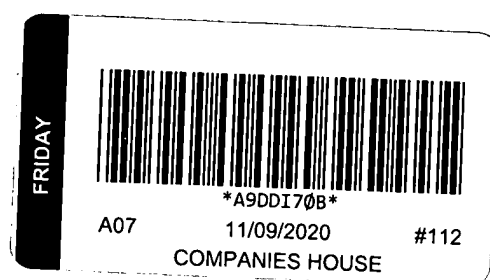


Honeywell UK Limited

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



Company Information

Officers and professional advisors

Directors

David Orton
Adam Moore

Auditor

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

Bankers

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

Registered address

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

Strategic report

for the financial year ended 31 December 2019

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

Principal activities

The principal activity of the company is repairing and maintaining aircraft wheels and brakes. The company's operating facilities are in Feltham.

Review of the business and future developments

The loss for the financial year, after taxation, is £7,110,000 (2018: profit of £69,051,000). The 2018 profit was mostly driven by one-off items, including a dividend income of £90,365,000 partly offset by a £18,939,000 charge for investment impairment in the company's subsidiary Allied Signal Holdings BV.

2019 saw a 16.0% increase in revenue (2019: £35,439,000 compared to 2018 continuing operations: £30,546,000), as repairs and maintenance work for British and other European airlines continued to grow. Gross profit for continuing operations increased by 31.6%, from £8,075,000 in 2018 to £10,628,000 in 2019, driven by continuing efficiency gains, as well as the full year impact of the disposal on 27 May 2018 of the company's Turbo charger businesses as part of the spin-off of the Transportation Systems Business Group. However, during the year, the company incurred an operating loss of £9,713,000 (2018 continuing operations: loss of £9,632,000).

Overall the company reported a loss before taxation from continuing operations of £6,731,000 (2018: profit from continuing operations £63,996,000).

The outbreak of the coronavirus disease ("COVID-19") is likely to have a significant impact on the entity due to the adverse effect which the lockdown in the second and third quarters of 2020 had on commercial air transport. The company, therefore, expects its revenue to be significantly lower in 2020 and until the commercial air transport market recovers. To mitigate this impact, the company has initiated significant cost control initiatives, such as, reducing discretionary expenses, reducing work schedules to match demand, and reducing staffing levels.

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

Key performance indicators

Management monitors the business using the following key indicators:

	2019	2018
Turnover % change compared with previous year	16.0	22.6
Gross profit margin%	30.0	26.4
Operating loss margin% of turnover	(27.4)	(31.5)
Headcount % change compared with previous year	12.2	(2.8)

Turnover

Turnover from continuing operations increased by 16.0% to £35,439,000 (2018 continuing operations: £30,546,000), driven by an increase in repairs and overhaul work for customers in United Kingdom and the rest of the European Union.

Gross profit margin

Gross profit from continuing operations increased by 31.6% to £10,628,000 (2018: continuing operations: £8,075,000), driven by the benefits from the restructuring programmes undertaken in 2018. As a result gross margin improved by 3.6%, from 26.4% in 2018 (continuing operations) to 30.0% in 2019.

Operating loss margin

The company continued to report an operating loss from continuing operations of £9,713,000 (2018: £9,632,000) driven by the administrative expenses which increased in line with revenue. Operating loss margin for continuing operations thus improved by 4.1% to 27.4% in 2019 (2018: 31.50%).

Strategic report

for the financial year ended 31 December 2019

Headcount

Headcount in continuing operations increased by 12.2%, from 49 in 2018 to 55 in 2019, as more staff were required to service the increase in revenue.

Strategy

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the Aerospace Strategic Business Group ('The Business Group'). The Business Group strategy is to generate long-term growth while building a smarter, safer, and more sustainable world, by developing solutions for more fuel-efficient and environmentally friendly airplanes, more direct and on-time flights and safer flying, plus engines, cockpit and cabin electronics, wireless connectivity equipment and services, logistics, and more. By focusing on solutions that offer greater efficiency, the Business Group presents a full range of solutions to better manage the company's customers' fuel investment and reduce costs.

The Business Group aims to provide the support needed on the ground and in the air to manage fleets, safely and efficiently plan routes, service aircraft and more.

Financial risk management, objectives and policies

Interest rate risk

The company monitors its net interest expense and interest income as a percentage of average-bearing assets and liabilities during the year. The interest income and expense are in line with market rates.

