

City Technology Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

THURSDAY



ABJV2HZD

A28

29/12/2022

#34

COMPANIES HOUSE

Contents

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9 to 12
Profit and Loss Account	13
Statement of Comprehensive Income	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 to 37

Company Information

Directors	Ronan Clifford Hicham Khellafi
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

Strategic Report for the Year Ended 31 December 2021

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

Principal activity

The principal activity of the company is to provide contract manufacturing services, sales and marketing and research and development services to a fellow Honeywell group company, Life Safety Distribution AG.

Review of the business and future developments

The profit for the financial year, after taxation, is £1,396,000 (2020: £1,206,000).

The level of activity year on year has slightly increased which reflects on the revenue and on operating margin. The various costs incurred attract a different mark-up rate per the contract manufacturing agreement. The directors are confident that the company will continue to maintain its current level on strong performance in the future.

The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and is effective from midnight 1 January 2021. Honeywell has implemented a number of mitigating actions which include the use of a shared warehouse in Germany to service customers in the EU. The effects of the Brexit deal are being monitored as detailed in the risk management and principal risks and uncertainties paragraphs included in this report.

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

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

Financial KPIs	Unit	2021	2020
Operating profit margin	%	6.6	4.9

Operating profit margin

The turnover in the current year has increased due to increase in the revenue generating product mix. This increase is also reflected in an increase in the overall operating profit margin.

Strategy

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the Safety and Productivity Solutions (SPS) Strategic Business Group.

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

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

Financial risk management, objectives and policies

Interest rate risks

The company is exposed to interest rate risk arising out of amounts owed to/from group undertakings respectively. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

Foreign currency risks

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

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

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

Liquidity risks

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

Credit risks

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

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 fellow Honeywell group entities continued ability to secure contracts with customers and its ability to perform under those contracts.

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

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

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

The following risks will be applicable to the companies dealing in safety productivity solutions, business as a whole.

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

- Customer risk: Existing and potential customers and their end-users may choose to reduce or delay spending, cancel contracts, or cut costs in a manner that reduces demand for our products and services.
- Operations risk: The closure of our facilities, restrictions inhibiting our employees' ability to access those facilities, and disruptions to the ability of our suppliers or service providers to deliver goods or services to us (including as a result of supplier facility closures or access restrictions, disruptions to their supply chains, and supplier liquidity or bankruptcy risk) could disrupt our ability to provide our services and solutions and result in, among other things, terminations of customer contracts and losses of revenue. Because the COVID-19 pandemic could adversely affect our near-term and long-term revenues, earnings, liquidity and cash flows, we have taken and may be required to continue taking significant cost actions, including but not limited to reducing discretionary expenses (such as non-essential travel, contractors, and consultants), reducing hiring, cancelling annual merit increases; reducing executive and board of directors pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels, as well as increasing supplier-based productivity and enhancing spending-limit controls. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

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. As of May 31, 2022, we have returned 100% of our non-manufacturing employees to the workplace on a flexible schedule (3 days working from office – 2 days working from home). We continue to actively monitor regional COVID-19 outbreaks, and the related government restrictions and lockdown activities in the areas we operate. 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 has a significant degree of interactions with the European Union through its supply chain and sales distribution channels. It will be impacted through additional costs and complexities of transferring products and services between the United Kingdom and the European Union. The company has implemented actions to mitigate the impact of Brexit and continues to monitor the Brexit regulations and will adapt the mitigating actions as needed. In addition, the company may be affected by macroeconomic factors, such as exchange rate and interest rate fluctuations, that are influenced by the deal and affect the environment in which the company operates.

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

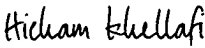
Principal decisions

Being a part of a large multinational group of companies, the company adheres to policies and procedures which are often set by the ultimate parent company, Honeywell International Inc. Where such principal decisions are made, they are made within the context of Honeywell International Inc's group strategy.

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

Approved by the Board on 28-Dec-2022 and signed on its behalf by:

DocuSigned by:



.....54E7BD9881804A1.....

