Elster Metering Limited

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

Company Information

Officers and professional advisors

Director

Garfield Lowe

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,
Berkshire,
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 activities of the company are the design, manufacture and marketing of domestic, industrial and commercial gas and electricity metering products and systems. It also supplies combustion and heat related equipment. The company also has a branch in Hong Kong.

Review of the business and future developments

The company has two divisions: the HPS (Honeywell Process Solutions) division which operates from sites in Melton Mowbray and Bromsgrove and the SMART Energy division located in Stafford, with a branch office in Hong Kong. On 28 April 2019, the HPS division of the company acquired the trading business of combustion and heat related equipment from Maxon Combustion Systems Limited for £2,598,000.

The loss for the financial year, after taxation, is £3,388,000 (2018: profit £7,515,000). The loss is mainly driven by a drop in revenue and gross profit margins for the SMART Energy business. There was significantly reduced demand for First Generation Smart Meters (SMETS 1) as customers anticipated the UK Government would imminently roll out Second Generation Smart Meters (SMETS2) and sought to avoid overstocking. However, the UK Government delayed the implementation timeline for SMETS2 to the latter part of the year leading to overall decrease in sales. The SMETS 2 product has a lower margin and therefore overall profitability is reliant upon large sales volumes. The overall impact was £19.8m reduction in turnover for the SMART Energy business, as discussed below.

The turnover of the HPS division is £8m higher in comparison to prior year due to increased demand in the Bio Methane market and new business of combustion and heat related equipment. This offset some of the reduction discussed above leading to an overall 12.5% reduction in turnover.

Further increasing the loss, the company incurred one off costs for restructuring pending closure of the Stafford production site amounting to £859,000. There were also increased administrative expenses on property insurance, IT, foreign exchange losses incurred in the year.

In 2020, the company has ceased its in-house production operations in Stafford and transferred the production operations to another Honeywell entity in Romania to reduce its production cost.

Further, the smart energy business has been adversely impacted by COVID-19 in 2020 as the customers have not been able to install gas and electric meters during the lockdown phase. At present, the business expects partial recovery in the second half of 2020, and further recovery in 2021.

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

Key performance indicators

Management monitors the business using the following key indicators:

	2019	*2018*
Turnover % change compared with previous year	(12.5)	(20.7)
Gross profit margin%	9.6	17.5
Operating (loss)/profit margin% of turnover	(3.9)	8.3
Headcount % change compared with previous year	(11.0)	0.8

Turnover

Turnover of the company decreased by 12.5% mainly due to reduced customer demands for smart meter products, however the demand in the Bio Methane market increased turnover within the HPS division.

The turnover of the SMART Energy division for 2019 was £54,962,000 (2018: £74,764,000) which decreased mainly due to reduction in demand for smart meters.

The turnover of the HPS division for 2019 was £27,368,000 (2018: £19,363,000) which is higher mainly due to increased demand in the Bio Methane market and new business of combustion and heat related equipment.

Strategic report

for the financial year ended 31 December 2019

Gross profit margin

Gross margin decreased from 17.5% in 2018 to 9.6% in 2019. The decrease was mainly due to the introduction of SMETS 2 meters which have lower product pricing and margin, in comparison to the SMART Energy products from the previous year.

Operating loss margin

Operating loss decreased to negative 3.9%, due to increased property insurance, IT and restructuring costs pending closure of the SMART Energy production site at Stafford and foreign exchange losses incurred during the year.

Headcount

Headcount for the year decreased from 127 employees in 2018 to 113 employees in 2019, largely following the transfer of engineering and procurement functions to another Honeywell group company. The decision to transfer the production facility of the SMART Energy line from the Stafford site to another Honeywell entity in Romania, will have an impact on the 2020 headcount.

Strategy

The company is part of Honeywell Group's Building Technologies (HBT) business. The business group strategy is to generate sustainable growth by developing and bringing to the market intelligent metering solutions which drive energy efficiency, operational improvements and cost savings for its customers. The group offers products which work intelligently together, expert technical support and targeted training to allow its customers to control their energy consumption across their entire organisation.

Financial risk management, objectives and policies

Foreign currency risk

The impact of COVID-19 has resulted in increased volatility in foreign exchange rates thus exposing the company to increased foreign currency risks.

The company continues to monitor and manage the increased foreign currency risks with the assistance of Treasury department of Honeywell International Inc.

Liquidity risk

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

Other risk

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

The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

In respect of intercompany receivables, the company does not have exposure to credit risk considering that we are receiving a guarantee letter from Honeywell International Inc. to support intercompany balances.

Principal risks and uncertainties

As a trading company, the company is dependent on its continued ability to secure contracts with customers and its ability to perform under those contracts.

The 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 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 can negatively impact the company's operations and adversely affect its business.

