

Elster Gas Holdings Limited

Report and Financial Statements 2016

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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

The loss for the financial year, after taxation, was £93,000 (2015: profit of £19,000). The results for the year are in line with the directors' expectations. The directors intend that the company will continue to act as a holding company for the foreseeable future.

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

Key performance indicators

Management monitors the business using the following key indicators:

	2016	2015
	£000s	£000s
Interest receivable from group undertakings	3	5
Closing interest bearing assets	-	717
	%	%
Effective interest rate	-	0.7

The company monitors its net interest expense as a percentage of average interest-bearing assets and liabilities during the year. The interest income and expense are in line with market rates.

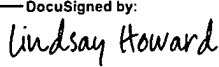
	2016	2015
	£000s	£000s
Interest payable to group undertakings	37	34
Closing interest bearing liabilities	1,513	1,338
	%	%
Effective interest rate	2.4	2.5

The company borrows at a 12 month euro libor plus 3% and 12 month GBP libor plus -0.25%.

Principal risks and uncertainties

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

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

DocuSigned by:

 SE17765E461E415...
 Lindsay Howard
 Director

11/04/2017

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.

Principal activities

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

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 £93,000 (2015: profit of £19,000) which will be deducted from the reserves. The results for the financial year are shown on page 6.

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

Financial risk management

The company's exposure to risks such as credit 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 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:

Lindsay Howard

David Thomson (appointed on 31 December 2016)

Kolja Kress (resigned on 31 December 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.

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

Directors' report

for the financial year ended 31 December 2016

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.

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 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.

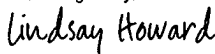
Events since the balance sheet date

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

Independent auditors

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

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

DocuSigned by:

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Lindsay Howard
Director

11/04/2017

Independent auditor's report

to the members of Elster Gas Holdings Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELSTER GAS HOLDINGS LIMITED

We have audited the financial statements of Elster Gas Holdings Limited 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 17. 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 loss 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.

Matters on which we are required to report by exception

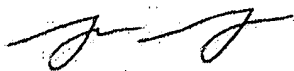
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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;

Independent auditor's report

to the members of Elster Gas Holdings Limited

- 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
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
11 April 2017

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

		2016	2015
	Notes	£000s	£000s
Administrative expenses		(59)	48
Operating (loss)/ profit	5	(59)	48
Interest receivable	8	3	5
Interest payable	9	(37)	(34)
(Loss)/profit on ordinary activities before taxation		(93)	19
Tax on (loss)/profit on ordinary activities	10	-	-
(Loss)/profit for the financial year attributable to owners of the parent		(93)	19

All amounts are derived from continuing operations.

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

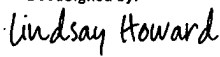
No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than the (loss)/profit for the financial year.

Balance sheet

at 31 December 2016

		2016	2015
	Notes	£000s	£000s
Fixed assets			
Investments	11	2,504	2,504
		2,504	2,504
Current assets and liabilities			
Debtors: amounts falling due within one year	12	-	717
Cash at bank and in hand		895	-
		895	717
Creditors: amounts falling due within one year	13	(1,609)	(1,338)
Net current liabilities		(714)	(621)
Total assets less current liabilities		1,790	1,883
Capital and reserves			
Share capital	14	-	-
Share premium account	15	1,875	1,875
Profit and loss account		(85)	8
Total shareholders' funds attributable to owners of the parent		1,790	1,883

The financial statements on pages 6 to 15 were approved by the board of directors on 11/04/2017 and signed on its behalf by:

DocuSigned by:

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 Lindsay Howard
 Director

Statement of changes in equity*at 31 December 2016*

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2015	-	1,875	(11)	1,864
Profit for the financial year attributable to owners of the parent	-	-	19	19
At 31 December 2015	-	1,875	8	1,883
Loss for the financial year attributable to owners of the parent	-	-	(93)	(93)
At 31 December 2016	-	1,875	(85)	1,790

Notes to the financial statements

at 31 December 2016

1. General information

Elster Gas Holdings Limited 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 2. The registered address of the company is Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, England, RG12 1EB, United Kingdom.

