Honeywell Productivity Solutions Limited

(formerly known as Hand Held Products (UK) Limited)

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

Company Information

Officers and professional advisors

Director

Lisa Keilthy

Statutory auditor

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

Bankers

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

Registered address

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

Strategic report

for the financial year ended 31 December 2018

The director presents her strategic report for the financial year ended 31 December 2018.

Principal activities

The principal activities of the company until 31 October 2018 were to provide sales and marketing services on behalf of fellow Honeywell group companies. After this date, the company sold and provided after sale services for wired and wireless automated identification and data collection products and systems, on behalf of a fellow Honeywell group company.

Review of the business and future developments

The profit for the financial year, after taxation, is £478,000 (2017: £606,000).

Being a service provider to several fellow Honeywell group companies, the company was operating on a cost-plus model until 31 October 2018. On 31 October 2018, the company entered into a business transfer agreement with Intermec Technologies U.K. Limited as a result of which the company purchased the rights, interests, obligations, duties and liabilities under the Service contracts from Intermec Technologies U.K. Limited. The increase of profit for the year is driven by the change in cost components and associated mark ups compared to prior year. The director intends that the company will continue to sell wired and wireless automated identification and data collection products for the foreseeable future.

With effect from 18 September 2018, the company changed its name from Hand Held Products (UK) Limited to Honeywell Productivity Solutions Limited.

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 indicator:

	2018	2017
Operating profit margin %	3.06	5.16

Operating profit margin

The operating profit margin has decreased due to a change in the business model from a cost-plus entity to a limited risk distributor which has resulted in the increase in the cost components of distribution and administrative expenses. Post transition to new principal activities of distribution and associated after sales services, the margins has decreased in line with the sales and distribution.

Financial risk management, objectives and policies

Foreign currency risk

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

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 risks

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

Strategic report

for the financial year ended 31 December 2018

Strategy

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

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are:

- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic condition
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- health and safety of employees and contractors
- raw material price fluctuations
- cost of employee retirement benefits.

In response to the risks the company:
- maintains a UK-wide presence and aims to have a competitive installed cost and integrated product through technology and productivity
- ensures continued recognition of brand and quality to maintain market position
- maintains a high technology offering while widening its product base and expanding into new areas
- implements supply chain and procurement initiatives
- actively investigates new technologies and market trends
- monitors applicable regulations to ensure products and systems provide high quality solutions for current needs
- ensures that pension schemes are adequately funded
- ensures that all reasonable steps are taken to provide a safe working environment.

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 progress of current negotiations between the UK Government and the EU will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements. 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. The uncertainty during and after the period of negotiation is also expected to increase volatility and may have an economic impact particularly in the UK and Eurozone.

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

DocuSigned by:
Lisa Keithly
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Lisa Keithly
Director
04-Dec-2019

Director's report

for the financial year ended 31 December 2018

The director presents her annual report and audited financial statements for the company for the financial year ended 31 December 2018.

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 profit for the financial year, after taxation was £478,000 (2017: £606,000) which will be transferred to reserves. The results for the financial year are shown on page 9.

The director does not recommend the payment of a dividend (2017: £nil)

Financial risk management, objectives and policies

Financial risk management of the company is included in the strategic report on page 1.

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:

Lisa Keilthy

Director's indemnities

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

Disclosure of information to auditors

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 of the director has taken all the steps that she ought to have taken as a director to make herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Events since the balance sheet date

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

Director's report

for the financial year ended 31 December 2018

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:
Lisa Keilthy
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Lisa Keilthy
Director
04-Dec-2019

Director's responsibility statement

for the financial year ended 31 December 2018

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 she 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
- 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's 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. She is 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 her in discharging these responsibilities, the director has engaged a number of third party providers including accounting firms who are engaged to prepare the company's financial statements, as well as Honeywell International Inc.'s own finance shared service centres located in Bengaluru, Prague and Bucharest. Honeywell operates a country controllership model under which an identified senior finance representative is responsible for all of the UK and Ireland entities, supported by a wider finance team and under the supervision of the Regional Finance Leader for North & South Europe. The 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 Productivity Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of Honeywell Productivity Solutions Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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.

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

Independent auditor's report

to the members of Honeywell Productivity Solutions Limited

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 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 has 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 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.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Honeywell Productivity Solutions 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.

James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
10 December 2019

Profit and loss account

for the financial year ended 31 December 2018

	Notes	2018 £000s	2017 £000s
Turnover	5	15,816	12,257
Cost of sales		(14,133)	(11,625)
Gross profit		**1,683**	**632**
Distribution expenses		(366)	-
Administrative expenses		(833)	-
Operating profit	**7**	**484**	**632**
Interest payable	10	(25)	(26)
Profit before taxation		**459**	**606**
Tax on profit	11	19	-
Profit for the financial year		**478**	**606**

All amounts are derived from continuing operations.

