Trend Control Systems Limited

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

Company Information

Officers and professional advisors

Directors

Loretta Wootton
Stefano D'Agostino
Madeleine Orbell-Thompson

Auditor

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

Bankers

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

Registered address

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

Strategic report

for the financial year ended 31 December 2019

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

Principal activities

The principal activities of the company are the design, manufacture and sale of intelligent products and systems for the measurement and control of the building environment including energy consumption. The company provides contract manufacturing and sales services to a fellow Honeywell group company, Honeywell Products and Solutions Sarl.

Review of the business and future developments

The loss for the financial year, after taxation, is £374,000 (2018: £2,313,000). The company experienced an increase in demand for its products during the year, especially from European markets. Being a service provider to Honeywell Products and Solutions Sarl, the performance of the company is directly linked to the operating income levels defined in the agreements with them. Operating results for both years are in line with the management's expectations after excluding defined benefit pension expenses of £464,000 (2018: £2,055,000). The directors expect the company to continue to generate operating profits in the foreseeable future.

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

Key performance indicators

Management monitors the business using the following key indicators:

	2019	2018
	%	%
Operating profit margin% of turnover	0.6	0.1
Operating profit before costs excluded from recharge % of turnover	3.0	3.5

Operating result

Operating results before pension charge for both years are in line with directors' expectations. While the company has seen a decrease in administrative costs year on year, it's distribution costs have increased due to the increase in incentives and other costs linked to the increase in sales. Administrative costs have reduced due to the pension curtailment cost in prior year of £1,600,000 and general cost savings of £600,000 over those incurred in prior years. The increase in operating profit as a percentage of turnover is due to a change in composition of costs and associated mark-ups charged to Honeywell Products and Solutions Sarl.

Strategy

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the Home and Building Technologies Business Group. As a service provider to fellow Honeywell group companies, the company applies the following strategies to manage its group interest:

- focus on customers and customer feedback to improve business performance
- productivity and process improvement
- assist in product development
- assist in continued expansion into current and new markets
- proactive alignment of its business structure to meet changing market demands
- defending and extending the installed base through productivity improvements
- strong brand recognition through brand and channel management

Strategic report

for the financial year ended 31 December 2019

Financial risk management, objectives and policies

Interest risks

The company is exposed to interest rate risk arising out of amounts owed by group undertakings. 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 risk

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

The company continues to monitor and manage the increased foreign currency risks with the assistance of treasury Department of Honeywell International Inc.

Liquidity risk

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

Other 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.

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 entity, the company is dependent on Honeywell Products and Solutions Sarl's continued ability to secure contracts with customers and its ability to perform under those contracts.

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

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

Strategic report

for the financial year ended 31 December 2019

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 Home and building technologies business as a whole:

- Customer Risk: Existing and potential customers and their end-users may choose to reduce or delay spending. Customers may also attempt to renegotiate contracts and obtain concessions, face financial constraints on their ability to make payments to us on a timely basis or at all, or discontinue their business operations, and we may be required to discount the pricing of our products, all of which may materially and negatively impact our operating results, financial condition and prospects. In addition, unfavourable customer site conditions, such as closure of or access restrictions to customer facilities, and disruptions to our customers' third-party logistics, warehousing, inventory management and distribution services may limit our ability to sell products and provide services.

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

The company designs, manufactures and sells intelligent products and systems for the measurement and control of the building environment including energy consumption. The company operates as a limited risk distributor for Honeywell Products and Solutions Sarl. As a result, the current coronavirus pandemic is expected to have a minimal impact on the company's operations. The company is undertaking various cost mitigating measures as described above to reduce its current cost base which will result on a reduction in revenue charged to Honeywell Products and Solutions Sarl.

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

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

Strategic report

for the financial year ended 31 December 2019

The following statement describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006.

We recognise the importance of clear communication and proactive engagement with our stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the company. In the table below, and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), we set out our stakeholder groups, as required by the Regulations, how we engage with them and the impact of that engagement.

