensions Act 1995 and as a result is no longer a participating employer in the HUKPS. The membership in the pension scheme has been reallocated to other participating companies.

#### *Principal actuarial assumptions*

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021 %	2020 %
Discount rate	1.98	1.40
Inflation (RPI)	3.09	2.70
Inflation (CPI)	2.59	2.20
Pensions subject to limited price indexation to 5%	3.00	2.60
Pensions subject to limited price indexation to 2.5%	2.15	2.00
Other pensions and deferred pensions	2.59	2.20

#### **Honeywell Control Systems Ltd Pension and Death Benefit Scheme ("Irish Plan")**

The Honeywell Control Systems Ltd Pension and Death Benefit Scheme ("Irish Plan") is a funded defined benefit plan providing retirement benefits based on salary. The plan also provides life assurance cover. Regular employer contributions to the plan in 2021 are estimated to be €981,000 (£876,000). Defined benefit obligations are based on a full valuation of the liabilities of the Irish Plan as at 31 December 2021, measured using the projected unit credit method.

#### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the statement of financial position are as follows:

	31 December 2021 £000	31 December 2020 £000
Fair value of scheme assets	11,581	10,245
Present value of scheme liabilities	(15,692)	(15,889)
Defined benefit pension scheme deficit	(4,111)	(5,644)



## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 24 Pension commitments (continued)

#### *Scheme assets*

Changes in the fair value of scheme assets are as follows:

	2021 £000	2020 £000
Fair value at start of year	10,245	8,224
Expected return on assets	111	133
Actuarial gains on assets	1,135	342
Contributions by employer	899	1,967
Actual administration expenses paid	(21)	(70)
Exchange movement	(769)	662
Contributions by participants	28	29
Net benefits paid out	(47)	(1,042)
Fair value at end of year	11,581	10,245

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2021 %	2020 %
Equities (including venture capital and alternative investments)	48	46
Bonds	43	46
Property	4	2
Cash	5	6
	100	100

#### *Scheme liabilities*

Changes in the present value of scheme liabilities are as follows:

	2021 £000	2020 £000
Present value at start of year	15,889	13,286
Current service cost	377	331
Interest cost	164	189
Actuarial losses/(gains) on liabilities - financial assumptions	301	1,907
Exchange movement	(1,163)	1,049
Actuarial (gains)/losses on liabilities - experience	143	140
Contributions by participants	28	29
Net benefits paid out	(47)	(1,042)
Present value at end of year	15,692	15,889

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 24 Pension commitments (continued)

*Amounts recognised in the income statement*

	2021 £000	2020 £000
<b>Amounts recognised in operating profit</b>		
Current service cost	377	331
Total administrative expenses recognised in profit and loss account	21	70
Exchange movement	(394)	387
Recognised in arriving at operating profit	4	788
<b>Amounts recognised in finance income or costs</b>		
Interest cost	164	189
Expected return on pension plan assets	(111)	(133)
Recognised in other finance cost	53	56
Total recognised in the income statement	57	844
Actual return on assets	1,246	475

*Amounts taken to the Statement of Comprehensive Income*

	2021 £000	2020 £000
Liability losses due to changes in assumptions	301	1,907
Liability losses due to experience during the year	143	140
Asset gains arising during the financial year	(1,135)	(342)
Amounts recognised in the Statement of Comprehensive Income	(691)	1,705

*Principal actuarial assumptions*

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021 %	2020 %
Inflation (RPI)	2.00	1.50
Rate of general long term increases in salaries	3.50	3.00
Rate of increase for pensions	3.00	3.00
Other pensions and deferred pensions	2.00	1.50
Discount rate for scheme liabilities	1.40	1.10

#### **Mortality**

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2021 at age 65 will live on average for a further 22.2 years (2020: 22.4 years) after retirement if male or a further 24.6 years (2020: 24.1 years) if female.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 24 Pension commitments (continued)

#### 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

#### Authorised and allotted, called-up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£000	No. 000	£000
1 (2020: 1) ordinary shares of £1 each	-	-	-	-

### 26 Share premium

	2021 £000	2020 £000
Balance at 1 January and 31 December		
Premium arising on issue of equity shares	14,537	14,537
	<u>14,537</u>	<u>14,537</u>

### 27 Merger reserve

	2021 £000	2020 £000
Balance at 1 January and 31 December		
Merger reserve	(1,107)	-
	<u>(1,107)</u>	<u>-</u>

On 31 July 2021, the company entered into Business and Asset Purchase Agreements with Energy ICT Limited and Energy ICT NV. The company received the rights and assumed interests, obligations, duties and liabilities from Energy ICT Limited and Energy ICT NV for respective considerations of £1,022,000 and €1,289,490 (£1,095,956) - both payable in cash.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 27 Merger reserve (continued)

Details of the purchase considerations and the net assets acquired are as follows:

	Energy ICT Limited £000	Energy ICT NV £000	Total £000
Purchase considerations paid	1,022	1,096	2,118
Trade debtors	11	972	983
Other provisions	-	111	111
Stocks - finished goods	-	61	61
Total assets	11	1,144	1,155
Contract liability	57	45	102
Other creditors and accrued expenses	20	3	23
Provisions for warranties	3	-	3
Provisions for other liabilities	16	-	16
Total liabilities	96	48	144
Net assets acquired	(85)	1,096	1,011
Excess of purchase consideration paid	1,107	-	1,107

As of the date of transfer, Honeywell Control Systems Limited, Energy ICT Limited and Energy ICT NV were under common control of Honeywell International Inc. As such, the transactions outlined above are considered a business transfer under common control. The company has, therefore, applied the predecessor value accounting method to account for the business transfer and has recorded all the assets and liabilities at the book value as in the books of the transferor. The net deficit purchase consideration paid over the net assets acquired at book value of £1,107,000 was debited to the merger reserve.