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

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

The notes on pages 12 to 24 form an integral part of the financial statements.

Balance Sheet
as at 31 December 2018

	Notes	2018 £000s	2017 £000s
Current assets			
Debtors: amounts falling due within one year	12	11,429	3,325
Cash at bank and in hand		1,626	2,058
		13,055	5,383
Creditors: amounts falling due within one year	13	(8,466)	(2,516)
Net current assets		**4,589**	**2,867**
Total assets less current liabilities		**4,589**	**2,867**
Creditors: amounts falling due after more than one year	14	(1,318)	-
Provisions for liabilities	15	(49)	(123)
Net assets		**3,222**	**2,744**
Capital and reserves			
Called-up share capital	16	1	1
Profit and loss account		3,221	2,743
Total shareholders' funds		**3,222**	**2,744**

The financial statements on pages 9 to 24 were approved by the board of directors on 04-Dec-2019 and signed on its behalf by:

DocuSigned by:
Lisa Keilthy
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Lisa Keilthy
Director

Statement of changes in equity

for the financial year ended 31 December 2018

	Called-up share capital	*Profit and loss account*	*Total*
	£000s	*£000s*	*£000s*
At 1 January 2017	1	2,137	2,138
Profit for the financial year	-	606	606
At 31 December 2017	**1**	**2,743**	**2,744**
Profit for the financial year	-	478	478
At 31 December 2018	**1**	**3,221**	**3,222**

Notes to the financial statements

for the financial year ended 31 December 2018

1. General information

With effect from 18 September 2018, the company has changed its name from Hand Held Products (UK) Limited to Honeywell Productivity Solutions Limited. It 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 Intermec Technologies (S) Pte Ltd, a company incorporated in Singapore. The registered address of the parent is 17 Changi Business Park Central 1, Singapore, 486073, Singapore.

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

2. Significant accounting policies

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

Basis of preparation

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

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 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 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; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements

for the financial year ended 31 December 2018

Going concern

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

Turnover and revenue recognition

The company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Turnover comprises revenue from sales to customers and service revenues net of value added tax.

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

As per IFRS 15, the performance obligations are deemed to be satisfied in respect of the following when:

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

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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

Revenue – Accounting policies applied until 31 December 2017

- *Turnover and revenue recognition*

  Turnover comprises of service revenues net of value added tax.

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

Notes to the financial statements

for the financial year ended 31 December 2018

Type of sale	*Recognition*
Rendering of Services	As the cost is incurred

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.

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.

Notes to the financial statements

for the financial year ended 31 December 2018

Classification of financial assets

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

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

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

Derecognition

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

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

Impairment of financial assets

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

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

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

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

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

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

Financial liabilities - recognition and measurement

Initial recognition and measurement

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

Notes to the financial statements

for the financial year ended 31 December 2018

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 loans, trade creditors and borrowings.

Subsequent measurement

Loans and borrowings

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 or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

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.

Financial Instruments – Accounting policies applied until 31 December 2017

- *Financial assets - recognition and measurement*

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

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

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

- *Impairment of financial assets*

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

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

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

Provisions

The company recognises a provision when it has a present obligation, either legal or constructive, which 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

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

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) Estimates used for provisions

The redundancy provision covers one employee and is calculated on individual basis to take account of variables such as length of service. As at 31 December 2018, the carrying amount of redundancy provision was £49,000 (2017: £123,000).

4. New and amended standards and interpretations

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

The nature and the effect of these changes are disclosed below:

IFRS 15 Revenue from contracts with customers

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2018

IFRS 9 Financial Instruments

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

Post the adoption of IFRS 9 Financial Instruments from 1 January 2018, the company estimated its due contractual cash flows discounted at the original effective interest rate, with the respective risks of default on external debts. However, on application of such model (ECL), the company concluded that there was no credit risk involved since the company recharges the credit loss to the fellow Honeywell group company. Hence, there will be no impact of IFRS 9 on the financial statements.

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

5. Turnover

	2018	2017
	£000s	£000s
Analysis of turnover by geographical market		
United Kingdom	3,955	-
Europe	10,337	9,338
USA	1,524	2,919
Total turnover by geographical market	15,816	12,257

	2018	2017
	£000s	£000s
Analysis of turnover by category		
Sale of goods	3,381	-
Rendering of services	12,435	12,257
Total turnover by category	15,816	12,257

	2018	2017
	£000s	£000s
Timing of revenue recognition		
Point of time	3,381	-
Over time	12,435	12,257
Total revenue from contracts with customers	15,816	12,257

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

6. Contract balances

The following table provides information about receivables and contract liabilities:

	2018	*2017*
	£000s	*£000s*
Trade debtors (note 12)	4,290	-
Current deferred income (note 13)	1,862	-
Non-current deferred income (note 14)	1,318	-

7. Operating profit

	2018	*2017*
	£000s	£000s
This is stated after charging:		
Restructuring costs	157	397
Loss on foreign exchange	110	5

8. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £16,116 (2017: £15,680) 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.

