Honeywell Bryan Donkin Gas Technologies Ltd

Annual Report and Financial Statements 2017

Company Information

Officers and professional advisors

Director

Faisal Majid

Auditor
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Scotland
United Kingdom

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Strategic report

for the financial year ended 31 December 2017

The director present his strategic report for the financial year ended 31 December 2017.

Principal activities

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

Review of the business and future developments

The loss for the financial year, after taxation, is £932,000 (2016: profit £763,000).

Turnover for the year was £11,669,000, down by 0.3% on the prior year turnover of £11,705,000. The decrease is a result of the ongoing challenging conditions within the global oil and gas market. Gross margin has reduced versus the prior year due to increased costs for example stock write offs that have been incurred as a result of the agreed factory closure.

On 17 January 2017, management announced a proposal to transition the manufacturing of Bryan Donkin regulators and Gorter products to other Honeywell locations; and to outsource Bryan Donkin modules assembly, Gorter Cocon line and Enraf production. This proposal was consulted upon and was approved on 22 February 2017. This transition and closure was concluded on 31 October 2017 which resulted in a loss on disposal of fixed assets amounting to £146k. As a result of the closure, there have been redundancy costs of £1.4m which are included within the profit and loss account.

The company is in a net asset position. Following the change of business model in 2017 from manufacturing to buy to sell, the company expects to continue trade as normal and it won't have any impact on the external customers.

Key performance indicators

Management monitors the business using the following key indicators:

	2017	2016
	%	%
Turnover % change compared with previous year, due to:		
Volume	(0.3)	(4.9)
Price	-	2.1
	(0.3)	(2.8)
Gross profit %	5.9	25.1
Operating result % of turnover	(7.7)	6.9
Headcount % change compared with previous year	(24.7)	(12.8)

Turnover

Turnover has decreased by 0.3%. The decrease is the result of ongoing challenging conditions within the global oil and gas market.

Gross profit

Gross profit as a percentage of turnover has decreased by 19.2%. This has been impacted by the mix of revenue. External sales have reduced and intercompany sales have increased, which has resulted in a reduced margin. Additionally there have been extra costs that have been incurred as a result of the closure of the factory in the year.

Strategic report

for the financial year ended 31 December 2017

Operating result

The fall in the operating result is due to a reduction in gross profit and additional charges incurred through administrative expenses that are related to the factory closure and transition of the business to other Honeywell group companies. There are £1.4m of costs relating to redundancy held within cost of sales and administrative expenses. Further, due to the factory closure the company suffered a loss on disposal of its fixed assets.

Headcount

The reduction in headcount is due to the closure of the factory as part of ongoing transformations projects within the Honeywell organisation.

Financial risk management

Foreign currency risk

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

Liquidity risk

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

Credit risk

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.

Strategy

The company maintains market share and sustainable growth through the following strategies:

- focus on customers, including customer survey programmes to obtain and action customer feedback to improve business performance
- providing the highest standard of product, service and delivery to its customer at a competitive cost
- continued expansion into current and new markets
- proactive alignment of its business structure to meet changing market demands
- strong brand recognition through brand and channel management.

Principal risks and uncertainties

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

- fluctuation in customer demand
- adverse economic conditions
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- health and safety of employees and contractors.

Strategic report

for the financial year ended 31 December 2017

In response to the risks the company:

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

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

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Faisal Majid
Director
July 3, 2018

Director's report

for the financial year ended 31 December 2017

The director presents his annual report and audited financial statements for the company for the financial year ended 31 December 2017.

Business review and future developments

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

Results and dividends

The company's loss for the financial year, after taxation was £932,000 (2016: profit £763,000) which will be deducted from reserves.

The director does not recommend the payment of a dividend (2016: £nil).

Financial risk management

Financial risk management of the company is included in the strategic report on page 2.

Directors of the company

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

Faisal Majid
Edwin Rutgers (resigned on 31 January 2018)

Director's indemnities

Pursuant of the company's articles of association, the director was throughout the financial year ended 31 December 2017 and is at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

Research and development

Research and development expenditure for the financial year ended amounted to £45,000 (2016: £69,000).

Director's responsibilities statement

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

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

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

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

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Director's report

for the financial year ended 31 December 2017

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

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. The director, has taken into account both the future trading of the company and the financial support from the ultimate parent undertaking, has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to auditors

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

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

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

Events since the balance sheet date

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

Independent auditors

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

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

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Faisal Majid
Director
July 3, 2018

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd

Report on the audit of the financial statements

Opinion

In our opinion, except for the possible effect of the matters described in the basis for qualified opinion on financial statements section, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Honeywell Bryan Donkin Gas Technologies Ltd (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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 qualified opinion on financial statements

With respect to inventory having a carrying amount of £421k the audit evidence available to us was limited because we did not observe the counting of the physical inventory as at 31 December 2017, since the stock count did not take place. Owing to the nature of the company's records following the factory closure in October 2017, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities by using other audit procedures.