Foreign currency risk

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

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 risk

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

Other risks

Credit risk arises from exposures to customers. The creditworthiness of customers granted credit terms in the normal course of business is monitored continually.

The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers

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

Principal risks and uncertainties

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

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

Strategic report

for the financial year ended 31 December 2019

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

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 aerospace business as a whole:

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

The company earns revenue from repairing and maintaining commercial aircraft wheels and brakes, which is dependent on flying hours. Covid-19 is likely to have a significant impact on the entity due to the lockdown in the second and third quarters of 2020, and the adverse effect it had on commercial air transport. The company therefore expects its revenue to be significantly lower in 2020 and until the commercial air transport market recovers.

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

Strategic report

for the financial year ended 31 December 2019

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The UK left the EU on 31 January 2020 and will be in a transition period until 31 December 2020, during which time negotiations around a trade deal with the EU will continue. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the company and the wider Honeywell Group's operations. There is no evidence at this time of Brexit having a material adverse effect on the company's activities.

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

DocuSigned by:

07059D196AEC4F7...
David Orton
Director
01-Sep-2020

Directors' report

for the financial year ended 31 December 2019

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

Business review and future developments

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

Results and dividends

The company's loss for the financial year, after taxation was £7,110,000 (2018: profit of £69,051,000) which will be deducted from reserves. The results for the financial year are shown on page 11.

The directors do not recommend the payment of a dividend (2018: £80,000,000).

Financial risk management, objectives and policies

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

Directors of the company

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

David Orton (appointed on 31 March 2020)
Adam Moore (appointed on 17 June 2020)
Olga Slipetska (appointed on 31 January 2020, resigned on 29 April 2020)
Anthony Hutchings (resigned on 31 March 2020)
Dagmar Klimentova (resigned on 31 January 2020)
John Tus (resigned on 26 October 2019)
Melvyn White (resigned on 30 September 2019)

Directors' indemnities

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

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the operating results for 2019 and 6 months ended 30 June 2020, and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc and the group's cash, cash equivalents and short term investments balance at 30 June 2020 of \$15.1 billion.

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

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

Directors' report

for the financial year ended 31 December 2019

Disclosure of information to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Events since the balance sheet date

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

Independent auditor

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

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

DocuSigned by:

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David Orton
Director
01-Sep-2020

Directors' responsibilities statement

for the financial year ended 31 December 2019

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

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

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

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

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

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

To assist them in discharging these responsibilities, the directors have engaged a number of third party providers including accounting firms who are engaged to prepare the company's financial statements, as well as Honeywell International Inc.'s own finance shared service centre located in Bengaluru, Prague and Bucharest. Honeywell operates a country controllership model under which an identified senior finance representative is responsible for all of the UK and Ireland entities, supported by a wider finance team and under the supervision of the Regional Finance Leader for Western Europe. The directors have ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

Independent auditor's report

to the members of Honeywell UK Limited.

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Honeywell UK Limited.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

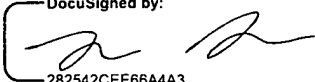
Independent auditor's report

to the members of Honeywell UK Limited.

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

01-Sep-2020

Profit and loss account

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
Continuing operations			
Turnover	5	35,439	30,546
Cost of sales		(24,811)	(22,471)
Gross profit		10,628	8,075
Distribution expenses		(65)	(62)
Administrative expenses		(20,276)	(17,645)
Operating loss	7	(9,713)	(9,632)
Dividend income	10	73	90,365
Impairment of investments	18	-	(18,939)
Interest receivable and similar income	11	4,384	4,060
Interest payable and similar charges	12	(1,475)	(1,858)
(Loss)/profit before taxation from continuing operations		(6,731)	63,996
Tax on (loss)/profit	14	(379)	(1,257)
(Loss)/profit for the financial year from continuing operations		(7,110)	62,739
Discontinued operations			
Profit from discontinued operations	13	-	6,312
(Loss)/profit for the financial year		(7,110)	69,051

The notes on pages 15 to 44 form an integral part of the financial statements.

