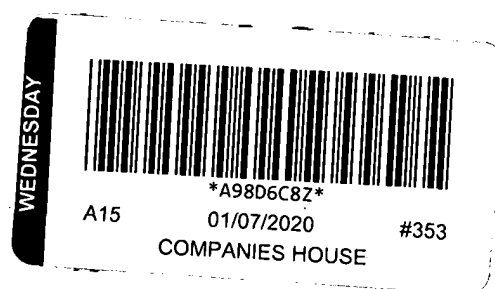


Honeywell Specialty Wax & Additives Limited

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



Company Information

Officers and professional advisors

Directors

Ronan Clifford
Glen Davies

Statutory auditor

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

Bankers

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

Registered address

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

Directors' report

for the financial year ended 31 December 2019

The directors present their annual report and audited financial statements of the company 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 subsidiary.

Business review and future developments

No strategic report is provided as these financial statements have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

The directors intend that the company will continue to operate as a holding company for its subsidiary for the foreseeable future.

Results and dividends

The company's loss for the financial year, after taxation was £313,000 (2018: £185,000) which will be deducted from reserves. The results for the financial year are shown on page 8.

The directors do not recommend the payment of a dividend (2018: £nil).

Financial risk management, objectives and policies

The company is exposed to interest rate risk arising out of amounts owed to group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances. 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. Considering that we are receiving a guarantee letter from Honeywell International Inc. to support Inter-company balances, we do not foresee any credit risk.

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:

Ronan Clifford (appointed on 25 October 2019)

Glen Davies

John Tus (resigned on 25 October 2019)

Directors' indemnities

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

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.

Directors' report

for the financial year ended 31 December 2019

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.

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.

Going concern

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 directors, have 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 Directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have 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 directors, have 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, they continue 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 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.

Directors' report

for the financial year ended 31 December 2019

Events since the balance sheet date

Subsequent to the balance sheet date, as noted in the Directors' 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:

83754F4947254DD...
Glen Davies
Director
29-Jun-2020

Directors' responsibilities statement

for the financial year ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 them in discharging these responsibilities, the directors have 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 directors have ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

Independent auditor's report

to the members of Honeywell Specialty Wax & Additives Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Honeywell Specialty Wax & Additives 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 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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 directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have 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 directors are 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 Specialty Wax & Additives 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 directors

As explained more fully in the directors' responsibilities statement, the directors are 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 directors 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 directors are 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 directors 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

Independent auditor's report

to the members of Honeywell Specialty Wax & Additives Limited

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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:



282540CCE68A43
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 | | - | 57 |
| Operating profit | | - | 57 |
| Interest receivable | 6 | 208 | 185 |
| Interest payable | 7 | (521) | (427) |
| Loss before taxation | | (313) | (185) |
| Tax on loss | 8 | - | - |
| Loss for the financial year | | (313) | (185) |

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 loss for the financial year.

The notes on pages 11 to 19 form an integral part of the financial statements.

Balance sheet

as at 31 December 2019

| | | 2019 | 2018 |
|---|-------|--------------|--------------|
| | Notes | £000s | £000s |
| Fixed assets | | | |
| Investments | 9 | 337 | 337 |
| | | 337 | 337 |
| Current assets | | | |
| Debtors: amounts falling due within one year | 10 | 31,175 | 30,967 |
| Cash at bank and in hand | | 9,990 | 10,581 |
| | | 41,165 | 41,548 |
| Creditors: amounts falling due within one year | 11 | (36,092) | (36,162) |
| Net current assets | | 5,073 | 5,386 |
| Total assets less current liabilities | | 5,410 | 5,723 |
| Net assets | | 5,410 | 5,723 |
| Capital and reserves | | | |
| Called-up share capital | 12 | 64 | 64 |
| Profit and loss account | | 5,346 | 5,659 |
| Total shareholders' funds | | 5,410 | 5,723 |

The financial statements on pages 8 to 19 were approved by the board of directors on 29-Jun-2020 and signed on its behalf by:

DocuSigned by:

 83754F4947254DD...
 Glen Davies
 Director

Statement of changes in equity

for the year ended 31 December 2019

| | <i>Called-up share capital</i> | <i>Profit and loss account</i> | <i>Total</i> |
|-----------------------------|--------------------------------|--------------------------------|--------------|
| | <i>£000s</i> | <i>£000s</i> | <i>£000s</i> |
| At 1 January 2018 | 64 | 5,844 | 5,908 |
| Loss for the financial year | - | (185) | (185) |
| At 31 December 2018 | 64 | 5,659 | 5,723 |
| Loss for the financial year | - | (313) | (313) |
| At 31 December 2019 | 64 | 5,346 | 5,410 |

Notes to the financial statements

for the financial year ended 31 December 2019

1. General information

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

The immediate parent undertaking is ABI Acquisition 2 Ltd, a company incorporated in the United Kingdom. The registered address of the parent is Honeywell House, Skimped Hill Lane, Bracknell, Berks, RG12 1EB, 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 undertaking 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 is 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 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 directors, have 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 Directors have further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and are satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of their consideration, the directors have 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 directors, have 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, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Interest receivable

Interest income 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.