Stakeholder group	How we engage	Impact of engagement
Workforce		
We create a workplace where our people can learn and develop their careers while contributing positively to our brand and initiatives. Our key aims for the workforce are as follows: • maintain a low level of staff attrition; • encourage employee engagement with our business in the context of the current market; • encourage idea and knowledge-sharing to capitalise on employee ideas and initiatives that could add value to the business; and • encourage a healthy work-life balance.	We have engaged with our workforce in a variety of ways and some specific initiatives are highlighted below: • organising a business consultation group with employees; • conducting regular meetings between the directors and local HR teams; • implementation of a HR engagement tracker; and • implementation of family days.	The impact of employee engagement can be summarised as follows: • local HR teams are now empowered to deal with local office issues, which has resulted in more efficient resolutions of any local issues; • the HR engagement tracker has led to various improvements for the benefit of our employees; and • the family days known locally as "Trend Family Days" have resulted in improved employee and family engagement.
Customers		
We have identified our key customers as those who have the highest impact on our short-to-medium term business. We have engaged with our customers to achieve the following objectives: • improve customer engagement metrics; • improve product quality and product and service offering; and • build and maintain positive customer relationships.	We engaged with our customers in many ways and some of the highlights of this engagement are set out below: • implementation of a customer satisfaction survey; • key customer events; • partner events; and • 'Voice of the Customer' events with R&D visits.	The customer engagement initiatives resulted in: • our customer satisfaction survey helped us to clarify our vision for future growth and add brand value; and • partner events helped us to better understand our partners' needs and improve relations with them.
Suppliers		
Engagement with suppliers is managed as a part of Honeywell's global procurement organisation. For more information on Honeywell International's supplier code of business conduct please refer to www.honeywell.com/en-us/company/integrity-and-compliance.com	Directors' engage with suppliers on an individual and exceptional basis through procurement teams, in cases where there are any escalations.	Some supplier engagement initiatives have resulted in improved supplier satisfaction and building our reputation with potential customers and suppliers.

Strategic report

for the financial year ended 31 December 2019

The company's ultimate controlling party, Honeywell International Inc, shapes the business strategies for the group which has an impact on the long-term development of the company. In practice, all decisions and policies affecting employees, suppliers and business relationships with stakeholders are implemented by the directors in line with the business strategies decided at the group level and promote the interests of the ultimate controlling party and group as a whole. For further information on the strategy and governance of Honeywell International Inc please refer to www.honeywell.com.

Principal Decisions

Being a part of a large multinational group of companies, Trend Control System Limited adheres to policies and procedures which are often set by the ultimate parent company, 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 of directors and signed on its behalf by:

DocuSigned by:
Madeleine Orbell-Thompson
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Madeleine Orbell-Thompson
Director
05-Oct-2020

Directors' report

for the financial year ended 31 December 2019

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

Business review and future developments

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

Results and dividends

The company's loss for the financial year, after taxation was £374,000 (2018: £2,313,000) which will be deducted from reserves. The results for the financial year are shown on page 12.

The directors do not recommend the payment of a dividend (2018: £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 of the company who held office during the financial year and up to the date of signing these financial statements were:

Loretta Wootton (appointed on 01 October 2019)
Stefano D'Agostino (appointed on 02 October 2019)
Madeleine Orbell-Thompson
Andrew Paddock (resigned on 25 October 2019)

Directors' indemnities

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

Employment of disabled persons

The company recognises that physically or otherwise disabled individuals are not, of necessity, prevented from making a valuable and significant contribution to the business, and where people have the attitudes and abilities necessary for the job, the company gives sympathetic consideration towards employing them, or retaining them in work should the disability emerge during employment. The company's policy is to ensure that no discrimination either direct or indirect occurs against employees or applicants, whether in selection, promotion, access to training, or appraisal.

Employee engagement

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

We recognise the importance of clear communication and proactive engagement with our key stakeholders. Further detail on the engagement with employees undertaken during the year appears as part of our Section 172 statement on page 4.

Stakeholder Engagement

We recognise the importance of clear communication and proactive engagement with our stakeholders and further detail on the engagement with stakeholders undertaken during the year appears as part of our section 172 statement on page 4.

