The Hymatic Engineering Company Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Contents

Company Information

Director	Kevin Mogg
Auditors	Deloitte LLP Statutory Auditor Saltire Court 20 Castle Terrace Edinburgh EH1 2DB United Kingdom
Bankers	Barclays Bank Level 11 One Churchill Place London E14 5HP United Kingdom
Registered office	Honeywell House Skimped Hill Lane Bracknell Berkshire RG12 1EB United Kingdom

Strategic Report for the Year Ended 31 December 2021

The director presents his report for the year ended 31 December 2021.

Principal activity
The principal activity of the company is that of design, manufacture and overhaul of components and systems for the aerospace, defence, industrial and telecommunications markets worldwide.

Review of the business and future developments
The profit for the financial year, after taxation, is £835,000 (2020: £343,000).

During the current year business revenue remained stable with moderate growth. Overall costs remained under tight control, with lower than anticipated cost of sales supporting higher profit margin year over year. In addition, the reorganisation activities in 2020 incurred a one-off cost which provided a benefit for 2021 in reduced labour costs. The business continued to see strong customer-funded development in a series of Defence and Space platforms with 5% increase from prior year. Support activities for UK Defence marine equipment did see some delay due to release of government funding, however, this is now secured and full launch of the support activity planned for end of year 2022.

2022 is forecasting an increase in growth for the business with increases in revenue for both core manufacturing and further customer-funded Engineering development. The business is also set to increase internal funding for advanced technology and design.

The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and was effective from midnight on 31 December 2020. The company has a significant level of interaction with the European Union in both its supply chain and sales channels. Initially the Brexit deal is expected to cause a delay in product and materials shipments due to bottlenecks at border control resulting from additional clearance requirements. There is expected to be some divergence in regulations between European Union and the United Kingdom and Honeywell as a group has taken steps to ensure compliance with new regulations stemming from the Brexit deal. In the longer term the Brexit deal may result in an increase in logistics and product costs. The company has seen some short-term operational impact on export documentation requirements as the new regulations took effect, but processes have been updated to reflect the changes and delivery lead-times have not been materially impacted. Honeywell has implemented a number of mitigating actions which include adding further distribution channels and HR policies in order to reduce the impact of the Brexit deal. The effects of the Brexit deal are being monitored as detailed in the risk management and principal risks and uncertainties paragraphs included in this report.

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

Financial KPIs	Unit	2021	2020
Change in turnover compared with previous year	%	0.6	(4.1)
Gross profit margin	%	27.9	26.8
Operating profit margin	%	11.2	5.4
Headcount % change compared with previous year	%	(13.9)	(4.7)

Turnover

The increase in turnover by 0.6% (2020: a reduction of 4.1%) was due to organic growth.

Gross profit margin

The increase of 5.2% (2020: a reduction of 3.9%) in gross profit had been driven by the reduced costs in 2021 as part of the 2020 restructuring. In addition the product mix had a lower material cost.

Operating profit margin

The large increase in operating profit has been as a result of the decrease in administration expenses, primarily related to 2020 central cost recharges and reorganisation costs.

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

Headcount

The average headcount decreased by 13.9% (2020: 4.7%) from 70 employees in 2020 to 62 employees in 2021 due to ongoing restructuring across all divisions, as further roles became redundant during the year to reduce costs and maintain profitability. The average headcount statistics are affected by the timing of the 2020 redundancies, most of which occurred in the fourth quarter.

Strategy

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the Aerospace Strategic Business Group ('The Business Group'). The Business Group strategy is to generate long-term growth while building a smarter, safer, and more sustainable world, by developing solutions for more fuel-efficient and environmentally friendly airplanes, more direct and on-time flights and safer flying, plus engines, cockpit and cabin electronics, wireless connectivity equipment and services, logistics, and more. By focusing on solutions that offer greater efficiency, the Business Group presents a full range of solutions to better manage thecompany's customers' fuel investment and reduce costs.

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

Financial risk management, objectives and policies

Foreign currency risks

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

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

Liquidity risks

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

Credit risks

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

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.