Hicham Khellafi
Director

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.

Business review and future developments

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

Results and dividends

The company's profit for the financial year, after taxation was £1,396,000 (2020: profit of £1,206,000) which will be transferred to reserves. The results for the financial year are shown on page 13.

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

Financial risk management, objectives and policies

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

Directors' of the company

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

Ronan Clifford
Hicham Khellafi

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.

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the 2021 and Q3 2022 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc. under various possible COVID-19 scenarios, including rollout of the vaccine, and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc., the group's cash, cash equivalents and short term investments balance at 30 September 2022 of \$8.0 billion.

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

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

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

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

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.

Approved by the Board on 28-Dec-2022 and signed on its behalf by:

DocuSigned by:

Hicham Khellafi

54E7BD0684604A1.....

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

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

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

Independent Auditor's Report to the Members of City Technology Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of City Technology 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 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the Members of City Technology Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Independent Auditor's Report to the Members of City Technology Limited (continued)

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

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

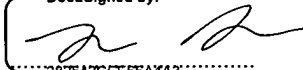
We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of City Technology Limited (continued)

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:



282547CEE6BA7A3.....
James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
Edinburgh
United Kingdom

Date: 28-Dec-2022.....

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	15,550	14,264
Cost of sales		<u>(9,677)</u>	<u>(9,864)</u>
Gross profit		5,873	4,400
Administrative expenses		<u>(4,892)</u>	<u>(3,704)</u>
Operating profit	5	981	696
Interest receivable and similar income	9	743	832
Interest payable and similar expenses	10	<u>(41)</u>	<u>(39)</u>
Profit before taxation		1,683	1,489
Tax on profit	11	<u>(287)</u>	<u>(283)</u>
Profit for the financial year		<u><u>1,396</u></u>	<u><u>1,206</u></u>

The above results were derived from continuing operations.

The notes on pages 17 to 37 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Profit for the year		<u>1,396</u>	<u>1,206</u>
Items that cannot be reclassified subsequently to profit or loss			
Actuarial gain or loss on defined benefit pension schemes	18	3,139	1,725
Movement on deferred tax in relating to pension scheme		<u>(1,037)</u>	<u>(378)</u>
		<u>2,102</u>	<u>1,347</u>
Total comprehensive income for the year		<u><u>3,498</u></u>	<u><u>2,553</u></u>

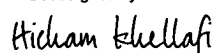
The notes on pages 17 to 37 form an integral part of these financial statements.

Balance Sheet as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Fixed assets			
Tangible assets	12	3,496	2,732
Right-of-use assets	13	<u>1,833</u>	<u>1,764</u>
		<u>5,329</u>	<u>4,496</u>
Current assets			
Debtors: amounts falling due within one year	14	65,033	63,654
Cash at bank and in hand		<u>1,927</u>	<u>2,190</u>
		66,960	65,844
Creditors: Amounts falling due within one year	15	<u>(3,351)</u>	<u>(2,905)</u>
Net current assets		<u>63,609</u>	<u>62,939</u>
Total assets less current liabilities		68,938	67,435
Creditors: Amounts falling due after more than one year	16	(1,305)	(1,394)
Provisions for liabilities	11	<u>(2,709)</u>	<u>(1,400)</u>
Net assets excluding pension asset/(liability)		64,924	64,641
Net pension asset	18	<u>11,736</u>	<u>8,521</u>
Net assets		<u>76,660</u>	<u>73,162</u>
Capital and reserves			
Called up share capital	19	3,178	3,178
Retained earnings		<u>73,482</u>	<u>69,984</u>
Shareholders' funds		<u>76,660</u>	<u>73,162</u>

The financial statements on pages 13 to 37 were approved by the Board of directors on 28-Dec-2022 and signed on its behalf by:

DocuSigned by:



34E7BD9881604X1

Hicham Khellafi

Director

The notes on pages 17 to 37 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 2021	3,178	69,984	73,162
Profit for the year	-	1,396	1,396
Other comprehensive income	-	2,102	2,102
Total comprehensive income	-	3,498	3,498
At 31 December 2021	<u>3,178</u>	<u>73,482</u>	<u>76,660</u>

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2020	3,178	67,431	70,609
Profit for the year	-	1,206	1,206
Other comprehensive income	-	1,347	1,347
Total comprehensive income	-	2,553	2,553
At 31 December 2020	<u>3,178</u>	<u>69,984</u>	<u>73,162</u>

The notes on pages 17 to 37 form an integral part of these financial statements.