Directors' report

for the financial year ended 31 December 2019

Going concern

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

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

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

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

Disclosure of information to auditor

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

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

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

Events since the balance sheet date

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

Independent auditor

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

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

DocuSigned by:

Madeleine Orbell-Thompson

Madeleine Orbell-Thompson
Director
05-Oct-2020

Directors' responsibilities statement

for the financial year ended 31 December 2019

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

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

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

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

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

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

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

Independent auditor's report

to the members of Trend Control Systems Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Trend Control System Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

Independent auditor's report

to the members of Trend Control Systems Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Trend Control Systems Limited

Use of our report

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

DocuSigned by:

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James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
07-Oct-2020

Profit and loss account

for the financial year ended 31 December 2019

	Notes	2019	2018
		£000s	£000s
Turnover	5	64,757	61,333
Cost of sales		(51,970)	(48,271)
Gross profit		**12,787**	**13,062**
Distribution expenses		(8,721)	(6,463)
Administrative expenses		(3,704)	(6,520)
Operating profit	**6**	**362**	**79**
Interest receivable and similar income	9	4,200	3,429
Interest payable and similar charges	10	(4,429)	(4,190)
Profit/(loss) before taxation		**133**	**(682)**
Tax on profit/(loss)	11	(507)	(1,631)
Loss for the financial year		**(374)**	**(2,313)**

The notes on pages 16 to 38 form an integral part of the financial statements.

Statement of comprehensive income

for the financial year ended 31 December 2019

	Notes	2019 £000s	2018 £000s
Loss for the financial year		(374)	(2,313)
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Actuarial (losses)/gains on pension plan	19	(4,762)	17,093
Movement on deferred tax relating to pension scheme	11	810	(2,906)
Other comprehensive (expense)/income for the year, net of tax		**(3,952)**	**14,187**
Total comprehensive (expense)/income for the year, net of tax		**(4,326)**	**11,874**

Balance sheet

as at 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed assets			
Tangible assets	12	1,796	1,014
Right-of-use assets	13	1,055	-
		2,851	**1,014**
Current assets			
Debtors: amounts falling due within one year	14	99,686	95,890
		99,686	**95,890**
Creditors: amounts falling due within one year	**15**	**(97,493)**	**(90,204)**
Net current assets		**2,193**	**5,686**
Total assets less current liabilities (excluding pension asset)		**5,044**	**6,700**
Creditors: amounts falling due after more than one year	16	(43,854)	(43,276)
Provisions for liabilities	18	(14,338)	(14,738)
Pension asset	19	96,468	98,960
Net assets		**43,320**	**47,646**
Capital and reserves			
Called-up share capital	20	5,000	5,000
Share premium account	21	452	452
Other reserves	22	150	150
Profit and loss account		37,718	42,044
Total shareholders' funds		**43,320**	**47,646**

The financial statements on pages 12 to 38 were approved by the board of directors on 05-Oct-2020 and signed on its behalf by:

DocuSigned by:

Madeleine Orbell-Thompson

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Madeleine Orbell-Thompson
Director

Statement of changes in equity

for the financial year ended 31 December 2019

	Called-up share capital	*Share premium account*	*Other reserves*	*Profit and loss account*	*Total*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*
At 1 January 2018	5,000	452	150	30,170	35,772
Loss for the financial year	-	-	-	(2,313)	(2,313)
Other comprehensive income	-	-	-	14,187	14,187
At 31 December 2018	**5,000**	**452**	**150**	**42,044**	**47,646**
Loss for the financial year	-	-	-	(374)	(374)
Other comprehensive expense	-	-	-	(3,952)	(3,952)
At 31 December 2019	**5,000**	**452**	**150**	**37,718**	**43,320**

Notes to the financial statements
for the financial year ended 31 December 2019

1. General information

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

The immediate parent undertaking is Novar Electrical Holdings Limited, a company incorporated in 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, Honeywell, 300 South Tryon Street, Charlotte, North Carolina, 28202, USA or from the Internet at www.honeywell.com.