In December 2019, a novel strain of coronavirus ("COVID-19") was identified in Asia. Over the next several months, COVID-19 quickly spread across the world. In March 2020, the World Health Organization declared COVID-19 a worldwide pandemic. The outbreak of the COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which could negatively impact the company's operations and adversely affect its business. As of December 31, 2021, the virus continues to spread

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

and adversely affect its business. As of December 31, 2021, the virus continues to spread and many countries are experiencing a resurgence in infection rates. Although vaccines have recently been made available, the availability and distribution of the vaccines continues to provide challenges. We remain cautious as many factors remain unpredictable, including the increasing rate of COVID-19 infections. We continue to monitor COVID-19 infection rates and acknowledge the risk of new surges in COVID-19 infections.

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

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

The following risks will be applicable to the companies dealing in aerospace business as a whole.

- Customer risk: Existing and potential customers and their end-users may choose to reduce or delay spending, cancel contracts, or cut costs in a manner that reduces demand for our products and services. In particular, lower demand for air travel may continue to cause our customers to delay spending in connection with the manufacturing, repair, overhaul or servicing of aircraft. 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, meet billing milestones or 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 taken and may be required to continue taking significant cost actions, including but not limited to reducing discretionary expenses (such as non-essential travel, contractors, and consultants), reducing hiring, cancelling annual merit increases; reducing executive and board of directors pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels, as well as increasing supplier-based productivity and enhancing spending-limit controls. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

The company is involved in design, manufacture and overhaul of components and systems for the aerospace, defence, industrial and telecommunications markets worldwide. Considering, the company operates in defence and space sector, the current coronavirus pandemic has a minimal impact on the company's operation. However, it may experience future government funding cutbacks for defence spend, as a result of unplanned COVID-19 related expenditure leading to downfall in revenue. Being part of the wider aerospace business, the company is also undertaking various cost mitigating measures as described above to reduce its current cost base.

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

The COVID-19 pandemic continues to impact our business operations, and our customers' and suppliers' ability to operate at normal levels. Disruptions in normal operating levels continue to create supply chain disruptions and inflationary cost pressures within our end-markets. We anticipate supply chain constraints, and the inflationary environment will continue during 2022. As such, we implemented short-term and long-term strategies to reduce the impact of current and future effects. During the first quarter of 2022, governments around the world removed many restrictions on businesses and the general public. We continue to operate our manufacturing sites at normal production levels. As of May 31, 2022, we have returned 100% of our non-manufacturing employees to the workplace on a flexible schedule (3 days working from office – 2 days working from home). We continue to actively monitor regional COVID-19 outbreaks, and the related government restrictions and lockdown activities in the areas we operate. To date, the impacts of these actions have not been material.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The UK left the EU on 31 January 2020 and was in a transition period until 31 December 2020. The EU-UK Trade and Cooperation Agreement (Brexit deal) was signed on 30 December 2020 and is effective from 1 January 2021. The deal imposes additional rules and regulations to govern the transfer of goods and services between the United Kingdom and European Union. This may lead in future years to an increase in costs and administrative requirements and procedures of trading with the European Union. The implementation of the deal is also expected to impact macroeconomic factors such as exchange rates. A working group has been established by Honeywell International Inc. to monitor the trade deal and regulation and implement mitigating actions to respond to any changes.

The company's trading activity with EU customers is mostly based on repairs carried out at the Feltham site. As a result, the effect of the Brexit deal is limited to macroeconomic factors, such as exchange rate and interest rate fluctuations, that are influenced by the deal and affect the environment in which the company operates.

Approved by the board of directors on 30-Dec-2022 and signed on its behalf by:

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Kevin Mogg
Director

Director's Report for the Year Ended 31 December 2021

The director presents his report and the financial statements for the year ended 31 December 2021.

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

Results and dividends
The company's profit for the financial year, after taxation was £835,000 (2020: profit of £343,000) which will be transferred to reserves. The results for the financial year are shown on page 12.

The director did not recommend the payment of a dividend (2020: £nil).