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

1 General information

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

The address of its registered office is:

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

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

The 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 on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006.

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

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), and
 - paragraph 17 of IAS 24 Related Party Disclosures (key management compensation);
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements and 16 (statement of compliance with all IFRS),
 - 38A to 38D (requirement for minimum of two primary statements, including cash flow statements and additional comparative information), and
 - 40A to 40D, 111 (statement of cash flows information) and 134-136 (capital management disclosures) of IAS 1;
- IAS 7 - 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation)
- 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

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

2 Accounting policies (continued)

- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Going concern

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

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors have reviewed the 2021 and Q3 2022 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios, including rollout of the vaccine and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Honeywell International Inc, the group's cash, cash equivalents and short term investments balance at 31 December 2021 of \$11.5 billion and 30 September 2022 of \$8.0 billion.

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

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

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.

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

2 Accounting policies (continued)

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

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

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

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

Turnover and revenue recognition

Recognition

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

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

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

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

Leases - as lessee

Definition

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

Lease liability - Initial recognition and measurement

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

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

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

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

2 Accounting policies (continued)

Variable lease payments are not included in the determination of the lease liability and are charged to the profit and loss in the period that they arise (applicable for car lease rentals).

Lease liability - Subsequent measurement

The lease liability is subsequently measured at amortised cost.

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

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

Right-of-use assets

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

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

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

Research and development

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

Interest receivable

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

Interest payable

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

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.

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

2 Accounting policies (continued)

Taxation

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

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

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

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.

Tangible assets

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.

Depreciation

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

Asset class	Depreciation method and rate
Land and buildings	8 - 33%
Fixtures and fittings	7 - 33%

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

Land is not depreciated.

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

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

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

Financial instruments

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

Initial recognition

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

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

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost as appropriate.

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

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

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

2 Accounting policies (continued)

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:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial liabilities at amortised cost

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.

Derecognition

Financial assets

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.

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

2 Accounting policies (continued)

Financial liabilities

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 of the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. 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 profit and loss account.

Impairment of financial assets

Measurement of Expected Credit Losses

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for the measurement and recognition of impairment loss on financial assets measured at amortised cost e.g., investments, loans and bank balance.

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.

Trade debtors

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

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

Trade creditors

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

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

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

2 Accounting policies (continued)

Defined contribution pension obligation

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

Share capital

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

3 Judgements and key sources of estimation uncertainty

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

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

Judgements

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

Estimates and assumptions

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

Estimates used for 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 18.

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

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	15,550	14,264

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

	2021 £000	2020 £000
Europe	15,550	14,264

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

	2021 £000	2020 £000
Over time	15,550	14,264

5 Operating profit

Arrived at after charging/(crediting)

	2021 £000	2020 £000
Depreciation expense	403	289
Depreciation on right-of-use assets - Property	453	354
Research and development cost	1,695	1,277
Foreign exchange losses	2	-
Reorganisation and redundancy costs	-	150

6 Auditors' remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £14,271 (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).