Statement of comprehensive income

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
(Loss)/profit for the financial year		(7,110)	69,051
Other comprehensive income:			
<i>Items that cannot be reclassified to profit or loss</i>			
Actuarial (losses)/gains on pension plan	26	(749)	8,095
Movement on deferred tax relating to pension scheme	14	127	(1,376)
Other comprehensive (expense)/ income for the year, net of tax		(622)	6,719
Total comprehensive (expense)/ income for the year, net of tax		(7,732)	75,770

Balance sheet
as at 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed assets			
Intangible assets	15	242	244
Tangible assets	16	515	528
Right-of-use assets	17	2,447	-
Investments	18	-	-
		3,204	772
Current assets			
Stocks	19	924	1,252
Debtors: amounts falling due within one year	20	149,612	167,506
Current Investments	21	44,863	33,668
Cash at bank and in hand		366	2,547
		195,765	204,973
Creditors: amounts falling due within one year	22	(96,205)	(96,237)
Net current assets		99,560	108,736
Total assets less current liabilities		102,764	109,508
Creditors: amounts falling due after more than one year	23	(1,804)	-
Provisions for liabilities	25	(12,899)	(12,709)
Pension asset	26	74,026	73,020
Net assets		162,087	169,819
Capital and reserves			
Called-up share capital	27	15,641	15,641
Share premium account	28	11,309	11,309
Profit and loss account		135,137	142,869
Total shareholders' funds		162,087	169,819

The financial statements on pages 11 to 44 were approved by the board of directors on 01-Sep-2020 and signed on its behalf by:

DocuSigned by:

David Orton
Director

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

	<i>Called-up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2018	15,641	11,309	147,938	174,888
Profit for the financial year	-	-	69,051	69,051
Other comprehensive income	-	-	6,719	6,719
Impact of change in accounting policy (note 31)	-	-	(839)	(839)
Dividend paid (note 29)	-	-	(80,000)	(80,000)
At 31 December 2018	15,641	11,309	142,869	169,819
Loss for the financial year	-	-	(7,110)	(7,110)
Other comprehensive expense	-	-	(622)	(622)
At 31 December 2019	15,641	11,309	135,137	162,087

Notes to the financial statements

for the financial year ended 31 December 2019

1. General information

Honeywell UK Limited is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

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

The company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 251, Little Falls Drive, Wilmington, DE 19808, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, 300 South Tryon Street, Charlotte, North Carolina, 28202, USA or from the Internet at www.honeywell.com.

2. Significant accounting policies

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

Basis of preparation

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

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

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

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment, paragraph 118(e) of IAS 38 Intangible Assets and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraph 52 of IFRS 16 Leases.
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Notes to the financial statements

for the financial year ended 31 December 2019

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the operating results for 2019 and 6 months ended 30 June 2020, and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc and the group's cash, cash equivalents and short term investments balance at 30 June 2020 of \$15.1 billion.

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

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

Turnover and revenue recognition

Turnover comprises service revenues net of value added tax.

The company recognises revenue when it satisfies an identified performance obligation by transferring a promised 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 and recognises revenue when it satisfies an identified performance obligation by transferring a promised service to a customer excluding amounts collected on behalf of third parties. A 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:

<u>Type of sale</u>	<u>Recognition</u>
Service contracts	As and when performance obligations are satisfied using cost to cost measure of progress

Contract balances

Contract assets

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.

Trade receivables

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

Notes to the financial statements

for the financial year ended 31 December 2019

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.

Interest receivable

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Dividend income

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

Leases – as lessee

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

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

Lease liability – Initial measurement

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

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

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

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.
- 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;
- 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.

Notes to the financial statements

for the financial year ended 31 December 2019

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

Operating leases – Accounting policies applied until 31 December 2018

- Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

Research and development

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

Foreign currency translation

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

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

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

Taxation

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

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

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

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

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

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.

Notes to the financial statements

for the financial year ended 31 December 2019

Intangible assets

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The useful life of the major assets are:

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

Tangible assets and depreciation

Tangible assets are stated at historical purchase cost less accumulated depreciation. Depreciation is calculated using the straight line method at rates calculated to write down the cost to the estimated residual value over the estimate useful life. Cost comprises purchase costs together with any incidental expenses of acquisition. The annual depreciation rates used for the major assets are:

Land and Buildings	10% or life if under 10 years
Buildings - freehold	7%-25%
Plant and equipment	8%-33%
Fixtures and fittings	6%-17%

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

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

Investments

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

Impairment of non-financial assets

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

Notes to the financial statements

for the financial year ended 31 December 2019

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

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

Financial instruments

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

Financial asset – recognition and measurement

Initial recognition and measurement

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

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

Classification of financial assets

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

Currently all financial assets meet the following conditions and hence are classified at amortised cost.

