Carrier Refrigeration UK Limited

Annual Report
For the year ended 30 November 2018

Registered number: 00943308

Carrier Refrigeration UK Limited

Contents page

Carrier Refrigeration UK Limited

Company information

Directors	M Mulhern D Schmedding A Forastier
Secretary	S Gillesen
Company number	00943308
Registered office	Ground Floor, Meridian House East Point Business Park Sandy Lane West Oxford OX4 6LB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR
Bankers	HSBC Bank Plc Regional Service Centre Europe P O Box 125, 2nd Floor 62-76 Park Street London SE1 9DZ

Carrier Refrigeration UK Limited

Strategic Report
For the year ended 30 November 2018

The directors present their Strategic Report for the company for the year ended 30 November 2018.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

Revenue decreased to £13,501,000 (a decrease of 10.4% against 2017 sales of £15,067,000), mainly due to lower volume in respect of project sales.

Gross profit, at £1,212,000 (2017: £1,762,000) shows a year on year decrease of 2.7% of revenue (2017: increase 1.2% of revenue). The decreased gross profit margin is primarily a result of a one time warranty accrual release in 2017 amounting to £656,000.

The company made an operating loss of £1,037,000 (2017: £775,000 loss) and a loss for the financial year of £865,000 (2017: £432,000 loss), which will be transferred from reserves. Trading conditions have continued to be challenging during the year.

At 30 November 2018 the company had net assets of £170,000 (2017: £898,000). Further information on the going concern ability of the company is included in the Directors' report.

Key performance indicators

The company prepares monthly KPIs and compares these to forecast and planned figures to assist management in monitoring the performance of the business. Forecasts are prepared at the beginning of each month. The KPIs used include profitability ratios, working capital ratios, and orders/backlog coverage. Profitability ratios used include gross margins by customer, overheads as a % of sales, and EBIT (earnings before interest and tax) as a % of sales. Working capital ratios used include debtor days, creditor days and stock turnover.

Key KPIs include Return on Sales 7.7% loss (2017: 5.1% loss), Net Inventory Turnover 57 days (2017: 53 days) and Days Sales Outstanding 78 days (2017: 94 days). Lower Return on Sales is driven by higher administrative expenses. Lower Days Sales Outstanding is a result of more efficient cash collection from customers. Higher Inventory turnover is a result of similar levels of ending inventory but lower annual sales.

Principal risks and uncertainties

The key business risks affecting the Company are considered to be increased competition, unpredictability of market demand, continued difficult economic environment and pressure on margins due to fewer projects being available in the market place.

Management will continue to leverage its brand recognition, existing customer relationships and expertise to sustain current sales volume. Revenue streams from new products and solutions are considered the key opportunity for capturing new revenue streams.

Carrier Refrigeration UK Limited

Strategic Report
For the year ended 30 November 2018

Future developments

The directors expect the general level of activity to remain consistent with 2018 in the forthcoming year. This is as a result of the continued challenging trading conditions affecting the business and political disturbances in relation to the UKs EU membership hindering market demand but the focus will continue to be on winning projects with higher margins.

Approval

Approved by the Board and signed on its behalf by:

....
M Mulhern
Director

Ground Floor, Meridian House
East Point Business Park
Sandy Lane West
Oxford
OX4 6LB

Carrier Refrigeration UK Limited

Directors' Report
For the year ended 30 November 2018

The directors present their Report and audited financial statements of the company for the year ended 30 November 2018.

Future developments

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Going concern

The company has received a letter of support from Carrier Corporation, and therefore, the directors 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 financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. A proportion of supplies are purchased in a currency other than Sterling. In order to manage potential fluctuations in the exchange rate, the Company uses foreign exchange forward contracts by utilising the group hedging facility.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other debtors, and investments.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Appropriate credit checks are made prior to the sanctioning of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Where appropriate advance payments are requested from customers. Weekly reviews of the debtor's ledger are carried out with the finance and operations teams and action initiated to collect any overdue amounts, thus optimising the Company's liquidity position.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Financial risk management objectives and policies

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company participates within an Intercompany Loan Arrangement through which it makes short and long term borrowings. Interest rates are controlled and monitored by United Technologies Holdings Limited, a fellow group company, with associated interest charges being communicated to the Company.