Financial risk management, objectives and policies
The details of the financial risk management of the company are included in the strategic report on page 2.

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

Kevin Mogg

Director's indemnities
Pursuant to the company's articles of association, the director was throughout the financial year ended 31 December 2021 and is at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

Research and development
Research and development expenditure for the financial year related mostly to the development of a new software and a hardware platform which will be used for all future product developments and amounted to £89,000 (2020: £157,000).

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

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

The 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 signing these financial statements.

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

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

Environmental report
The company has not exceeded 40,000 kWh of energy from gas and electricity and is thus exempt from further disclosures.

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

Disclosure of information to the auditors

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

- so far as the 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 in order 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 s418 of the Companies Act 2006.

Events since the balance sheet date

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

Independent auditor

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

Approved by the board of directors on 30-Dec-2022 and signed on its behalf by:

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K Mogg

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Kevin Mogg
Director

Statement of Director's Responsibilities

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 Accounting 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 of the company for that period.

In preparing these financial statements, the director is required to:

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

The 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 him to ensure that the financial statements comply with the Companies Act 2006. He 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.

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

Independent Auditor's Report to the Members of The Hymatic Engineering Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Hymatic Engineering Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- profit and loss account;
- statement of comprehensive income;
- balance sheet;
- statement of changes in equity; and
- the related notes 1 to 26.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

Independent Auditor's Report to the Members of The Hymatic Engineering Company Limited (continued)

We have nothing to report in this regard.

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

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

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- due to the significant judgements in determining the percentage of completion for revenue contracts, there is a risk that revenue could be inaccurately recorded; we tested the design and implementation of relevant controls and have tested a sample by reviewing the contracts, agreeing cumulative costs incurred to date to invoice and comparing the estimated costs to complete against invoices received post period end.

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

Independent Auditor's Report to the Members of The Hymatic Engineering Company Limited (continued)

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and 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 Director's Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

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

Date: 30-Dec-2022

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	8,439	8,385
Cost of sales		(6,078)	(6,140)
Gross profit		2,361	2,245
Distribution expenses		(288)	(388)
Administrative expenses		(1,131)	(1,416)
Government grant income	5	-	11
Operating profit	6	942	452
Interest receivable and similar income	10	153	182
Interest payable and similar expenses	11	(2)	(151)
Profit before taxation		1,093	483
Tax on profit	12	(258)	(140)
Profit for the financial year		835	343

The above results were derived from continuing operations.

The notes on pages 16 to 40 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Profit for the year		835	343
Items that cannot be reclassified subsequently to profit or loss			
Actuarial gain or loss on defined benefit pension schemes	21	3,774	2,119
Movement on deferred tax in relating to pension scheme	12	(1,267)	(468)
		2,507	1,651
Total comprehensive income for the year		3,342	1,994

The notes on pages 16 to 40 form an integral part of these financial statements.

Balance Sheet as at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
Fixed assets			
Tangible assets	13	1,083	1,033
Right-of-use assets	14	825	1,336
		1,908	2,369
Current assets			
Stocks	15	1,220	975
Debtors: amounts falling due within one year	16	3,112	2,753
Cash at bank and in hand		1,035	238
		5,367	3,966
Creditors: Amounts falling due within one year	17	(2,727)	(2,404)
Net current assets		2,640	1,562
Total assets less current liabilities		4,548	3,931
Creditors: Amounts falling due after more than one year	18	(46)	(566)
Provisions for liabilities	20, 12	(4,666)	(3,006)
Net (liabilities)/assets excluding pension asset		(164)	359
Net pension asset	21	14,328	10,463
Net assets		14,164	10,822
Capital and reserves			
Called-up share capital	22	283	283
Share premium	23	132	132
Capital contribution reserve	24	35,000	35,000
Retained earnings		(21,251)	(24,593)
Shareholders' funds		14,164	10,822

The financial statements on pages 12 to 40 were approved by the board of directors on 30-Dec-2022 and signed on its behalf by:

DocuSigned by:

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Kevin Mogg
Director

The notes on pages 16 to 40 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2021