Strategic 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 could, among other things, disrupt the purchasing and payment behaviours of our customers and their end-users; our operations, including our manufacturing activities, the shipment of our products, and the performance of our suppliers and service providers; and our liquidity and cash flow. The following risks will be applicable to the companies operating in Honeywell building technologies business as a whole:

- Customer risk: Existing and potential customers and their end-users may choose to reduce or delay spending. Customers may also attempt to renegotiate contracts and obtain concessions, face financial constraints on their ability to make payments to us on a timely basis or at all, or discontinue their business operations, and we may be required to discount the pricing of our products, all of which may materially and negatively impact our operating results, financial condition and prospects. In addition, unfavourable customer site conditions, such as closure of or access restrictions to customer facilities, and disruptions to our customers' third-party logistics, warehousing, inventory management and distribution services may limit our ability to sell products and provide services.

- Operations risk: The closure of our facilities, restrictions inhibiting our employees' ability to access those facilities, and disruptions to the ability of our suppliers or service providers to deliver goods or services to us (including as a result of supplier facility closures or access restrictions, disruptions to their supply chains, and supplier liquidity or bankruptcy risk) could disrupt our ability to provide our services and solutions and result in, among other things, terminations of customer contracts and losses of revenue. Because the COVID-19 pandemic could adversely affect our near-term and long-term revenues, earnings, liquidity and cash flows, we have begun to take and may be required to continue taking significant cost actions, including but not limited to reducing discretionary expenses (such as non-essential travel, contractors, and consultants), reducing hiring, cancelling annual merit increases; reducing executive and board of directors pay, reducing work schedules across the enterprise, shortening or staggering work schedules to match production with demand, and reducing staffing levels. Remote work and increased frequency of cybersecurity attacks, including phishing and malware attempts that utilize COVID-19-related strategies, increase the risk of a material cybersecurity incident that could result in the loss of proprietary or personal data, render us more vulnerable to future cybersecurity attacks, disrupt our operations, or otherwise cause us reputational or financial harm.

The company faced challenges during the lockdown phase as the customers have not been able to install gas and electric meters. As the customers are currently holding stock of the existing products due to delay in installation, they have further delayed the purchase of SMART meters from the company. At present, the business expects partial recovery in the second half of 2020, and further recovery in 2021.

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.

Strategic report

for the financial year ended 31 December 2019

Statement by the director in performance of his 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.

We recognise the importance of clear communication and proactive engagement with our stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the company. In the table below, and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), we set out our stakeholder groups, as required by the Regulations, how we engage with them and the impact of that engagement.

Stakeholder group	How we engage	Impact of engagement
Workforce		
We create a workplace where our people can learn and develop their careers while contributing positively to our brand and initiatives. Our key aims for the workforce are as follows: • maintain a low level of staff attrition; • encourage employee engagement with our business in the context of the current market; • encourage idea- and knowledge-sharing to capitalise on employee ideas and initiatives that could add value to the business; and • encourage a healthy work-life balance.	We have engaged with our workforce in a variety of ways and some specific initiatives are highlighted below: • "Tier" meetings at the beginning of each shift or every morning. Employees have the opportunity to discuss important matters from the previous shift and set priorities for the day related to inventory, delivery, health and/or safety, as well interact with supervisors/managers of departments; • site leaders meet each morning with a VP; and • quarterly townhall meetings and conferences.	The engagement initiatives with employees enabled us to: • the impact of the Tier level meetings allows employees to escalate any issues they have and allows management to proactively and rapidly respond to any escalations. It also gives employees an opportunity to share ideas with senior management that could add to the value of the business and • quarterly town halls enabled effective communication of business performance and targets. This resulted in increased two-way engagement and investment in the business plan from employees. We aim to maintain these monthly town halls on an ongoing basis.
Customers		
We have identified our key customers as those who have the highest impact on our short-to-medium term business. We have engaged with our customers to achieve the following objectives: • improve customer engagement metrics; • improve product quality and product and service offering; and • build and maintain positive customer relationships.	We have engaged with our customers during the year in many forms, some of the highlights as below: • implementation of an annual survey on customer satisfaction; • engagement with customers during New Product Introductions (NPIs) which are held on average every six month • company promotion events interlinked with Honeywell network; and • direct escalation to sales team or director for any customer feedback.	The customer engagement initiatives resulted in: • our customer satisfaction survey rated and helped us to ascertain what value-add innovations we have brought to the market. Our customer initiatives have allowed us to clarify our vision for future growth and add brand value.
Suppliers		
Engagement with suppliers is managed as a part of Honeywell global procurement organisation. • For more information on Honeywell International's supplier code of business conduct please refer to www.honeywell.com/en-us/company/integrity-and-compliance.com	Director's engage with suppliers on an exceptional basis through procurement teams, in cases where there are any escalations.	Some of supplier engagement initiatives resulted in improved supplier satisfaction and building our reputation with potential customers and suppliers.