Dividends

The loss for the financial year amounted to £865,000 (2017: loss £432,000), which has been transferred to reserves. The Directors do not recommend the payment of a dividend (2017: £nil).

Directors

The directors, who served throughout the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

M Mulhern
D Schmedding
A Forastier

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its performance and the future of the business. The group encourages the involvement of employee's by means of local staff meetings.

Carrier Refrigeration UK Limited

Directors' Report
For the year ended 30 November 2018

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

Independent Auditors

Pursuant to sections 485 – 488 of the Companies Act 2006, PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

M Mulhern
Director

Ground Floor, Meridian House
East Point Business Park
Sandy Lane West
Oxford
OX4 6LB

Carrier Refrigeration UK Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Independent auditors' report to the members of Carrier Refrigeration UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Carrier Refrigeration UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 30 November 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Carrier Refrigeration UK Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 November 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of Carrier Refrigeration UK Limited

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
5th August 2019

Carrier Refrigeration UK Limited

Income statement
For the year ended 30 November 2018

	Note	2018 £'000	2017 £'000
Revenue	*3*	**13,501**	15,067
Cost of sales		**(12,289)**	(13,305)
Gross profit		**1,212**	1,762
Distribution costs		**(117)**	(185)
Administrative expenses		**(2,132)**	(2,352)
Operating loss		**(1,037)**	(775)
Loss on ordinary activities before finance charges		**(1,037)**	(775)
Finance income	*4*	**227**	485
Finance costs	*5*	**(96)**	(59)
Loss on ordinary activities before taxation	*6*	**(906)**	(349)
Tax on loss on ordinary activities	*10*	**41**	(83)
Loss for the financial year		**(865)**	(432)

All results are derived from continuing operations.

There is no difference between the loss before taxation and the loss for the financial year stated above and their historical cost equivalents.

Carrier Refrigeration UK Limited

Statement of comprehensive income
For the year ended 30 November 2018

	Note	2018 £'000	2017 £'000
Loss for the financial year		**(865)**	(432)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain (loss) on pension scheme	*19*	**165**	2,273
Income tax relating to items not reclassified:			
- movement on deferred tax relating to pension deficit	*15*	**(28)**	(386)
Total comprehensive expense for the year		**728**	1,455

Carrier Refrigeration UK Limited

Balance sheet
As at 30 November 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment	11	-	-
Deferred tax asset	15	-	-
		-	-
Current assets			
Inventories	12	1,906	1,917
Trade and other receivables:			
- Amounts falling due within one year	13	4,178	4,930
Cash and cash equivalents		229	402
		6,313	7,249
Creditors: Amounts falling due within one year	14	(14,596)	(14,645)
Net current liabilities		(8,283)	(7,396)
Total assets less current liabilities		(8,283)	(7,396)
Deferred tax liability	15	(69)	(81)
Provisions for liabilities	16	(119)	(206)
Pension asset	19	8,641	8,581
Net assets		170	898
Equity			
Called up share capital	17	1,000	1,000
Share premium account	17	11,500	11,500
Other reserves		1,896	1,896
Accumulated losses		(14,226)	(13,498)
Total shareholders' equity		170	898

The notes on pages 15 to 43 form part of these financial statements.