	Called-up share capital £000	Share premium £000	Capital contribution reserve £000	Retained earnings £000	Total £000
At 1 January 2020	283	132	35,000	(26,587)	8,828
Profit for the year	-	-	-	343	343
Other comprehensive income	-	-	-	1,651	1,651
Total comprehensive income	-	-	-	1,994	1,994
At 31 December 2020	283	132	35,000	(24,593)	10,822

	Called-up share capital £000	Share premium £000	Capital contribution reserve £000	Retained earnings £000	Total £000
At 1 January 2021	283	132	35,000	(24,593)	10,822
Profit for the year	-	-	-	835	835
Other comprehensive income	-	-	-	2,507	2,507
Total comprehensive income	-	-	-	3,342	3,342
At 31 December 2021	283	132	35,000	(21,251)	14,164

The notes on pages 16 to 40 form an integral part of these financial statements.

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

1 General information

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

The address of its registered office is:
Honeywell House
Skimped Hill Lane
Bracknell
Berkshire
RG12 1EB
United Kingdom

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

The company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 300 South Tryon Street, Charlotte, NC 28202, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from the internet at www.honeywell.com.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006.

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

Summary of disclosure exemptions

In these financial statements, as a qualifying entity, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7 - 'Financial instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);

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

2 Accounting policies (continued)

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15);

- The requirements of paragraph 52 of IFRS 16 - 'Leases', the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 - 'Leases';

- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):

  - paragraph 79(a)(iv) of IAS 1 (reconciliation of number of shares at the beginning and end of the period),

  - paragraph 73(e) of IAS 16, 'Property, plant and equipment' (reconciliations between the carrying amount at the beginning and end of the period),

  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period), and

  - paragraph 17 of IAS 24 Related Party Disclosures (key management compensation);

- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):

  - 10(d) (statement of cash flows),

  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements and 16 (statement of compliance with all IFRS),

  - 38A to 38D (requirement for minimum of two primary statements, including cash flow statements and additional comparative information), and

  - 40A to 40D, 111 (statement of cash flows information) and 134-136 (capital management disclosures) of IAS 1;

- IAS 7 - 'Statement of cash flows';

- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);

- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group);

- The requirements of paragraph 52 of IFRS 16 Leases; and

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

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

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

2 Accounting policies (continued)

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

The 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 signing these financial statements.

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

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

Changes in accounting policy

New standards, interpretations and amendments that are effective for the current year
The following IFRS standards have been applied for the first time from 1 January 2021:

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform (Phase 2)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. These amendments had no impact on the financial statements of the company, which will apply the guidance to impacted transactions during the transition period. The company does not expect the adoption of this standard to have a material impact on the company's future financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

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

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

2 Accounting policies (continued)

Turnover and revenue recognition

Recognition

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

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

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

Type of sale	*Recognition*
Product and services sales	On delivery and when acceptance by the customer has occurred.
Equipment contracts	Evenly over the period of the contract and the difference is reported in accrued or deferred income.
Service contracts	As and when performance obligations are satisfied using cost to cost measure of progress.

Construction contracts

Revenue from construction contracts is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The company considers that the input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

The company determines at contract inception that the control of a promised good or service is transferred over time, when any of the following conditions are satisfied:

- The customer is receiving and consuming the benefits of the company's performance as the company performs;
- The company creates or enhances an asset that the customer controls as it is created or enhanced;
- The company's performance does not create an asset with alternative use and the company has a right to payment for performance completed to date.

The company becomes entitled to invoice customers for contracts based on achieving a series of performance-related milestones. The company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method, then the company recognises a contract liability for the difference.

The company's contracts are typically negotiated for the construction of a single asset or a group of assets that are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the measurement criteria are applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Owing to the nature of the contracts entered into by the company, it assumes significant integration of goods and services in order to affect the delivery of the combined item the customer contracts for and hence considers the contracted services under such contracts as a single performance obligation.

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

2 Accounting policies (continued)

Assets covered by a single contract are treated separately when:

- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset;
- the costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- the group of contracts is negotiated with a single commercial objective;
- the consideration paid for one contract is dependent on the price or performance of another contract or goods; or
- services promised are a single performance obligation.