7 Staff costs

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

	2021 £000	2020 £000
Wages and salaries	6,007	5,738
Social security costs	549	518
Pension costs, defined contribution scheme	293	292
	6,849	6,548

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

7 Staff costs (continued)

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

	2021 No.	2020 No.
Direct	115	120
Indirect	72	76
	<u>187</u>	<u>196</u>

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 receivable from group undertakings	618	684
Pension interest	125	148
	<u>743</u>	<u>832</u>

10 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on obligations under finance leases and hire purchase contracts	41	39

11 Tax on profit

Tax charged in the profit and loss account:

	2021 £000	2020 £000
Current taxation		
UK corporation tax	16	-
UK corporation tax adjustment to prior periods	-	104
	<u>16</u>	<u>104</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	62	130
Arising from changes in tax rates and laws	209	49
	<u>271</u>	<u>179</u>
Total deferred taxation	<u>271</u>	<u>179</u>
Tax expense in the profit and loss account	<u>287</u>	<u>283</u>

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

11 Tax on profit (continued)

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

	2021 £000	2020 £000
Current taxation		
Tax on items relating to components of other comprehensive income	-	-
Total current taxation	-	-
Deferred taxation		
Effect of change in tax laws and rates	441	328
Remeasurements on defined benefit pension plans	596	50
Total deferred taxation	1,037	378

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

The differences are reconciled below:

	2021 £000	2020 £000
Profit before tax	1,683	1,489
Corporation tax at standard rate	320	283
Current tax from adjustment for prior periods	-	104
Effect of income exempt from taxation	(10)	-
Effect of expenses not deductible in determining taxable profit (tax loss)	3	24
Group relief surrendered	(235)	(39)
Deferred tax changes in tax rates or laws	209	49
Effect of adjustment in research development tax credit	-	(138)
Total tax charge	287	283

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.

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

11 Tax on profit (continued)

Deferred tax

Deferred tax assets and liabilities

	2021 £000	2020 £000
Deferred tax asset		
Differences between capital allowances and depreciation	225	219
Deferred tax liability		
Deferred tax provision on pension asset	(2,933)	(1,619)
<i>Total deferred tax liability</i>	<u>(2,933)</u>	<u>(1,619)</u>
Net deferred tax liability	<u>(2,708)</u>	<u>(1,400)</u>

	Excluding pension £000	Pension £000	Total £000
Movements in deferred tax			
At 1 January 2021	219	(1,619)	(1,400)
Charge to the profit and loss account	6	(277)	(271)
Charge to statement of comprehensive income	-	(1,037)	(1,037)
At 31 December 2021	<u>225</u>	<u>(2,933)</u>	<u>(2,708)</u>

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

There are no unprovided amounts related to deferred tax.

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

12 Tangible assets

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 January 2021	556	5,955	396	6,907
Additions	9	1,213	-	1,222
Disposals	-	(61)	-	(61)
Transfers	75	(75)	-	-
At 31 December 2021	640	7,032	396	8,068
Depreciation				
At 1 January 2021	525	3,382	280	4,187
Charge for the year	30	362	11	403
Eliminated on disposal	-	(18)	-	(18)
At 31 December 2021	555	3,726	291	4,572
Carrying amount				
At 31 December 2021	85	3,306	105	3,496
At 31 December 2020	14	2,602	116	2,732

13 Right-of-use assets

	Land and buildings £000
Cost or valuation	
At 1 January 2021	2,471
Modifications	522
At 31 December 2021	2,993
Depreciation	
At 1 January 2021	706
Charge for the year	454
At 31 December 2021	1,160
Carrying amount	
At 31 December 2021	1,833
At 31 December 2020	1,764

The company leases several assets including buildings. The average lease term is 10 years (2020: 10 years).

The company has entered into commercial leases on a property in Portsmouth, United Kingdom. The termination date of this lease is 2025.

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

14 Debtors

	31 December 2021 £000	31 December 2020 £000
Amounts falling due within one year		
Amounts owed by group undertakings	64,738	63,300
Prepayments	-	123
Other debtors	295	231
	<u>65,033</u>	<u>63,654</u>

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

Receivable	Currency	Interest terms	31 December 2021 £000	31 December 2020 £000
On demand	GBP	UK Base rate plus 1%	<u>61,057</u>	<u>60,439</u>