The financial statements on pages 11 to 43 were approved by the board of directors on 05.08.19 and were signed on its behalf by:

M Mulhern
Director

Carrier Refrigeration UK Limited

Statement of changes in equity
For the year ended 30 November 2018

	Called up share capital (Note 17) £'000	Share Premium (Note 17) £'000	Other reserves £'000	Accumulated losses £'000	Total Shareholders deficit £'000
Balance at 1 December 2016	1,000	11,500	1,896	(14,953)	(557)
Loss for the financial year	-	-	-	(432)	(432)
Other comprehensive expense for the year					
- Actuarial gain on pension scheme	-	-	-	2,273	2,273
- Deferred tax on pension scheme	-	-	-	(386)	(386)
Balance at 30 November 2017	**1,000**	**11,500**	**1,896**	**(13,498)**	**898**
Loss for the financial year	-	-	-	(865)	(865)
Other comprehensive expense for the year					
- Actuarial gain on pension scheme	-	-	-	165	165
- Deferred tax on pension scheme	-	-	-	(28)	(28)
Balance at 30 November 2018	**1,000**	**11,500**	**1,896**	**(14,226)**	**170**

Total comprehensive loss amounted £728,000 (2017: income £1,455,000).

1. Accounting policies

Carrier Refrigeration UK Limited's ('the company') principal activity is the supply and installation of mechanical refrigeration equipment manufactured by the group and other companies. The company operates in the UK and Ireland.

The company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Ground Floor, Meridian House, East Point Business Park, Sandy Lane West, Oxford, OX4 6LB.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 November 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

1. Accounting policies (continued)

Basis of accounting (continued)

These financial statements are separate financial statements. Details of the parent in whose consolidated financial statements the company is included are shown in note 22 to the financial statements.

As permitted by FRS 101, the company has taken advantage some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IFRS 3 – not to restate business combinations before the date of transition
IFRS 7 – financial instrument disclosures
IFRS 13 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1 – Information on management of capital
IAS 7 – statement of cash flows
IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective
IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group;
IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and
IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment

Where required, equivalent disclosures are given in the group financial statements of United Technologies Corporation. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 22.

1. Accounting policies (continued)

Adoption of new and revised Standards

IFRS 15 *Revenue recognition*	IFRS 15 applies for the first time in the year ending 30 November 2019. The standard provides enhanced and broader guidance around revenue recognition. An exercise is being undertaken across the Carrier group to assess the impact of this and other changes to revenue guidance more broadly upon the group and affected legal entities. At this time it is not envisaged that adoption of the standard is likely to have a material impact on the company.
IFRS 9 *Financial instruments*	IFRS 9 applies for the first time in the year ending 30 November 2019. Its main potential impact is on provisioning for bad debts where the standard requires companies to make an assessment of expected credit losses in relation to trade receivables following some prescribed methodology. We do not believe that adoption of this standard is likely to have a material impact on the reported results.
IFRS 16 *Leases*	IFRS 16 becomes applicable for the company for the year ending 30 November 2020. The standard will require the company to bring onto its balance sheet a "right of use asset" for various assets which are subject to operating leases with an associated liability also being recognized. The standard will also have some impact of the geography and quantum of charges relating to these assets in the income statement. The company is currently assessing the likely level of impact on its reported results.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

1. Accounting policies (continued)

Going concern (continued)

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £8,283,000 (2017: £7,396,000). The directors believe that preparing the financial statements on the going concern basis is appropriate. The company has received a letter of support from Carrier Corporation, and therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Leasehold improvements for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss.

Fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	3-5 years or if shorter, over the life of the lease
Fixtures, fittings, tools and equipment	3-5 years

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

1. Accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. Accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material.

The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Sale of goods

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and the recovery of the consideration is considered probable. For product sales with no installation requirements, revenue is recognised when the product is delivered to the customer in accordance with the agreed delivery terms. Where installation is also required, revenue on both the product and installation is recognised once the customer has confirmed its acceptance procedures.

On-going service contracts

Revenue is recognised in equal instalments over the period that services are provided to the customer. Where amounts are received in advance of services being provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

1. **Accounting policies (continued)**

Specific activity service contracts

Where service contracts require the performance of a specific activity, revenue is recognised once this specific activity has been completed to the performance required by the customer.

