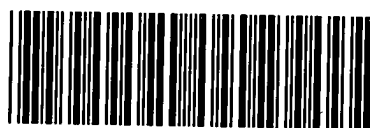


# Trend Control Systems Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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## Company Information

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**Director** Madeleine Orbell-Thompson

**Auditor** Deloitte LLP  
Statutory Auditor  
3rd Floor  
9 Haymarket Square  
Edinburgh  
EH3 8RY  
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 2022

The director presents his strategic report for the year ended 31 December 2022.

### Principal activity

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

### Review of the business and future developments

The profit for the financial year, after taxation, is £113,000 (2021: loss of £4,152,000). The profit for the year is driven by the strong revenue growth of 6% from the previous year although offset by high cost of sales due to suppliers' pricing revision. Other factors driving the increase in the profit of the year are: the increase in UK base rate compared to prior year resulting in net interest income receivable from group undertaking £5,491,000 (2021: £2,683,000) and the decrease of the distribution expenses £5,681,000 (2021: £7,278,000) due to cost reduction initiatives.

Being a service provider to Honeywell Products and Solutions Sarl, the performance of the company is directly linked to the operating income levels defined in the agreements with them. Operating results for the current year are in line with the management's expectation and the directors expect the company to continue to generate operating profits in the foreseeable future.

In spite of the profit for the year there has been a significant decrease in the company's net assets due to unfavorable actuarial movements in respect of the company's pension plan. The decrease is mostly attributable to the actuarial losses on pension liabilities exceeding the actuarial gains on the assets leading to a net loss of £57,703,000 (2021: gain of £43,570,000) being recognised in other comprehensive income.

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

The company will continue to trade in the UK in accordance with the market-related terms defined in its formal limited risk distributor (LRD) agreement with Honeywell Products and Solutions Sarl.

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2022	2021
Operating profit margin		0.2	1.4
Operating profits before costs excluded from the recharge % of turnover		3.0	3.0

### Operating result

The company was able to maintain its operating profits in the year with strong revenue growth of 6.5% from the previous year. Natural organic growth and backlog orders from customer projects contributed to this growth. Distribution costs decreased in the year due to staff costs by £674,000, whilst administrative costs increased as a result of higher HQ Allocation recharges from corporate by £518,000 and staff costs increased due to a re-organisation of headcount by £469,000. The decrease in operating profit as a percentage of turnover is due to a change in composition of costs and associated mark-ups charged to Honeywell Products and Solutions Sarl.

Across all its segments, the company's strategy is to build a unique position by offering its customers a software driven and connected solution.

### Strategy

The company is part of the Honeywell Group, and therefore its strategy is aligned to the Group strategy for the Building Technologies ("BT") Strategic Business Groups.

In the BT segment, the Business Group strategy is to build a unique position by offering customers a software-driven and connected solution. The starting point is listening carefully to customers to develop products and services that meet their specific needs. The solutions are then designed to operate seamlessly as part of an integrated management system. The Business Group aims to build a smarter, safer, and more sustainable world by helping customers to control their comfort, security, and energy use.

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.

## Strategic Report for the Year Ended 31 December 2022 (continued)

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### Financial risk management, objectives and policies

#### *Interest rate risks*

The company is exposed to interest rate risk arising out of amounts owed to/from group undertakings respectively. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

#### *Foreign currency risks*

The impact of an ongoing military conflict in Ukraine and inflationary pressures have 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.

The Company is a wholly owned indirect subsidiary of Honeywell International Inc. The annual report for Honeywell International Inc. is available from [www.honeywell.com](http://www.honeywell.com) and the results of this Company are consolidated into those financial statements. The risks and uncertainties of Honeywell International Inc., which include those of the Company, are discussed on pages 16 to 17 of the Honeywell International Inc. annual report.

Each of the Honeywell businesses is subject to unique industry and economic conditions that may adversely affect the market and operating conditions of our customers, which in turn can affect demand for our products and services and our results of operations.

Honeywell operates in Building Technologies industry. Our operating results may be adversely impacted by downturns in the level of global commercial construction activity (including retrofits and upgrades), lower capital spending and operating expenditures on building projects, changes in the competitive landscape including new market entrants and new technologies, and fluctuations in inventory levels and distribution channels.

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 Honeywell building technologies business as a whole.

## Strategic Report for the Year Ended 31 December 2022 (continued)

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- 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. 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.
- Cybersecurity risk: Cybersecurity is a critical component of the Company's enterprise risk management program. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to IT systems to sophisticated and targeted measures known as advanced persistent threats, directed at the Company, its products, its customers, and/or its third party software and service providers, including cloud providers. Our customers, including the U.S. government, are increasingly requiring cybersecurity protections and mandating cybersecurity standards in our products, and we may incur additional costs to comply with such demands. While we have experienced, and expect to continue to experience, these types of threats and incidents, none of them to date have been material to the Company. We seek to deploy comprehensive measures to deter, prevent, detect, respond to, and mitigate these threats, including identity and access controls, data protection, vulnerability assessments, continuous monitoring of our IT networks and systems, and maintenance of backup and protective systems. Despite these efforts, cybersecurity incidents (against us, parties with whom we contract, or software used in our business), including incidents due to human error, third-party action, including actions of foreign actors, which risk may be exacerbated by the current Russia-Ukraine and Israel-Hamas conflicts and U.S. and international response, insider attacks, phishing or denial-of-service attacks, ransomware or other malware, social engineering, malfeasance, other unauthorized physical or electronic access, or other vulnerabilities, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties), theft of funds, and the disruption of business operations. In addition, the techniques used to obtain unauthorized access to sensitive data continue to evolve and become more sophisticated and may not be recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures, and future cybersecurity incidents could go undetected and persist for an extended period of time.

Furthermore, to the extent artificial intelligence capabilities improve and are increasingly adopted, they may be used to identify vulnerabilities and craft increasingly sophisticated cybersecurity attacks, and vulnerabilities may be introduced from the use of artificial intelligence by us, our financial services providers and other vendors and third-party providers.

Our customers, partners (including our suppliers), subcontractors, and other third parties to whom we entrust confidential data, and on whom we rely to provide products and services, face similar threats and growing requirements. We depend on such parties to implement adequate controls and safeguards to protect against and report cyber incidents. If such parties fail to deter, detect, or report cybersecurity incidents in a timely manner, we may suffer from financial and other harm, including to our information, operations, performance, employees, and reputation.

