Eclipse Combustion Limited

Annual Report and Financial Statements
For the year ended 31 December 2018

Company Information

Officers and professional advisors

Directors

Olga Slipetska
Emilien Jay

Statutory auditor

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

Bankers

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

Registered address

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

Directors' report

for the financial year ended 31 December 2018

The directors present their annual report and audited financial statements of the company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the company is the sale of industrial combustion equipment, heat exchange equipment and services.

Business review and future developments

No strategic report is provided as these financial statements have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

During the current year, the company's ultimate parent company Honeywell International Inc. carried out a divestiture exercise to spin off its Homes products portfolio and ADI global distribution business, as well as its Transportation Systems business, into two stand-alone publicly-traded companies, Resideo Technologies Inc. and Garrett Motion Inc. As a result of the spin off activity, the company settled the intercompany debt it owed to Eclipse Limited amounting to £195,000.

Results and dividends

The company's profit for the financial year, after taxation was £352,000 (2017: loss of £122,000) which will be transferred to reserves. The results for the financial year are shown on page 7.

The directors do not recommend the payment of a dividend (2017: £nil).

Financial risk management, objectives and policies

Credit risk

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

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

Liquidity risk

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

Foreign currency risk

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.

Directors of the company

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

Emilien Jay
Lindsay Howard (resigned on 30 September 2018)
Olga Slipetska (appointed on 30 September 2018)

Directors' report

for the financial year ended 31 December 2018

Directors' indemnities

Pursuant of the company's articles of association, the directors were throughout the financial year ended 31 December 2018 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 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. The directors, having taken into account both the future trading of the company and the ability of the ultimate parent company to provide financial support, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to auditor

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

- so far as the 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 to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Events since the balance sheet date

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 of directors and signed on its behalf by:

DocuSigned by:
7107AFEB322E4A2...
Olga Slipetska
Director
12-Jul-2019

Directors' responsibilities statement

for the financial year ended 31 December 2018

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

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

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

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

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

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

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

Independent auditor's report

to the members of Eclipse Combustion Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements of Eclipse Combustion Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the 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).

Basis for qualified opinion on financial statements

In the prior year, with respect to inventory having a carrying amount of £272k, the audit evidence available to us was limited because we did not observe the counting of physical inventory as at 31 December 2017, as no inventory account was planned no performed. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities by using other audit procedures. Our audit opinion on the financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the consequential effect on the cost of sales for the year ended 31 December 2018.

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Eclipse Combustion Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 have been prepared in accordance with applicable legal requirements.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Independent auditor's report

to the members of Eclipse Combustion Limited

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 take advantage of the small companies exemption 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.

Jim J

James Boyle CA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
16 July 2019

Profit and loss account

for the financial year ended 31 December 2018

	Notes	2018	2017
		£000s	£000s
Turnover	5	1,886	1,524
Cost of sales		(1,419)	(1,279)
Gross profit		**467**	**245**
Distribution expenses		(108)	(87)
Administrative expenses		(7)	(280)
Operating profit/(loss)	**7**	**352**	**(122)**
Profit/(loss) before taxation		**352**	**(122)**
Tax on profit/(loss)	10	-	-
Profit/(loss) for the financial year		**352**	**(122)**

All amounts are derived from continuing operations.

There is no material difference between the profit/ (loss) before taxation and the profit/ (loss) for the financial year stated above and their historical cost equivalents.

No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than the profit/ (loss) for the financial year.

The notes on pages 10 to 24 form an integral part of the financial statements.

Balance sheet

as at 31 December 2018

	Notes	2018 £000s	2017 £000s
Fixed assets			
Tangible assets	11	-	-
		-	-
Current assets			
Stocks	12	11	272
Debtors: amounts falling due within one year	13	858	467
Cash at bank and in hand		72	304
		941	1,043
Creditors: amounts falling due within one year	14	(295)	(749)
Net current assets		**646**	**294**
Total assets less current liabilities		**646**	**294**
Net assets		**646**	**294**
Capital and reserves			
Called-up share capital	16	100	100
Profit and loss account		546	194
Total shareholders' funds		**646**	**294**

The financial statements on pages 7 to 24 were approved by the board of directors on 12-Jul-2019 and signed on its behalf by:

DocuSigned by:
7107AFEB322E4A2...

Olga Slipetska
Director

Statement of changes in equity

for the financial year ended 31 December 2018

	Called-up share capital	*Profit and loss account*	*Total*
	£000s	*£000s*	*£000s*
At 1 January 2017	100	316	416
Loss for the financial year	-	(122)	(122)
At 31 December 2017	**100**	194	294
Profit for the financial year	-	352	352
At 31 December 2018	**100**	**546**	**646**

Notes to the financial statements

for the financial year ended 31 December 2018

1. General information

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

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

The company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 251, Little Falls Drive, Wilmington, DE 19808, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at www.honeywell.com.

