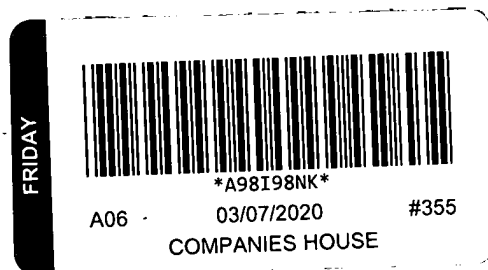


Novar Limited

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



Company Information

Officers and professional advisors

Director

Jonathan Turner

Auditor

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

Bankers

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

Registered address

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

Strategic report

for the financial year ended 31 December 2019

The director presents his strategic report for the financial year ended 31 December 2019.

Principal activities

The principal activity of the company is to act as the holding company for its subsidiaries.

Review of the business and future developments

The profit for the financial year, after taxation, is £283,407,000 (2018: £57,666,000).

The profit for the year is driven by the increase in the dividend income amounting to £286,347,000 (2018: £74,597,000) received from Novar Europe Limited.

In 2018, the company was party to various re-organisation transactions initiated by its ultimate parent company, Honeywell International Inc., resulting in a loss of disposal of investments amounting to £17,356,000.

The director intends that the company will continue to operate as a holding company for its subsidiaries for the foreseeable future.

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

Further, there are no key performance indicators as the company did not trade during the financial year and is a holding company.

Financial risk management, objectives and policies

The company is exposed to foreign currency and interest rate risk arising out of amounts owed to and from group undertakings respectively. The company monitors and manages the foreign currency risk relating to the operations of the company at a group level, with the assistance of the treasury department of Honeywell International Inc. 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. The company does not have exposure to credit risk as there is no credit risk at the group level on account of intra group loans.

Principal risks and uncertainties

As a holding company, the company is exposed to the value of its investments and the ability of its subsidiaries to generate surplus funds and pay dividends. The ultimate parent company actively manages the performance of its subsidiaries.

The coronavirus outbreak has developed rapidly, with a significant number of infections. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which could negatively impact the Company's operations and adversely affect its business.

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

The scope and impact of the COVID-19 pandemic is changing rapidly, and additional impacts may arise. A sustained or prolonged COVID-19 outbreak could exacerbate the negative impacts described above, and the resumption of normal business operations may be delayed or constrained by lingering effects on our suppliers, third-party service providers, and/or customers. These effects, alone or taken together, could further impact each of the risks described above.

Strategic report

for the financial year ended 31 December 2019

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The UK left the EU on 31 January 2020 and will be in a transition period until 31 December 2020, during which time negotiations around a trade deal with the EU will continue. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the company and the wider Honeywell Group's operations. There is no evidence at this time of Brexit having a material adverse effect on the company's activities.

Statement by the director in performance of their statutory duties in accordance with s172(1) of Companies Act 2006

The following statement describes how the director has had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006.

When making decisions, director ensures that he act in a way that he considers, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

Section 172(1)	Overview of performance of statutory duties
(A) - The likely consequences of any decision in the long term	The director understands the business and the evolving environment in which we operate. The strategy followed by the board, and decisions taken to implement it, is intended to strengthen our position in the marketplace over the longer term.
(B) - The interests of the company's employees	Given the company is a holding company, there are no employees.
(C) - The need to foster the company's business relationships with suppliers, customers and others	The director recognises the importance of clear communication and proactive engagement with stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the Company. The director factor the implications of decisions on stakeholders, where relevant and feasible. Given the company is a holding company, there are no external suppliers or customers.
(D) - The impact of the company's operations on the community and the environment	The director apply Honeywell International Inc's Sustainable Opportunity Policy which is based on the principle that by integrating health, safety and environmental considerations into all aspects of our business, Honeywell protects its people, communities and the environment; achieves sustainable growth and accelerated productivity; drives compliance with all applicable regulations; and develops technologies that expand the sustainable capacity of our world. This policy is deliberately and directly embedded into the group-wide operating system, a blueprint for continuous operational improvement. Endorsed annually by the Honeywell International Inc CEO and senior leadership, the policy is posted in every facility and communicated to all employees and contractors.
(E) - The desirability of the company maintaining a reputation for high standards of business conduct	The director applies Honeywell International Inc's Code of Business Conduct which is designed to provide guidance on the Group's standards of Integrity and Compliance. By doing so the director helps to ensure that high standards are maintained both within the business and the business relationships we maintain.
(F) - The need to act fairly as between members of the company	By weighing up all relevant factors, the director considers which course of action best enables delivery of strategy through the long-term, taking into consideration the impact on stakeholders, for the time being the company only has one shareholder.