2. Significant accounting policies

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

Basis of preparation

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

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

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

Going concern

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

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

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

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

Turnover and revenue recognition

Turnover comprises 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 as follows:

Type of sale	*Recognition*
Product	On delivery and when acceptance by the customer has occurred
Service contracts	As and when performance obligation are satisfied using cost to cost measure of progress

Volume rebates

The company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Interest receivable

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

Notes to the financial statements

for the financial year ended 31 December 2019

Leases – as lessee

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

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

Lease liability – initial measurement

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

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

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

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

Right-of-use assets

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

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

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

Operating leases – Accounting policies applied until 31 December 2018

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

Research and development

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

Foreign currency translation

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

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

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

Taxation

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally 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.

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 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:

Leasehold improvements	20-50%
Plant & equipment	7-33%

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

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 assess the right-of-use asset for impairment when such indicators exists.

Financial instruments

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

Financial asset – recognition and measurement

Initial recognition and measurement

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

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

Classification of financial assets

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

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

- those measured at amortised cost,
- those to be measured subsequently at fair value through other comprehensive income (FVTOCI)

Financial asset at amortised cost

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

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

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

Financial asset at FVTOCI

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

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

Derecognition

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

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

Impairment of financial assets

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on all financial assets not measured at fair value.

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required.

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

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

Financial liabilities - recognition and measurement

Initial recognition and measurement

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

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

The company's financial liabilities comprise of loans and borrowings and trade and other payables.

Subsequent measurement

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

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

De-recognition

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

Pensions

As described in note 19, the company participates in a defined benefit pension scheme for the benefit of certain of its employees, the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

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

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

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

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

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

Provisions

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

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

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 and estimates that have a significant effect on amounts recognised in the financial statements.

Estimates and assumptions

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

(i) Estimates used for DB pension scheme

The cost of defined benefit pensions plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Management works closely with the actuary to agree to these assumptions. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions. Further details are given in note 19.

(ii) Impairment of financial assets

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

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.

4. New and amended standards and interpretations

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

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

IFRS 16 Leases

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

On transition to IFRS 16, the company recognised £1,536,000 of right-of-use assets and lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account. (refer note 24)

The company also applied the available practical expedients wherein it:

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

5. Turnover

	2019	*2018*
	£000s	*£000s*
Analysis of turnover by geographical market		
United Kingdom	49,998	48,462
Rest of Europe	14,150	12,283
Others	609	588
Total turnover by geographical market	64,757	61,333

	2019	*2018*
	£000s	*£000s*
Analysis of turnover by category		
Sale of goods	51,812	48,702
Rendering of services	12,945	12,631
Total turnover by category	64,757	61,333

Timing of revenue recognition		
Point of time	51,812	48,702
Over time	12,945	12,631
Total revenue from contracts with customers	64,757	61,333

6. Operating profit

	2019	2018
	£000s	£000s
This is stated after charging/(crediting):		
Depreciation and amortisation		
Tangible assets – owned (note 12)	292	207
Right-of-use assets (note 13)	481	-
Loss on disposal of fixed assets	-	21
Gain on transfer of assets	-	(429)
Gain on disposal of fixed assets	(7)	-
Reorganisation and redundancy	103	436
Loss on foreign exchange	11	32

7. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £22,000 (2018: £20,600) for the audit of the financial statements. This cost was incurred by Honeywell Control Systems Limited, a fellow UK subsidiary of Honeywell International Inc., and it is not recharged to the company.

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

8. Employees and directors

(a). Staff costs

	2019	2018
	£000s	£000s
Wages and salaries	14,710	12,497
Social security costs	1,544	1,345
Contributions to defined contribution pension plans	1,786	1,661
Pension costs for defined benefit plans (note 19)	464	2,055
Total staff costs	18,504	17,558

Notes to the financial statements

for the financial year ended 31 December 2019

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

(including executive directors)

	2019	*2018*
	Nos	*Nos*
Direct	99	105
Indirect	184	188
Total monthly average number of employees	283	293

(b). Directors' remuneration

	2019	*2018*
	£000s	*£000s*
Aggregate emoluments	239	291
Pension costs – defined contribution	53	-
Total payments to directors	292	291
Highest paid director		
Aggregate emoluments	115	67
Accrued pension at financial year end	28	-
Total payments to highest paid director	143	95

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

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

In 2019, one director (2018: one director) was remunerated by other group companies for their services to the group as a whole.