2. Significant accounting policies

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

Basis of preparation

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

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2018

Going concern

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. The directors, having taken into account both the future trading of the company and the ability of the ultimate parent company to provide financial support, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover and revenue recognition

The company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18.

Turnover comprises revenue from sales to customers and 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 in respect of the following when:

Type of sale	Recognition
Product and service sales	On delivery and when acceptance by the customer has occurred

Contract balances

Trade receivables

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

Revenue – Accounting policies applied until 31 December 2017

- *Turnover and revenue recognition*

  In the comparative period, revenue was recognised to the extent that it was probable that the economic benefits would flow to the company and the revenue could be reliably measured. Revenue was measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria was assessed before revenue was recognised:

Type of sale	Recognition
Product and service sales	On delivery and when acceptance by the customer has occurred

Notes to the financial statements

for the financial year ended 31 December 2018

Foreign currency translation

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

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

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

Taxation

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

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

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

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

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

Tangible assets and depreciation

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

Fixtures and fittings	3-10 years straight line
Plant and machinery	3-10 years straight line

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 financial year ended 31 December 2018

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.

Financial instruments

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

Financial asset – recognition and measurement

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

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

Classification of financial assets

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2018

Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

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

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

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

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

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

Financial liabilities - recognition and measurement

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Notes to the financial statements

for the financial year ended 31 December 2018

De-recognition

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

Financial Instruments – Accounting policies applied until 31 December 2017

- *Financial assets - recognition and measurement*

  Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

  The company determines the classification of its financial assets at initial recognition. Trade debtors, amounts owed by group undertakings and other debtors have been classified as loans and receivables. The company has no other financial assets.

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost less impairment.

- *Impairment of financial assets*

  The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

  An allowance for doubtful debts is made against trade debtors that exceed 180 days past due date. Losses arising from impairment are recognised in the profit and loss account in administrative expenses.

  Provisioning made against debts subsequently settled after 180 days past due is treated as a change in accounting estimate and released to profit or loss.

Stocks

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

The cost of work in progress and finished goods is the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the financial year.

Notes to the financial statements

for the financial year ended 31 December 2018

Judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue

Over time vs at a point of time:

The company recognises revenue in relation to sale of products and services at a point of time upon receipt of goods and services by the customer, because this is when the customer benefits from the company's product or service.

Estimates and assumptions

There are no estimates and assumptions made that have a significant effect on amounts recognised in the financial statements.

4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

IFRS 15 Revenue from contracts with customers

IFRS 15 superseded IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The company adopted IFRS 15 using the cumulative effects method. There was no impact of a transition to IFRS 15 on the profit and loss account of the company.

Notes to the financial statements

for the financial year ended 31 December 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in the changes in accounting policies and adjustments to the amounts recognised in the financial statements. The company estimated its due contractual cash flows discounted at the original effective interest rate, with the respective risks of default on external debts. On application of such model (ECL), the company estimated that the amount of expected credit losses for the year as £68,000 (2017: £67,000) (refer note 13). In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

In respect of the amounts owed from group undertakings, a letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. indicating that support will be given in order to settle these amounts should it be necessary. We are satisfied that Honeywell International Inc. has the ability to provide this guarantee. Accordingly, the company has not recognised a provision for expected credit loss.

5. Turnover

	2018	*2017*
	£000s	*£000s*
Analysis of turnover by geographical market		
United Kingdom	1,631	1,282
Europe	33	211
Other	222	31
Total turnover by geographical market	1,886	1,524

	2018	*2017*
	£000s	*£000s*
Analysis of turnover by category		
Sale of goods	1,190	754
Rendering of services	696	770
Total turnover by category	1,886	1,524
Timing of revenue recognition		
Point of time	1,190	754
Over time	696	770
Total revenue from contracts with customers	1,886	1,524

Notes to the financial statements

for the financial year ended 31 December 2018

6. Contract balances

The following table provides information about receivables:

	2018	*2017*
	£000s	*£000s*
Trade debtors (note 13)	693	330

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2018	*2017*
	£000s	*£000s*
As at 1 January	67	-
Provision for expected credit losses	1	67
As at 31 December (note 13)	68	67

7. Operating profit/ (loss)

	2018	*2017*
	£000s	*£000s*
This is stated after crediting/(charging):		
Rental charges under operating leases		
Motor vehicles	-	51
Gain on foreign exchange	(3)	-

8. Auditor's remuneration

The remuneration of the statutory auditor is further analysed as follows:

	2018	*2017*
	£000s	*£000s*
Audit of the financial statements	14	10
Total auditor remuneration	14	10

There are no non audit services fees payable to the auditor.