Strategic report

for the financial year ended 31 December 2019

Principal Decisions

Being a part of a large multinational group of companies, the company adheres to policies and procedures which are often set by the ultimate parent company, Honeywell International Inc. During the year there were no principal decisions, within the context of Section 172 reporting, for the company to disclose.

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

DocuSigned by:

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Jonathan Turner
Director
29-Jun-2020

Director's report

for the financial year ended 31 December 2019

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

Business review and future developments

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

Results and dividends

The company's profit for the financial year, after taxation was £283,407,000 (2018: £57,666,000) which will be transferred to reserves. The results for the financial year are shown on page 10.

On 18 October 2019, the director recommended and paid a dividend of £286,347,000 for 1 equity share at £286,347,000 per share (2018: £61,831,000).

Financial risk management, objectives and policies

The details of the financial risk management of the company are included in the strategic report on page 1.

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:

Jonathan Turner
John Tus (resigned on 24 September 2019)

Director's indemnities

Pursuant to the company's articles of association, the director was throughout the financial year ended 31 December 2019 and is at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

Employee and Stakeholder Engagement

Details of engagement with stakeholders undertaken during the year appears as part of our Section 172 statement on page 2. The company had no employees during the year.

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the director, has reviewed the 2019 and Q1 2020 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The director has further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has acknowledged the cost control measures already taken across Honeywell International Inc, the group's cash, cash equivalents and short term investments balance at 31 March 2020 of \$8.8bn as well as securing additional loan facilities in 2020 of \$6bn, to maximize flexibility, liquidity and resilience.

The director, has a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

Director's report

for the financial year ended 31 December 2019

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

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


Events since the balance sheet date

Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.

Independent auditor

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

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

DocuSigned by:

F98C9401E0BA471...
Jonathan Turner
Director
29-Jun-2020

Director's responsibilities statement

for the financial year ended 31 December 2019

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report

to the members of Novar Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Novar Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report *to the members of Novar Limited*

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

We have nothing to report in respect of these matters.

Responsibilities of the director

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determine 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

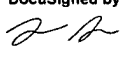
We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Novar Limited

Use of our report

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

DocuSigned by:

282542CE56644A2
James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
29-Jun-2020

Profit and loss account

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
Administrative expenses		(77)	(78)
Dividend income	4	286,347	74,597
Loss on disposal of investments		-	(17,356)
Operating profit	5	286,270	57,163
Interest receivable and similar income	8	12,672	12,157
Interest payable	9	(15,535)	(11,654)
Profit before taxation		283,407	57,666
Tax on profit	10	-	-
Profit for the financial year		283,407	57,666

All amounts are derived from continuing operations.

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

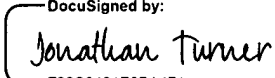
The notes on pages 13 to 25 form an integral part of the financial statements.

Balance Sheet

as at 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed assets			
Investments	11	780,634	780,634
		780,634	780,634
Current assets			
Debtors: amounts falling due within one year	12	978,537	967,330
		978,537	967,330
Creditors: amounts falling due within one year	13	(953,044)	(938,877)
Net current assets		25,493	28,453
Total assets less current liabilities		806,127	809,087
Provision for liabilities	14	(16)	(36)
Net assets		806,111	809,051
Capital and reserve			
Called-up share capital	15	-	-
Other reserve	16	29,958	29,958
Profit and loss account		776,153	779,093
Total shareholder's funds		806,111	809,051

The financial statements on pages 10 to 25 were approved by the board of directors on 29-Jun-2020 and signed on its behalf by:

DocuSigned by:

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 Jonathan Turner
 Director

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

	<i>Called-up share capital</i>	<i>Other reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2018	-	29,958	783,258	813,216
Profit for the financial year	-	-	57,666	57,666
Dividend paid (note 17)	-	-	(61,831)	(61,831)
At 31 December 2018	-	29,958	779,093	809,051
Profit for the financial year	-	-	283,407	283,407
Dividend paid (note 17)	-	-	(286,347)	(286,347)
At 31 December 2019	-	29,958	776,153	806,111

Notes to the financial statements

for the financial year ended 31 December 2019

1. General information

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

The immediate parent undertaking Honeywell Acquisitions Limited, a company incorporated in United Kingdom. The registered address of the parent is Honeywell House, Skimped Hill Lane, Bracknell, Berks, RG12 1E8, England, United Kingdom.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 251, Little Falls Drive, Wilmington, DE 19808, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at www.honeywell.com.

