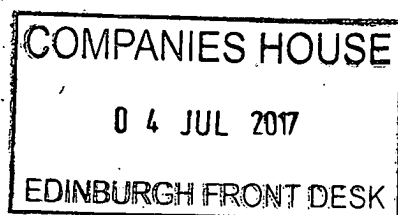


Honeywell Bryan Donkin Gas **Technologies Ltd**

(Formerly Bryan Donkin RMG Gas Controls Ltd)

Report and Financial Statements 2016



Strategic report

for the financial year ended 31 December 2016

The directors present their strategic report for the financial year ended 31 December 2016.

Review of the business and future developments

Turnover for the year was £11,705,000, down by 2.87% on the prior year turnover of £12,051,000. This decrease is driven primarily by the ongoing challenging conditions within the global oil and gas market. Gross margin has improved versus prior year due to improved inventory management and continuing effective direct cost control management.

The profit for the year, after taxation, is £763,000 (2015: loss £793,000). The profit for the year, after taxation, is £763,000 (2015: loss £793,000). The increase in profit is due to the 2015 results being greatly affected following the integration of the Gorter business into the company. This integration resulted in a significant increase in the inventory inactive, obsolete and surplus provision (IOS) and a write off of inventory as a result of the Physical inventory count completed in 2015. In the 2016 P&L the reduction in IOS provision was £875k and the reduction in inventory shortages was £764k year on year.

On 17 January 2017, the management announced a proposal to transition the manufacturing of Bryan Donkin regulators and Gorter products to other Honeywell locations; and to outsource Bryan Donkin modules assembly, Gorter Cocon line and Enraf production. This proposal was consulted upon and was approved on 22 February 2017. It is therefore the intention of Honeywell to close the site. The transition works are underway and are currently anticipated to take a number of months to conclude.

Key performance indicators

Management monitors the business using the following key indicators:

	2016	2015
	%	%
Turnover % change compared with previous year, due to:		
Volume	(4.9)	(10.3)
Price	2.1	4.3
	(2.8)	6
Gross profit %	25.1	8.1
Operating result % of turnover	6.9	6.1
Headcount % change compared with previous year	(12.8)	(10.4)

Turnover

Turnover has decreased by 2.87%. Turnover reduction has been driven by a softening in the global oil and gas market.

Gross profit

Gross margin improvement has been driven by the non recurrence of a 2015 inventory reserve increase and reduced inventory write offs. This is as a result of improved inventory management.

Operating result

Operating result has increased by 6.9%. This was due to reduction in inventory due to inactive, obsolete and surplus material cost and inventory shortages.

Strategic report

for the financial year ended 31 December 2016

Headcount

Headcount reduction is a result of efficiencies achieved through the implementation of the Honeywell operating systems and is in line with business requirements.

Strategy

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

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

Principal risks and uncertainties

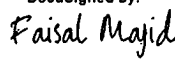
The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are:

- changes in spending and capital investment patterns
- fluctuation in customer demand
- adverse economic conditions
- raw material price fluctuations
- obsolescence arising from a shift in technology
- changes in legislation or government regulations or policies
- cost of employee retirement benefits
- health and safety of employees and contractors

In response to the risks the company:

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

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

DocuSigned by:

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Faisal Majid
Director

03/07/2017

Directors' report

for the financial year ended 31 December 2016

The directors present their report and financial statements for the company for the financial year ended 31 December 2016.

With effect from 20 December 2016 the company changed its name from Bryan Donkin RMG Gas Controls Ltd to Honeywell Bryan Donkin Gas Technologies Ltd.

Principal activities

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

Business review and future developments

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

Results and dividends

The company's profit for the financial year, after taxation was £763,000 (2015: loss £793,000) which will be transferred to reserves. The results for the financial year are shown on page 8.

The directors do not recommend the payment of a dividend (2015: £nil).

Financial risk management

Credit risk

Credit risk arises from cash at bank and credit exposures to customers. Bank balances are maintained within the permitted credit limits set by the group's Investment Committee who frequently monitor banks' credit ratings. The creditworthiness of customers granted credit terms in the normal course of business are 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.