### 28 Dividends paid

The directors do not recommend the payment of a dividend (2020: £8,000,000 for 1 equity share at £8,000,000 per share).

### 29 Share-based payments

#### Share option plan

The company participates in the Honeywell Stock Incentive Plan for employees. Options are granted over shares in Honeywell International Inc. Options are granted with a fixed exercise price that is not less than the market price of the shares on that date. The options vest over a four year period at 25% per year and expire after 10 years. There are no specific performance criteria attached to the options.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from traded options on Honeywell stock. We used a Monte Carlo simulation model to derive an expected term, using historic data to estimate option activity and post-vest termination behavior. The expected term represents an estimate of the time that options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the US Treasury yield curve in effect at the time of the grant.

The fair value of each stock option grant made was estimated on the grant date using the Black-Scholes model using the following weighted-average assumptions consistent with the requirements of IFRS 2.

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 29 Share-based payments (continued)

#### Charge/(credit) arising from share-based payments

The total charge/(credit) for the year for share-based payments was £1,559,000 (2020: £1,246,000), of which £1,559,000 (2020: £1,246,000) related to equity-settled share-based payment transactions.

The charge for the year relating to share based payment plans was £1,281,000 (2020: £1,320,000). After deferred tax the total charge was £1,559,000 (2020: £1,246,000).

The movements in the number of share options during the year were as follows:

	2021 Number	2020 Number
Outstanding, start of period	61,643	72,500
Granted during the period	15,476	24,801
Forfeited during the period	(16,270)	(7,947)
Exercised during the period <sup>1</sup>	(13,773)	(27,711)
Transferred in	2,622	61,643
Outstanding, end of period	49,698	61,643
Exercisable, end of period	14,860	12,068

The movements in the weighted average exercise price of share options during the year were as follows:

	2021 £	2020 £
Outstanding, start of period	117.33	98.54
Granted during the period	148.15	138.41
Forfeited during the period	129.20	117.97
Exercised during the period <sup>1</sup>	115.64	86.86
Transferred in	139	-
Outstanding, end of period	124.66	117.33
Exercisable, end of period	93.27	86.30

<sup>1</sup>The weighted average share price at the date of exercise of these options was £115.64 (2020: £86.86).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 6.25 years (2020: 6.66 years).

The weighted average fair value per option of options granted during the period at measurement date was £23.59 (2020: £16.45).

The range of exercise prices for options outstanding at the end of the year was £46.10 to £160.86 (2020: £46.10 to £139.00).

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 29 Share-based payments (continued)

*Weighted average life and average exercise price by range*

	Number outstanding 2021	Weighted average life in years 2021	Weighted exercise price (£) 2021	Number outstanding 2020	Weighted average life in years 2020	Weighted exercise price (£) 2020
£46.10 - £56.37	2,615	1.83	52.94	2,615	2.83	52.95
£67.21	-	3.16	67.21	-	4.15	67.21
£73.89	1,989	4.15	73.89	2,222	5.15	73.89
£78.14	2,313	4.34	78.14	2,313	5.33	78.14
£100.43	2,700	5.16	100.43	5,582	6.16	100.43
£107.18	3,450	6.16	107.18	9,330	7.16	107.18
£116.48	4,604	7.16	116.48	12,906	8.15	116.48
£130.88	1,797	8.82	130.88	1,797	9.82	130.88
£137.14	4,167	7.63	137.14	4,167	8.63	137.14
£139.00	13,180	8.13	139.00	20,711	9.12	139.00
£146.38	10,986	9.12	146.38	-	-	-
£160.86	1,897	9.32	160.86	-	-	-
Total	<u>49,698</u>	<u>6.25</u>	<u>124.66</u>	<u>61,643</u>	<u>6.66</u>	<u>117.33</u>

### Restricted stock units

#### Scheme details and movements

The Honeywell Stock Incentive Plan includes restricted stock units (RSUs) that entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as remuneration. RSUs typically vest after three years and are payable in common stock of Honeywell International Inc. upon vesting.

The movements in the number of share options during the year were as follows:

	2021 Number	2020 Number
Outstanding, start of period	28,700	27,140
Granted during the period	7,493	11,882
Exercised during the period <sup>1</sup>	(6,598)	(10,184)
Dividend reinvested	281	2,223
Transferred in	2,874	26,916
Transferred out	(854)	(439)
Forfeited during the period	(7,404)	(1,922)
Outstanding, end of period	<u>24,492</u>	<u>28,700</u>

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 29 Share-based payments (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2021 £	2020 £
Outstanding, start of period	112.45	104.72
Granted during the period	158.06	122.09
Forfeited during the period	107.86	108.69
Exercised during the period <sup>1</sup>	104.80	95.56
Transferred out	122.65	109.13
Dividend reinvested	122.43	85.26
Outstanding, end of period	<u>130.45</u>	<u>112.45</u>

<sup>1</sup>The weighted average share price at the date of exercise of these options was £104.80 (2020: £95.56).

### 30 Commitments

#### Capital commitments

Capital commitments relate to the acquisition of property, plant and equipment.

At 31 December 2021, the company had commitments of £nil (2020: £nil) relating to the acquisition of property, plant and equipment.

### 31 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 £792,016,000 (2020: £494,085,000). Positive cash balances held by the group exceeded overdrawn balances in 2021 and 2020.

Duty deferment guarantees amounting to £3,089,000 (2020: £3,074,000) have been given to the tax authorities. Performance guarantees amounting to £130,000 (2020: £137,000) have been given to customers of a fellow group company, Honeywell Turki Arabia Ltd.

### 32 Events after the balance sheet date

There have been no material adjusting or disclosable events since the financial year end.