9. Employees and directors

(a). Staff costs

	2018	*2017*
	£000s	*£000s*
Wages and salaries	7,619	7,351
Social security costs	935	977
Contributions to defined contribution pension plans	801	641
Total staff costs	9,355	8,969

Notes to the financial statements

for the financial year ended 31 December 2018

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

(including executive directors)

	2018	2017
	No.	No.
Indirect	79	77
Total monthly average number of employees	79	77

(b). Directors' remuneration

	2018	2017
	£000s	£000s
Aggregate emoluments	94	255
Pension costs – defined contribution	9	9
Total payments to directors	103	264
Highest paid director		
Aggregate emoluments	94	226
Pension costs – defined contribution	9	7
Total payments to highest paid director	103	233

During the financial year the highest paid director did not (2017: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company.

10. Interest payable

	2018	2017
	£000s	£000s
Interest payable to group undertakings	25	26
Total interest payable	25	26

11. Taxation

(a) Tax charged in the profit and loss account

	2018	*2017*
	£000s	*£000s*
Current tax:		
UK corporation tax on profit for financial year	-	-
Total current tax expense in the profit and loss account	-	-
Deferred tax:		
Origination and reversal of temporary differences	(19)	-
Total deferred tax credit	(19)	-
Total tax credit reported in the profit and loss account	(19)	-

(b) Reconciliation of the total tax charge

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

	2018	*2017*
	£000s	*£000s*
Profit before tax	459	606
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2017:19%)	87	117
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	9	13
Differences in current tax rate to deferred rate	2	-
Group relief not paid for	(117)	(130)
Total tax credit reported in the profit and loss account	(19)	-

(c) Factors affecting tax charge for the financial year

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

(d). Deferred tax

	2018	2017
	£000s	£000s
The deferred tax included in the balance sheet is as follows:		
Deferred tax asset		
Differences between capital allowances and depreciation	1	-
Other short term timing differences	18	-
Total deferred tax asset	19	-

Movements in deferred tax	Total £000s
At 1 January 2018	-
Credit to the profit and loss account	19
At 31 December 2018	19

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

There are no unprovided amounts relating to deferred tax.

12. Debtors

	2018	2017
	£000s	£000s
Amounts falling due within one year		
Trade debtors	4,290	-
Amounts owed by group undertakings	7,074	3,219
Prepayments and accrued income	33	106
Other debtors	13	-
Deferred tax asset (note 11)	19	-
Total amounts falling due within one year	11,429	3,325

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

13. Creditors: amounts falling due within one year

	2018	2017
	£000s	£000s
Trade creditors	412	307
Amounts owed to group undertakings	4,460	1,601
Taxation and social security	907	-
Accruals and deferred income	2,687	608
Total amount owed to creditors	8,466	2,516

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

Payable	Currency	Interest terms	2018	2017
			£000s	£000s
On demand	GBP	UK Base Rate Plus 1%	1,588	1,562

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

14 Creditors: amounts falling due after more than one year

	2018	2017
	£000s	£000s
Deferred income	1,318	-

15. Provisions for liabilities

	Restructuring provision
	£000s
At 1 January 2018	123
Charge to P&L	157
Utilised	(231)
At 31 December 2018	49

Notes to the financial statements

for the financial year ended 31 December 2018

16. Share capital

	2018	2017
	£000s	£000s
Authorised and allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

17. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £423,388,835 (2017: £nil).

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

18. Business transfer agreement

On 31 October 2018, the company entered into a business transfer agreement with Intermec Technologies U.K. Limited as a result of which the company received the rights and assumed interests, obligations, duties and liabilities under the Service contracts of Intermec Technologies U.K. Limited as detailed below

	£000s
Purchase consideration received	3,321
Liabilities assumed:	
Deferred revenue	(3,321)
Net assets acquired	-
Consideration paid	-
Goodwill acquired	-

Honeywell Productivity Solutions Limited and Intermec Technologies U.K. Limited were under common control of Honeywell International Inc on the date of business transfer. As such, this is a business combination under common control and the company has applied the predecessor value accounting method to account for the business transfer. The company has assumed the liabilities at the book value in the books of transferor.