The potential consequences of a material cybersecurity incident and its effects include financial loss, reputational damage, litigation with third parties, theft of intellectual property, fines levied by the Federal Trade Commission or other government agencies, diminution in the value of our investment in research, development, and engineering, and increased cybersecurity protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could have a material impact on our competitiveness, business, financial condition, and results of operations. In addition, cybersecurity laws and regulations continue to evolve, and are increasingly demanding, both in the U.S. and globally, which adds compliance complexity and may increase our costs of compliance and expose us to reputational damage or litigation, monetary damages, regulatory enforcement actions, or fines in one or more jurisdictions. We cannot be certain that our cybersecurity insurance coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim.

## Strategic Report for the Year Ended 31 December 2022 (continued)

- Operations risk: Raw material price fluctuations, inflation, the ability of key suppliers to meet quality and delivery requirements, or catastrophic events can increase the cost of our products and services, impact our ability to meet commitments to customers and cause us to incur significant liabilities.

### Statement by the directors in performance of their statutory duties in accordance with s172(1) of Companies Act

Set out below is the company's report as required under the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"). The Regulations require Trend Control Systems Limited (the "company") to report how the Directors of the company (the "Board") have considered their duties under section 172 ("Section 172") of the Companies Act 2006 (the "Act"), to promote the success of the Company for the benefit of its shareholder whilst having due regard to the company's stakeholders. The principal activities of the Company are design, manufacture and sale of intelligent products and systems for the measurement and control of the building environment including energy consumption. The Company provides contract manufacturing and sales services to a fellow Honeywell group company, Honeywell Products and Solutions Sarl.

The company is part of the Honeywell group of companies (the "Honeywell Group") and is ultimately owned by Honeywell International Inc. The duty under Section 172 is owed by the director to the company. In the context of a group of companies, the company's director owes his primary duty to the company and not Honeywell International Inc (though Honeywell International Inc is considered a relevant factor under the Section 172 duty).

The Board recognises the need to have appropriate levels of corporate governance as part of its approach to risk mitigation and wider stakeholder engagement strategy, and that the overall framework that Section 172 promotes is to drive the long-term success and sustained economic viability of the company for the benefit of its sole shareholder and other key stakeholders.

The director is mindful of corporate governance and seeks to demonstrate understanding of his accountability and statutory responsibilities, including application of his Section 172 duties under the Act. Honeywell Group's legal function provides regular corporate governance updates to the Board on new and amended legislation, including the steps taken to ensure compliance. The director always considers whether the decisions to be taken are in the best interest of the company, whilst also considering the impact on the company's wider stakeholder base.

For details of the issues, factors and stakeholders the director considers relevant in complying with Section 172 of the Act, and the main methods the director has used to engage with stakeholders and understand the issues to which he must have regard, refer to the "Engagement with suppliers, customers and other relationships" and "Engagement with employees" statements on pages 8 and 11 respectively.

### Purpose

The purpose of our company is aligned to the Honeywell Group strategy for the business unit and all values are aligned in accordance with the context of the ultimate parent company, Honeywell International Inc. The Company acts as a service provider to other parts of the Honeywell Group supporting the design, manufacture and sales of intelligent products and systems for the measurement and control of the building environment including energy consumption.

The Board is responsible for promoting the purpose of the company and ensuring that its values, strategy and culture complement this purpose and are strategically aligned with the wider Honeywell business unit. Our purpose is at the heart of everything that we do, it inspires our employees and guides our day-to-day operations, our culture and decision making by the Board.

The Board discusses its strategic direction based on the values and culture promoted by the overall parent and considers the policies provided for the Honeywell Group to shape its operational activities.

We align our values with the Honeywell Group's clearly defined core values, which encompass inclusion and diversity, sustainability, integrity and compliance and communities. By incorporating these values, the company creates an environment where individuals and teams grow together whilst recognising a culture that balances accountability and results with a high value on its people. The company's commitment to integrity, ethics, supporting diversity and workplace respect underlie the director's duties to promote the success of the company as a whole whilst encouraging such behaviours enabling a "performance culture" that the Honeywell Group seeks to achieve throughout.

## Strategic Report for the Year Ended 31 December 2022 (continued)

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Our culture is determined by the values set out above which defines the expectations, attitudes and behaviors expected by the company's director and its employees, in its activities and relationships with colleagues, shareholders and wider stakeholders. In doing so, this ensures that the business maintains a reputation for high standards of business conduct and stakeholder engagement.

Our culture and values are further reinforced by training and development of the Board and employees. The company and its director is able to apply the core values, which produce a continuously high standard of business ethics, when considering the statutory requirements of Section 172 in pursuit of promoting the long-term success of the company.

In making its decisions, including strategic decisions that impact our stakeholders, a key principle applied by the director is to always consider whether the decision he is about to take leads to a positive long-term increase in shareholder value whilst balancing the interests of, and long-term impacts on, stakeholders of the company. The director and senior management are provided with clear guidance and appropriate corporate governance protocols to support the decision making process, at the heart of which is the necessity to promote the sustainable, long-term success of the company, whilst having sufficient regard for stakeholders.

### *Decision making process*

Decision making within the company is undertaken by the Board with supporting information from subject matter experts at executive level in the business, including various Honeywell group functions such as Tax, Treasury and Legal. Decision making is guided by the strategic direction of the global business and the business unit.

The Board has a robust set of reserved matters relevant and appropriate to its purpose and function, with appropriate thresholds, to ensure applicable approvals are obtained before certain actions/business decisions can be taken. Certain matters are delegated to senior management with appropriate levels of authority and escalation. These matters are strictly reserved to ensure the directors of the Board can demonstrate sound and competent execution of their statutory duties (including oversight of the management of relationships, and engagement with stakeholders on their behalf) in accordance with the Act and the Regulations and are driven by the need to promote the success of the company. A key principle underlying these delegations in the company is that the flow of delegation originates from the Board to senior management.