Other risks

The company's exposure to other risks such as price risk, foreign currency risk, interest rate risk and cash flow risk is within reasonable limits and these exposures are not hedged. There are no further material risks in which the company believe external hedging is required at present.

Directors' report

for the financial year ended 31 December 2016

Directors of the company

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

Faisal Majid

Edwin Rutgers

Grant Fraser (resigned on 7 October 2016)

Directors' indemnities

Pursuant of the company's articles of association, the directors were throughout the financial year ended 31 December 2016 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

Research and development

Research and development expenditure for the financial year ended amounted to £69,000 (2015: £35,000).

Directors' responsibilities statement

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

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

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' report

for the financial year ended 31 December 2016

Going concern

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

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

Disclosure of information to auditors

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

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

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

Events since the balance sheet date

The company announced on February 2017 its plans to close down the manufacturing and assembly facility in Chesterfield. The full impact of this decision is still to be fully assessed and as such no provision has been recorded in these financial statements.

Independent auditors

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

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

DocuSigned by:

Faisal Majid

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Faisal Majid
Director

03/07/2017

Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONEYWELL BRYAN DONKIN GAS TECHNOLOGIES LTD

We have audited the financial statements of Honeywell Bryan Donkin Gas Technologies Ltd for the financial year ended 31 December 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the financial year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' 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 and the Directors' Report.

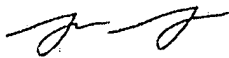
Independent auditor's report

to the members of Honeywell Bryan Donkin Gas Technologies Ltd

Matters on which we are required to report by exception

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

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



James Boyle CA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
4 July 2017

Profit and loss account*for the financial year ended 31 December 2016*

		2016	2015
	Notes	£000s	£000s
Turnover	5	11,705	12,051
Cost of sales		(8,768)	(11,072)
Gross profit		2,937	979
Distribution costs		(589)	(596)
Administrative expenses		(1,637)	(1,218)
Other operating income		100	100
Operating profit/(loss)	6	811	(735)
Interest payable	9	(48)	(58)
Profit/ (loss) on ordinary activities before taxation		763	(793)
Tax on profit/(loss) on ordinary activities	10	-	-
Profit/(loss) for the financial year attributable to owners of the parent		763	(793)

All amounts are derived from continuing operations.

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

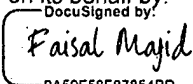
No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than the profit/(loss) for the financial year.

Balance sheet

at 31 December 2016

		2016	2015
	Notes	£000s	£000s
Fixed assets			
Tangible assets	11	221	271
		221	271
Current assets and liabilities			
Stocks	12	2,841	4,017
Debtors: amounts falling due within one year	13	2,055	2,027
		4,896	6,044
Creditors: amounts falling due within one year	14	(3,204)	(5,165)
Net current assets		1,692	879
Total assets less current liabilities		1,913	1,150
Capital and reserves			
Share capital	15	2,000	2,000
Profit and loss account		(87)	(850)
Total shareholders' funds attributable to owners of the parent		1,913	1,150

The financial statements on pages 8 to 21 were approved by the board of directors on 23 June 2017 and signed on its behalf by:

DocuSigned by:

 Faisal Majid
 Director
 03/07/2017

Statement of changes in equity*at 31 December 2016*

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2015	2,000	(57)	1,943
Loss for the financial year attributable to owners of the parent	-	(793)	(793)
At 31 December 2015	2,000	(850)	1,150
Profit for the financial year attributable to owners of the parent	-	763	763
At 31 December 2016	2,000	(87)	1,913

Notes to the financial statements

at 31 December 2016

1. General information

Honeywell Bryan Donkin Gas Technologies Ltd is a limited company which is incorporated and domiciled in England. The nature of the company's operations and its principal activities are set out in the directors' report on page 3. The registered address of the company is Enterprise Way, Holmewood, Chesterfield, Derbyshire, S42 5UZ, United Kingdom.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group. The immediate parent undertaking is Honeywell Gas Technologies GmbH, a company incorporated in Germany.