Warranty obligations

The company typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The service-type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and a service-type warranty comprise two performance obligations because the promises to transfer the good and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

Contract assets and receivables

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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.

Interest receivable

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

Interest payable

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

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

2 Accounting policies (continued)

Leases - as lessee

Lease liability - Initial recognition and measurement

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

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

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

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

Lease liability - Subsequent measurement

The lease liability is subsequently measured at amortised cost.

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

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

Right-of-use assets

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

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

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

Research and development

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

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

2 Accounting policies (continued)

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

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

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

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

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

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

Asset class	**Depreciation method and rate**
Plant and equipment	10% - 30% straight line
Fixtures and fittings	20% straight line

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

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

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

Financial instruments

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

Initial recognition

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

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

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

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

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

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- *financial assets at fair value through the profit or* loss (FVTPL).

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below.

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

2 Accounting policies (continued)

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

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

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

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

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

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

Derecognition

Financial assets

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

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modlf the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial *asset is recognised at either amortised cost or fair value.*

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. Modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

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

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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.

Trade debtors

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

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

Trade creditors

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

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

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

2 Accounting policies (continued)

Defined benefit pension obligation
As described in note 21, the company participates in a defined benefit pension scheme for the benefit of certain of its employees, the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

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

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

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

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

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

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

The company has obligations in respect of redundancy relating principally to restructuring of its operations. The amount of the provision is based on the best estimate of the cost of severance pay for notified individuals at the balance sheet date.

Government grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Grants for specific expenses such as furlough costs are credited to income in profit and loss account in the same period as the relevant expense.

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

3 Judgements and key sources of estimation uncertainty

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

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

Judgements

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

Estimates and assumptions

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

Estimates used for revenue recognition

Construction contracts

The use of the cost-to-cost method requires the company to estimate the proportion of costs incurred to the total estimated costs to complete the contract.

The percentage of completion and the revenue to recognise are determined on the basis of a large number of estimates. Consequently, the company has implemented an internal financial budgeting and reporting system. In particular, the company reviews each quarter the estimates of contract revenue and contract costs as the contract progress.

Estimates used for provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Professional expert advice is taken where required through internal or external subject matter experts.

Judgements are also required where there is a high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise.

Provisions for customer remediation also require significant levels of estimation and judgement in assessing the circumstances where the customer in is financial turbulence and will fail to make payment as and when due.

The dilapidation provision covers the anticipated dilapidation costs of returning property to its original condition at the end of their lease period. The carrying amount of the dilapidation provision as at 31 December 2021 was £1,342,000 (2020: £1,239,000)

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

3 *Judgements and key sources of estimation uncertainty (continued)*

Estimates used for DB pension scheme

The cost of defined benefit pensions plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Management works closely with the actuary to agree to these assumptions. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions. Further details are given in note 21.

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, on application of ECL, the company concluded that there was no credit risk involved.

In respect of other financial assets which primarily comprise 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. Accordinly, the company has not recognised a provision for expected credit loss.

4 Turnover

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

	2021 £000	2020 £000
United Kingdom	4,500	4,897
Rest of Europe	1,137	1,072
North America	2,510	2,295
Rest of the world	292	121
	8,439	8,385

The analysis of the company's turnover for the year from continuing operations is as follows:

	31 December 2021 £000	31 December 2020 £000
Sale of goods	6,656	6,645
Rendering of services	132	153
Construction contracts	1,651	1,587
	8,439	8,385

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

4 Turnover (continued)

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

	2021 £000	2020 £000
Over time	1,783	1,740
Point of time	6,656	6,645
	8,439	8,385

Construction contracts

	2021 £000	2020 £000
Contract revenue recognised in period	1,651	1,587
Contract costs incurred	606	173
Recognised profits less recognised losses	471	819
Contract costs incurred and recognised profits (less recognised losses)	1,077	992
Less: progress billings	(454)	(905)
Amounts due to customers	623	87
Amounts due from customers included within debtors	623	87

Disclosures in respect of contracts with customers

	31 December 2021 £000	31 December 2020 £000
Trade receivables (note 16)	2,135	2,349
Contract assets (note 16)	623	87
Contract liabilities (note 17)	(794)	(204)

Revenue recognised in the period from:

	31 December 2021 £000	31 December 2020 £000
Revenue from contracts with customers	8,439	8,385
Revenue recognised that was included in the contract liability balance at the beginning of the year	794	204

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the company receives payments from customers in line with a series of performance – related milestones.