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

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account 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.

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 the following financial assets and credit risk exposure:

Notes to the financial statements

for the financial year ended 31 December 2019

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

The company estimates the expected credit loss in relation to its trade debtor considering the nature of business and its past history. The company reviews this policy annually, if required. In respect of other financial assets which primarily comprises of amounts owed from group undertakings, a letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. indicating that support will be given in order to settle these amounts should it be necessary. Accordingly, the company has not recognised a provision for expected credit loss.

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.

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

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.

De-recognition

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

Stocks

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

Pensions

As described in note 26, the company participates in a defined benefit pension scheme for the benefit of certain of its employees, the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as interest receivable or payable.

Remeasurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

Defined contribution plans are externally funded, with the assets of the plan held separately from those of the company in separate trustee administered funds. Contributions to such plans are charged to the profit and loss account as they become payable.

Provisions

The company recognises a provision when it has present obligation, either legal or constructive, that can be reliably measured and it is probable that the transfer of economic benefits will be required to settle that obligation.

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

Discontinued operations

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

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

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

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

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

Additional disclosures are provided in note 13. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Notes to the financial statements

for the financial year ended 31 December 2019

3. Judgements and key sources of estimation uncertainty

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

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

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

(i) 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 26.

(ii) Impairment of financial assets

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required. On application of ECL model, the company concluded that there was no credit risk involved in the trade debtors (2018: £nil).

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

Notes to the financial statements

for the financial year ended 31 December 2019

4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 16 Leases

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

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

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

On transition to IFRS 16, the company recognised £2,622,000 of right-of-use assets and £2,577,000 lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account. (Refer note 31).

The company also applied the available practical expedients wherein it:

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

5. Turnover

	2019	2018	2018	2018
	£000s	£000s	£000s	£000s
	Continuing operations	Continuing operations	Discontinued operations	Total
<i>Analysis of turnover by geographical market</i>				
United Kingdom	7,729	4,864	-	4,864
Rest of Europe	26,595	24,538	1,811	26,349
North America	872	941	-	941
Other	243	203	-	203
<i>Total turnover</i>	<i>35,439</i>	<i>30,546</i>	<i>1,811</i>	<i>32,357</i>

Notes to the financial statements

for the financial year ended 31 December 2019

	2019	2018	2018	2018
	£000s	£000s	£000s	£000s
	Continuing operations	Continuing operations	Discontinued operations	Total
<i>Analysis of turnover by category</i>				
Rendering of services	35,439	30,546	1,811	32,357
<i>Total turnover by category</i>	35,439	30,546	1,811	32,357
<i>Timing of Revenue Recognition</i>				
Over time	35,439	30,546	1,811	32,357
<i>Total Revenue from contracts with customers</i>	35,439	30,546	1,811	32,357

6. Disclosures in respect of contracts with customers

The following table provides information about amounts recognised in the profit and loss arising from contracts with customers:

	2019	2018
	£000s	£000s
Revenue from contracts with customers (note 5)	35,439	32,357

The following table provides information about receivables, contracts assets and contract liabilities:

	2019	2018
	£000s	£000s
Trade debtors (note 20)	1,435	360
Contract assets (note 20)	2,090	2,692

There were no contract liabilities at year end (2018: £nil).

Notes to the financial statements

for the financial year ended 31 December 2019

7. Operating loss

	2019	2018*
	£000s	£000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Tangible assets – owned (note 16)	181	258
Intangible assets (note 15)	2	2
Right-of-use assets (note 17)	175	-
<i>Lease rental charges</i>		
Payments on short term leases	426	-
Under operating lease	-	573
Loss on disposal of fixed assets	-	5
Research and development income	-	(43)
Redundancy charges	-	432
(Gain)/loss on foreign exchange	(1,306)	851

*Prior year values includes amounts from both continued and discontinued operations.

8. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £26,000 (2018: £31,700) for the audit of the financial statements. This cost was incurred by Honeywell Control Systems Limited, a fellow UK subsidiary of Honeywell International Inc., and it is not recharged to the company.

There are no non audit services fees payable to the auditor (2018: nil).