2. Significant accounting policies

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

Basis of preparation

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

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 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 a party to the transaction is wholly owned by such a member.

Notes to the financial statements

for the financial year ended 31 December 2019

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the director, has reviewed the 2019 and Q1 2020 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The director has further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has acknowledged the cost control measures already taken across Honeywell International Inc, the group's cash, cash equivalents and short term investments balance at 31 March 2020 of \$8.8bn as well as securing additional loan facilities in 2020 of \$6bn, to maximize flexibility, liquidity and resilience.

The director, has a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements

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.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established, that is on declaration of the dividend by the subsidiary.

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.

Notes to the financial statements

for the financial year ended 31 December 2019

Taxation

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

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

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

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

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

Investments – recognition, measurement and impairment

Investments in subsidiaries are accounted for at cost less any provision for impairment. The value of investments is reviewed annually by the director or more frequently if there is a triggering event and provision made where the investment's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment losses been recognised for the investment in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

Financial instruments

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

Financial asset – recognition and measurement

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the 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 in their entirety at amortised cost.

Classification of financial assets

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

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

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Notes to the financial statements

for the financial year ended 31 December 2019

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

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

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

Impairment of financial assets

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

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

Financial liabilities - recognition and measurement

Initial recognition and measurement

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

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

The company's financial liabilities comprise of loans and borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process.

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

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

Notes to the financial statements

for the financial year ended 31 December 2019

3. Judgements and key sources of estimation uncertainty

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

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

Judgements

(i) Impairment of financial assets

A letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. over financial assets at amortised cost receivable from fellow group companies, indicating that support will be given in order to settle these amounts should it be necessary. Accordingly, the company has not recognised a provision for expected credit loss on those balances.

Estimates and assumptions

In the process of applying the company's accounting policies, management has made the following estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

(ii) Impairment of Investments

The investment in subsidiary undertakings is carried at cost less impairment. The assessment of impairment involves estimation in relation to the value of the unquoted investment based on the net assets of the underlying investment and projected cash flows, wherever applicable. At the year end the value of the investment was £780,634,000 (2018: £780,634,000). There was no impairment charge in the current year (2018: nil).

4. Dividend income

	2019	2018
	£000s	£000s
Dividend from subsidiaries	286,347	74,597
<i>Total dividend income</i>	286,347	74,597

5. Operating profit

	2019	2018
	£000s	£000s
This is stated after charging:		
Loss on foreign exchange	77	72

6. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £3,900 (2018: £6,800) for the audit of the financial statements. This cost was incurred by Honeywell Control Systems Limited, a fellow UK subsidiary of Honeywell International Inc., and it is not recharged to the company.

There are no non-audit services fees payable to the auditor (2018: nil).

Notes to the financial statements

for the financial year ended 31 December 2019

7. Employees and directors

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

The company has no other employees (2018: no other employees).

8. Interest receivable and similar income

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	5,128	4,613
Preference dividend receivable	7,544	7,544
<i>Total interest receivable and similar income</i>	12,672	12,157

9. Interest payable

	2019	2018
	£000s	£000s
Interest payable to group undertakings	10,591	7,020
Interest payable on bank overdraft	4,944	4,634
<i>Total interest payable</i>	15,535	11,654

10. Taxation

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

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on profit for financial year	-	-
<i>Total tax expense in the profit and loss account</i>	-	-

Notes to the financial statements

for the financial year ended 31 December 2019

(b). Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000s	£000s
Profit before tax	283,407	57,666
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%)	53,847	10,957
<i>Effects of:</i>		
Income not deductible for tax purposes	(55,838)	(15,607)
Expenses not deductible for tax purposes	539	3,567
Group relief surrendered	1,487	1,121
Movement in general provisions and other short-term timing differences	(35)	(38)
<i>Total tax expense reported in the profit and loss account</i>	-	-

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

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

(d). Deferred tax

	2019	2018
	£000s	£000s
<i>Unrecognised deferred tax asset @ 17%% (2018:17%)</i>		
Accelerated capital allowances	126	154
Other short-term timing differences	33	33
Tax losses carried forward	7,747	7,747
<i>Total unrecognised deferred tax asset</i>	7,906	7,934

The deferred tax asset has been calculated at 17%, since this was the enacted rate at the balance sheet date. There is no impact of the change in tax rate discussed above as the deferred tax asset is unrecognized.

