

UOP Products UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



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Company Information

Directors	Glen Davies Simon Dearnley
Auditors	Deloitte LLP Statutory Auditor Saltire Court 20 Castle Terrace Edinburgh EH1 2DB United Kingdom
Bankers	Barclays Bank Level 11 One Churchill Place London E14 5HP United Kingdom
Registered office	Honeywell House Skimped Hill Lane Bracknell Berkshire RG12 1EB United Kingdom

Directors' Report for the Year Ended 31 December 2021

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

Principal activity

The company used to provide sales and marketing services in the United Kingdom on behalf of a fellow group company. However, during 2021, the company ceased its trading operations and is expected to become dormant in the future. These financial statements are therefore prepared on a basis other than going concern.

Business review and future developments

This report has been prepared in accordance with the special provisions of section 381 of the Companies Act 2006 relating to small companies. The directors have taken exemption under this regime not to disclose a strategic report.

Results and dividends

The company's profit for the financial year, after taxation was £267,000 (2020: £227,000) which will be transferred to reserves. The results for the financial year are shown on page 9.

The directors do not recommend the payment of a dividend (2020: £nil).

Financial risk management, objectives and policies

Foreign currency risks

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

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

Liquidity risks

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

Credit risks

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

In December 2019, a novel strain of coronavirus ("COVID-19") was identified in Asia. Over the next several months, COVID-19 quickly spread across the world. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic. The outbreak of the COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which could negatively impact the company's operations and adversely affect its business. As of December 31, 2021, the virus continues to spread and many countries are experiencing a resurgence in infection rates. Although vaccines have recently been made available, the availability and distribution of the vaccines continues to provide challenges. We remain cautious as many factors remain unpredictable, including the increasing rate of COVID-19 infections. We continue to monitor COVID-19 infection rates and acknowledge the risk of new surges in COVID-19 infections.

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

The global spread of COVID-19 creates significant volatility, uncertainty and economic disruption, which impacts our business, operations and financial results and may continue to do so. Honeywell's capabilities adapted towards addressing the COVID-19 challenges of our customers around the world. The enduring impact of the COVID-19 pandemic on business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic; as well as the timing and availability of effective medical treatments and vaccines; governmental, business and individual decisions and actions; the impact of the pandemic on economic activity; and the extent to which we or our business partners may be prevented from conducting normal business activities due to shutdowns or other restrictive measures that may be requested or mandated by governmental authorities.

These factors could, among other things, disrupt the purchasing and payment behaviours of our customers and their end-users; our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and our liquidity and cash flow.

The COVID-19 pandemic continues to impact our business operations, and our customers' and suppliers' ability to operate at normal levels. Disruptions in normal operating levels continue to create supply chain disruptions and inflationary cost pressures within our end-markets. We anticipate supply chain constraints, and the inflationary environment will continue during 2022. As such, we implemented short-term and long-term strategies to reduce the impact of current and future effects. During the first quarter of 2022, governments around the world removed many restrictions on businesses and the general public. We continue to operate our manufacturing sites at normal production levels. To date, the impacts of these actions have not been material.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The UK left the EU on 31 January 2020 and was in a transition period until 31 December 2020. The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and is effective from 1 January 2021. The deal imposes additional rules and regulations to govern the transfer of goods and services between the United Kingdom and European Union. This may lead in future years to an increase in costs and administrative requirements and procedures of trading with the European Union. The implementation of the deal is also expected to impact macroeconomic factors such as exchange rates. A working group has been established by Honeywell International Inc. to monitor the trade deal and regulation and implement mitigating actions to respond to any changes.

The company's activities are performed in the United Kingdom for customers based outside the European Union. As a result, the effect of the Brexit deal is limited to macroeconomic factors, such as exchange rate and interest rate fluctuations, that are influenced by the deal and affect the environment in which the company operates.

Directors of the company

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

Glen Davies
Simon Dearnley

Directors' indemnities

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

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

Going concern

The company ceased its trading operations with such activity now being undertaken directly by the parent entity. As required by UK accounting standards, the director has prepared the financial statements on the basis that the company is no longer a going concern, and is expected to become dormant in the future. No material adjustments arose as a result of ceasing to apply the going concern basis.