Strategic report

for the financial year ended 31 December 2019

The company's ultimate controlling party, Honeywell International Inc, shapes the business strategies for the group which has an impact on the long-term development of the company. In practice, all decisions and policies affecting employees, suppliers and business relationships with stakeholders are implemented by the director in line with the business strategies decided at the group level and promote the interests of the ultimate controlling party and group as a whole. For further information on the strategy and governance of Honeywell International Inc please refer to www.honeywell.com.

Principal decisions

Being a part of a large multinational group of companies, Elster Metering Limited adheres to policies and procedures which are often set by the ultimate parent company, Honeywell International Inc. During the year, a decision was made to transfer the production facility of the SMART Energy line from the Stafford site to another Honeywell entity in Romania. All product lines and other business activity from the site will be relocated and employees that were impacted will be made redundant.

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

DocuSigned by:
Garfield Lowe
5E9E530CBEF3466...
Garfield Lowe
Director
06-Oct-2020

Director's report

for the financial year ended 31 December 2019

The director presents his annual report and audited financial statements for 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 loss for the financial year, after taxation was £3,388,000 (2018: profit £7,515,000) which will be deducted from reserves. The results for the financial year are shown on page 13.

The director does not recommend the payment of a dividend (2018: £nil).

Financial risk management, objectives and policies

The details of the financial risk management of the company are included in the strategic report on page 2.

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:

Garfield Lowe (appointed on 18 September 2020)
Gary Vincent (resigned on 18 September 2020)
Paul Melville (appointed on 30 January 2019 and resigned on 24 April 2020)

Director's indemnities

Pursuant to the company's articles of association, the director was 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.

Employee and stakeholder engagement

We recognise the importance of clear communication and proactive engagement with our employees and stakeholders and further detail on the engagement with employee and stakeholders appears as part of our Section 172 Statement on page 4.

Research and development

Research and development expenditure for the financial year amounted to £303,000 (2018: £250,000).

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the director, has reviewed the operating results for 2019 and 6 months ended 30 June 2020, 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 and the group's cash, cash equivalents and short term investments balance at 30 June 2020 of $15.1 billion.

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

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

In November 2019, the company announced its intention to transfer the production facility of the SMART Energy line from the Stafford site to another Honeywell entity in Romania. The transfer will be completed in 2020 and the Stafford site will be permanently closed. The company will continue to market and supply SMART Energy products in the future.

The company acquired the trading business of combustion & heat related equipment, a part of the HPS division, from Eclipse Combustion Limited for £361,000 on 27 January 2020.

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:
Garfield Lowe
5E9E530CBEF3466...
Garfield Lowe
Director
06-Oct-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. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To assist him in discharging these responsibilities, the director has engaged a number of third party providers including accounting firms who are engaged to prepare the company's financial statements, as well as Honeywell International Inc.'s own finance shared service centre located in Bengaluru, Prague and Bucharest. 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 Western 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 Elster Metering Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Elster Metering 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

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 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.

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.

Independent auditor's report

to the members of Elster Metering Limited

We have nothing to report in respect of these matters.

Responsibilities of director

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Elster Metering 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:

282543CEF66A4A3...

James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
06-Oct-2020

Profit and loss account

for the financial year ended 31 December 2019

	Notes	2019 £000s	2018 £000s
Turnover	5	82,330	94,127
Cost of sales		(74,460)	(77,652)
Gross profit		**7,870**	**16,475**
Distribution expenses		(3,148)	(3,538)
Administrative expenses		(7,909)	(5,087)
Operating (loss)/profit	**8**	**(3,187)**	**7,850**
Interest receivable	11	-	5
Interest payable and similar charges	12	(91)	(64)
(Loss)/profit before taxation		**(3,278)**	**7,791**
Tax on (loss)/profit	13	(110)	(276)
(Loss)/profit for the financial year		**(3,388)**	**7,515**

The notes on pages 17 to 42 form an integral part of the financial statements.

Statement of comprehensive income

for the financial year ended 31 December 2019

	Notes	2019 £000s	2018 £000s
(Loss)/profit for the financial year		(3,388)	7,515
Other comprehensive income:			
Items that cannot be reclassified to profit or loss			
Actuarial gains on pension plan	22	348	364
Movement on deferred tax relating to pension scheme	13	(59)	(62)
Other comprehensive income for the year, net of tax		289	302
Total comprehensive (expense)/income for the year, net of tax		**(3,099)**	**7,817**