Board meetings are scheduled on an ad hoc basis and occur at least once a year. The Board processes that support the application of our corporate governance and decision-making more widely, and Section 172 more specifically, require board paper preparers to ensure sufficient and relevant information is provided to the Board, senior management and Honeywell International Inc. Board meetings and minutes demonstrate the relevant aspects of Section 172 are considered and appropriately addressed. The corporate governance process provides the company with a framework to ensure everyone involved in and contributing to the decision-making process understands the duties which the directors are obligated to consider in the decision-making process and applicable regulations, to be able to provide relevant information and therefore lead to effective decision making.

To further support effective decision-making, the Board takes into account various group-wide governance policies and practices, including the Delegations of Authority, Code of Ethics, Anti-Bribery and Corruption Policy, Environmental Policy, Security Policy (the "Honeywell Policies"), when making decisions on behalf of the company, together with established practices.

### *Board composition*

The company has 1 director, as further described on page 13 of the Director's Report. The current Director, in addition to their role as statutory Director of the Company, also occupy key positions within the wider organisation and ensure ongoing oversight of various segments of the business. For example, S.D'Agostino has been General Manager of Honeywell and Managing Director of Trend Control Systems Ltd. He leads in reshaping the offering of hardware, software and services, enabling digital transformation and cloud solutions. He leads sales and marketing across multiple channels and drives growth in multiple customer segments. M.Orbell-Thompson is the finance leader on leadership teams for various EMEA Honeywell lines of business. She has extensive experience in designing, preparing and presenting EMEA financial results and analysis to the key leadership teams, highlighting risks and opportunities, to enable profitable growth. She is also responsible for driving business and finance functional objectives and ensuring proper internal controls.



## **Strategic Report for the Year Ended 31 December 2022 (continued)**

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The composition of the Board provides a level of seniority, extensive business and industry experience and in-depth understanding of the company's and the wider organisation's affairs to enable the director to meet the needs of the business and for the director to carry out his role and statutory duties to a high standard. The Board's collective experience enables them to identify and consider a broad range of stakeholders in their deliberations and decision-making.

### *Training*

New directors are subject to a formal induction process and the current director has an opportunity to receive training relevant to his role on the Board and the wider organisation. To support the director in his role and enable him to discharge his responsibilities as statutory director, the induction and ongoing training contains materials and training sessions on Section 172 duties and wider responsibilities of the director.

In 2021, and annually going forward, directors of the company will attend bespoke training sessions from an external facilitator to ensure they are continually up to date with relevant legislation in order to actively demonstrate compliance and application of their statutory duties. Director training will consist of presentations, breakout sessions and case study analysis. New directors will be provided with induction packs detailing the course content to ensure that they are up to date as soon as they take on a Honeywell directorship.

### *Principal decisions*

Being a part of a large multinational group of companies, the company adheres to the compliance policies and procedures which are set out by its parent company alongside those of the wider group. During the year, all key strategic decisions made by the company have been made with due consideration of the business unit and wider Honeywell Group strategy.

## Strategic Report for the Year Ended 31 December 2022 (continued)

The Board has the necessary skills and experience required to identify the impacts of their decisions on the company's stakeholders, and where relevant, the likely consequences of the decisions in the long-term. The director is supported by information provided by Honeywell Group functions, such as Tax, Treasury and Legal - who support and consult when necessary. Responsibility for making principal decisions is reserved for the company's Board and can include the following decisions: (i) those linked to matters of strategic importance; (ii) commercially material matters of financial or operational importance; and (iii) those that impact key stakeholders. Examples of principal decisions can include:

- dividends;
- changes to key investments owned by the company;
- substantial reorganisation projects;
- business contracts above certain value;
- changes to the company's strategic objectives, in line with wider business unit priorities;
- substantial changes to the Honeywell brand; and
- matters that will substantially affect the company's employees.

In making its decisions, the Board is required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it making that principal decision.

In line with the Regulations and FRC guidance, and in accordance with the approach taken during the financial year under review, having considered the company's principal risks and uncertainties as detailed in the Strategic Report, the company made the following principal decisions during the year ended 31 December 2022:

- approval of re-appointment of auditors;
- approval of Slavery and Human Trafficking Statement 2022.

### Engagement with suppliers, customers and other relationships

The Board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By thoroughly understanding the company's key stakeholder groups, the Board can successfully factor in and address the needs of these stakeholders and foster good business relationships with them. The company considers its employees, suppliers, customers, the community and environment, our shareholder and regulators to be our key stakeholders. We aim to build and maintain lasting relationships with its key stakeholders in the countries where it operates. The company engages with its key stakeholders and considers their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision-making.

The Board delegates stakeholder engagement to the senior management and considers the stakeholders that are impacted by the company and its business activities, including its employees, suppliers, customers, the local community and the shareholder.

The company's Board operates within the Honeywell Group's vision which recognises the importance of clear and effective communication as well as proactive engagement with stakeholders. By enabling a range of engagement channels, informed decision-making is achieved and supports the long-term success of the company.

Regularly engaging with the key stakeholders is a priority for the company and the following information describes how the director had regard to the need to foster relationships with the company's key stakeholders, how outcomes were considered and how concerns were identified and addressed during the reporting period. Further detail of these decisions, and in particular the Principal Decisions in relation to the stakeholders, are discussed in the s172 Statement on page 12:

Stakeholder group / interests	How we engage	Impact of engagement
<b>Employees</b>		

For details on how we have engaged with the company's UK-based employees, how the Directors had regard to those employees' interests, and the effect of that regard, including on the decisions taken during the reporting period, refer to the "Engagement with employees" statement on page 11.

