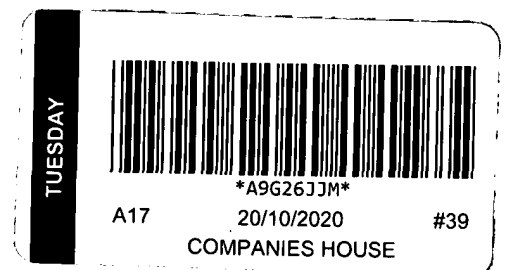


Honeywell Bryan Donkin Gas Technologies Ltd.

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



Company Information

Officers and professional advisor

Director

Faisal Majid

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,
England
RG12 1EB

Director's report

for the financial year ended 31 December 2019

The director presents his annual report and audited financial statements for the company for the financial year ended 31 December 2019.

Principal activities

The principal activity of the company is to supply and install gas control and monitoring equipment.

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.

The company has continued to operate in a challenging market with the pressures from the global oil and gas market. It has however returned to profitability following the cost cutting exercises carried out in prior years. The instability of oil and gas prices continues to put pressure on the company into 2020. Management are reviewing opportunities to maximise profitability through cost reviews and marketing activities to expand the company's customer base.

Results and dividends

The company's profit for the financial year, after taxation was £890,000 (2018: loss £894,000) which will be transferred to reserves. The results for the financial year are shown on page 8.

The director does not recommend the payment of a dividend (2018: £nil).

Financial risk management, objectives and policies

Foreign currency risk

The impact of the coronavirus disease ("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 company, the company is dependent on its continued ability to secure contracts with customers and its ability to perform under those contracts.

The coronavirus outbreak has developed rapidly, with a significant number of infections. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The outbreak of 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 would negatively impact the company's operations and adversely affect its business.

Director's report

for the financial year ended 31 December 2019

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

These factors could, among other things, disrupt the purchasing and payment behaviours of our customers and their end-users; our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and our liquidity and cash flow. The following risks will be applicable to the companies operating in performance materials and 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 director pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

The company supplies gas control and monitoring equipment and provides related design and installation services to entities outside the Honeywell group. Apart from the continuation of essential services, the impact of the COVID-19 pandemic on the company is expected to be consistent with the impact on Honeywell's PMT segment as described above. The company is also implementing the cost cutting measures disclosed above.

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.

Director of the company

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

Faisal Majid

Director's report

for the financial year ended 31 December 2019

Director's indemnities

Pursuant to the company's articles of association, the director was throughout the financial year ended 31 December 2019 and is 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, where funds are not available from operating activities, 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 director, has 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 director has further relied on forward looking assessments under various possible COVID-19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has 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 director, has 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, he continues 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
- the 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 director's 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:

BEB280083FD340D...
Faisal Majid
Director
14-Oct-2020

Director's responsibilities statement

for the financial year ended 31 December 2019

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him in discharging these responsibilities, the director has engaged a number of third party providers including an accounting firm who is 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 director has ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements Honeywell Bryan Donkin Gas Technologies Ltd. (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 of which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the director has 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 director is 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.

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd.

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 the director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has 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 director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was 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.

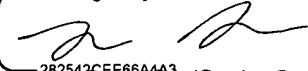
Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd.

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:



James Boyle CA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

15-Oct-2020

Profit and loss account

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
Turnover	4	6,390	6,723
Cost of sales		(5,164)	(6,384)
Gross profit		1,226	339
Distribution expenses		(155)	(213)
Administrative expenses		(179)	(997)
Operating profit/(loss)	6	892	(871)
Interest payable	9	(2)	(23)
Profit/(loss) before taxation		890	(894)
Tax on profit/(loss)	10	-	-
Profit/(loss) for the financial year		890	(894)

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

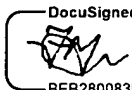
The notes on pages 11 to 21 form an integral part of the financial statements.

Balance sheet

as at 31 December 2019

	Notes	2019 £000s	2018 £000s
Current assets			
Debtors: amounts falling due within one year	12	906	1,664
Cash at bank and in hand		1,656	1,664
		<u>2,562</u>	<u>3,328</u>
Creditors: amounts falling due within one year	13	(1,585)	(3,241)
Net current assets		<u>977</u>	<u>87</u>
Total assets less current liabilities		<u>977</u>	<u>87</u>
Net assets		<u>977</u>	<u>87</u>
Capital and reserves			
Called-up share capital	14	2,000	2,000
Profit and loss account		(1,023)	(1,913)
Total shareholders' funds		<u>977</u>	<u>87</u>

The financial statements on pages 8 to 21 were approved by the board of directors on 14-Oct-2020 and signed on its behalf by:

DocuSigned by:

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Faisal Majid
 Director

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

	<i>Called-up share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2018	2,000	(1,019)	981
Loss for the financial year	-	(894)	(894)
At 31 December 2018	2,000	(1,913)	87
Profit for the financial year	-	890	890
At 31 December 2019	2,000	(1,023)	977

Notes to the financial statements

for the financial year ended 31 December 2019

1. General information

Honeywell Bryan Donkin Gas Technologies Ltd. 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 director's report on page 1.

The immediate parent undertaking is Honeywell Gas Technologies GmbH, a company incorporated in Germany. The registered address of the parent is Osterholzstr. 45, 34123 Kassel, Germany.