Balance sheet

as at 31 December 2019

	Notes	2019 £000s	2018 £000s
Fixed assets			
Intangible assets	14	-	-
Tangible assets	15	1,791	1,732
Right-of-use assets	16	150	-
		1,941	**1,732**
Current assets			
Stocks	17	9,266	8,513
Debtors: amounts falling due within one year	18	13,834	22,899
Debtors: amounts falling due after one year	18	553	722
Cash at bank and in hand		28,436	33,361
		52,089	65,495
Creditors: amounts falling due within one year	19	(17,956)	(25,912)
Net current assets		**34,133**	**39,583**
Total assets less current liabilities (excluding pension asset)		**36,074**	**41,315**
Provisions for liabilities	21	(3,801)	(2,917)
Pension liability	22	(1,506)	(2,195)
Net assets		**30,767**	**36,203**
Capital and reserves			
Called-up share capital	23	1,000	1,000
Share premium account	24	1,222	1,222
Merger reserve	28	(2,337)	-
Profit and loss account		30,882	33,981
Total shareholders' funds		**30,767**	**36,203**

The financial statements on pages 13 to 42 were approved by the board of directors on 06-Oct-2020 and signed on its behalf by:

DocuSigned by:
Garfield Lowe
5E9E530CBEF3466...
Garfield Lowe
Director

Statement of changes in equity

for the financial year ended 31 December 2019

	Called-up share capital	*Share premium account*	*Merger reserve*	*Profit and loss account*	*Total*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*
At 1 January 2018	1,000	1,222	-	26,164	28,386
Profit for the financial year	-	-	-	7,515	7,515
Other comprehensive income	-	-	-	302	302
At 31 December 2018	**1,000**	**1,222**	**-**	**33,981**	**36,203**
Loss for the financial year	-	-	-	(3,388)	(3,388)
Other comprehensive income	-	-	-	289	289
Excess consideration paid for business transfer (note 28)	-	-	(2,337)	-	(2,337)
At 31 December 2019	**1,000**	**1,222**	**(2,337)**	**30,882**	**30,767**

Notes to the financial statements

for the financial year ended 31 December 2019

1. General information

Elster Metering 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 strategic report on page 1.

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

The company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 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, Honeywell, 300 South Tryon Street, Charlotte, North Carolina, 28202, 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 and FRS 101. 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, paragraph 73(e) of IAS 16 Property, Plant and Equipment, paragraph 118(e) of IAS 38 Intangible Assets 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;
- 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;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52 of IFRS 16 Leases; and
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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 operating results for 2019 and 6 months ended 30 June 2020, 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 and the group's cash, cash equivalents and short term investments balance at 30 June 2020 of $15.1 billion.

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

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

Turnover and revenue recognition

Turnover comprises revenue from sales to customers and service revenues net of value added tax.

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

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

Type of sale	*Recognition*
Product and service sales	On delivery and when acceptance by the customer has occurred
Service contracts	As and when a performance obligation is satisfied using cost-to-cost measure of progress.

Construction contracts

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

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

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

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

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

Assets covered by a single contract are treated separately when:

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

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

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

Volume rebates

In relation to the SMART Energy division, the company provides volume related reduced pricing to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract.

Warranty obligations

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

Cost to obtain a contract

The company pays sales incentives to its employees for each contract that they obtain for sales of SMART Energy products and the HPS business. The company has elected to apply the optional practical expedient for the sales incentives costs which allows the company to immediately expense sales incentives (included under employee benefits) to the profit and loss account.

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.

Leases – as lessee

The company has adopted IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

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

Lease liability – Initial measurement

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

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

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

Variable lease payments are not included in the determination of the lease liability and are charged to the profit and loss in the period that they arise.

Lease liability – Subsequent measurement

The lease liability is subsequently measured at amortised cost.

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

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

Right-of-use assets

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

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

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

Operating leases – Accounting policies applied until 31 December 2018

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

Research and development

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

Foreign currency translation

The company's financial statements are presented in Sterling, which is also the company's functional currency.

Notes to the financial statements

for the financial year ended 31 December 2019

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The useful life of the major assets are:

Software	5 years
Licenses	5 years
Development costs	5 years

Notes to the financial statements

for the financial year ended 31 December 2019

Tangible assets and depreciation

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

Plant and equipment	3 to 10 years

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

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

Impairment of non-financial assets

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

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

Financial instruments

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

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 attribute able 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

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The company classifies its financial assets in the following measurement categories:

- those measured at amortised cost, and
- those to be measured subsequently at fair value through other comprehensive income (FVTOCI)

Notes to the financial statements

for the financial year ended 31 December 2019

Financial asset at amortised cost

A financial asset is measured at the amortised cost if both the following conditions are met:

- 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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Financial asset at FVTOCI

A 'financial asset' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

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 measurement and recognition of impairment loss on all financial assets not measured at fair value.

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required.

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

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

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, loans and borrowings, payables, or as derivatives as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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, trade creditors and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

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.

Stocks

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

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

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

Pensions

As described in note 22, the company participates in a defined benefit pension scheme for the benefit of certain of its employees, the assets of which are held separately from those of the company in independently administered funds. The rates of contribution are determined by independent professionally qualified actuaries.