Multiple element contracts

Some contracts contain multiple elements, such as the delivery and installation of a fire or security system and the provision of a maintenance contract. In these contracts these activities are treated separately where appropriate, with the relevant account policy for revenue recognition, as noted previously, being applied to each individual component. Revenue is allocated between the elements on the basis of fair value of each of the elements.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The company presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 19) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net-interest expense or income is recognised within finance costs (see note 19).

1. **Accounting policies (continued)**

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

• exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

• exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

Leases

The company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the income statement within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

• it has been acquired principally for the purpose of selling in the near term; or

• on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

1. **Accounting policies (continued)**

Financial assets at FVTPL (continued)

• it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in foreign exchange gains/ (losses) within the 'administrative expenses' line item in the income statement. Fair value is determined in the manner described in note 20.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty; or

• default or delinquency in interest or principal payments; or

• it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of

1. **Accounting policies (continued)**

Impairment of financial assets (continued)

the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

• it has been incurred principally for the purpose of repurchasing it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

1. Accounting policies (continued)

Financial liabilities at FVTPL (continued)

• It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in foreign exchange gains/ (losses) within the 'administrative expenses' line item in the income statement. Fair value is determined in the manner described in note 20.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1. Accounting policies (continued)

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are discounted where the impact of discounting is material.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Useful economic lives of properties, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 11 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Inventory provisioning

The company supplies, installs and maintains fire and security equipment which are subject to changing customer demands and technological change. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 12 for the net carrying value of inventory and associated provision.

Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 13 for the net carrying amount of the receivables and the associated impairment provision.

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures of the defined benefit scheme.

3. Revenue

An analysis of the Company's revenue is as follows:

	2018 £'000	2017 £'000
Continuing operations		
Sales of goods	9,400	10,754
Rendering of services	4,101	4,313
Total revenue	13,501	15,067

An analysis of the Company's revenue by geographical market is set out below.

	2018 £'000	2017 £'000
United Kingdom and Ireland	13,501	15,067

4. Finance income

	2018 £'000	2017 £'000
Net interest relating to pension scheme (note 19)	227	179
Interest from pension loan principal	0	306

In 2017, the Company incorrectly classified Interest from pension loan principal amounting to £306,000 as part of Finance Income. This balance should have been reported in Administrative Expenses, where it would have been fully negated by an offsetting entry. There is no net impact on loss in the income statement from this misclassification in previous years.

5. Finance costs

	2018 £'000	2017 £'000
Interest on intercompany loan	96	59

6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging / (crediting):

	2018 £'000	2017 £'000
Net foreign exchange losses	124	445
Depreciation of tangible fixed assets:		
- owned	-	6
Operating lease payments	398	255
Impairment of inventory	51	104
Impairment of trade receivables	48	(34)
Staff costs (see note 8)	3,183	3,533

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £25,650 (2017: £25,650).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services amount to nil (2017: £nil.)

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Production and service	32	29
Selling and administration	28	23
	60	52

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	2,399	3,049
Social security costs	349	237
Other pension costs (see note 19)	435	247
	3,183	3,533

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Other pension costs include stakeholder pension contributions of £82,000 (2017: £134,000). The remaining amount relates to the current and past service cost on the pension scheme as per note 19, of £353,000 (2017: £113,000).

9. Directors' remuneration and transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	122	119
Company contributions to money purchase pension schemes	17	17
	139	136

	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	1	1
Are members of a money purchase pension scheme	1	1

	2018 £'000	2017 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	122	119
Company contributions to money purchase pension schemes	17	17

The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

The highest paid director is a member of the Company's money purchase pension scheme.