### Customers

## Strategic Report for the Year Ended 31 December 2022 (continued)

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- To provide the company's customers with top quality services.
  - To demonstrate excellence in service delivery on a global scale and build trust between customers and the Company.
  - Ensuring safety of the products and services provided to customers.
  - Ensuring that any claims in relation to quality of safety of products or services are addressed and resolved.
  - Ensuring that customer data is kept in a secure environment and only for the duration and purposes the data was collected for.
  - The company maintains a number of group-wide policies aimed at ensuring ongoing security of customer data, high standards of safety and quality of the products and services and continued confidence and trust of our customers.
  - In the event of an escalated issue, if appropriate, members of the Board will seek to resolve directly with customers.
  - The Board is provided with regular reports on renewals of, and negotiations for new, supplier agreements by a dedicated supply chain team. The information received supports effective decision making by the Board and considering long-term consequences on customers well-being and satisfaction. The sales group team's active daily engagement with customers is fed back to the Board to be used when decision making, providing insight into demand and improve customer retention.
  - By understanding our customers, it has allowed us to clarify the company's vision for future growth and ways to continually add brand value.
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### Suppliers

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- To receive a clearly stated set of requirements to understand the company's needs and expectations.
- To receive regular support from the company to improve suppliers' business management system and effectively avoid any defects and operational issues.
- To be part of a fair and respectful tender and supplier selection process.
- To be part of an ongoing supplier relationship based on mutual respect and treating each other as valued business partners.
- The company maintains a number of group-wide policies to ensure fair and respectful treatment of its actual and potential suppliers across the organisation. The policies clearly set out the company's expectations in relation to the quality of supplier products and services delivered and requirements that need to be met to ensure smooth and mutually beneficial business relationship.
- As part of the wider Honeywell Group, the company's supplier engagement is measured as part of Honeywell's global procurement organisation.
- Further information can be found on Honeywell International's supplier code of business; [www.honeywell.com/en-us/company/integrity-and-compliance.com](http://www.honeywell.com/en-us/company/integrity-and-compliance.com).
- On an exceptional basis, the Directors will engage with suppliers through means of the procurement teams in the case of any escalation.

## Strategic Report for the Year Ended 31 December 2022 (continued)

### Community and environment

- To manufacture and deliver high quality products and services in an energy efficient and environmentally responsible manner.
- To conduct business in a manner to minimise negative impact on the surrounding area and be respectful and conscientious of the environment.
- To take into account the interest of the local community when considering future investments and business decisions.
- As aforementioned, the company as part of the wider Honeywell Group takes into consideration the sustainability policy of Honeywell International Inc.
- The company maintains a number of group-wide policies to promote sustainable and environmentally friendly business and operational practices.
- Engagement with employees has resulted in the Board understanding that there is an increasing desire for a more environmentally friendly workplace.
- By following and implementing the group wide sustainability policy, the company has been able to foster the interests of the community and environment in which it operates in Board decisions.
- From listening to the views of employees, the Board is moving towards implementing electric car charging points and parking bays during refurbishments of the company's places of work.

### Shareholder

- The Company shares are owned by Novar Limited and Novar Electrical Holdings Limited and the ultimate shareholder is Honeywell International Inc.
- Group Treasury, Tax and Finance functions, in conjunction with the senior management, make recommendations to declare dividends, coordinate and evaluate the amount of dividend and impact at local level.
- The company reports to its shareholder on a regular basis in the form of its financial statements, monthly and quarterly Board reports and business reviews, presentations to the Board of the Group, business plans and strategic plans as well as risk reporting.
- The company's strategy is to pursue strategic growth to create long-term value for its shareholder.
- The receipt of this information, and the coordination with Group functions, aids the Board when considering whether to declare dividends, the amount of dividend and impact at local level.
- Dividends, which are categorised as a principal decision, were considered and however were not subject for approval this financial period.

### Regulator(s)

- To receive regular feedback on any consultations.
- To have an open and honest relationship with the company where Regulation and Guidance can be discussed.
- The company's director has delegated much responsibility for engagement with the Regulators to the ultimate parent Honeywell International Inc.
- The company keeps the Regulators informed of any significant changes to the company.

## Strategic Report for the Year Ended 31 December 2022 (continued)

### Engagement with employees

The company identifies its employees as its key stakeholders and recognises their importance to the long-term success of the company. Throughout the year, the Directors, through their delegated authority to senior management, HR functions and wider Honeywell Group functions, engaged with the company's employees in various ways to provide information on matters of concern to them as employees, to take into account their views in making decisions likely to affect their interests, to encourage involvement in the company's performance and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company engages with its employees to create an environment where its people can continue to learn and establish their careers alongside adding value to the attainment of the company's initiatives. The company promotes the use of specific lines of communication such as employee surveys, business performance updates and presentations, among other things.

This ongoing engagement with the company's stakeholders aims to minimise levels of staff attrition, actively invite employee engagement within the context of the current market, capitalise on knowledge share schemes and promote and continue to develop a healthy work-life balance.

The table below sets out the details of how the company engaged with its employees and how the director has regard to the employees' interests and the impact of these considerations on the decisions taken by the Board during the reporting period. Further detail of these decisions, and in particular the Principal Decisions in relation to the employees, are discussed in the s172 Statement on page 5:

Employees' interests	How we engage	Impact of engagement
<ul style="list-style-type: none"> <li>• Providing information on matters of concern to them as employees and to achieve an awareness of factors affecting the performance of the company, such as quarterly results, strategy, sustainability, training, bi-annual performance related bonus scheme, career development and diversity and inclusion.</li> <li>• Being consulted on a regular basis so that the views of employees can be taken into account in the decisions made by the Directors which are likely to affect their interests.</li> </ul>	<ul style="list-style-type: none"> <li>• The Directors have delegated much of the engagement to Group's employee engagement mechanisms, including the Group intranet, Group social media channel, regular team and one-to-one updates provided by divisional leaders and line managers.</li> <li>• The Group HR function, to whom the Directors have delegated training responsibility, ensure that training and career development sessions to employees are provided. The company also publishes annually the company's Gender Pay Gap Report, as well as communications around how and what improvements the company is trying to progress.</li> <li>• Employees are kept informed by ad hoc updates on key developments, changes to strategic objectives and priorities, updates on progress of ongoing projects, updates on Brexit developments and its impact on the business and workforce, updates and announcements in respect of the Covid-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• The Directors strive to promote inclusivity and do not discriminate between employees or potential employees on grounds of race or ethnic origin, disability, gender, sexual orientation, age, religion or belief.</li> <li>• The Directors are committed to valuing the diversity of its people and it monitors and reports internally on aspects such as gender and age equality. The company and the group are strongly dedicated to ensuring equal pay for all workforce across the organization regardless of gender, race or ethnic origin, disability, gender, sexual orientation, age, religion or belief and regularly report on both group and legal entity level.</li> <li>• The results of the townhall are submitted to the Board and considered. The outcomes and any workforce-related issues and requests are considered, addressed and the employees updated on the actions to be taken.</li> </ul>

## Strategic Report for the Year Ended 31 December 2022 (continued)

Employees' interests	How we engage	Impact of engagement
	<ul style="list-style-type: none"><li>• The company's employees are actively encouraged to participate in company "townhalls", where open and honest discussions take place and questions are permitted from all those in attendance. The townhalls take place on either a monthly and quarterly basis held by leadership where the employees are able to voice their opinions and raise any outstanding issues. The results of the townhalls are reported back to the Board for consideration and analysis.</li><li>• An employee forum is in place allowing our Board to consult with employee representatives on a regular basis.</li></ul>	<ul style="list-style-type: none"><li>• The presence of the employee forum allows the Board to receive input from employees at all levels of the company to be considered when decision making.</li></ul>

### Non-financial and sustainability information statement

We recognise that climate change poses a number of risks and opportunities for our business. As part of our commitment to operate ethically and sustainably, we strive to understand climate-related risks and opportunities and embed responses to these into our business strategy and operations.