9. Employees and directors

(a). Staff costs

	2019	2018
	£000s	£000s
Wages and salaries	2,169	4,067
Social security costs	256	484
Contributions to defined contribution pension plans	188	409
Pension costs for defined benefit plans (note 26)	358	1,600
<i>Total staff costs</i>	<i>2,971</i>	<i>6,560</i>

Notes to the financial statements

for the financial year ended 31 December 2019

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

(including executive directors)

	2019	2018
	No.	No.
Direct	36	51
Indirect	19	49
<i>Total monthly average number of employees</i>	<u>55</u>	<u>100</u>

On May 27, 2018, Honeywell UK Limited (UK) transferred its Transportation Systems business including 114 employees to MESL Microwave Ltd (UK).

(b). Directors' remuneration

	2019	2018
	£000s	£000s
Aggregate emoluments	-	38
Pension costs- defined contribution	-	3
<i>Total payments to directors</i>	<u>-</u>	<u>41</u>
Highest paid director		
Aggregate emoluments	-	38
Accrued pension at financial year end	-	3
<i>Total payments to highest paid director</i>	<u>-</u>	<u>41</u>

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

	2019	2018
	No.	No.
Number of directors who:		
Were members of defined benefit plans	-	1

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

Notes to the financial statements

for the financial year ended 31 December 2019

10. Dividend income

	2019	2018
	£000s	£000s
Dividend from subsidiary	73	90,365
<i>Total dividend income</i>	<u>73</u>	<u>90,365</u>

During the year, Honeywell UK Limited received a dividend of €86,000 equivalent to £73,000 (2018: €101,261,000 equivalent to £90,365,000) from its subsidiary Allied Signal Holding BV.

11. Interest receivable and similar income

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	1,823	1,975
Bank interest receivable	49	34
Pension interest (note 26)	2,113	1,642
Other income receivable	399	409
<i>Total interest receivable and similar income</i>	<u>4,384</u>	<u>4,060</u>

12. Interest payable and similar charges

	2019	2018
	£000s	£000s
Interest payable to group undertakings	1,464	1,846
Interest expense on lease liability	11	-
Other interest payable	-	12
<i>Total interest expense and similar expenses</i>	<u>1,475</u>	<u>1,858</u>

13. Discontinued operations

On 1 October 2018, the ultimate parent company Honeywell International Inc. spun off its Transportation Systems business into a stand-alone, publicly-traded company as a result of its comprehensive portfolio review. In preparation for this, on 27 May 2018, the company disposed of its Transportation Systems business to MESL Microwave limited in exchange for £7,462,000 in cash resulting in a gain on disposal of £6,919,000. This represented the entirety of the company's Transportation Systems operating segment until 27 May 2018.

Notes to the financial statements

for the financial year ended 31 December 2019

The results of the Transportation Systems business for the year 2018 are presented below:

	2018
	£000s
<i>Results of discontinued operations</i>	
Turnover	1,811
Expenses	(2,756)
Results from operating activities	(945)
Finance income	384
Loss before tax from discontinued operations	(561)
Tax charged (note 14)	(46)
Loss for the year from discontinued operations after tax	(607)
Gain on sale of operation after tax	6,919
Gain for the year from discontinued operations after tax	6,312

The details of net assets transferred are as follows:

27 May 2018

	£000
Debtors: amount falling due within one year	787
Deferred tax asset	65
Tangible assets	1,625
Total assets	2,477
Creditors: amount falling due within one year	(1,567)
Provisions for liabilities	(367)
Total liabilities	(1,934)
Net assets Transferred	543
Sale consideration received	7,462
Gain on disposal of business	6,919

Notes to the financial statements

for the financial year ended 31 December 2019

14. Taxation

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

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on (loss)/profit for financial year	-	-
<i>Total current tax</i>	-	-
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	239	1,300
Prior year adjustments	140	3
<i>Total deferred tax</i>	379	1,303
<i>Total tax expense in the profit and loss account</i>	379	1,303
Tax expenses reported in the profit and loss account	379	1,257
Tax expenses attributable to discontinued operations	-	46

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

	2019	2018
	£000s	£000s
<i>Deferred tax:</i>		
Remeasurements on defined benefit pension plans	(127)	1,376
<i>Total deferred tax</i>	(127)	1,376
<i>Total tax (credit)/expense in the statement of comprehensive income</i>	(127)	1,376