The company's results are included in the consolidated financial statements of Honeywell International Inc., a company registered in the USA, which is the smallest and largest group to consolidate these financial statements. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at www.honeywell.com.

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

2. Accounting policies

Basis of preparation

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 in accordance with 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 accounting policies which follow set out those policies which apply in preparing the financial statements for the financial year ended 31 December 2016.

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 and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern

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

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. The directors, having taken into account both the future trading of the company and the financial support from the ultimate parent undertaking, have a reasonable expectation that the company has adequate resources to continue in operational

Notes to the financial statements

at 31 December 2016

existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover and revenue recognition

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

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

Type of sale

Recognition

Product sales

On delivery and when acceptance by the customer has occurred

Operating leases – as lessee

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

Operating leases – as lessor

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

Research and development

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

Foreign currency translation

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

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

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

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.

Notes to the financial statements

at 31 December 2016

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.

Tangible assets and depreciation

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

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

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

Land is not depreciated.

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

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.

Financial assets - recognition and measurement

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

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

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

Notes to the financial statements

at 31 December 2016

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

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

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.

Notes to the financial statements

at 31 December 2016

3. Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the financial year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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

4. New and amended standards and interpretations

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the profit and loss account and the balance sheet may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the balance sheet and the profit and loss account. These amendments do not have any impact on the company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

5. Turnover

	2016	2015
	£000s	£000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	5,346	6,994
Europe	4,354	3,612
North America	462	181
Other	1,543	1,264
Total turnover	11,705	12,051

Notes to the financial statements

at 31 December 2016

	2016	2015
	£000s	£000s
<i>Analysis of turnover by category</i>		
Sale of goods	11,705	12,051

6. Operating profit/(loss)

	2016	2015
	£000s	£000s
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Tangible assets – owned	90	106
<i>Rental charges under operating leases</i>		
Land and buildings	148	315
Plant and machinery	6	17
Other operating income	(100)	(100)
Loss/(gain) on foreign exchange	28	(42)
Research and development	69	35

7. Auditor's remuneration

Fees paid to the auditor, Deloitte LLP, have not been disclosed in the stand-alone entity as the total UK audit fee is agreed on an aggregate basis and is incurred and disclosed in Honeywell Control Systems Ltd, a fellow UK subsidiary of Honeywell International Inc.

8. Employees and directors*(a). Staff costs*

	2016	2015
	£000s	£000s
Wages and salaries	2,001	2,406
Social security costs	196	232
Contributions to defined contribution pension plans	128	119
Total staff costs	2,325	2,757

Notes to the financial statements

at 31 December 2016

	2016	2015
	£000s	£000s

Outstanding contributions for defined contribution plans at the end of the financial year:

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

(including executive directors)

	2016	2015
	No.	No.
Factory and engineering	61	69
Selling, servicing and marketing	12	11
General and administration	2	6
<i>Total monthly average number of employees</i>	<u>75</u>	<u>86</u>

In 2016, all directors (2015: all directors) were remunerated by other group companies for their services to the group as a whole. No charge has been made to the company as in the opinion of the directors it is not possible to determine with reasonable accuracy the split by company.

9. Interest payable

	2016	2015
	£000s	£000s
Interest payable on bank overdraft	48	58
<i>Total interest payable</i>	<u>48</u>	<u>58</u>

10. Taxation

(a) Tax charged in the profit and loss account

	2016	2015
	£000s	£000s
<i>Current income tax:</i>		
UK corporation tax on profit/(loss) for financial year	-	-
<i>Total current income tax</i>	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	-	-
<i>Total deferred tax</i>	<u>-</u>	<u>-</u>
<i>Tax expense reported in the profit and loss account</i>	<u>-</u>	<u>-</u>

Notes to the financial statements*at 31 December 2016**(b). Reconciliation of the total tax charge*