Disclosure of information to the auditors

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

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

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

Events since the balance sheet date

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

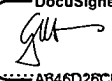
Independent auditor

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

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

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

DocuSigned by:

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Glen Davies
Director

Statement of Directors' Responsibilities

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

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Independent Auditor's Report to the Members of UOP Products UK Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- profit and loss account;
- statement of comprehensive income;
- balance sheet;
- statement of changes in equity; and
- the related notes 1 to 17.

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), in accordance with the provisions applicable to companies subject to the small companies regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of UOP Products UK Limited (continued)

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.

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

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

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

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

Independent Auditor's Report to the Members of UOP Products UK Limited (continued)

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

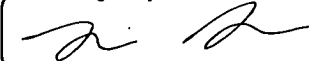
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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James Boyle CA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

Edinburgh

United Kingdom

Date: 30-Dec-2022

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	647	1,727
Cost of sales		<u>(367)</u>	<u>(977)</u>
Gross profit		280	751
Administrative expenses		<u>(6)</u>	<u>(527)</u>
Operating profit	5	274	223
Interest receivable and similar income	9	<u>7</u>	<u>10</u>
Profit before taxation		281	233
Tax on profit	10	<u>(14)</u>	<u>(6)</u>
Profit for the financial year		<u>267</u>	<u>227</u>

The above results were derived from discontinued operations.

The notes on pages 13 to 28 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Profit for the year		267	227
Items that cannot be reclassified subsequently to profit or loss			
Actuarial gain or loss on defined benefit pension schemes	14	171	94
Movement on deferred tax in relating to pension scheme		(58)	(21)
		113	73
Total comprehensive income for the year		380	300

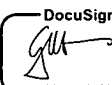
The notes on pages 13 to 28 form an integral part of these financial statements.

Balance Sheet as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Current assets			
Debtors: amounts falling due within one year	11	1,474	1,415
Cash at bank and in hand		<u>2,655</u>	<u>2,156</u>
		4,129	3,571
Creditors: Amounts falling due within one year	12	<u>(1,044)</u>	<u>(762)</u>
Total assets less current liabilities		3,086	2,809
Provisions for liabilities	13, 10	<u>(160)</u>	<u>(88)</u>
Net assets excluding pension asset		2,926	2,721
Net pension asset	14	<u>639</u>	<u>464</u>
Net assets		<u>3,565</u>	<u>3,185</u>
Capital and reserves			
Called up share capital	15	10	10
Retained earnings		<u>3,555</u>	<u>3,175</u>
Shareholders' funds		<u>3,565</u>	<u>3,185</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 9 to 28 were approved by the Board of directors on ~~30 Dec 2022~~ and signed on its behalf by:

DocuSigned by:

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 Glen Davies
 Director

The notes on pages 13 to 28 form an integral part of these financial statements.

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

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2020	10	2,875	2,885
Profit for the year	-	227	227
Other comprehensive income	-	73	73
Total comprehensive income	-	300	300
At 31 December 2020	10	3,175	3,185

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2021	10	3,175	3,185
Profit for the year	-	267	267
Other comprehensive income	-	113	113
Total comprehensive income	-	380	380
At 31 December 2021	10	3,555	3,565

The notes on pages 13 to 28 form an integral part of these financial statements.

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

1 General information

UOP Products UK Limited is a private company limited by share capital, incorporated and domiciled in United Kingdom under the Companies Act 2006 and registered in England and Wales. The nature of the company's operations and its principal activities are set out in the directors report on page 2.

The address of its registered office is:

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

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

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 300 South Tryon Street, Charlotte, NC 28202, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from the internet at www.honeywell.com.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006.