Notes to the financial statements

for the financial year ended 31 December 2019

(c). Reconciliation of the total tax charge

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

	2019	2018
	£000s	£000s
(Loss)/profit before tax from continuing operations	(6,731)	63,996
Profit before tax from a discontinued operations (note 13)	-	6,358
(Loss)/profit before income tax	(6,731)	70,354
(Loss)/profit multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%)	(1,279)	13,367
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	16	3,608
Income not taxable for tax purposes	(14)	(18,483)
Impact of change in accounting policy	-	(159)
Difference in current tax rate to deferred rate	(28)	(153)
Adjustment for tax for prior years	140	3
Group relief surrendered	1,544	3,120
<i>Total tax expense incurred during the year</i>	<i>379</i>	<i>1,303</i>
Tax expenses reported in the profit and loss account	379	1,257
Tax expenses attributable to discontinued operations	-	46

(d). Factors affecting tax charge for the financial year

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

Notes to the financial statements

for the financial year ended 31 December 2019

(e). Deferred tax

	2019	2018
	£000s	£000s

The deferred tax included in the balance sheet is as follows:

Deferred tax asset

Differences between capital allowances and depreciation	77	158
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Total deferred tax asset	77	158
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Deferred tax liability

Deferred tax provision on pension asset (note 26)	(12,584)	(12,413)
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Total deferred tax liability	(12,584)	(12,413)
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Net deferred tax liability	(12,507)	(12,255)
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Movements in deferred tax	Excluding pension	Pension	Total
	£000s	£000s	£000s
At 1 January 2019	158	(12,413)	(12,255)
Charge to the profit and loss account	(81)	(298)	(379)
Credit to statement of comprehensive income	-	127	127
At 31 December 2019	77	(12,584)	(12,507)

The deferred tax liability has been calculated at 17%, since this was the enacted rate at the balance sheet date expected to be in place when the deferred tax liability reverses. In his Budget on 11 March 2020, the Chancellor indicated that the rate reduction of 2% would be removed and therefore the deferred tax is likely to unwind in future when the corporation tax rate is 19%. Had the deferred tax been calculated at 19%, then the tax charge in the profit and loss account would have been £423,000 and the deferred tax liability £13,979,000.

Notes to the financial statements

for the financial year ended 31 December 2019

15. Intangible assets

	Software	Goodwill	Total
	£000s	£000s	£000s
<i>Cost</i>			
At 1 January and 31 December 2019	244	242	486
<i>Accumulated amortisation/impairment</i>			
At 1 January 2019	242	-	242
Provided during the financial year	2	-	2
At 31 December 2019	244	-	244
<i>Net book value:</i>			
At 31 December 2019	-	242	242
At 31 December 2018	2	242	244

Goodwill and intangible assets with indefinite useful life impairment analysis

The goodwill balance of £242,000 relates to the Feltham aircraft wheels and brakes repair and overhaul division. The recoverable amount has been determined on a value in use basis using cash-flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the projected demand for products and services. The pre-tax discount rate applied to cash flow projections is 8.9% (2018: 9.5%) and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate (2018: 2.5%) that is the same as the long-term average growth rate for the aerospace industry. The directors performed an impairment test in the year, and the current year tests confirmed that there are no indicators of impairment.

Notes to the financial statements

for the financial year ended 31 December 2019

16. Tangible assets

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Construction in progress</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<i>Cost</i>					
At 1 January 2019	1,212	1,807	103	141	3,263
Additions during the year	-	-	-	199	199
Disposals during the year	-	(9)	-	(31)	(40)
Transfers during the year	109	38	42	(189)	-
At 31 December 2019	1,321	1,836	145	120	3,422
<i>Accumulated depreciation</i>					
At 1 January 2019	1,035	1,664	36	-	2,735
Provided during the financial year	32	94	55	-	181
Disposals during the year	-	(9)	-	-	(9)
At 31 December 2019	1,067	1,749	91	-	2,907
<i>Net book value:</i>					
At 31 December 2019	254	87	54	120	515
At 31 December 2018	177	143	67	141	528

The above figures include:

	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Short leasehold land and buildings, at net book value	-	177

Notes to the financial statements

for the financial year ended 31 December 2019

17. Right-of-use assets

	<i>Land and buildings</i>
	<i>£000s</i>
<i>Cost</i>	
At 1 January 2019	-
Transition to IFRS 16 (note 31)	2,622
At 31 December 2019	<u>2,622</u>
<i>Accumulated depreciation</i>	
At 1 January 2019	-
Provided during the financial year	175
At 31 December 2019	<u>175</u>
<i>Net book value:</i>	
At 31 December 2019	<u>2,447</u>

The company has renewed a commercial lease on premises situated in Feltham for a duration of 5 years from 1 September 2019.