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £000	2020 £000
Government grants	-	11

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

5 Other operating income (continued)

During the year, the company recognised a government grant of £nil (2020: £11,000) under the Coronavirus Job Retention Scheme (JRS). The grant is given to UK employers to cover all or part of the wages and salary costs of employees on temporary leave (furlough) due to the COVID-19 pandemic.

6 Operating profit

Arrived at after charging/(crediting)

	2021 £000	2020 £000
Depreciation expense	161	161
Depreciation on right-of-use assets	511	555
Research and development cost	89	157
Foreign exchange losses/(gains)	19	(12)
Reorganisation and redundancy costs	-	399
Profit on disposal of property, plant and equipment	-	(8)

7 Auditors' remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £16,900 (2020: £16,900) 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 (2020: £nil).

8 Staff costs

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

	2021 £000	2020 £000
Wages and salaries	2,374	2,459
Social security costs	223	239
Pension costs, defined contribution scheme	136	168
Pension costs, defined benefit scheme (note 21)	62	58
	2,795	2,924

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

	2021 No.	2020 No.
Direct	42	45
Indirect	20	25
	62	70

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

9 Director remuneration

The director's remuneration for the year was as follows:

	2021 £000	2020 £000
Remuneration	138	120
Pension costs - defined contribution	15	13
	153	133

In 2021, no director (2020: one director) was remunerated by other group companies for his/their services to the group as a whole.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under defined benefit pension scheme	1	1

10 Interest receivable and similar income

	2021 £000	2020 £000
Pension interest	153	182

11 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on bank overdrafts	2	28
Other finance costs	-	99
Interest expense on leases	-	24
	2	151

12 Tax on profit

Tax charged in the profit and loss account:

	2021 £000	2020 £000
Current taxation		
UK corporation tax	-	-
	-	-
Deferred taxation		
Origination and reversal of temporary differences	25	63
Effect of changes in tax rates	233	67
Adjustments in respect of prior periods	-	10
Total deferred taxation	258	140
Tax expense in the profit and loss account	258	140

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

12 Tax on profit (continued)

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

	2021 £000	2020 £000
Deferred taxation		
Effect of change in tax laws and rates	550	65
Remeasurements on defined benefit pension plans	717	403
Total deferred taxation	1,267	468
Tax expense in the statement of comprehensive income	1,267	468

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

The differences are reconciled below:

	2021 £000	2020 £000
Profit before tax	1,093	483
Corporation tax at standard rate	208	92
Adjustment in respect of prior periods	-	10
Effect of income exempt from taxation	-	(1)
Effect of expenses not deductible in determining taxable profit	7	-
Group relief claimed	(190)	(28)
Effect of changes in tax rates	233	67
Total tax charge	258	140

Factors affecting tax charge for the financial year
The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%. The Finance Act 2021 reading on 24 May 2021 substantively enacted the increase, and, therefore, is considered effective at the balance sheet date for deferred tax re-measurement purposes.The company has assessed the impact of the change in rate on its deferred tax assets and liabilities and the impact would be to increase the deferred tax liability at the balance sheet date by £nil (2020: £587,000).