The tax expense in the profit and loss account for the financial year is higher/lower to the standard rate of corporation tax in the UK of 20% (2015: 20%). The differences are reconciled below:

	2016	2015
	£000s	£000s
Profit/(loss) before tax	763	(793)
Effective tax at 20% (2015: 20.25%)	20	20.25
Profit/(loss) on ordinary activities multiplied by the effective rate	153	(161)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	1
Capital allowances less depreciation	18	(6)
Movement in general provisions and other short term timing difference	6	(40)
Group relief (not paid for)/ surrender	(178)	206
<i>Total tax expense reported in the profit and loss account</i>	-	-

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

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2016 Finance Act received Royal Assent on 15 September 2016 which will reduce the rate further to 19% from 1 April 2017, and to 17% from 1 April 2020. These reductions will reduce the company's future tax charge accordingly.

(d). Deferred tax

	2016	2015
	£000s	£000s
Unrecognised deferred tax asset @ 19% (2015: 20%)		
Differences between capital allowances and depreciation	86	53
Other short term timing differences	7	1
Deferred tax asset	93	54

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

Notes to the financial statements

at 31 December 2016

11. Tangible assets

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<i>Cost</i>				
At 1 January 2016	79	417	183	679
Additions	-	40	-	40
At 31 December 2016	79	457	183	719
<i>Accumulated depreciation</i>				
At 1 January 2016	46	274	88	408
Provided during the financial year	8	64	18	90
At 31 December 2016	54	338	106	498
<i>Net book value:</i>				
At 31 December 2016	25	119	77	221
At 31 December 2015	33	143	95	271

The above figures include:

	<i>2016</i>	<i>2015</i>
	<i>£000s</i>	<i>£000s</i>
Short leasehold land and buildings, at net book value	25	33

12. Stocks

	<i>2016</i>	<i>2015</i>
	<i>£000s</i>	<i>£000s</i>
Raw materials	1,881	2,741
Work in progress	469	576
Finished goods	491	700
<i>Total stocks</i>	2,841	4,017
The amount of inventories recognised as an expense during the period	6,509	6,579
The amount inventories written down recognised as an expense in the period	29	866

Notes to the financial statements*at 31 December 2016***13. Debtors**

	2016	2015
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	1,079	1,101
Amounts owed by group undertakings	950	794
Other debtors	-	100
Prepayments and accrued income	26	32
<i>Total amount owed by debtors</i>	<u>2,055</u>	<u>2,027</u>

14. Creditors: amounts falling due within one year

	2016	2015
	£000s	£000s
Bank overdraft	1,398	2,974
Trade creditors	1,326	1,471
Amounts owed to group undertakings	233	361
Taxation and social security	29	49
Accruals and deferred income	218	310
<i>Total amount owed to creditors</i>	<u>3,204</u>	<u>5,165</u>

15. Share capital

	2016	2015
	£000s	£000s
<i>Allotted, called up and fully paid</i>		
2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

Notes to the financial statements*at 31 December 2016***16. Operating lease commitments**

	2016	2015
	£000s	£000s
At 31 December the future minimum rentals payable under non-cancellable operating leases are as follows:		
<i>Land and buildings</i>		
Not later than one year	262	315
After one year but not more than five years	-	262
<i>Total land and building commitments</i>	262	577
<i>Other leases</i>		
Not later than one year	-	18
<i>Total other leases commitments</i>	-	18

17. Contingent liabilities

The company, with other Honeywell group companies in the UK, has provided a bank guarantee under a composite accounting agreement. Under this agreement, bank interest is calculated on the net group position after setting off positive and overdrawn cash balances. The maximum contingent liability under this agreement is the total of overdrawn balances held by the group companies, amounting to £596,213,000 (2015: £421,960,000).

Positive cash balances held by the group exceeded overdrawn balances in 2016 and 2015.

18. Post balance sheet event

The company announced on February 2017 its plans to close down the manufacturing and assembly facility in Chesterfield. The full impact of this decision is still to be fully assessed and as such no provision has been recorded in these financial statements.