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

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as 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 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 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 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.

Notes to the financial statements

at 31 December 2016

Foreign currency translation

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

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

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

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Taxation

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

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

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

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

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

Investments

Investments in subsidiaries are accounted for at cost less any provision for impairment. The value of investments is reviewed annually by the directors or more frequently if there is a triggering event and provision made where the investment's carrying amount exceeds its recoverable amount.

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. The company has no financial assets other than cash at bank and in hand.

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

Notes to the financial statements

at 31 December 2016

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, 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.

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 year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Impairment of investments

The investments in subsidiaries are carried at cost less impairment. The assessment of impairment involves judgement and estimations as to the value of the unquoted investments. At the period end the value of the investments was £2,504,000 (2015: £2,504,000).

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.

5. Operating (loss)/profit

	2016	2015
	£000s	£000s
This is stated after charging/(crediting):		
Loss/(gain) on foreign exchange	59	(51)

Notes to the financial statements

at 31 December 2016

6. 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 Limited, a fellow UK subsidiary of Honeywell International Inc.

7. Employees and directors

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.

The company has no other employees.

8. Interest receivable

	2016 £000s	2015 £000s
Interest receivable from group undertakings	3	5
Total interest receivable	3	5

9. Interest payable

	2016 £000s	2015 £000s
Interest payable to group undertakings	37	34
Total interest payable	37	34

10. Taxation

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

	2016 £000s	2015 £000s
Current income tax:		
UK corporation tax on (loss)/profit for financial year	-	-
Total current income tax	-	-

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 to the standard rate of corporation tax in the UK of 20% (2015: 20%). The differences are reconciled below:

	2016	2015
	£000s	£000s
(Loss)/profit before tax	(93)	19
Effective tax at 20% (2015: 20.25%)	20	20.25
(Loss)/profit on ordinary activities multiplied by the effective rate	(19)	4
Effects of:		
Group relief surrendered/ not paid for	19	(4)
Total tax expense reported in the profit and loss account	-	-

(c). Change in corporation tax rate

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.

There are no provided or unprovided amounts relating to deferred tax.

11. Investments

	2016	2015
	£000s	£000s
Investments in subsidiaries:		
Cost	2,504	2,504
Provision for impairment	-	-
Net book value	2,504	2,504

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

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 17.

12. Debtors

	2016	2015
	£000s	£000s
Amounts falling due within one year		
Amounts owed by group undertakings	-	717
Total amount due by debtors	-	717

Notes to the financial statements*at 31 December 2016***13. Creditors: amounts falling due within one year**

	2016	2015
	£000s	£000s
Corporation tax	9	-
Amounts owed to group undertakings	1,600	1,338
Total amount owed to creditors	1,609	1,338

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

<i>Repayable</i>	<i>Currency</i>	<i>Interest terms</i>	2016	2015
			£000s	£000s
On demand	EUR	12M euro libor plus 3%	1,172	1,001
On demand	GBP	12M GBP libor plus - 0.25%	340	337

All amounts are unsecured.

14. Share capital

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100

15. Share premium account

	2016	2015
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Premium arising on issue of equity shares	1,875	1,875

16. 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: £nil).

Notes to the financial statements

at 31 December 2016

17. Subsidiary undertakings

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

<i>Name of company</i>	<i>Principal activity</i>	<i>% holding if not 100%</i>	<i>Country of incorporation</i>	<i>Registered address</i>
Eclipse Combustion Limited	Manufacturing		United Kingdom	Honeywell House, Skimped Hill Lane, Bracknell, Berkshire, RG12 1EB, United Kingdom
Elster Amco de Sudamerica SA	Manufacturing	90%	Argentina	Industrial Park, City of La Rioja, Province of La Rioja, Argentina
Elster Amco de Mexico S. de R.L. de C.V.	Manufacturing	44%	Mexico	Avenida Circuito Mexico No. 145, Colonia Parque Industrial Tres, Nacione, San Luis Potosi, San Luis Pososi, 78395, Mexico