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.

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 directors 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.

Notes to the financial statements

for the financial year ended 31 December 2019

Financial asset – recognition and measurement

Initial recognition and measurement

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

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

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

Derecognition

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

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

Impairment of financial assets

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for 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, or financial liabilities at amortised cost as appropriate.

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

Notes to the financial statements

for the financial year ended 31 December 2019

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 statement of profit or loss.

3. Judgements and key sources of estimation uncertainty

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

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

Judgements

(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, which have the most significant effect on the amounts recognised in the financial statements:

(i) Impairment of Investments

The investment in subsidiary undertaking 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 £337,000 (2018: £337,000). There was no impairment charge during the year (2018: nil).

4. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £2,800 (2018: £3,100) 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

5. 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).

6. Interest receivable

| | 2019 | 2018 |
|---|------------|------------|
| | £000s | £000s |
| Interest receivable from group undertakings | 208 | 185 |
| Total interest receivable | 208 | 185 |

7. Interest payable

| | 2019 | 2018 |
|--|------------|------------|
| | £000s | £000s |
| Interest payable to group undertakings | 521 | 427 |
| Total interest payable | 521 | 427 |

8. Taxation

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

| | 2019 | 2018 |
|--|----------|----------|
| | £000s | £000s |
| Current tax: | | |
| UK corporation tax on loss for financial year | - | - |
| Total tax expense reported in the profit and loss account | - | - |

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 |
| Loss before tax | (313) | (185) |
| Loss multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%) | (59) | (35) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 16 | 16 |
| Group relief surrendered | 43 | 19 |
| 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 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 |
| Unrecognised deferred tax asset @ 17% (2018:17%) | | |
| Overseas interest not paid | 2,470 | 2,470 |
| Total deferred tax asset | 2,470 | 2,470 |

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

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 unrecognised.

Notes to the financial statements

for the financial year ended 31 December 2019

9. Investments

| | 2019 | 2018 |
|---------------------------------|-------|-------|
| | £000s | £000s |
| <i>Cost</i> | | |
| At 1 January and 31 December | 555 | 555 |
| <i>Provision for impairment</i> | | |
| At 1 January and 31 December | (218) | (218) |
| <i>Net book value</i> | 337 | 337 |

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 undertaking are ordinary shares. The subsidiary undertaking is listed in note 14.

10. Debtors: amounts falling due within one year

| | 2019 | 2018 |
|--|--------|--------|
| | £000s | £000s |
| <i>Amounts falling due within one year</i> | | |
| Amounts owed by group undertakings | 31,175 | 30,967 |
| <i>Total amounts falling due within one year</i> | 31,175 | 30,967 |

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% | 11,987 | 11,780 |

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

11. Creditors: amounts falling due within one year

| | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| | £000s | £000s |
| Amounts owed to group undertakings | 36,092 | 36,162 |
| <i>Total amount owed to creditors</i> | <u>36,092</u> | <u>36,162</u> |

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

| Payable | Currency | Interest terms | 2019 | 2018 |
|-----------|----------|----------------------|--------|---------------|
| | | | £000s | £000s |
| On demand | GBP | UK Base Rate Plus 1% | 13,431 | 13,781 |
| On demand | GBP | 1.35% | 22,661 | - |
| On demand | GBP | 1.04% | - | <u>22,382</u> |

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

12. Called-up Share capital

| | 2019 | 2018 |
|--|-----------|-----------|
| | £000s | £000s |
| <i>Authorised</i> | | |
| 64,000 (2018: 64,000) ordinary shares of £1 each | 64 | 64 |
| <i>Allotted, called up and fully paid</i> | | |
| 63,630 (2018: 63,630) ordinary shares of £1 each | <u>64</u> | <u>64</u> |

13. 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.

Notes to the financial statements

for the financial year ended 31 December 2019

14. Subsidiary undertaking

The company's subsidiary undertaking, which is 100% owned, is as follows:

| <i>Name of company</i> | <i>Principal activity</i> | <i>Country of incorporation</i> | <i>Registered Address</i> |
|--|---------------------------|---------------------------------|---------------------------------------|
| Directly held subsidiary: | | | |
| Honeywell Specialty Wax & Additives SA | Dormant | Belgium | Gaston Geenslaan 14, 3001 Heverlee |

15. Events after balance sheet date

Subsequent to the balance sheet date, as noted in the Directors' 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.