10. Tax on loss

Tax expense included in profit or loss:

	2018 £'000	2017 £'000
Deferred tax		
Origination and reversal of timing differences	81	82
Adjustments in respect of prior years	(12)	(1)
Total deferred tax (see note 15)	69	81
Total tax on loss on ordinary activities	69	81

The (credit) / charge for the year can be reconciled to the loss in the income statement as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(906)	(349)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.00% (2017: 19.33%)	(172)	(67)
Effects of:		
Expenses not deductible for tax purposes	-	(57)
Re-measurement of deferred tax – changes in UK tax rates	5	(11)
Adjustments to tax charge in respect of prior years	-	(1)
Group relief claims	126	217
Total tax (credit) / charge for year	(41)	83

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (from 1 April 2020) was substantively enacted on 6 September 2016. The current tax rate used in the year ended 30 November 2018 is therefore 19% and the rate used for the closing deferred tax balances is 17%.

Tax expense included in other comprehensive expense

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive expense:

	2018 £'000	2017 £'000
Deferred tax credit		
Arising on income and expenses recognised in other comprehensive income:		
Movement on deferred tax relating to pension asset	28	386

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 December 2017	201	462	663
At 30 November 2018	**201**	**462**	**663**
Accumulated depreciation			
At 1 December 2017	(201)	(462)	(663)
At 30 November 2018	**(201)**	**(462)**	**(663)**
Net book value			
At 30 November 2018	**-**	**-**	**-**
At 30 November 2017	-	-	-

12. Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	**251**	237
Work in progress	**1,655**	1,680
	1,906	1,917

The cost of goods sold during 2018 is £9,893,000 (2017: £10,595,000). Inventory is stated after provision for impairment for slow moving, obsolete stock of £131,000 (2017: £325,000).

13. *Trade and other receivables*

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	**2,873**	3,876
Amounts owed by group undertakings	**188**	193
Prepayments and accrued income	**1,117**	861
	4,178	4,930

Trade receivables are stated after provision for impairment of £109,000 (2017: £61,000). Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	990	1,293
Amounts owed to group undertakings	10,313	10,545
Other taxation and social security	372	183
Redeemable preference shares	2,250	2,250
Accruals and deferred income	671	374
	14,596	14,645

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The ordinary redeemable shares are redeemable on 31 December 2050 or on 30 days' notice at the option of the company or the shareholder. No premium is payable on redemption.

15. Deferred tax

The movement in deferred tax is as follows:

	Deferred Taxation £'000
At 1 December 2016	(388)
Charged to the income statement	83
Adjustments in respect of prior years	-
Charged to the statement of other comprehensive income	386
At 30 November 2017	81
Credited to the income statement	(41)
Adjustments in respect of prior years	1
Charged to the statement of other comprehensive income	28
At 30 November 2018	**69**

15. Deferred tax (continued)

The analysis of deferred tax assets (liabilities) is as follows:

	2018 £'000	2017 £'000
Deferred tax assets due within 12 months	50	-
Deferred tax liabilities due within 12 months	-	(10)
Total asset due within 12 months	50	(10)
Deferred tax assets due after more than 12 months	77	-
Deferred tax liabilities due after more than 12 months	(196)	(71)
Total liability due after more than 12 months	(119)	(71)
Net deferred tax liability	(69)	(81)

A deferred tax asset is recognised, on the basis of all available evidence, that it is more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

The amounts recognised in the balance sheet are as follows:

	2018 £'000	2017 £'000
Deferred tax assets	127	-
Deferred tax liabilities	(196)	(81)
Net deferred tax liability	(69)	(81)

Deferred tax liabilities / (assets) are provided as follows:

	Accelerated tax depreciation £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Short term timing differences £'000	Total £'000
At 1 December 2016	(114)	(7)	(217)	(50)	(388)
Current year movement	19	7	402	40	(468
Adjustments in respect of prior years	-	-	1	-	1
At 30 November 2017	(95)	-	186	(10)	81
Current year movement	18	-	10	(40)	(12)
Adjustments in respect of prior years	-	-	-	-	-
At 30 November 2018	(77)	-	196	(50)	69

16. Provisions for liabilities

	Payroll Accrual £'000	Product warranties £'000	Other £'000	Total £'000
At 1 December 2017	199	7	-	206
(Released) / Charged to income statement	(112)	8	17	(87)
At 30 November 2018	**87**	**15**	**17**	**119**

Payroll
The release of this provision was a result of being able to process and record November 2018 payroll before month end.