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

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

2 Accounting policies (continued)

Summary of disclosure exemptions

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

- IFRS 7 - 'Financial instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15);
- The requirements of paragraph 52 of IFRS 16 - 'Leases', the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 - 'Leases';
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
 - paragraph 79(a)(iv) of IAS 1 (reconciliation of number of shares at the beginning and end of the period),
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliations between the carrying amount at the beginning and end of the period),
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period), andand paragraph 17 of IAS 24 Related Party Disclosures (key management compensation);;
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements and 16 (statement of compliance with all IFRS),
 - 38A to 38D (requirement for minimum of two primary statements, including cash flow statements and additional comparative information), and
 - 40A to 40D, 111 (statement of cash flows information) and 134-136 (capital management disclosures) of IAS 1;
- IAS 7 - 'Statement of cash flows';

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

2 Accounting policies (continued)

- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group);
- The requirements of paragraph 52 of IFRS 16 Leases; and
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Going concern

The company ceased its trading operations with such activity now being undertaken directly by the parent entity. As required by UK accounting standards, the director has prepared the financial statements on the basis that the company is no longer a going concern, and is expected to become dormant in the future. No material adjustments arose as a result of ceasing to apply the going concern basis.

Changes in accounting policy

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

Turnover and revenue recognition

Recognition

Turnover comprises of service revenues net of value added tax.

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

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

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

Interest receivable

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

Foreign currency translation

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

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

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

Taxation

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

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

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

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

2 Accounting policies (continued)

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

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

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.

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

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

2 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

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

2 Accounting policies (continued)

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Defined benefit pension obligation

As described in note 14, the company participates in a defined benefit pension scheme for the benefit of certain of its employees, the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

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

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

2 Accounting policies (continued)

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.

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.

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.

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

3 Judgements and key sources of estimation uncertainty (continued)

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 14.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021 £000	2020 £000
Rendering of services	647	1,727

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

	2021 £000	2020 £000
Europe	647	1,727

The timing of the company's revenue recognition for the year is as follows:

	2021 £000	2020 £000
Over time	647	1,727

5 Operating profit

Arrived at after charging/(crediting)

	2021 £000	2020 £000
Foreign exchange gains	(2)	(4)

6 Auditors' remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £14,255 (2020: £14,300) 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 (2020: £nil).

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

7 Staff costs

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

	2021 £000	2020 £000
Wages and salaries	-	1,251

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

	2021 No.	2020 No.
Indirect	-	13

8 Directors' remuneration

In 2021, all directors (2020: all directors) were remunerated by other group companies for their services to the group as a whole.

9 Interest receivable and similar income

	2021 £000	2020 £000
Interest income on bank deposits	-	2
Pension interest	7	8
	<u>7</u>	<u>10</u>

10 Tax on profit

Tax charged in the profit and loss account:

	2021 £000	2020 £000
Current taxation		
UK corporation tax	<u>14</u>	<u>6</u>

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

The differences are reconciled below:

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

10 Tax on profit (continued)

	2021 £000	2020 £000
Profit before tax	281	233
Corporation tax at standard rate	53	44
Current tax from adjustment for prior periods	-	(1)
Group relief surrendered	(53)	(41)
Deferred tax changes in tax rates or laws	14	4
Total tax charge	14	6

Factors affecting tax charge for the financial year

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

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%. The Finance Act 2021 reading on 24 May 2021 substantively enacted the increase, and, therefore, is considered effective at the balance sheet date for deferred tax re-measurement purposes. The Finance Act 2022 will have no impact on the deferred tax recognised.

Deferred tax

Deferred tax assets

Deferred tax movement during the year:

	At 1 January 2021 £000	Recognised in income £000	Recognised in other comprehensive income £000	At 31 December 2021 £000
Pension benefit obligations	88	14	58	160
Other items	-	-	-	-
Accelerated tax depreciation	-	-	-	-
Tax losses carry-forwards	-	-	-	-
Net tax assets	88	14	58	160

Deferred tax movement during the prior year:

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

10 Tax on profit (continued)

	At 1 January 2020 £000	Recognised in income in income £000	Recognised in other comprehensive income in other £000	At 31 December 2020 £000
Pension benefit obligations	60	7	21	88
Other items	-	-	-	-
Accelerated tax depreciation	-	-	-	-
Tax losses carry-forwards	-	-	-	-
Net tax assets	<u>60</u>	<u>7</u>	<u>21</u>	<u>88</u>

There are no unprovided amounts related to deferred tax.