### Principal decisions

Principal decisions, within the context of Section 172, are made within the context of the ultimate parent company Honeywell International Inc's group strategy and in accordance with policies and procedures set by Honeywell International Inc. During the year there were no principal decisions, within the context of Section 172 reporting, for the company to disclose.

09/05/2024

Approved by the director on ..... and signed on its behalf by:

DocuSigned by:

*Madeleine Orbell-Thompson*

.....38120093D67343B.....  
Madeleine Orbell-Thompson  
Director

## Director's Report for the Year Ended 31 December 2022

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The director presents his report and the financial statements for the year ended 31 December 2022.

### 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 £113,000 (2021: loss of £4,152,000) which will be transferred to reserves. The results for the financial year are shown on page 20.

The director did not recommend the payment of a dividend (2021: £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 directors, who held office during the year, and up to the date of signing these financial statements, were as follows:

Stefano D'Agostino (resigned 31 January 2024)

Madéleine Orbell-Thompson

### Directors' indemnities

Pursuant to the company's articles of association, the directors were throughout the financial year ended 31 December 2022 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### Employment of disabled persons

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

### Engagement with employees

The company keeps employees fully informed of the company's strategies and their impact on the performance of the company and the group and encourages employee participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the company. Furthermore, employees can acquire shares in the ultimate parent company through the UK Share Builder Plan. Further detail on the engagement with employees undertaken during the year appears as part of our Section 172 statement on page 5.

### Engagement with suppliers, customers and other relationships

We recognise the importance of clear communication and proactive engagement with our stakeholders. Details of engagement with stakeholders undertaken during the year appears as part of our Section 172 statement on page 5.

### 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 director recognises the financial situation of the company evidenced by the profit for the financial year of £113,000 (2021: loss of £4,152,000) and net surplus in shareholder's funds of £41,957,000 (2021: surplus of £85,121,000).

## Director's Report for the Year Ended 31 December 2022 (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 2022 financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. 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 31 March 2024 of \$12.0 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. Throughout 2022 and continuing into 2023, the global economy experienced and continues to experience significant supply chain disruptions, increasing energy costs, and inflationary cost pressures. The impact on the company is limited, and 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

#### Emissions and energy consumption

Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2022:

		2022 Tons CO2e	2022 KWh	2021 Tons CO2e	2021 KWh
Natural gas	Scope 1	71	389,985	77	418,220
Fleet	Scope 1	149	628,975	190	752,442
Purchased electricity	Scope 2	210	1,088,238	216	1,016,147
Business travel & personal mileage	Scope 3	1	2,191	5	17,533
Gross emissions & energy		<u>431</u>	<u>2,109,389</u>	<u>487</u>	<u>2,204,341</u>

#### Turnover (£000)

2022: 73,346

2021: 68,895

#### Tons CO2e/ Turnover (£000)

0.0059

0.0071

#### Methodologies used to calculate emissions

GHG Protocol: The corporate standard used in conjunction with DEFRA conversion factors was used. Actual consumption of electricity and fuels where available used for the calculations.

Intensity ratios calculated using revenue.

- Tons CO2e / Turnover



## Director's Report for the Year Ended 31 December 2022 (continued)

### Data estimation:

- Estimation of sites energy consumption was done by CBECS factors for labs and offices using the square footage information;
- Business travel calculations are based on spend data converted to liters and assumed diesel as the fuel used;
- Personal mileage calculations are based on spend data converted to km and assumed diesel as the fuel used.

### Energy actions taken

Honeywell has a commitment to making our business operations more environmentally friendly and sustainable. Our internal efforts have improved our Scope 1 and Scope 2 greenhouse gas intensity by more than 90% since 2004. And we are committed to achieving more. In 2019, Honeywell set a new five-year "10-10-10" target to reduce global Scope 1 and Scope 2 greenhouse gas emissions by an additional 10% per dollar of sales from 2018 levels, to deploy at least 10 renewable energy opportunities, and to achieve certification to ISO's 50001 Energy Management Standard at 10 facilities, all by 2024. Environmental responsibility is important to our long-term growth. Being a steward of the environment ensures economic sustainability for our shareholders and employees, and it enables continued development of products to meet the demands of an expanding global economy.

We have implemented the following actions to reduce/offset our emissions and energy consumption:

- Global energy program allowing any site to avail funding for energy reduction projects;
- Implementing lighting and control systems upgrade projects, compressed air and cooling plant upgrade projects in the UK;
- Newsletter communications on Honeywell Sustainability that includes best practice sharing. These communications provide awareness and knowledge sharing of energy savings across UK; and
- Purchasing electricity with REC's in many UK sites.

### 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:

- 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

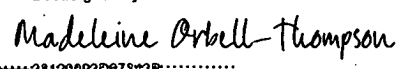
There have been no material adjusting or disclosable events since the financial year end.

### 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 reappointed as auditor in the absence of an Annual General Meeting.

09/05/2024

Approved by the director on ..... and signed on its behalf by:

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.....38120693D67543B.....  
Madeleine Orbell-Thompson  
Director

## Statement of Director's Responsibilities

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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 Trend Control Systems Limited**

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### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 24.

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 director's 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 director 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 director is 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 Trend Control Systems Limited (continued)**

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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 for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 the director about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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, pensions legislation 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's 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.

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.

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;

## Independent Auditor's Report to the Members of Trend Control Systems Limited (continued)

- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### 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 the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

In the light of 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 or the Director's Report.