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

Remeasurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur. The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

Defined contribution plans are externally funded, with the assets of the plan held separately from those of the company in separate trustee administered funds. Contributions to such plans are charged to the profit and loss account as they become payable.

Provisions

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

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

3. Judgements and key sources of estimation uncertainty

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

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

Judgements

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

Estimates and assumptions

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

(i) Estimates used for revenue recognition

Construction contracts

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

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

(ii) Estimates used for provisions

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

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

Notes to the financial statements

for the financial year ended 31 December 2019

Warranty provision

Provisions for warranty costs are recognised when the product is sold to the customer. Initial recognition is based on historical experiences. To calculate the provision for warranty cost, management take all returns/credit in relation to the products for the last 12 months and considers the cost of sales for those credits for the warranty period. The estimate of warranty costs is revised annually. The carrying amount of the warranty provision as at 31 December 2019 was £3,423,000 (2018: £2,539,000).

Dilapidation provision

The dilapidation provision covers the anticipated dilapidation costs of returning property to its original condition at the end of their lease period. The carrying amount of the dilapidation provision as at 31 December 2019 was £378,000 (2018: £378,000).

(iii) Estimates used for DB pension scheme

The cost of defined benefit pensions plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Management works closely with the actuary to agree to these assumptions. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions. Further details are given in note 22.

(iv) Impairment of financial assets

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required. Accordingly, the company has recognised a provision for expected credit loss amounting to £49,000 (2018: £204,000).

In respect of other financial assets which primarily comprises of amounts owed from group undertakings, a letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. indicating that support will be given in order to settle these amounts should it be necessary.

4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

Under previous standards, leases where the lessor retained a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable were charged to the profit and loss account on a straight-line basis over the lease term. Under IFRS 16 the company is required to recognise a right-of-use asset and related lease liability for all leases, including those previously classified as operating leases, except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

Notes to the financial statements

for the financial year ended 31 December 2019

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

On transition to IFRS 16, the company recognised £565,000 of right-of-use assets and lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account. (refer note 27)

The company also applied the available practical expedients wherein it:

- Used a central incremental borrowing rate (IBR) to the leases entered into by it;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

5. Turnover

	2019	*2018*
	£000s	*£000s*
Analysis of turnover by geographical market		
United Kingdom	74,043	83,828
Rest of Europe	3,171	727
Other	5,116	9,572
Total turnover by geographical market	82,330	94,127

	2019	*2018*
	£000s	*£000s*
Analysis of turnover by category		
SMART Energy	54,962	74,764
Honeywell Process Solutions	27,368	19,363
Total turnover by category	82,330	94,127

	2019	*2018*
	£000s	*£000s*
Timing of revenue recognition		
Point of time	74,371	90,266
Over time	7,959	3,861
Total revenue from contracts with customers	82,330	94,127

Notes to the financial statements

for the financial year ended 31 December 2019

6. Construction contracts

	2019	*2018*
	£000s	*£000s*
Contract revenue recognised in period	7,959	3,861
Advances received	(1,079)	(2,915)
	6,880	946
Contract costs incurred	6,821	3,292
Recognised profits less recognised losses	2,373	1,507
Contract costs incurred and recognised profits	9,194	4,799
Less: progress billings	(7,392)	(4,458)
Amount due from customers	1,802	341

Retention assets are included in trade debtors.

7. Contract balances

The following table provides information about receivables:

	2019	*2018*
	£000s	*£000s*
Trade debtors (note 18)	8,017	13,593
Contract assets (note 18)	1,851	341

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2019	*2018*
	£000s	*£000s*
As at 1 January	204	72
(Recovery)/provision for expected credit losses (Note 18)	(155)	132
As at 31 December	49	204

Notes to the financial statements

for the financial year ended 31 December 2019

8. Operating (loss)/profit

	2019	*2018*
	£000s	*£000s*
This is stated after charging/(crediting):		
Depreciation and amortisation (refer note 14,15 and 16)		
Tangible assets – owned (note 15)	502	419
Intangible assets (note 14)	-	4
Right-of-use assets (note 16)	415	-
Research and development	303	250
Restructuring costs (*)	859	182
Loss/(gain) on foreign exchange	1,604	(733)

(*) In 2019, the company announced a restructuring programme to close the production site based at Stafford (SMART Energy) and move production activities to another Honeywell company.

9. Auditor's remuneration

The remuneration of the statutory auditor is further analysed as follows:

	2019	*2018*
	£000s	£000s
Audit of the financial statements	71	68
Total auditor's remuneration	71	68

In addition to above, Elster Metering Limited paid auditor's remuneration on behalf of Elster Gas Holdings Ltd amounting to £1,000, Elster Metering Holdings Ltd amounting to £2,900 and Elster Solutions Ltd amounting to £7,900.