11 Debtors

	31 December 2021 £000	31 December 2020 £000
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Amounts falling due within one year

Amounts owed by group undertakings	<u>1,475</u>	<u>1,415</u>
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All amounts owed by group undertakings are payable on demand, unsecured and do not attract interest.

12 Creditors: amounts falling due within one year

	31 December 2021 £000	31 December 2020 £000
Amounts due to group undertakings	<u>1,044</u>	<u>762</u>

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

13 Provisions for liabilities

	Deferred tax £000
At 1 January 2021	(88)
Additional provisions	<u>(72)</u>
At 31 December 2021	<u>(160)</u>

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

14 Pension commitments

Defined benefit pension schemes

Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined-benefit plan based on salary. The scheme was closed for future accruals of benefits with effect from 30 June 2017 and all active members at this date became deferred members. Regular employer contributions to the plan by the company in 2022 are estimated to be £nil. Defined benefit obligations are based on a full-valuation of the schemes liabilities as at March 2021, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2021. Defined benefit obligations are based on a full-valuation of the schemes liabilities as at March 2021, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2021.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	31 December 2021 £000	31 December 2020 £000
Fair value of scheme assets	2,035	1,976
Present value of scheme liabilities	<u>(1,396)</u>	<u>(1,511)</u>
Defined benefit pension scheme surplus	<u>639</u>	<u>465</u>

Amounts recognised in the income statement

	31 December 2021 £000	31 December 2020 £000
Amounts recognised in operating profit		
Total administrative expenses recognised in profit and loss account	3	2
Amounts recognised in finance income or costs		
Interest cost	21	28
Expected return on pension plan assets	<u>(28)</u>	<u>(36)</u>
Recognised in other finance cost	<u>(7)</u>	<u>(8)</u>
Total recognised in the income statement	<u>(4)</u>	<u>(6)</u>

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

14 Pension commitments (continued)

Amounts taken to the Statement of Comprehensive Income

	31 December 2021 £000	31 December 2020 £000
Liability losses due to changes in assumptions	(93)	120
Liability gains due to experience during the year	1	(23)
Asset gains arising during the year	(79)	(183)
Gains on transfer between companies	-	(8)
Amounts recognised in the Statement of Comprehensive Income	<u>(171)</u>	<u>(94)</u>

Scheme assets

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

	31 December 2021 £000	31 December 2020 £000
Fair value at start of year	1,976	1,759
Expected return on assets	28	36
Actuarial gains on assets	79	183
Transfer between companies	-	36
Contributions by employer	-	12
Actual administration expenses paid	(3)	(2)
Net benefits paid out	<u>(45)</u>	<u>(48)</u>
Fair value at end of year	<u>2,035</u>	<u>1,976</u>

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

Scheme liabilities

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

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

14 Pension commitments (continued)

	31 December 2021 £000	31 December 2020 £000
Present value at start of year	(1,511)	(1,405)
Transfer between companies	-	(29)
Actuarial gains and losses arising from changes in demographic assumptions	21	(7)
Actuarial gains and losses arising from changes in financial assumptions	71	(113)
Actuarial gains and losses arising from experience adjustments	(1)	23
Interest cost	(21)	(28)
Net benefits paid out	45	48
Present value at end of year	<u>(1,396)</u>	<u>(1,511)</u>

Principal actuarial assumptions

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

	31 December 2021 %	31 December 2020 %
Inflation (RPI)	2.70	2.70
Inflation (CPI)	2.20	2.20
Pensions subject to limited price indexation to 5%	2.60	2.60
Pensions subject to limited price indexation to 2.5%	2.00	2.00
Other pensions and deferred pensions	<u>2.20</u>	<u>2.20</u>

Post retirement mortality assumptions

Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2021 at age 65 will live on average for a further 22.20 years (2020: 22.20 years) after retirement if male or a further 24.40 years (2020: 24.40 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.

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

15 Called-up share capital

Allotted, called-up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

16 Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £792,016,000 (2020 : £494,085,000). Positive cash balances held by the group exceeded overdrawn balances in 2021 and 2020 .

17 Events after the balance sheet date

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