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd

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

We have nothing to report in respect of these matters.

Responsibilities of director

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to inventory, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

James Boyle CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
5 July 2018

Profit and loss account

for the financial year ended 31 December 2017

	Notes	2017 £000s	2016 £000s
Turnover	5	11,669	11,705
Cost of sales		(10,978)	(8,768)
Gross profit		**691**	**2,937**
Distribution expenses		(312)	(589)
Administrative expenses		(1,153)	(1,637)
Other operating income		(125)	100
Operating (loss)/ profit	**6**	**(899)**	**811**
Interest payable	9	(33)	(48)
(Loss)/ profit before taxation		**(932)**	**763**
Tax on (loss)/ profit	10	-	-
(Loss)/ profit for the financial year attributable to owners of the parent		**(932)**	**763**

All amounts are derived from continuing operations.

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

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

The notes on pages 12 to 22 form an integral part of the financial statements.

Balance sheet

at 31 December 2017

	Notes	2017 £000s	2016 £000s
Fixed assets			
Tangible assets	11	-	221
		-	**221**
Current assets			
Stocks	12	421	2,841
Debtors: amounts falling due within one year	13	4,093	2,055
		4,514	4,896
Creditors: amounts falling due within one year	14	(3,533)	(3,204)
Net current assets		**981**	**1,692**
Total assets less current liabilities		**981**	**1,913**
Net assets		**981**	**1,913**
Capital and reserves			
Share capital	15	2,000	2,000
Profit and loss account		(1,019)	(87)
Total shareholders' funds attributable to owners of the parent		**981**	**1,913**

The financial statements on pages 9 to 22 were approved by the board of directors on July 3, 2018 and signed on its behalf by:

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Faisal Majid
Director

Statement of changes in equity

at 31 December 2017

	Share capital	Profit and loss account	Total
	£000s	£000s	£000s
At 1 January 2016	2,000	(850)	1,150
Profit for the financial year attributable to owners of the parent	-	763	763
At 31 December 2016	**2,000**	**(87)**	**1,913**
Loss for the financial year attributable to owners of the parent	-	(932)	(932)
At 31 December 2017	**2,000**	**(1,019)**	**981**

Notes to the financial statements

at 31 December 2017

1. General information

Honeywell Bryan Donkin Gas Technologies Ltd is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

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

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

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

2. Significant accounting policies

Basis of preparation

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

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and with the Companies Act 2006. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the financial year ended 31 December 2017.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant, Equipment and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes to the financial statements

at 31 December 2017

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. The director, has taken into account both the future trading of the company and the financial support from the ultimate parent undertaking, has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

Turnover and revenue recognition

Turnover comprises revenue sales to customers net of value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Type of sale	*Recognition*
Product sales	On delivery and when acceptance by the customer has occurred

Operating leases – as lessee

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

Operating leases – as lessor

Operating lease income is recognised on a straight line basis with any rental increases recognised during the period of the lease.

Research and development

All costs associated with research and development are written off to the profit and loss account in the year of expenditure, less any R&D expenditure credit reclaimable from HM Revenue and Customs in respect of those costs.

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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Tangible assets and depreciation

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

Buildings - short leasehold	10%
Plant & machinery	8-33%
Fixtures & fittings	10-50%

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.

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.

Taxation

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

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

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

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

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

Notes to the financial statements

at 31 December 2017

Financial assets - recognition and measurement

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

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

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) 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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Thereafter, the company's trade creditors and amounts owed to group undertakings are carried at amortised cost.

Stocks

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

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

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

Notes to the financial statements

at 31 December 2017

3. Judgements and key sources of estimation uncertainty

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

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

4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The company applied the amendments retrospectively. However, their application has no effect on the company's financial position and the performance as the company has no deductible temporary differences or assets that are in the scope of the amendments.

5. Turnover

	2017	*2016*
	£000s	£000s
Analysis of turnover by geographical market		
United Kingdom	4,964	5,346
Europe	5,010	4,354
North America	348	462
Other	1,347	1,543
Total turnover by geographical market	11,669	11,705

	2017	*2016*
	£000s	*£000s*
Analysis of turnover by category		
Sale of goods	11,669	11,705
Total turnover by category	11,669	11,705

Notes to the financial statements

at 31 December 2017

6. Operating (loss)/ profit

	2017	2016
	£000s	£000s
This is stated after charging/ (crediting):		
Depreciation		
Tangible assets – owned	79	90
Research and development	45	69
Rental charges under operating leases		
Land and buildings	192	148
Plant and machinery	37	6
Loss on disposal of fixed assets (refer note 11)	146	-
Sublease income	125	(100)
Redundancy costs	1,400	234
(Gain)/ loss on foreign exchange	(11)	28

7. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £17,580 (2016: £18,000) 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.