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

12 Tax on profit (continued)

Deferred tax

	2021 £000	2020 £000
Deferred tax asset		
Differences between capital allowances and depreciation	7	9
Other short-term timing differences	316	245
Total deferred tax asset	323	254
Deferred tax liability		
Deferred tax provision on pension asset	(3,582)	(1,988)
Total deferred tax liability	(3,582)	(1,988)
Net deferred tax liability	(3,259)	(1,734)

	Excluding pension £000	Pension £000	Total £000
Movements in deferred tax			
At 1 January 2021	254	(1,988)	(1,734)
Charge to the profit and loss account	69	(327)	(258)
Charge to statement of comprehensive income	-	(1,267)	(1,267)
At 31 December 2021	323	(3,582)	(3,259)

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.

13 Tangible assets

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2021	5,356	1,383	6,739
Additions	211	-	211
At 31 December 2021	5,567	1,383	6,950
Depreciation			
At 1 January 2021	4,364	1,342	5,706
Charge for the year	156	5	161
At 31 December 2021	4,520	1,347	5,867
Carrying amount			
At 31 December 2021	1,047	36	1,083
At 31 December 2020	992	41	1,033

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

14 Right-of-use assets

	Land and buildings £000
Cost or valuation	
At 1 January 2021	2,373
At 31 December 2021	2,373
Depreciation	
At 1 January 2021	1,037
Charge for the year	511
At 31 December 2021	1,548
Carrying amount	
At 31 December 2021	825
At 31 December 2020	1,336

The company leases a building. The average lease term is 2 years (2020: 3 years).

15 Stocks

	31 December 2021 £000	31 December 2020 £000
Raw materials and consumables	749	593
Work in progress	453	376
Finished goods	18	6
	1,220	975

The cost of stocks recognised as an expense in the year amounted to £2,227,000 (2020: £2,118,000). This is included within cost of sales.

16 Debtors

	31 December 2021 £000	31 December 2020 £000
Amounts falling due within one year		
Trade debtors	2,135	2,349
Amounts owed by group undertakings	261	250
Contract asset	623	87
Prepayments	93	67
	3,112	2,753

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

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

17 Creditors: amounts falling due within one year

	31 December 2021 £000	31 December 2020 £000
Trade creditors	1,128	784
Amounts due to group undertakings	32	115
Bank overdrafts	-	305
Accrued expenses	191	429
Contract liabilities	794	204
Current portion of long-term lease liabilities	582	567
	2,727	2,404

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

18 Creditors: amounts falling due after more than one year

	31 December 2021 £000	31 December 2020 £000
Long-term lease liabilities	46	566

19 Leases

Leases included in creditors

	31 December 2021 £000	31 December 2020 £000
Current portion of long-term lease liabilities	582	567
Long-term lease liabilities	46	566
	628	1,133

Lease liabilities maturity analysis
The non-cancellable lease payments are due:

	31 December 2021 £000	31 December 2020 £000
Within one year	582	567
In two to five years	46	566
	628	1,133

The company has a lease agreement at its Redditch site with a remaining term at year end of 2 years. This agreement contains an option for review in 2023. There are no restrictions placed upon the lessee by entering into this lease.

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

20 Provisions for liabilities

	Dilapidations £000	Warranties £000	Contract £000	Deferred tax (note 12) £000	Total £000
At 1 January 2021	1,239	25	8	1,734	3,006
Charge to profit and loss account	103	-	40	258	401
Charge to other comprehensive account	-	-	-	1,267	1,267
Utilised during the period	-	-	(8)	-	(8)
At 31 December 2021	1,342	25	40	3,259	4,666

The dilapidations provision covers the anticipated dilapidation costs of returning certain properties to their original condition at the end of the lease in 2023.

The warranty provision represents the best estimate of the costs associated with the sale of products and services supplied under warranty before the balance sheet date.

The contract provision represents the expected loss on installation projects based on current estimate at completion.