Notes to the financial statements

for the financial year ended 31 December 2019

11. Investments

	2019	2018
	£000s	£000s
<i>Cost</i>		
At 1 January	1,058,092	1,066,064
Additions during the year	-	74,990
Disposals during the year	-	(82,962)
At 31 December	1,058,092	1,058,092
<i>Provision for impairment</i>		
At 1 January	(277,458)	(281,233)
Disposals during the year	-	3,775
At 31 December	(277,458)	(277,458)
<i>Net book value</i>	780,634	780,634

During the year, the company transferred its investment in Honeywell UK Healthcare Plan Limited having a net book value of £nil to Sperian Protection Holding Limited for a consideration in cash amounting to \$1.

The directors believe that the book value of the investments is not more than the value of the underlying net assets.

Shares in the company's subsidiary undertakings comprise ordinary and preference shares. The subsidiary undertakings are listed in note 19.

12. Debtors: amounts falling due within one year

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	883,000	879,338
Accrued preference dividend	95,537	87,992
<i>Total amounts falling due within one year</i>	978,537	967,330

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

<i>Receivable</i>	<i>Currency</i>	<i>Interest terms</i>	2019	2018
			£000s	£000s
On demand	GBP	UK base rate plus 1%	289,790	286,096
On demand	GBP	5.23%	2,935	2,845

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

Notes to the financial statements

for the financial year ended 31 December 2019

13. Creditors: amounts falling due within one year

	2019	2018
	<i>£000s</i>	<i>£000s</i>
Bank overdraft	142,876	139,166
Amounts owed to group undertakings	810,044	799,597
Other creditors	124	114
<i>Total amount owed to creditors</i>	953,044	938,877

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

<i>Payable</i>	<i>Currency</i>	<i>Interest terms</i>	2019	2018
			<i>£000s</i>	<i>£000s</i>
On demand	EUR	2.39%	3,090	3,156
On demand	SGD	3 Month Sibor plus 0.25%	107	107
On demand	GBP	UK base rate plus 1%	580,740	570,688
On demand	GBP	UK base rate plus 0.25%	48,153	47,675
			953,044	938,877

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

14. Provisions for liabilities

	<i>Other provision</i>
	<i>£000s</i>
Balance at 1 January 2018	36
Utilised during the year	(20)
Balance at 31 December 2019	16

The company has an unfunded obligation to pay the administrative costs incurred by members of the Novar Limited Funded Unapproved Retirement Benefit Scheme, until their retirement. The scheme is a defined contribution scheme closed to new members. The members are all past employees of the company. The provision is expected to be utilised by 2030.

Notes to the financial statements

for the financial year ended 31 December 2019

15. Called-up share capital

	2019	2018
	£000s	£000s
<i>Authorised and allotted, called up and fully paid</i>		
1 (2018:1) ordinary share of £0.28 each at 1 January and 31 December	-	-

16. Other reserve

	2019	2018
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Capital redemption reserve	29,958	29,958

17. Dividend paid

On 18 October 2019, the director recommended and paid a dividend of £286,347,000 for 1 equity share at £286,347,000 per share (2018: £61,831,000).

18. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by group companies, amounting to £560,423,000 (2018: £423,389,000).

Positive cash balances held by the group exceeded overdrawn balances in 2019 and 2018.

19. Subsidiary undertakings

The company's subsidiary undertakings, all of which are 100% owned unless otherwise indicated, are as follows:

<i>Name of company</i>	<i>Principal activity</i>	<i>% holding</i>	<i>Country of incorporation</i>	<i>Registered address</i>
<i>Directly held subsidiaries:</i>				
Novar Europe Limited	Holding company		United Kingdom	*
Novar Holdings Limited	Holding company		United Kingdom	*
Novar NA Holdings Limited	Holding company		United Kingdom	*
Novar Properties Limited	Dormant		United Kingdom	*
Pillar Overseas Holdings Limited	Dormant		United Kingdom	*