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

15 Creditors: amounts falling due within one year

	31 December 2021 £000	31 December 2020 £000
Trade creditors	2,451	1,962
Accrued expenses	295	386
Amounts due to group undertakings	148	205
Current portion of long term lease liabilities	457	352
	<u>3,351</u>	<u>2,905</u>

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

16 Creditors: amounts falling due after more than one year

	31 December 2021 £000	31 December 2020 £000
Long term lease liabilities	<u>1,305</u>	<u>1,394</u>

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

17 Leases

Leases included in creditors

	31 December 2021 £000	31 December 2020 £000
Current portion of long term lease liabilities	457	352
Long term lease liabilities	1,305	1,394
	<u>1,762</u>	<u>1,746</u>

Lease liabilities maturity analysis

The non-cancellable lease payments are due:

	31 December 2021 £000	31 December 2020 £000
Within one year	457	352
In two to five years	1,305	1,394
	<u>1,762</u>	<u>1,746</u>

The company has entered into commercial leases on a property in Portsmouth, United Kingdom. The termination date of this lease is 2025. There are no restrictions placed upon the lessee by entering into these leases.

18 Pension commitments

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £293,000 (2020:£291,000).

Defined benefit pension schemes

Honeywell UK Pension Scheme (HUKPS)

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	37,370	36,276
Present value of scheme liabilities	(25,634)	(27,755)
Defined benefit pension scheme surplus	<u>11,736</u>	<u>8,521</u>

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

18 Pension commitments (continued)

Amounts recognised in the income statement

	31 December 2021 £000	31 December 2020 £000
Amounts recognised in operating profit		
Past service cost	-	1
Administrative expenses paid	51	45
Recognised in arriving at operating profit	51	46
Amounts recognised in finance income or costs		
Net interest	389	520
Expected return on pension plan assets	(514)	(668)
Recognised in other finance cost	(125)	(148)
Total recognised in the income statement	(74)	(102)

Amounts taken to the Statement of Comprehensive Income

	31 December 2021 £000	31 December 2020 £000
Liability (gains)/losses due to changes in assumptions	(1,701)	2,206
Gains on transfer between companies	-	(156)
Liability (gains)/losses due to experience during the year	12	(418)
Assets gains arising during the year	(1,450)	(3,357)
Amounts recognised in the Statement of Comprehensive Income	(3,139)	(1,725)

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	36,276	32,295
Expected return on assets	514	668
Actuarial gains and losses arising from changes in demographic assumptions	1,452	3,357
Contributions by employer	-	222
Net benefits paid out	(821)	(883)
Transfer between companies	-	662
Administrative expenses paid	(51)	(45)
Fair value at end of year	37,370	36,276

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

18 Pension commitments (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2021	31 December 2020
	%	%
Cash	3	1
Equity instruments	16	28
Bonds	69	59
Real estate	3	12
Assets held by insurance company	9	-
	<u>100</u>	<u>100</u>

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

Scheme liabilities

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

	31 December 2021	31 December 2020
	£000	£000
Present value at start of year	27,755	25,822
Transfers between companies	-	508
Actuarial (gains)/losses on liabilities - demographic assumptions	(395)	136
Actuarial (gains)/losses on liabilities - financial assumptions	(1,306)	2,069
Actuarial losses/(gains) on liabilities - experience	12	(418)
Interest cost	389	519
Benefits paid	(821)	(883)
Effect of curtailments	-	2
Present value at end of year	<u>25,634</u>	<u>27,755</u>

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

18 Pension commitments (continued)

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 %
Discount rate	1.40	1.40
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 22.2 years (2020: 22.2 years) after retirement if male or a further 24.6 years (2020: 24.6 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.

19 Called-up share capital

Authorised and Allotted, called-up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
3,178,000 (2020: 3,178,000)				
Ordinary shares at £1 each	<u>3,178</u>	<u>3,178</u>	<u>3,178</u>	<u>3,178</u>

20 Capital commitments

	31 December 2021 £000	31 December 2020 £000
Commitments contracted for but not yet provided	<u>537</u>	<u>793</u>

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

21 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.

22 Events after the balance sheet date

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