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

10. Employees and directors

(a). Staff costs

	2019	*2018*
	£000s	*£000s*
Wages and salaries	5,172	5,374
Social security costs	557	653
Contributions to defined contribution pension plans	286	281
Total staff costs	6,015	6,308

Notes to the financial statements

for the financial year ended 31 December 2019

	2019	2018
	Nos	Nos
Outstanding contributions for defined contribution plans at the end of the financial year:	62	62

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

(including executive director)

	2019	2018
	No.	No.
Direct	35	37
Indirect	78	90
Total monthly average number of employees	113	127

(b). Directors' remuneration

	2019	2018
	£000s	£000s
Aggregate emoluments	89	-
Pension costs - defined contribution	11	-
Total payments to directors	100	-

During the financial year, the highest paid director did not (2018: did not) exercise options over shares of Honeywell International Inc., the ultimate parent company.

In 2019, no director (2018: all directors) was remunerated by other group companies for their services to the group as a whole.

11. Interest receivable

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	-	5
Total interest receivable	-	5

12. Interest payable and similar charges

	2019	2018
	£000s	£000s
Pension interest (note 22)	51	64
Interest expense on lease liability	5	-
Other finance expenses	35	-
Total interest expense and similar expenses	91	64

13. Taxation

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

	2019	2018
	£000s	£000s
Current tax:		
UK corporation tax on profit for financial year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	110	67
Adjustment in respect of prior years	-	209
Total deferred tax	110	276
Total tax expense in the profit and loss account	110	276

(b). Tax relating to items credited or charged to statement of comprehensive income

Deferred tax:		
Remeasurements on defined benefit pension plans	59	62
Total tax expense in the statement of comprehensive income	59	62

Notes to the financial statements

for the financial year ended 31 December 2019

(c). Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is higher/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)/profit before income tax	(3,278)	7,791
(Loss)/profit multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%)	(623)	1,480
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	35	10
Difference in current tax rate to deferred rate	(13)	(8)
Adjustment for tax for prior years-deferred tax	-	209
Group relief surrendered/ (not paid for)	711	(1,415)
Total tax expense reported in the profit and loss account	110	276

(d). 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%.

(e). Deferred tax

	2019	*2018*
	£000s	£000s
The deferred tax included in the balance sheet is as follows:		
Deferred tax asset		
Differences between capital allowances and depreciation	225	254
Other short term timing differences	72	95
Deferred tax on pension liability	256	373
Total deferred tax asset	553	722

Notes to the financial statements

for the financial year ended 31 December 2019

Movements in deferred tax	Excluding pension	Pension	Total
	£000s	*£000s*	*£000s*
At 1 January 2019	349	373	722
Charge to profit and loss account	(52)	(58)	(110)
Charge to statement of comprehensive income	-	(59)	(59)
At 31 December 2019	297	256	553

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

The deferred tax asset has been calculated at 17%, since this was the enacted rate at the balance sheet date expected to be in place when the deferred tax asset reverses. In his Budget on 11 March 2020, the Chancellor indicated that the rate reduction of 2% would be removed and therefore the deferred tax is likely to unwind in future when the corporation tax rate is 19%. Had the deferred tax been calculated at 19%, then the tax charge in the income statement would have been £189,000 and the deferred tax asset would be £619,000.

There are no unprovided amounts relating to deferred tax.

14. Intangible assets

	Software	*Licenses*	*Development costs*	*Total*
	£000s	*£000s*	*£000s*	*£000s*
Cost				
At 1 January 2019 and 31 December 2019	149	43	410	602
Accumulated amortisation/impairment				
At 1 January 2019 and 31 December 2019	149	43	410	602
Net book value:				
At 31 December 2019	-	-	-	-
At 31 December 2018	-	-	-	-

Notes to the financial statements

for the financial year ended 31 December 2019

15. Tangible assets

	Plant and equipment	*Construction in progress*	*Fixtures and fittings*	*Total*
	£000s	*£000s*	*£000s*	*£000s*
Cost				
At 1 January 2019	6,966	1,007	-	7,973
Transfer from Maxon Combustion Systems Limited (note 28)	14	-	-	14
Additions	554	-	4	558
Transfer	919	(919)	-	-
At 31 December 2019	8,453	88	4	8,545
Accumulated depreciation				
At 1 January 2019	6,241	-	-	6,241
Transfer from Maxon Combustion Systems Limited (note 28)	11	-	-	11
Provided during the financial year	502	-	-	502
At 31 December 2019	6,754	-	-	6,754
Net book value:				
At 31 December 2019	1,699	88	4	1,791
At 31 December 2018	725	1,007	-	1,732