Notes to the financial statements

for the financial year ended 31 December 2019

9. Interest receivable and similar income

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	1,464	1,320
Pension interest (note 19)	2,736	2,109
Total interest receivable and similar income	4,200	3,429

10. Interest payable and similar charges

	2019	2018
	£000s	£000s
Interest payable on bank overdraft	1,160	944
Interest expense on lease liability	23	-
Preference share dividend (note 15)	3,246	3,246
Total interest expense and similar expenses	4,429	4,190

11. Taxation

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

	2019	2018
	£000s	£000s
Current tax:		
Adjustments in respect of prior years	98	-
Total current tax	98	-
Deferred tax:		
Origination and reversal of temporary differences	432	1,631
Adjustments in respect of prior years	(23)	-
Total deferred tax	409	1,631
Total tax expense in the profit and loss account	507	1,631

Notes to the financial statements

for the financial year ended 31 December 2019

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

	2019	*2018*
	£000s	*£000s*
Deferred tax:		
Remeasurements on defined benefit pension plans	810	2,906
Total deferred tax	810	2,906
Total tax expense in the statement of comprehensive income	810	2,906

(c). Reconciliation of the total tax charge

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

	2019	*2018*
	£000s	*£000s*
Profit/(loss) before income tax	133	(682)
Profit/(loss) multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%)	25	(130)
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	634	629
Income not taxable	(51)	(124)
Difference in current tax rate to deferred rate	(51)	(192)
Adjustment for tax for prior years	75	-
Group relief (not paid for)/surrendered	(125)	1,448
Total tax expense reported in the profit and loss account	507	1,631

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

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2018. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

Notes to the financial statements

for the financial year ended 31 December 2019

(e). Deferred tax

	2019 £000s	2018 £000s
The deferred tax included in the balance sheet is as follows:		
Deferred tax asset		
Differences between capital allowances and depreciation	411	439
Tax losses carried forward	1,641	1,641
Other short term timing differences	10	5
Total deferred tax asset	2,062	2,085
Deferred tax liability		
Deferred tax provision on pension asset (note 19)	(16,400)	(16,823)
Total deferred tax liability	(16,400)	(16,823)
Net deferred tax liability	(14,338)	(14,738)

Movements in deferred tax	*Excluding pension* £000s	*Pension* £000s	*Total* £000s
At 1 January 2019	2,085	(16,823)	(14,738)
Charge to the profit and loss account	(24)	(386)	(410)
Credit to statement of comprehensive income	-	810	810
At 31 December 2019	2,061	(16,399)	(14,338)

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.

The deferred tax liability has been calculated at 17%, since this was the enacted rate at the balance sheet date expected to be in place when the deferred tax asset/liability reverses. In his Budget on 11 March 2020, the Chancellor indicated that the rate reduction of 2% would be removed and therefore the deferred tax is likely to unwind in future when the corporation tax rate is 19%. Had the deferred tax been calculated at 19%, then the tax charge in the income statement would have been £1,287,000 and the deferred tax liability £16,025,000.

There are no unprovided amounts relating to deferred tax.