Notes to the financial statements
for the financial year ended 31 December 2018

9. Employees and directors

(a). Staff costs

	2018	*2017*
	£000s	*£000s*
Wages and salaries	453	454
Social security costs	57	54
Contributions to defined contribution pension plans	11	32
Total staff costs	521	540

The average monthly number of employees during the financial year was made up as follows (including executive directors):

	2018	*2017*
	No.	*No.*
Direct	6	6
Indirect	2	2
Total monthly average number of employees	8	8

(b). Directors' remuneration

In 2018, all directors (2017: all directors) did not undertake any relevant services to the entity and were remunerated by other group companies for their services to the group as a whole.

10. Taxation

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

	2018	*2017*
	£000s	*£000s*
Current tax:		
UK corporation tax on profit/(loss) for financial year	-	-
Total current tax	-	-

Notes to the financial statements

for the financial year ended 31 December 2018

Deferred tax:		
Origination and reversal of temporary differences	-	-
Effect of change in tax laws and rates	-	-
Total deferred tax	-	-
Tax expense reported in the profit and loss account	-	-

(b). Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is lower to the standard rate of corporation tax in the UK of 19.25% (2017: 19%). The differences are reconciled below:

	2018	*2017*
	£000s	*£000s*
Profit/(loss) before tax	352	(122)
Profit/ (loss) multiplied by the effective rate of corporation tax in the UK of 19% (2017:19.25%)	67	(23)
Effects of:		
Expenses not deductible for tax purposes	19	
Movement in general provision and other short term timing difference	-	(1)
Capital allowances less depreciation	(1)	(1)
Group relief (not paid for)/surrendered	(85)	25
Total tax expense reported in the profit and loss account	-	-

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

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which will reduce the rate further to 17% from 1 April 2020. These reductions may reduce the company's future tax charge accordingly.

(d). Deferred tax

	2018	*2017*
	£000s	*£000s*
The unrecognised deferred tax is as follows:		
Deferred tax asset		
Differences between capital allowances and accumulated depreciation	3	4
Carried forward losses	111	111
Other short term timing differences	1	1
Total deferred tax asset	115	116

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

Notes to the financial statements

for the financial year ended 31 December 2018

11. Tangible assets

	Plant and equipment £000s	Fixtures and fittings £000s	Total £000s
Cost			
At 1 January 2018 and 31 December 2018	42	224	266
Accumulated depreciation			
At 1 January 2018 and 31 December 2018	42	224	266
Net book value:			
At 31 December 2018	-	-	-
At 31 December 2017	-	-	-

12. Stocks

	2018 £000s	2017 £000s
Work in progress	-	32
Finished goods	11	240
Total stocks	11	272
The amount of inventories recognised as an expense during the period	605	740
The amount of inventories written down recognised as an expense in the period	35	-

13. Debtors

	2018	2017
	£000s	£000s
Amounts falling due within one year		
Trade debtors	693	330
Amounts owed by group undertakings	30	137
Prepayments and accrued income	135	-
Total amounts falling due within one year	858	467

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

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

31 December 2018

		Trade receivables					
		Days past due					
	Not due	<30 days	30-60 days	61-90 days	91-180 days	>180 days	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Expected credit loss rate	0.77%	4.90%	6.26%	6.44%	12.27%	39.46%	
Estimated total gross carrying amount at default	384	37	25	16	212	87	761
Expected credit loss	3	2	2	1	26	34	68

31 December 2017

		Trade receivables					
		Days past due					
	Not due	<30 days	30-60 days	61-90 days	91-180 days	>180 days	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Expected credit loss rate	1.76%	11.15%	14.24%	14.66%	27.91%	89.79%	
Estimated total gross carrying amount at default	207	45	63	11	27	43	396
Expected credit loss	4	5	9	2	8	39	67

s14. Creditors: amounts falling due within one year

	2018	2017
	£000s	£000s
Trade creditors	7	44
Amounts owed to group undertakings	207	268
Taxation and social security	54	120
Accruals and deferred Income	27	317
Total amount owed to creditors	295	749

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

15. Operating lease commitments

	2018	2017
	£000s	£000s
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
Other leases		
Not later than one year	-	7
After one year but not more than five years	-	18
Total other leases commitments	-	25

There are no future minimum rentals payable under non-cancellable operating leases

16. Called-up share capital

	2018	2017
	£000s	£000s
Authorised and allotted, called up and fully paid		
100,000 (2017:100,000) ordinary shares of £1 each at 1 January and 31 December	100	100

Notes to the financial statements

for the financial year ended 31 December 2018

17. 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 £423,389,000 (2017: £527,287,000).

Positive cash balances held by the group exceeded overdrawn balances in 2018 and 2017.