17. Called Up Share capital

Ordinary shares

	2018 £'000	2017 £'000
Allotted and fully-paid		
1,000,000 (2017: 1,000,000) ordinary shares of £1 each (2017: £1)	1,000	1,000

Share premium

	2018 £'000	2017 £'000
Allotted and fully-paid		
1 (2017: 1) ordinary share of £11,500,000	11,500	11,500

The preference shares are classified as liabilities in the balance sheet. During 2016, United Technologies Holdings Limited subscribed to one (1) ordinary share of Carrier Refrigeration UK Limited at an issue price of £11,500,000 and respectively paid this amount to Carrier Refrigeration UK Limited.

18. Financial commitments

There are no capital commitments at the end of the financial year (2017: £nil).

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	413	255
Between two and five years	413	290
After five years	-	-
	826	545

The significant operating leases relate to vehicle hire and office rent which are let through specialist leasing companies. All lease agreements include fixed lease payments, there are no renewal or purchase options associated with vehicle hire and an escalation clause is included for the office rental agreements in the event of a rise in VAT.

19. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £82,000 (2017: £134,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 November 2018, nil contributions (2017: £nil) yet to be paid over to the schemes, were due in respect of the current reporting year.

19. Retirement benefit schemes (continued)

Defined benefit schemes

The company has a defined benefit scheme "United Technologies Corporation (UK) Pension scheme – Linde Section" for qualifying employees. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Under the Scheme, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary for each complete year of pensionable service on attainment of a retirement age of 65. The pensionable salary is based on the yearly rate of basic earnings plus an average of bonuses and commissions. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 2/3 of final salary. The company remains responsible for providing the defined benefits irrespective of whether the plan has sufficient assets to meet the obligation and can therefore affect the amount, timing and uncertainty of the entity's cash flow.

The scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

Asset volatility	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, this could lead to deterioration in the Scheme's funding level, all other things being equal. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and in real estate to leverage the expected return generated by the fund.
Change in bond yields	A decrease in the bond interest rate will increase the scheme liability but this could be expected to be partially offset by an increase in the return on the scheme's debt investments.
Life expectancy	The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.
Salary risk	The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liability.
Inflation risk	The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). Elements of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation could also lead to deterioration in the funding position.

No other post-retirement benefits are provided to these employees.

19. Retirement benefit schemes (continued)

A full actuarial valuation was carried out for the Linde Section of the UTC (UK) Pension Scheme at 31 December 2015 and was approximately updated for FRS 101 purposes to 30 November 2018 by a qualified independent actuary, Willis Towers Watson.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2018 %	2017 %
Key assumptions used:		
Discount rate(s)	**3.00**	2.68
Expected rate(s) of salary increase	**2.50**	2.50
Rate of inflation	**3.25**	3.25
Expected rate of increase of pensions in payment	**2.25**	2.25
Average longevity at age 65 for current pensioners (years)*		
Male	**21.2**	21.1
Female	**23.7**	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	**22.6**	22.8
Female	**25.2**	25.6

* Based on standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2018 £'000	2017 £'000
Service cost:		
Current and past service cost	**353**	113
Administration cost	**125**	122
Interest income	**(227)**	(179)
	251	56

Of the service cost for the year, £478,000 (2017: £235,000) has been included in the income statement as administrative expenses. The net interest income has been included within finance income (see note 4).