Notes to the financial statements

for the financial year ended 31 December 2019

12. Tangible assets

	Leasehold improvements £000s	Plant and equipment £000s	Construction in progress £000s	Total £000s
Cost				
At 1 January 2019	1,315	4,150	66	5,531
Additions	117	857	100	1,074
Transfer	-	59	(59)	-
At 31 December 2019	1,432	5,066	107	6,605
Accumulated depreciation				
At 1 January 2019	678	3,839	-	4,517
Provided during the financial year	4	288	-	292
At 31 December 2019	682	4,127	-	4,809
Net book value:				
At 31 December 2019	750	939	107	1,796
At 31 December 2018	637	311	66	1,014

The above figures include:

	2019 £000s	2018 £000s
Short leasehold improvements, at net book value	-	2

13. Right-of-use assets

	Land and buildings
	£000s
Cost	
At 1 January 2019	-
Transition to IFRS 16 (note 24)	1,536
At 31 December 2019	1,536
Accumulated depreciation	
At 1 January 2019	-
Provided during the financial year	481
At 31 December 2019	481
Net book value:	
At 31 December 2019	1,055

14. Debtors

	2019	2018
	£000s	£000s
Amounts falling due within one year		
Trade debtors	8,849	9,586
Amounts owed by group undertakings	89,257	84,505
Amount recoverable on contracts	1,008	1,378
Prepayments and accrued income	174	196
Other debtors	398	225
Total amounts falling due within one year	99,686	95,890

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

Receivable	Currency	Interest terms	2019 £000s	2018 £000s
On demand	GBP	UK Base Rate Plus 1%	84,594	83,129

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

15. Creditors: amounts falling due within one year

	2019	2018
	£000s	£000s
Bank overdraft	35,963	32,148
Trade creditors	1,864	1,643
Amounts owed to group undertakings	4,477	6,158
Taxation and social security	1,030	375
Accruals and deferred income	1,863	1,190
Lease liability (note 17)	360	-
Accrued preference dividends	51,936	48,690
Total amount owed to creditors	97,493	90,204

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

Accrued preference dividends represent an annual dividend of £3,245,700 accumulated since 2004 on 7.5% cumulative preference shares of £1 each.

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

	2019	2018
	£000s	£000s
7.5% cumulative preference shares of £1 each	43,276	43,276
Lease liability (note 17)	578	-
Total	43,854	43,276

The holders of the redeemable cumulative preference shares have the right to be paid a fixed cumulative preference dividend at the rate of 7.5% per annum payable annually in arrears.

The company can redeem all or part of the preference shares at any time together with arrears of dividends. In the case of winding up the company, the holders of the preference shares are entitled to receive the face value of the shares together with arrears of dividends up to the date of winding up.

17. Lease liabilities

	2019	*2018*
Land and buildings	*£000s*	*£000s*
Non-current (note 16)	578	-
Current (note 15)	360	-
Total amount owed to creditors	938	-

The non-cancellable lease payments are due

	2019	*2018*
	£000s	*£000s*
Within 1 year	360	-
Between 1 and 5 years	578	-
Total	938	-

The company has entered into a lease agreement for a period of 5 years for St. Marks Court in Horsham starting from 22 January 2018. The company has the option to terminate the lease in 2021, however it is not expected that the option will be exercised. The company has other commercial lease agreements which started from December 2015 on other locations in Horsham, UK and will expire in March 2020. The company is in the process of re-negotiating these leases. There are no restrictions placed upon the lessee by entering into these leases.

18. Provisions for liabilities

	At 1 January 2019	*Charge to profit & loss account*	*Credit to statement of comprehensive income*	*At 31 December 2019*
	£000s	*£000s*	*£000s*	*£000s*
Deferred tax liability (note 11)	14,738	410	(810)	14,338
Total	14,738	410	(810)	14,338

Notes to the financial statements

for the financial year ended 31 December 2019

19. Pension commitments

Honeywell UK Pension Scheme (HUKPS)

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

Amounts recognised in the balance sheet	*2019* *£000s*	*2018* *£000s*
Fair value of plan assets	466,577	434,967
Present value of defined benefit obligations	(370,109)	(336,007)
Net assets	96,468	98,960

Amounts recognised in profit or loss	*2019* *£000s*	*2018* *£000s*
Interest cost	9,311	8,866
Expected return on pension plan assets	(12,047)	(10,975)
Finance credit recognised	(2,736)	(2,109)
Current service cost		-
Past service cost (including curtailments)	-	1,666
Total administrative expenses recognised in profit and loss	466	389
Credit recognised in profit and loss	(2,271)	(54)
Actual return on assets	47,094	12,241