#### Matters on which we are required to report by exception

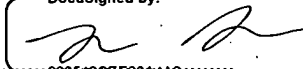
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### Use of our report

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

DocuSigned by:  
  
202542CEE88A4A3  
James Boyle CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
Edinburgh  
United Kingdom

9 May 2024  
Date:.....

## Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	4	73,346	68,895
Cost of sales		<u>(59,534)</u>	<u>(55,110)</u>
Gross profit		13,812	13,785
Distribution expenses		(5,681)	(7,278)
Administrative expenses		<u>(8,008)</u>	<u>(5,510)</u>
Operating profit	5	123	997
Interest receivable and similar income	9	5,491	2,683
Interest payable and similar expenses	10	<u>(4,614)</u>	<u>(4,381)</u>
Profit/(loss) before taxation		1,000	(701)
Tax on profit/(loss)	11	<u>(887)</u>	<u>(3,451)</u>
Profit/(loss) for the financial year		<u>113</u>	<u>(4,152)</u>

The above results were derived from continuing operations.

The notes on pages 24 to 46 form an integral part of these financial statements.

## Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Profit/(loss) for the year		113	(4,152)
<b>Items that cannot be reclassified subsequently to profit or loss</b>			
Actuarial (loss)/gain on defined benefit pension schemes	19	(57,703)	43,570
Movement on deferred tax in relating to pension scheme	11	14,426	(15,065)
		<u>(43,277)</u>	<u>28,505</u>
Total comprehensive (expense)/income for the year		<u>(43,164)</u>	<u>24,353</u>


The notes on pages 24 to 46 form an integral part of these financial statements.

## Balance Sheet as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
<b>Fixed assets</b>			
Tangible assets	12	3,201	2,501
Right-of-use assets	13	732	1,273
		<u>3,933</u>	<u>3,774</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	104,060	103,854
Cash at bank and in hand		2	8
		<u>104,062</u>	<u>103,862</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(111,702)</u>	<u>(109,300)</u>
<b>Net current liabilities</b>		<u>(7,640)</u>	<u>(5,438)</u>
<b>Total assets less current liabilities</b>		<u>(3,707)</u>	<u>(1,664)</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	(43,598)	(44,043)
<b>Provisions for liabilities</b>	18, 11	<u>(26,781)</u>	<u>(40,320)</u>
<b>Net liabilities excluding pension asset</b>		<u>(74,086)</u>	<u>(86,027)</u>
Net pension asset	19	<u>116,043</u>	<u>171,148</u>
<b>Net assets</b>		<u>41,957</u>	<u>85,121</u>
<b>Capital and reserves</b>			
Called-up share capital	20	5,000	5,000
Share premium	21	452	452
Other reserves	22	150	150
Retained earnings		<u>36,355</u>	<u>79,519</u>
<b>Shareholders' funds</b>		<u>41,957</u>	<u>85,121</u>

09/05/2024

The financial statements on pages 20 to 46 were approved by the director on .....

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 Madeleine Orbell-Thompson  
 Director

The notes on pages 24 to 46 form an integral part of these financial statements.



## Statement of Changes in Equity for the Year Ended 31 December 2022

	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Other reserves £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
At 1 January 2021	5,000	452	150	55,166	60,768
Loss for the year	-	-	-	(4,152)	(4,152)
Other comprehensive income	-	-	-	28,505	28,505
Total comprehensive income	-	-	-	24,353	24,353
At 31 December 2021	<u>5,000</u>	<u>452</u>	<u>150</u>	<u>79,519</u>	<u>85,121</u>

	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Other reserves £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
At 1 January 2022	5,000	452	150	79,519	85,121
Profit for the year	-	-	-	113	113
Other comprehensive expense	-	-	-	(43,277)	(43,277)
Total comprehensive expense	-	-	-	(43,164)	(43,164)
At 31 December 2022	<u>5,000</u>	<u>452</u>	<u>150</u>	<u>36,355</u>	<u>41,957</u>

The notes on pages 24 to 46 form an integral part of these financial statements.

## Notes to the Financial Statements for the Year Ended 31 December 2022

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### 1 General information

Trend Control Systems 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 Novar Electrical Holdings 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](http://www.honeywell.com).

### 2 Accounting policies

#### Material accounting policy information 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 UK adopted 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, 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 2022 (continued)

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### 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), andand 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';
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 - 'Impairment of Assets';
- 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 2022 (continued)

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### 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 2022 financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. 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 31 March 2024 of \$12.0 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. Throughout 2022 and continuing into 2023, the global economy experienced and continues to experience significant supply chain disruptions, increasing energy costs, and inflationary cost pressures. The impact on the company is limited, and 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.

### 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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

- *IAS 37 Onerous Contracts — Cost of Fulfilling a Contract*

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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### 2 Accounting policies (continued)

- *Annual Improvements to IFRS Standards 2018 – 2020*

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

- *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023.

- *IFRS 17 Insurance Contracts*

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

## Notes to the Financial Statements for the Year Ended 31 December 2022 (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.

Service contracts

As and when performance obligations are satisfied using cost to cost measure of progress.

##### *Volume rebates*

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

#### 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 other income in profit and loss account in the same period as the relevant expense.

#### Leases - as lessee

##### *Definition*

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

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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### 2 Accounting policies (continued)

#### *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.

#### **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 2022 (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 tax. 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

Leasehold improvements

20 - 50% straight line

Plant and equipment

7 - 33% straight line

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

Land is not depreciated.

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 2022 (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 exist.

#### 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 2022 (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 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. If 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 2022 (continued)

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### 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.

##### **Defined benefit pension obligation**

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

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

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

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

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

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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### 2 Accounting policies (continued)

#### Provisions

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

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

### 3 Judgements and key sources of estimation uncertainty

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

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

#### Judgements

There are no judgements 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 DB pension scheme

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

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 4 Turnover

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

	31 December 2022 £000	31 December 2021 £000
Sale of goods	59,630	56,004
Rendering of services	13,716	12,891
	<u>73,346</u>	<u>68,895</u>

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

	2022 £000	2021 £000
United Kingdom	63,869	54,791
Rest of Europe	8,858	13,416
Rest of the world	619	688
	<u>73,346</u>	<u>68,895</u>

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

	2022 £000	2021 £000
Over time	59,630	56,004
Point of time	13,716	12,891
	<u>73,346</u>	<u>68,895</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 5 Operating profit

Arrived at after charging

	2022 £000	2021 £000
Depreciation expense	456	422
Depreciation on right-of-use assets	541	541
Foreign exchange losses	38	5
Reorganisation and redundancy costs	1,461	805

### 6 Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £19,475 (2021: £19,500) 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 (2021: £nil).