Notes to the financial statements

for the financial year ended 31 December 2019

18. Investments

	2019	2019	2019	2018	2018	2018
	£000s	£000s	£000s	£000s	£000s	£000s
	Share in subsidiary undertaking	Other investment	Total	Share in subsidiary undertaking	Other investment	Total
Cost						
At 1 January	18,939	919	19,858	18,898	919	19,817
Additions during the year	-	-	-	41	-	41
Disposals during the year	(18,939)	-	(18,939)	-	-	-
At 31 December	-	919	919	18,939	919	19,858
Provision for impairment						
At 1 January	(18,939)	(919)	(19,858)	-	(919)	(919)
Provided during the year	-	-	-	(18,939)	-	(18,939)
Disposals during the year	18,939	-	18,939	-	-	-
At 31 December	-	(919)	(919)	(18,939)	(919)	(19,858)
Net book value	-	-	-	-	-	-

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

In December 2019, the company's subsidiary Allied Signal Holding BV was liquidated.

During 2018, company acquired shares of Allied Signal Holding BV for a consideration of £41,000 paid in cash. Based on the net assets position of Allied Signal Holding BV, the company fully impaired its investment in Allied Signal Holding BV of £18,939,000 in the previous year.

Other investments

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

Notes to the financial statements

for the financial year ended 31 December 2019

19. Stocks

	2019	2018
	£000s	£000s
Raw materials	798	1,128
Work in progress	4	26
Finished goods	122	98
<i>Total stocks</i>	924	1,252
The amount of inventories recognised as an expense during the year	16,768	13,674
The amount inventories written down recognised as an expense in the year	41	54

20. Debtors

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	1,435	360
Amounts owed by group undertakings	142,647	164,207
Taxation and social security	3,042	-
Contract assets	2,090	2,692
Prepayments and accrued income	398	247
<i>Total amounts falling due within one year</i>	149,612	167,506

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

Receivable	Currency	Interest terms	2019	2018
			£000s	£000s
On demand	GBP	1.277%	142,627	140,804

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

Notes to the financial statements

for the financial year ended 31 December 2019

21. Current investment

	2019	2018
	£000s	£000s
Short term deposits	44,863	33,668

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.

22. Creditors: amounts falling due within one year

	2019	2018
	£000s	£000s
Trade creditors	1,757	2,027
Amounts owed to group undertakings	93,446	91,640
Taxation and social security	-	251
Accrued expenses	459	923
Lease liability (note 24)	543	-
Other creditors	-	1,396
<i>Total amount owed to creditors</i>	<i>96,205</i>	<i>96,237</i>

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

<i>Payable</i>	<i>Currency</i>	<i>Interest terms</i>	2019	2018
			£000s	£000s
On demand	GBP	UK Base Rate Plus 1%	84,594	83,129

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

23. Creditors: amounts falling due after more than one year

	2019	2018
	£000s	£000s
Lease liability (note 24)	1,804	-
<i>Total amount owed to creditors</i>	<i>1,804</i>	<i>-</i>

Notes to the financial statements

for the financial year ended 31 December 2019

24. Lease liabilities

	2019	2018
	£000s	£000s
Non-current (note 23)	1,804	-
Current (note 22)	543	-
Total	2,347	-

The non-cancellable lease payments are due

	2019	2018
	£000s	£000s
Within 1 year	543	-
Between 1 and 5 years	1,804	-
Total	2,347	-

The company has renewed a commercial lease on premises situated in Feltham for a duration of 5 years from 1 September 2019. There are no restrictions placed upon the lessee by entering into this lease.

25. Provisions for liabilities

	Deferred tax liability (note 14)	Dilapidation provision	Total
	£000s	£000s	£000s
At 1 January 2019	12,255	454	12,709
Charge/(credit) to profit and loss account	379	(3)	376
Credit to statement of comprehensive income	(127)	-	(127)
Utilised during the year	-	(59)	(59)
At 31 December 2019	12,507	392	12,899

Dilapidation provision

The dilapidation provision covers the anticipated dilapidation costs of returning property to its original condition at the end of their lease period.