16. Right-of-use assets

	Land and buildings
	£000s
Cost	
At 1 January 2019	-
Transition to IFRS 16 (note 27)	565
At 31 December 2019	565
Accumulated depreciation	
At 1 January 2019	-
Provided during the financial year	415
At 31 December 2019	415
Net book value:	
At 31 December 2019	150

Notes to the financial statements

for the financial year ended 31 December 2019

17. Stocks

	2019	2018
	£000s	£000s
Raw materials	3,946	2,306
Work in progress	1,438	1,585
Finished goods	3,882	4,622
Total stocks	9,266	8,513
The amount of inventories recognised as an expense during the year	61,601	68,159
The amount inventories written down recognised as an expense in the year	(344)	(100)

18. Debtors

	2019	2018
	£000s	£000s
Amounts falling due within one year		
Trade debtors	8,017	13,593
Receivable from construction contracts	1,851	341
Amounts owed by group undertakings	3,582	8,169
Other debtors	27	603
Prepayments	357	193
Total amounts falling due within one year	13,834	22,899
Amounts falling due after more than one year		
Deferred tax asset (note 13)	553	722
Total amounts falling due after more than once year	553	722

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

Trade receivables

	2019			2018		
Amounts due:	Gross carrying amount at risk of default £000s	Expected credit loss rate %	Expected credit loss £000s	Gross carrying amount at risk of default £000s	Expected credit loss rate %	Expected credit loss £000s
Not due	5,834	0.09	5	11,930	0.16	19
within 30 days	1,591	0.31	5	844	0.54	5
30 – 60 days	150	2.00	3	271	2.64	7
61 – 90 days	115	2.61	3	281	4.92	14
91 – 180 days	223	10.31	23	217	8.99	20
Over 181 days	153	6.54	10	254	54.76	139
Total	8,066		49	13,797		204

19. Creditors: amounts falling due within one year

	2019	*2018*
	£000s	*£000s*
Trade creditors	7,081	6,975
Payment on account	401	466
Amounts owed to group undertakings	5,718	14,005
Taxation and social security	1,216	2,136
Accruals and deferred income	2,176	2,184
Lease liability (note 20)	70	-
Other creditors	1,294	146
Total amount owed to creditors	17,956	25,912

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

20. Lease liabilities

	2019	*2018*
	£000s	*£000s*
Current (note 19)	70	-
Total	70	-

The company has entered into commercial leases on certain properties. There are three property leases: first one relates to Units 14 & 15, the Courtyard, Bromsgrove site with cash outflow amounting to £28,000 and remaining term at year end of 12 months; second one relates to Melton Mowbray UK7Q Mutual House, Leicester Road with cash outflow amounting to £71,000 and remaining term at year end of 5 months; and last one relates to Paton drive, Stafford site with cash outflow amounting to £309,000 and remaining term at year end of 4 months. The lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

21. Provisions for liabilities

	At 1 January 2019	*Charged to profit and loss*	*Utilised*	*At 31 December 2019*
	£000s	*£000s*	*£000s*	*£000s*
Warranty	2,539	1,345	(461)	3,423
Dilapidation	378	-	-	378
Total	2,917	1,345	(461)	3,801

22. Pension commitments

Honeywell UK Pension Scheme (HUKPS)

The company is a participating employer in the Honeywell UK Pension Scheme (HUKPS) which is a funded defined-benefit plan based on salary. The scheme was closed for future accruals of benefits with effect from 30 June 2017 and all active members at this date became deferred members. Regular employer contributions to the plan by the company in 2020 are estimated to be nil. Defined benefit obligations are based on a full-valuation of the schemes liabilities as at 31 December 2019, measured using the projected unit credit method and rolled forward to the year-end date as at 31 December 2019.

Amounts recognised in the balance sheet	*2019*	*2018*
	£000s	*£000s*
Fair value of plan assets	10,749	9,787
Present value of defined benefit obligations	(12,255)	(11,982)
Net liability	(1,506)	(2,195)

Amounts recognised in profit or loss		
Interest cost	314	305
Expected return on pension plan assets	(263)	(241)
Finance expense recognised	51	64
Total administrative expenses recognised in profit and loss	185	169
Cost recognised in profit and loss	236	233
Actual return on assets	1,265	(42)

Notes to the financial statements

for the financial year ended 31 December 2019

Amounts recognised in the statement of comprehensive income (SOCI)	*2019*	*2018*
	£000s	*£000s*
Actuarial loss/(gains) on changes in financial assumptions	654	(595)
Actuarial gains due to experience	-	(52)
Asset (gains)/losses arising during the financial year	(1,002)	283
Total actuarial gain	(348)	(364)

Changes in present value of defined benefit obligation	*2019*	*2018*
	£000s	*£000s*
At 1 January	11,982	13,132
Interest cost	314	305
Actuarial losses/(gains) on liabilities-financial assumption	758	(358)
Actuarial gains on liabilities-demographic assumptions	(104)	(237)
Actuarial gains on liabilities-experience	-	(52)
Net benefits paid out	(695)	(808)
At 31 December	12,255	11,982