The above amounts exclude the costs of certain central work streams which are part of the statutory audit but are performed and billed on a global basis by other Deloitte member firms. It is not considered practical to allocate such costs on an entity by entity basis.

### 7 Staff costs

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

	2022 £000	2021 £000
Wages and salaries	13,129	14,153
Social security costs	1,544	1,576
Pension costs, defined contribution scheme	1,817	1,851
Pension costs for defined benefit plans (note 19)	726	706
	<u>17,216</u>	<u>18,286</u>

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

	2022 No.	2021 No.
Direct	93	110
Indirect	163	166
	<u>256</u>	<u>276</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £000	2021 £000
Remuneration	109	102
Contributions paid to money purchase pension schemes	23	22
	<u>132</u>	<u>124</u>

In 2022, one director (2021: one director) was remunerated by other group companies for their services to the group as a whole.

During the financial year the highest paid director did not (2021: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company.

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

	2022 No.	2021 No.
Accruing benefits under defined benefit pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2022 £000	2021 £000
Remuneration	109	102
Company contributions to money purchase pension schemes	23	22

During the year the highest paid director did not exercise any share options and also had no shares receivable under a long-term incentive scheme.

### 9 Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from group undertakings	2,154	946
Pension interest (note 19)	3,325	1,737
Other interest receivable	12	-
	<u>5,491</u>	<u>2,683</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 10 Interest payable and similar expenses

	2022 £000	2021 £000
Interest on bank overdrafts	1,355	1,114
Interest expense on other financing liabilities	3,259	3,267
	<u>4,614</u>	<u>4,381</u>

### 11 Tax on profit/(loss)

Tax charged in the profit and loss account:

	2022 £000	2021 £000
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	621	495
Arising from changes in tax rates and laws	196	2,890
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	70	66
Total deferred taxation	<u>887</u>	<u>3,451</u>

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

	2022 £000	2021 £000
<b>Deferred taxation</b>		
Deferred tax current year charge/(credit)	<u>(14,426)</u>	<u>15,065</u>
Total deferred taxation	<u>(14,426)</u>	<u>15,065</u>

The tax on loss for the year is the same as the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £000	2021 £000
Profit/(loss) before tax	<u>1,000</u>	<u>(701)</u>
Corporation tax at standard rate	190	(133)
Current tax from adjustment for prior periods	70	66
Effect of income exempt from taxation	(48)	-
Effect of expenses not deductible in determining taxable profit (tax loss)	633	628
Group relief surrendered	(154)	-
Deferred tax changes in tax rates or laws	<u>196</u>	<u>2,890</u>
Total tax charge	<u>887</u>	<u>3,451</u>



## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 11 Tax on profit/(loss) (continued)

#### Factors affecting tax charge for the financial year

The 2021 Finance budget announced that the main rate of corporation tax will increase from 19% to 25% effective from 1 April 2023. This rate increase has been reflected in the calculation of deferred tax at the balance sheet date. The closing deferred tax asset as at 31 December 2022 has been calculated at 25% (2021: 25%) reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

#### Deferred tax

	2022 £000	2021 £000
<b>Deferred tax asset</b>		
Differences between capital allowances and depreciation	419	463
Tax losses carried forward	1,806	2,003
Other short-term timing differences	5	1
<b>Total deferred tax asset</b>	<b>2,230</b>	<b>2,467</b>
<b>Deferred tax liability</b>		
Deferred tax provision on pension asset	(29,011)	(42,787)
Other short-term timing differences	-	-
<b>Total deferred tax liability</b>	<b>(29,011)</b>	<b>(42,787)</b>
<b>Net deferred tax liability</b>	<b>(26,781)</b>	<b>(40,320)</b>
		<b>Total £000</b>

#### Movements in deferred tax

At 1 January 2021	40,320
Charge to the profit and loss account	817
Charge to statement of comprehensive income	(14,426)
Adjustment in respect of prior years	70
At 31 December 2022	<b>26,781</b>

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

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 12 Tangible assets

	Plant and equipment £000	Construction in progress £000	Leasehold improvements £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2022	6,153	534	1,432	8,119
Additions	188	967	-	1,155
Disposals	-	-	(79)	(79)
Transfers	330	(330)	-	-
At 31 December 2022	6,671	1,171	1,353	9,195
<b>Depreciation</b>				
At 1 January 2022	4,919	-	699	5,618
Charge for the year	445	-	10	455
Eliminated on disposal	-	-	(79)	(79)
At 31 December 2022	5,364	-	630	5,994
<b>Carrying amount</b>				
At 31 December 2022	1,307	1,171	723	3,201
At 31 December 2021	1,234	534	733	2,501

### 13 Right-of-use assets

	Land and buildings £000
<b>Cost or valuation</b>	
At 1 January 2022	2,821
At 31 December 2022	2,821
<b>Depreciation</b>	
At 1 January 2022	1,548
Charge for the year	541
At 31 December 2022	2,089
<b>Carrying amount</b>	
At 31 December 2022	732
At 31 December 2021	1,273

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 13 Right-of-use assets (continued)

The company entered into a commercial lease on Horsham, UK on 26 December 2015 which was extended on 25 March 2020 and will expire on March 2025. There are no restrictions placed upon the lessee by entering into these leases.

The company leases several assets including buildings, plants, fixtures and fittings. The average lease term is 2.8 years (2021: 3.8 years).