8. Employees and directors

(a). Staff costs

	2017	2016
	£000s	£000s
Wages and salaries	1,467	2,001
Social security costs	156	196
Contributions to defined contribution pension plans	86	128
Total staff costs	1,709	2,325

Notes to the financial statements
at 31 December 2017

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

(including executive directors)

	2017	2016
	No.	No.
Direct	35	46
Indirect	20	27
Total monthly average number of employees	55	73

In 2017, all directors (2016: all directors) were remunerated by other group companies for their services to the group as a whole.

9. Interest payable

	2017	2016
	£000s	£000s
Interest payable on bank overdraft	33	48
Total interest payable	33	48

10. Taxation

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

	2017	2016
	£000s	£000s
Current tax:		
UK corporation tax on (loss)/ profit for financial year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Total tax expense reported in the profit and loss account	-	-

Notes to the financial statements

at 31 December 2017

(b). Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is higher than the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are reconciled below:

	2017	2016
	£000s	£000s
(Loss)/ profit before tax	(932)	763
(Loss)/ profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19.25% (2016: 20%)	(179)	153
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	-	1
Capital allowances less depreciation	22	18
Movement in general provisions and other short term timing differences	-	6
Group relief surrendered/(not paid for)	157	(178)
Total tax expense reported in the profit and loss account	-	-

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

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

(d). Deferred tax

	2017	2016
	£000s	£000s
Unrecognised deferred tax assets @ 17% (2016: 19%)		
Deferred tax asset		
Differences between capital allowances and depreciation	96	86
Other short term timing differences	6	7
Total deferred tax asset	102	93

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

Notes to the financial statements
at 31 December 2017

11. Tangible assets

	Land and buildings	*Plant and equipment*	*Fixtures and fittings*	*Total*
	£000s	*£000s*	*£000s*	*£000s*
Cost				
At 1 January 2017	79	457	183	719
Additions	-	4	-	4
Disposals	(79)	(461)	(183)	(723)
At 31 December 2017	-	-	-	-
Accumulated depreciation				
At 1 January 2017	54	338	106	498
Provided during the financial year	8	59	12	79
Disposals	(62)	(397)	(118)	(577)
At 31 December 2017	-	-	-	-
Net book value:				
At 31 December 2017	-	-	-	-
At 31 December 2016	25	119	77	221

The above figures include:

	2017	*2016*
	£000s	*£000s*
Short leasehold land and buildings, at net book value	-	25

On 17 January 2017, management announced a proposal to transition the manufacturing of Bryan Donkin regulators and Gorter products to other Honeywell locations; and to outsource Bryan Donkin modules assembly, Gorter Cocon line and Enraf production. This proposal was consulted upon and was approved on 22 February 2017. This transition and closure was concluded on 31 October 2017. As a result of the factory closure, the remaining fixed assets have been sold resulting in a loss on disposal amounting to £146k.

Notes to the financial statements
at 31 December 2017

12. Stocks

	2017	2016
	£000s	£000s
Raw materials	158	1,881
Work in progress	-	469
Finished goods	263	491
Total stocks	421	2,841
The amount of inventories recognised as an expense during the period	8,346	6,506
The amount inventories written down recognised as an expense in the period	67	29

13. Debtors

	2017	2016
	£000s	£000s
Amounts falling due within one year		
Trade debtors	479	1,079
Amounts owed by group undertakings	3,452	950
Other debtors	132	-
Prepayments and accrued income	30	26
Total amounts falling due within one year	4,093	2,055

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

14. Creditors: amounts falling due within one year

	2017	2016
	£000s	£000s
Bank overdraft	2,439	1,398
Trade creditors	535	1,326
Amounts owed to group undertakings	396	233
Taxation and social security	-	29
Accruals and deferred income	163	218
Total amount owed to creditors	3,533	3,204

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

Notes to the financial statements
at 31 December 2017

15. Share capital

	2017	*2016*
	£000s	*£000s*
Authorised and allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	2,000	2,000

16. Operating lease commitments

	2017	*2016*
	£000s	*£000s*
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
Land and buildings		
Not later than one year	-	262
Total land and building commitments	-	262

The company had entered into a lease agreement for a building on 11 February 2008. It does not contain an option for renewal and the termination date of this lease was 23 October 2017.

17. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £527,287,000 (2016: £596,213,000).

Positive cash balances held by the group exceeded overdrawn balances in 2017 and 2016.