21 Pension commitments

Defined benefit pension schemes
Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined-benefit plan based on salary. The scheme was closed for future accruals of benefits with effect from 30 June 2017 and all active members at this date became deferred members. Regular employer contributions to the plan by the company in 2021 are estimated to be £nil. Defined benefit obligations are based on a full-valuation of the schemes liabilities as at 31 March 2020, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2021.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2021 £000	31 December 2020 £000
Fair value of scheme assets	45,880	44,537
Present value of scheme liabilities	(31,552)	(34,074)
Defined benefit pension scheme surplus	14,328	10,463

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

21 Pension commitments (continued)

Amounts recognised in the income statement

	2021 £000	2020 £000
Amounts recognised in operating profit		
Past service cost (including curtailments)	-	3
Total administrative expenses recognised in profit and loss	62	55
Recognised in arriving at operating profit	62	58
Amounts recognised in finance income or costs		
Interest cost	478	638
Expected return on pension plan assets	(631)	(820)
Recognised in other finance cost	(153)	(182)
Total recognised in the income statement	(91)	(124)
Actual return on assets	2,413	4,942

Amounts taken to the Statement of Comprehensive Income

	2021 £000	2020 £000
Liability (gains) / losses arising from changes in assumptions	(2,007)	2,707
Liability losses/(gains) arising from experience adjustments	15	(513)
Asset gains arising during the financial year	(1,782)	(4,122)
Gains on transfer between companies	-	(191)
Amounts recognised in the Statement of Comprehensive Income	(3,774)	(2,119)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2021 £000	2020 £000
Fair value at start of year	44,537	39,648
Transfer between companies*	-	813
Expected return on assets	631	820
Actuarial gains on assets	1,782	4,122
Contributions by employer	-	273
Actual administration expenses paid	(62)	(55)
Net benefits paid out	(1,008)	(1,084)
Fair value at end of year	45,880	44,537

* In 2020, Honeywell Normalair Garrett (Holdings) Limited settled a section 75 debt as per the Pensions Act 1995 and as a result is no longer a participating employer in the HUKPS. The membership in the pension scheme has been reallocated to other participating companies.

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

21 Pension commitments (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2021 %	2020 %
Equities (including venture capital and alternative investments)	15	28
Bonds	69	59
Property	3	12
Cash	4	1
Assets held by insurance company	9	-
	100	100

Scheme liabilities

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

	2021 £000	2020 £000
Present value at start of year	34,074	31,701
Transfer between companies*	-	622
Interest cost	478	638
Curtailments	-	3
Actuarial gains and losses arising from changes in financial assumptions	(1,604)	2,539
Actuarial gains and losses arising from changes in demographic assumptions	(403)	168
Actuarial gains and losses arising from experience adjustments	15	(513)
Benefits paid	(1,008)	(1,084)
Present value at end of year	31,552	34,074

* In 2020, Honeywell Normalair Garrett (Holdings) Limited settled a section 75 debt as per the Pensions Act 1995 and as a result is no longer a participating employer in the HUKPS. The membership in the pension scheme has been reallocated to other participating companies.

Principal actuarial assumptions

	2021 %	2020 %
Inflation (RPI)	3.10	2.70
Inflation (CPI)	2.60	2.20
Pensions subject to limited price indexation to 5%	3.00	2.60
Pensions subject to limited price indexation to 2.5%	2.20	2.90
Other pensions and deferred pensions	2.60	2.20
Discount rate of scheme liabilities	2.00	1.40

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

21 Pension commitments (continued)

Mortality
Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2021 at age 65 will live on average for a further 22.2 years (2020: 22.2 years) after retirement if male or a further 24.6 years (2020: 24.6 years) if female.

Overall long-term rate of return
The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with a higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the actual asset allocation for the plan at the year end.

22 Called-up share capital

	31 December 2021 £000	31 December 2020 £000
Authorised and allotted, called-up and fully paid		
282,800 (2020: 282,800) ordinary shares of £1 each	283	283

23 Share premium

	2021 £000	2020 £000
Balance at 1 January and 31 December		
Premium arising on issue of equity shares	132	132
	132	132

24 Other reserves

	2021 £000	2020 £000
Balance at 1 January and 31 December		
Capital contribution	35,000	35,000
	35,000	35,000

Capital contribution

The capital contribution covers the amount of capital contribution received by the company from the parent company in the nature of equity.

25 Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £792,016,000 (2020: £494,085,000). Positive cash balances held by the group exceeded overdrawn balances in 2021 and 2020.

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

26 Events after the balance sheet date

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