### 14 Debtors

	31 December 2022 £000	31 December 2021 £000
<b>Amounts falling due within one year</b>		
Trade debtors	9,777	10,398
Amounts owed by group undertakings	92,895	91,560
Prepayments	24	163
Other debtors	959	549
Amount recoverable on contracts	405	1,184
	<u>104,060</u>	<u>103,854</u>

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

Amounts owed by group undertakings include the following interest-bearing loans and other borrowings, all other amounts are interest free:

			31 December 2022 £000	31 December 2021 £000
<b>Receivable</b>	<b>Currency</b>	<b>Interest terms</b>		
On demand	GBP	UK Base rate plus 1%	<u>88,745</u>	<u>86,586</u>

### 15 Creditors: amounts falling due within one year

	31 December 2022 £000	31 December 2021 £000
Trade creditors	3,061	2,222
Accrued expenses	1,509	2,535
Amounts due to group undertakings	18,157	2,904
Social security and other taxes	161	698
Bank overdraft	26,696	41,905
Current portion of long-term lease liabilities	445	609
Accrued preference dividends	61,673	58,427
	<u>111,702</u>	<u>109,300</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 15 Creditors: amounts falling due within one year (continued)

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

The interest on bank overdrafts amounted to £1,355,000 (2021: £1,114,000), see Note 10. The interest is based on UK Base-rate plus margin.

Accrued preference dividends represent an annual dividend of £3,246,000 accumulated since 2004 on 7.5% cumulative preference shares of £1 each and are payable on demand as well.

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

	31 December 2022 £000	31 December 2021 £000
7.5% cumulative preference shares of £1 each	43,276	43,276
Long-term lease liabilities	322	767
	<u>43,598</u>	<u>44,043</u>

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

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

### 17 Leases

#### Leases included in creditors

	31 December 2022 £000	31 December 2021 £000
Current portion of long-term lease liabilities	445	609
Long-term lease liabilities	322	767
	<u>767</u>	<u>1,376</u>

#### Lease liabilities maturity analysis

The non-cancellable lease payments are due:

	31 December 2022 £000	31 December 2021 £000
Within one year	445	609
In two to five years	322	767
	<u>767</u>	<u>1,376</u>

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 17 Leases (continued)

The company entered into a commercial lease on Horsham, UK on 26 December 2015 which was extended on 25 March 2020 and will expire on March 2025. There are no restrictions placed upon the lessee by entering into these leases.

The company leases several assets including buildings, plants, fixtures and fittings. The average lease term is 2.8 years (2021: 3.8 years).

### 18 Provisions for liabilities

	Deferred tax £000
At 1 January 2022	40,320
Charge to profit and loss account (note 12)	887
Charge to other comprehensive income (note 12)	(14,426)
At 31 December 2022	<u>26,781</u>

### 19 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 2022 are estimated to be £nil. Defined benefit obligations are based on a full valuation of the scheme's 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 2022. The last funding valuation of the HUKPS was carried out by a qualified actuary as at 31 March 2020. The next funding valuation is due no later than 31 March 2023, at which progress towards full-funding will be reviewed.

#### 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 2022 £000	31 December 2021 £000
Fair value of scheme assets	350,590	536,667
Present value of scheme liabilities	<u>(234,547)</u>	<u>(365,520)</u>
Defined benefit pension scheme surplus	<u>116,043</u>	<u>171,148</u>
Amounts recognised in the income statement		

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 19 Pension commitments (continued)

	31 December 2022 £000	31 December 2021 £000
<b>Amounts recognised in operating profit</b>		
Total administrative expenses recognised in profit and loss account	726	706
<b>Amounts recognised in finance income or costs</b>		
Interest cost	7,040	5,417
Expected return on pension plan assets	(10,365)	(7,154)
Recognised in other finance cost	(3,325)	(1,737)
Total recognised in the income statement	(2,599)	(1,031)

### Amounts taken to the Statement of Comprehensive Income

	31 December 2022 £000	31 December 2021 £000
Liability gains due to changes in assumptions	(128,091)	(22,743)
Liability losses/(gains) due to experience during the year	4,367	(114)
Asset gains/(losses) arising during the financial year	181,427	(20,714)
Amounts recognised in the Statement of Comprehensive Income	57,703	(43,570)

### Scheme assets

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

	31 December 2022 £000	31 December 2021 £000
Fair value at start of year	536,667	521,864
Expected return on assets	10,365	7,154
Actuarial (losses)/gains on assets	(181,427)	20,714
Net benefits paid out	(14,289)	(12,358)
Administrative expenses paid	(726)	(706)
Fair value at end of year	350,590	536,667

### Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2022 %	31 December 2021 %
Cash	2	4
Equities (including venture capital and alternative investments)	14	16
Bonds	60	68
Property	4	3
Assets held by insurance company	20	9
	100	100

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 19 Pension commitments (continued)

#### *Scheme liabilities*

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

	31 December 2022 £000	31 December 2021 £000
Present value at start of year	365,520	395,317
Actuarial losses/(gains) on liabilities - financial assumptions	(125,673)	(18,176)
Actuarial losses/(gains) on liabilities - experience	4,367	(114)
Actuarial losses/(gains) on liabilities - demographic assumptions	(2,418)	(4,566)
Interest cost	7,040	5,417
Net benefits paid out	(14,289)	(12,358)
Present value at end of year	<u>234,547</u>	<u>365,520</u>
<i>Principal actuarial assumptions</i>		

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2022 %	31 December 2021 %
Discount rate	4.82	1.98
Inflation (RPI)	3.05	3.09
Inflation (CPI)	2.55	2.59
Pensions subject to limited price indexation to 5%	2.85	3.00
Pensions subject to limited price indexation to 2.5%	1.98	2.15
Other pensions and deferred pensions	<u>2.55</u>	<u>2.59</u>

#### **Mortality**

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2022 at age 65 will live on average for a further 21.9 years (2021: 22.2 years) after retirement if male or a further 24.4 years (2021: 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.

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 20 Called-up share capital

	31 December 2022 £000	31 December 2021 £000
<b>Authorised and allotted, called-up and fully paid</b>		
5,000 (2021: 5,000) ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

### 21 Share premium

	2022 £000	2021 £000
<b>Balance at 1 January and 31 December</b>		
Premium arising on issue of equity shares	452	452
	<u>452</u>	<u>452</u>

### 22 Other reserves

	2022 £000	2021 £000
<b>Balance at 1 January and 31 December</b>		
Capital redemption reserve	150	150
	<u>150</u>	<u>150</u>

### 23 Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £672,319,000 (2021: £792,016,000). Positive cash balances held by the group exceeded overdrawn balances in 2022 and 2021.

### 24 Events after the balance sheet date

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