The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligations	**(48,941)**	(50,844)
Fair value of scheme assets	**57,582**	59,425
Net asset arising from defined benefit obligation	**8,641**	8,581

19. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2018 £'000	2017 £'000
Opening defined benefit obligation	50,844	48,640
Current service cost	110	113
Past service cost	243	-
Interest cost	1,341	1,406
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(189)	-
Actuarial gains and losses arising from changes in financial assumptions	(1,539)	1,868
Benefits paid	(1,869)	(1,183)
Closing defined benefit obligation	48,941	50,844

Movements in the fair value of scheme assets in the year were as follows:

	2018 £'000	2017 £'000
Opening fair value of scheme assets	59,425	54,857
Interest income	1,568	1,585
Remeasurement (losses)/gains:		
The return on scheme assets (excluding amounts included in net interest expense)	(1,563)	4,141
Contributions from the employer	146	147
Benefits paid	(1,869)	(1,183)
Administration costs	(125)	(122)
Closing fair value of scheme assets	57,582	59,425

Actuarial gains arising from changes in financial and demographic assumptions amounted to £1,539,000 (2017: £1,868,000 loss). This increase was primarily driven by increasing the obligation discount rate to 3.0% (2017: 2.7%). Contributions from the employer decreased to £146,000 (2017: £147,000).

19. Retirement benefit schemes (continued)

The major categories and fair values of scheme assets at the end of the reporting year for each category are as follows:

	2018 £'000	2017 £'000
Cash and cash equivalents	**1,497**	654
Equity instruments	**12,726**	23,176
Debt instruments	**25,797**	16,163
Property	**1,727**	1,545
Other	**15,835**	17,887
Total	**57,582**	59,425

The actual return on scheme assets greater/(less) than discount rate was (£1,563,000) (2017: £4,141,000).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	**Increase in obligation**	**Decrease in obligation**
Discount rate	0.1%	Decrease 2%	Increase 2%
Salary growth rate	1%	Increase 0.5%	Decrease 0.5%
Price inflation	0.1%	Increase 1%	Decrease 1%
Life expectancy	Increase by 1 year	Increase by 4%	Decrease by 4%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Company expects to make a contribution of £151,000 (2017: £200,000) to the defined benefit scheme during the next financial year.

20. Derivative Financial Instruments

Categories of financial instruments at fair value

	2018 £'000	2017 £'000
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	-	-

Changes in value of financial instruments at fair value

Loss for the financial year has been arrived at after charging:

	2018 £'000	2017 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	-	-

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts in excess of $500,000 (2017: $500,000). The company entered into foreign exchange contracts during the year to purchase Euros and sell Sterling. The principal amount of the contracts outstanding at 30 November 2018 is nil (2017: nil).

21. Related party transactions

Trading transactions

Related parties of the Company comprise fellow subsidiaries of the United Technologies Corporation group. In notes 13 and 14, amounts due from and to fellow group entities are described as amounts owed by, and amounts owed to, group undertakings.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

21. Related party transactions (continued)

In accordance with the exemption allowed by IAS 24 "Related Party Disclosures", transactions with other undertakings with other group companies have not been disclosed in these financial statements on the grounds that the Company is a wholly owned subsidiary of a group (United Technologies Corporation), whose financial statements are publicly available.

During the year, the company entered into the following trading transactions with related parties which are not wholly owned subsidiaries of the United Technologies Corporation group:

	Sale of goods		Purchase of goods	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Associates	**-**	-	**232**	151

Sales of goods to related parties were made at the company's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

22. Controlling party

The company's immediate parent undertaking is United Technologies Holdings Limited, a company incorporated in England & Wales.

The company's ultimate parent undertaking and controlling party is United Technologies Corporation, a company incorporated in the United States of America.

United Technologies Corporation is the smallest and largest group to consolidate these financial statements.

Copies of the United Technologies group financial statements are publicly available and can be obtained from www.utc.com.