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 and FRS 101. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant, 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;
- 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; and
- 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 2019

Going concern

The ultimate parent company, Honeywell International Inc. has indicated that, where funds are not available from operating activities, 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 director, has 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 director has further relied on forward looking assessments under various possible COVID-19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has 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 director, has 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, he continues 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 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 obligation is deemed to be satisfied in respect of the following when:

<u>Type of sale</u>	<u>Recognition</u>
Product 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.

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 or loss account.

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

Notes to the financial statements

for the financial year ended 31 December 2019

Taxation

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

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

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

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

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

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 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.

Notes to the financial statements

for the financial year ended 31 December 2019

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 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.

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.

Notes to the financial statements

for the financial year ended 31 December 2019

Stocks

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

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

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

3. Judgements and key sources of estimation uncertainty

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

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

Judgements

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

Estimates and assumptions

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

(i) 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. Accordingly, the company has recognised a provision for expected credit loss amounting to £30,000 (2018: £48,000).

In respect of other financial assets which comprises 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.

Notes to the financial statements

for the financial year ended 31 December 2019

4. Turnover

	2019	2018
	£000s	£000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	5,956	5,980
Europe	416	502
North America	-	4
Other	18	237
<i>Total turnover by geographical market</i>	6,390	6,723

All revenue is earned from the sale of goods which is recognised at a point in time.

5. Disclosures in respect of contracts with customers

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

	2019	2018
	£000s	£000s
Impairment reversals/(losses) on receivables arising from contracts with customers	18	(14)

The following table provides information about balances arising from contracts with customers:

	2019	2018
	£000s	£000s
Trade debtors (Refer note 12)	886	1,619

6. Operating profit/(loss)

	2019	2018
	£000s	£000s
This is stated after charging/(crediting):		
Payment on short term leases	12	-
Reorganisation and redundancy	-	670
(Gain)/loss on foreign exchange	(21)	17

Notes to the financial statements

for the financial year ended 31 December 2019

7. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £16,700 (2018: £18,900) 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 director

(a). Staff costs

	2019	2018
	£000s	£000s
Wages and salaries	118	99
Social security costs	13	16
Contributions to defined contribution pension plans	10	11
Total staff costs	141	126

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

	2019	2018
	No.	No.
Indirect	3	4
Total monthly average number of employees	3	4

(b). Director's remuneration

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

9. Interest payable

	2019	2018
	£000s	£000s
Interest payable on bank overdraft	2	23
Total interest payable	2	23

Notes to the financial statements

for the financial year ended 31 December 2019

10. Taxation

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

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on profit/(loss) for financial year	-	-
<i>Total current tax</i>	-	-
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
Effect of change in tax laws and rates	-	-
<i>Total deferred tax</i>	-	-
<i>Total tax expense reported in the profit and loss account</i>	-	-

(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% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000s	£000s
Profit/(loss) before tax	890	(894)
Profit/(loss) multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	169	(170)
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	-	1
Capital allowances less depreciation	(14)	(18)
Movement in general provisions and other short term timing differences	(4)	2
Group relief (not paid for)/surrendered	(151)	185
<i>Total tax expense reported in the profit and loss account</i>	-	-

Notes to the financial statements

for the financial year ended 31 December 2019

(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 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%.

(d). Deferred tax

	2019	2018
	£000s	£000s
Unrecognised deferred tax assets @ 17% (2018: 17%):		
Deferred tax asset		
Differences between capital allowances and depreciation	67	80
Other short term timing differences	5	8
Total deferred tax asset	72	88

The deferred tax asset has been calculated at 17%, since this was the enacted rate at the balance sheet date.

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

There is no impact of the change in tax rate discussed above as the deferred tax asset is unrecognized.

11. Stocks

	2019	2018
	£000s	£000s
The amount of inventories recognised as an expense during the period	5,048	5,472
The amount of inventories written down recognised as an expense in the period	116	668

The company's purchases stock to fulfil specific customer orders and thus does not hold stock at the balance sheet date.

Notes to the financial statements

for the financial year ended 31 December 2019

12. Debtors: amounts falling due within one year

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	886	1,619
Amounts owed by group undertakings	19	35
Other debtors	-	7
Prepayments and accrued income	1	3
<i>Total amounts falling due within one year</i>	<u>906</u>	<u>1,664</u>

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

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

	2019				2018		
	Gross carrying amount at risk of default	Expected credit loss rate	Expected credit loss		Gross carrying amount at risk of default	Expected credit loss rate	Expected credit loss
	£000s	%	£000s		£000s	%	£000s
Amounts due:							
Not due	850	0.10	1		1,086	0.32	3
within 30 days	35	2.90	1		412	1.07	4
30 – 60 days	4	50.00	2		29	5.23	2
61 – 90 days	-	-	-		78	9.77	8
After 90 days	27	96.30	26		62	50.00	31
Total	916		30		1,667		48

13. Creditors: amounts falling due within one year

	2019	2018
	£000s	£000s
Trade creditors	149	206
Amounts owed to group undertakings	1,331	2,667
Taxation and social security	98	368
Accruals	7	-
<i>Total amount owed to creditors</i>	<u>1,585</u>	<u>3,241</u>

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

Notes to the financial statements

for the financial year ended 31 December 2019

14. Called-up share capital

	2019	2018
	£000s	£000s
<i>Authorised and allotted, called-up and fully paid</i>		
2,000,000 (2018: 2,000,000) ordinary shares of £1 each at 1 January and 31 December	2,000	2,000

15. 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.

16. Events after balance sheet date

Subsequent to the balance sheet date, as noted in the director's 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.