Notes to the financial statements

for the financial year ended 31 December 2019

26. Pension commitments

Honeywell UK Pension Scheme (HUKPS)

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

	2019	2018
<i>Amounts recognised in the balance sheet</i>	<i>£000s</i>	<i>£000s</i>
Fair value of plan assets	358,745	328,155
Present value of defined benefit obligations	(284,719)	(255,135)
Net assets	74,026	73,020

	2019	2018
<i>Amounts recognised in profit or loss</i>	<i>£000s</i>	<i>£000s</i>
Interest cost	7,193	6,900
Expected return on pension plan assets	(9,306)	(8,542)
Finance credit recognised	(2,113)	(1,642)
Past service cost (including curtailments)	-	1,297
Total administrative expenses recognised in P&L	358	303
Cost recognised in profit and loss	(1,755)	(42)
Actual return on assets	43,085	(6,396)

	2019	2018
<i>Remeasurements</i>	<i>£000s</i>	<i>£000s</i>
Liability losses/(gains) due to changes in assumptions	34,798	(24,132)
Liability (gains)/losses due to experience during the year	(270)	1,099
Asset (gains)/losses arising during the financial year	(33,779)	14,938
Total actuarial loss/(gain) recognised in OCI	749	(8,095)

Notes to the financial statements

for the financial year ended 31 December 2019

Changes in present value of defined benefit obligation

At 1 January	255,135	280,411
Interest cost	7,193	6,900
Curtailments	-	1,297
Actuarial losses/(gains) on liabilities-financial assumption	37,194	(19,793)
Actuarial gains on liabilities - demographic assumptions	(2,396)	(4,339)
Actuarial (gains)/losses on liabilities-experience	(270)	1,099
Net benefits paid out	(12,137)	(10,440)
At 31 December	284,719	255,135

	2019	2018
<i>Changes in fair value of scheme assets</i>	£000s	£000s
At 1 January	328,155	338,208
Expected return on assets	9,306	8,542
Actuarial gains/(losses) on assets	33,779	(14,938)
Contributions by employer	-	7,086
Actual administration expenses paid	(358)	(303)
Net benefits paid out	(12,137)	(10,440)
At 31 December	358,745	328,155

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

Notes to the financial statements

for the financial year ended 31 December 2019

	2019	2018
<i>Main actuarial assumptions</i>	%	%
Inflation (RPI)	2.9	3.2
Inflation (CPI)	1.9	2.1
Rate of general long term increases in salaries	-	-
<i>Rate of increase for pensions</i>		
Pensions subject to limited price indexation to 5%	2.8	3.1
Pensions subject to limited price indexation to 2.5%	2.1	2.2
Other pensions and deferred pensions	1.9	2.1
Discount rate for scheme liabilities	2.0	2.9

Mortality

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

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.

27. Called-up share capital

	2019	2018
	£000s	£000s
<i>Authorised and allotted, called- up and fully paid</i>		
15,641,000 (2018: 15,641,000) ordinary shares of £1 each at 1 January and 31 December 2019	15,641	15,641

28. Share premium account

	2019	2018
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	11,309	11,309

Notes to the financial statements

for the financial year ended 31 December 2019

29. Dividends paid

The directors do not recommend the payment of a dividend during the year (2018: £80,000,000 equivalent to £5.11 per share).

30. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £560,423,000 (2018: £423,389,000).

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

31. Change in accounting policies

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

IFRS 16 Leases

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

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

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

On transition to IFRS 16, the company recognised £2,622,000 of right-of-use assets and £2,577,000 lease liabilities relating to the lease entered into on 1 September 2019. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account.

Impact on financial statements

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

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Right-of-use assets	2,447	2,447	-
Total assets	2,447	2,447	-
Lease liabilities	2,347	2,347	-
Total liabilities	2,347	2,347	-

Notes to the financial statements

for the financial year ended 31 December 2019

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

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Depreciation on ROU assets	175	175	-
Interest payable on lease liabilities	11	11	-
Rental expense	-	(166)	166
Loss before tax	(6,731)	20	(6,751)
Income tax expense	(379)	-	(379)
Profit for the year	(7,110)	20	(7,130)

IFRS 15 Revenue from contracts with customers

On 1 January 2018, the company adopted IFRS 15 using the modified retrospective method applied to those contracts which were not completed as of 1 January 2018. As a result, the company recorded a net reduction to opening retained earnings of £839,000 as of 1 January 2018 with the impact primarily related to one aircraft maintenance and repair contract.

32. Events after balance sheet date

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