Changes in fair value of scheme assets	*2019*	*2018*
	£000s	*£000s*
At 1 January	9,787	10,074
Expected return on assets	263	241
Actuarial gains/(losses) on assets	1,002	(283)
Contributions by employer	577	732
Actual administration expenses paid	(185)	(169)
Net benefits paid out	(695)	(808)
At 31 December	10,749	9,787

Notes to the financial statements

for the financial year ended 31 December 2019

Major categories of plan assets as a percentage of total plan assets	*2019*	*2018*
	%	%
Equities	37	36
Debt instruments	47	47
Property	14	15
Cash	2	2
	100	100

Main actuarial assumptions	*2019*	*2018*
	%	%
Inflation (RPI)	3.0	2.2
Discount rate	2.0	2.7
Rate of increases to pensions in payment (%)	2.9	3.2
Rate of increases to pensions in deferment (%)	2.0	2.7
Other pensions and deferred pensions	2.0	2.2

Mortality

Mortality assumptions are based on standard mortality tables that allow for future mortality improvements. These tables assume that a member who retired in 2019 at age 65 will live on average for a further 22.37 years (2018: 21.6 years) after retirement if male or a further 24.44 years (2018: 23.5 years) if female.

Overall long-term rate of return

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

23. Called-up share capital

	2019	*2018*
	£000s	*£000s*
Authorised and allotted, called up and fully paid		
1,000,000 (2018:1,000,000) ordinary shares of £1 each	1,000	1,000

Notes to the financial statements
for the financial year ended 31 December 2019

24. Share premium account

	2019	*2018*
	£000s	*£000s*
Balance at 1 January and 31 December		
Premium arising on issue of equity shares	1,222	1,222

25. Capital commitments

	2019	*2018*
	£000s	*£000s*
Commitments contracted for but not yet provided for intangible assets	8	262

26. 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.

27. Change in accounting policies

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

On transition to IFRS 16, the company recognised £565,000 of right-of-use assets and lease liabilities. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account.

Notes to the financial statements

for the financial year ended 31 December 2019

Impact on financial statements

Effect of adoption of IFRS 16 on the balance sheet as at 1 January 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	*£000s*	*£000s*
Right-of-use assets	565	565	-
Total assets	**565**	**565**	**-**
Lease liabilities	565	565	-
Total liabilities	**565**	**565**	**-**

Effect of adoption of IFRS 16 on the balance sheet as at 31 December 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	*£000s*	*£000s*
Right-of-use assets	150	150	-
Total assets	**150**	**150**	**-**
Lease liabilities	70	70	-
Total liabilities	**70**	**70**	**-**

Effect of adoption of IFRS 16 on the statement of profit and loss for the year ending 31 December 2019:

	As reported	Adjustments	Balances without IFRS 16
	£000s	*£000s*	*£000s*
Depreciation on ROU assets	415	415	-
Interest payable on lease liabilities	5	5	-
Rent expenses	-	(423)	423
Loss before tax	3,278	(3)	3,281
Income tax expense	110	-	110
Loss for the year	3,388	(3)	3,391

28. Business transfer agreement

On 28 April 2019, the company entered into a business transfer agreement with Maxon Combustion Systems Limited as a result of which the company received the rights and assumed interests, obligations, duties and liabilities of combustion and heat related equipment from Maxon Combustion Systems Limited for a consideration of £2,598,000 payable in cash.

Details of the purchase consideration, the net assets acquired are as follows:

	£000s
Purchase consideration paid	2,598

The assets and liabilities acquired as a result of the acquisition are as follows:

	£000s
Plant and equipment	14
Debtors	754
Total assets	**768**
	-
Accumulated depreciation	11
Creditors	496
Total liabilities	**507**
Net assets acquired	**261**
Excess of purchase consideration paid	**2,337**

Notes to the financial statements

for the financial year ended 31 December 2019

As of the date of transfer, Elster Metering Limited and Maxon Combustion Systems Limited were under common control of Honeywell International Inc. As such, this is a business combination under common control and the company has applied the predecessor value accounting method to account for the business transfer. The company has recorded all the assets and liabilities at the book value as in the books of the transferor and the excess purchase consideration paid over the net assets acquired at book value of £2,337,000 is debited to the merger reserve.

29. Events after balance sheet date

In November 2019, the company announced its intention to transfer the production facility of the SMART Energy line from the Stafford site to another Honeywell entity in Romania. The transfer will be completed in 2020 and the Stafford site will be permanently closed. The company will continue to market and supply SMART Energy products in the future

The company acquired the trading business of combustion & heat related equipment, a part of the HPS division, from Eclipse Combustion Limited for £361,000 on 27 January 2020.

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.