Notes to the financial statements

for the financial year ended 31 December 2019

Rallip Aluminium Limited	Dormant	United Kingdom	*
<i>Indirectly held subsidiaries</i>			
Honeywell Acquisitions II Limited	Holding company	United Kingdom	*
First Technology Limited	Holding company	United Kingdom	*
City Technology Holdings Limited	Dormant	United Kingdom	*
Comstack Limited	Dormant	United Kingdom	*
City Technology Limited	Gas sensors	United Kingdom	*
First Technology Automotive Ltd	Dormant	United Kingdom	*
First Technology International Limited	Dormant	United Kingdom	*
First Technology Overseas Limited	Holding company	United Kingdom	*
First Technology S.a.r.l	Finance company	Luxembourg	43, Boulevard Prince Henri, Grand Duchy of Luxembourg, L-1724
Honeywell Hometown Solutions India Foundation	Holding company	India	Nagpal Business Tower, Ground Floor, A/91, Okhla Industrial Phase II, New Delhi Delhi 110020 India
FT Finance Ltd	Holding company	United Kingdom	*
FT North America Limited	Holding company	United Kingdom	*
FT Hungry 1 Asset Management Limited Liability Company	Holding company	Hungary	***
FT Hungry 2 Asset Management Limited Liability Company	Holding company	Hungary	***
Honeywell Australia Finance Pty Ltd	Financing company	Australia	Level 3, 2 Richardson Place, North Ryde, NSW 2113, Australia
FT North America (Holdings) Ltd	Holding company	United Kingdom	*
Honeywell Holdings Limited	Holding company	United Kingdom	*
Honeywell Limited	Holding company	United Kingdom	*

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for the financial year ended 31 December 2019

Honeywell Avionics Systems Limited	Staff supply		United Kingdom	*
Honeywell Control Systems Limited	Automation and Control solutions		United Kingdom	*
Honeywell Southern Africa (Pty) Ltd	Process Solutions, Building Solutions and Security products		South Africa	Treur close, Waterfall Park, Bekker Street, Midrand, 1685.
Honeywell Automation and Control Solutions South Africa (Pty) Ltd	Process solutions and building solutions	75%	South Africa	Treur Close Waterfall Park Bekker Street, Midrand, 1685
Honeywell Pension Trustees Ltd	Dormant		United Kingdom	*
Pittway UK Limited	Dormant		United Kingdom	*
Honeywell Security UK Limited	Intruder/fire detection equipment		United Kingdom	*
Pittway Systems Technology Group Europe Limited	Life safety systems		United Kingdom	*
KAC Alarm Company Limited	Security systems	77.59%	United Kingdom	*
Novar Overseas Holding B.V.	Holding company		Netherlands	**
Novar European Holdings BV	Holding company		Netherlands	**
Novar Holding GmbH	Holding company		Austria	Parkring 2, 1010 Vienna
Novar Vermögensverwaltung GmbH	Holding company		Austria	Parkring 2, 1010 Vienna
Honeywell Austria Gesellschaft M.B.H	Building Services – installation and engineering services		Austria	Handelskai 388, A-1023, Vienna
Foreign Enterprise Honeywell Ukraine	Holding company		Ukraine	10/14 Radishcheva Str 03067, Kiev, Ukraine
Honeywell Life Safety Austria GmbH	Fire and security		Austria	Technologiestraße 5 Gebäude F, 3.OG 1120 Vienna
Novar (Twyfords) Ltd	Dormant		United Kingdom	*
Novar Electrical Holdings Limited	Holding company		United Kingdom	*
MK Electric International Ltd	Finance company		Jersey	Kleinwort Benson House, P.O Box 76

Notes to the financial statements

for the financial year ended 31 December 2019

			West's Centre, Saint Helier, E4 8PQ	
Novar ED&S Limited	Electric and electronic connection equipment systems		United Kingdom	*
Honeywell Electrical Devices & Systems India Ltd	Electrical devices and systems	91%	India	****
Novar Systems Limited	Fire and security		United Kingdom	*
Pillar Electrical Overseas Limited	Holding company		United Kingdom	*
Trend Control Systems Ltd	Building management systems		United Kingdom	*
Novar USA Holdings Limited	Dormant		United Kingdom	*
Hansaholding SGPS Lda	Holding company		Portugal	Rua Braamcamp, No. 90, 3 Dto Parish of San Antonio 1250 - 052 Lisbon
Novar (Stelrad) Limited	Finance company		United Kingdom	*
La France Vinicole Ltd	Dormant		United Kingdom	*

* Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB

** Stationsplein-ZW 961, Tristar I, 1117CE, Schiphol, Netherlands

*** Petnehazy u. 2-4, Budapest, H-1139, Hungary

**** 5th, 6th and 7th Floors, North Tower, KRM Plaza No. 2, Harrington Road, Chetpet, Chennai, 600031, India

20. Events after balance sheet date

The Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.