Remeasurements	*2019* *£000s*	*2018* *£000s*
Liability losses/(gains) due to changes in assumptions	45,041	(31,005)
Liability gains due to experience during the year	(5,231)	(1,266)
Asset (gains)/losses arising during the financial year	(35,048)	15,178
Total actuarial loss/(gain) recognised in OCI	4,762	(17,093)

Notes to the financial statements

for the financial year ended 31 December 2019

Changes in present value of defined benefit obligation		
At 1 January	336,007	354,326
Interest cost	9,311	8,866
Curtailments	-	1,666
Actuarial losses/(gains) on liabilities-financial assumption	48,143	(25,430)
Actuarial gains on liabilities - demographic assumptions	(3,102)	(5,575)
Actuarial (gains)/losses on liabilities-experience	(5,231)	15,177
Net benefits paid out	(15,019)	(13,023)
At 31 December	370,109	336,007

Changes in fair value of scheme assets	*2019* *£000s*	*2018* *£000s*
At 1 January	434,967	427,035
Expected return on assets	12,047	10,975
Actuarial gains on assets	35,048	1,266
Contributions by employer	-	9,103
Actual administration expenses paid	(466)	(389)
Net benefits paid out	(15,019)	(13,023)
At 31 December	466,577	434,967

Major categories of plan assets as a percentage of total plan assets	*2019* *%*	*2018* *%*
Equities (including venture cap and alternative investments)	32	32
Bonds	12.9	63
Property	3.2	4
Cash	51.9	1
Total	100.0	100.0

Main actuarial assumptions	*2019*	*2018*
	%	*%*
Inflation (RPI)	2.9	3.2
Inflation (CPI)	1.9	2.1
Rate of increase for pensions		
Pensions subject to limited price indexation to 5%	2.8	3.1
Pensions subject to limited price indexation to 2.5%	2.1	2.2
Other pensions and deferred pensions	1.9	2.1
Discount rate for scheme liabilities	2.0	2.9

Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2019 at age 65 will live on average for a further 22.37 years (2018: 21.6 years) after retirement if male or a further 24.44 years (2018: 23.5 years) if female.

Overall long-term rate of retum

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.

20. Called-up share capital

	2019	*2018*
	£000s	*£000s*
Authorised and allotted, called-up and fully paid		
5,000,000 (2018:5,000,000) ordinary shares of £1 each at 01 January and 31 December	5,000	5,000

21. Share premium account

	2019	*2018*
	£000s	*£000s*
Balance at 1 January and 31 December		
Premium arising on issue of equity shares	452	452

22. Other reserves

	2019	*2018*
	£000s	*£000s*
Balance at 1 January and 31 December		
Capital redemption reserve	150	150

23. Contingent liabilities

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

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

24. Change in accounting policies

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

IFRS 16 Leases

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

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

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

On transition to IFRS 16, the company recognised a right-of-use asset of £1,536,000 and a lease liability of the same amount. This resulted in an additional depreciation charge on the right-of-use assets and finance cost on the lease liability instead of rental expense which was being charged to the profit and loss account.

Impact on financial statements

Effect of adoption of IFRS 16 on the balance sheet as at 1 January 2019:

	As reported	**Adjustments**	**Balances without IFRS 16**
	£000s	£000s	£000s
Right-of-use assets	1,536	1,536	-
Total assets	**1,536**	**1,536**	-
Lease liabilities	1,536	1,536	-
Total liabilities	**1,536**	**1,536**	-

Notes to the financial statements

for the financial year ended 31 December 2019

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

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Debtors	-	(147)	147
Right-of-use assets	1,055	1,055	-
Total assets	**1,055**	**908**	**147**
Lease liabilities	938	938	-
Total liabilities	**938**	**938**	**-**

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

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Rental charges	-	(475)	475
Depreciation on ROU assets	481	481	-
Interest payable on lease liabilities	23	23	-
Profit before tax	(133)	29	(162)
Income tax expense	507	-	507
Profit for the year	374	29	345

25. Events after balance sheet date

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