

# **Crompton Technology Group Limited**

**Annual Report  
for the year ended 31 December 2018**

Registered number: 00964143

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# **Crompton Technology Group Limited**

## **Contents**

	<b>Page(s)</b>
Strategic report for the year ended 31 December 2018	1-3
Directors' report for the year ended 31 December 2018	4-6
Independent auditors' report to the members of Crompton Technology Group Limited	7-9
Profit and loss account for the year ended 31 December 2018	10
Statement of comprehensive income for the year ended 31 December 2018	11
Balance sheet as at 31 December 2018	12
Statement of changes in equity for the year ended 31 December 2018	13
Notes to the financial statements	14-40

# Crompton Technology Group Limited

## Strategic Report for the year ended 31 December 2018

The directors present their Strategic Report for the company for the year ended 31 December 2018.

The directors, in preparing this strategic report, have complied with s414C(11) of the Companies Act 2006.

Crompton Technology Group Limited is principally involved in the design, development and manufacture of high performance mechanical systems where the use of advanced, carbon fibre based, composites provides the differentiating benefit. These systems are used for a wide range of demanding applications in the Aerospace market sector.

The Company is based in the UK and its registered office is Fore 1, Fore Business Park, Huskisson Way, Shirley, Solihull, West Midlands, B90 4SS.

The Company is a subsidiary of United Technologies Corporation (UTC).

### Review of the business

The company generated an operating profit of £2.5m (2017: profit of £5.6m). The business saw increased volumes and sales on our main platforms in 2018, while the company has continued to invest in long term aerospace and internal efficiency projects with investment in research and development increasing by £0.8m in 2018 to £2.5m. The 2017 results benefitted from improved margins and a £2.9m favorable movement on provisions.

During the year there has been continued capital expenditure to increase automation in the facility and reduce costs on aerospace programmes with significant expected revenue growth in the next few years.

### Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2018 £'000	2017 £'000	Change %
Turnover	29,517	28,688	2.9%
Operating profit	2,497	5,646	(55.8%)
Profit for the financial year	1,459	4,633	(68.5%)
Total shareholders' deficit	(13,302)	(14,483)	8.2%
Current assets as % of current liabilities	36.5%	25.5%	
Average number of employees	172	167	

### Employee involvement

It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, video presentations, company bulletins and training sessions. Employee engagement is measured via short surveys deployed 3 times each year. During 2018 the Company continued to meet with the Employee Forum as well as the established Health and Wellbeing committee. Objectives of these two groups include the improvement of information to and from employees, communication of health and safety information, business developments and the promotion of health and wellbeing of employees at work, at home and in the community.

# **Crompton Technology Group Limited**

## **Strategic Report for the year ended 31 December 2018**

### **Environmental Matters**

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility. The Company will, on a continuing basis: develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this; provide a healthy and safe place of work for all its employees, contractors and visitors; develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large; and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all its employees.

### **Principal risks and uncertainties**

The principal non-financial risks and uncertainties facing the Company are broadly grouped as competitive and legislative. The financial risks are discussed in the financial risk management section of the Directors' report.

#### *Competitive Risks*

The Company's aerospace business is reliant on new and repeat orders from airframe manufacturers and the associated supply chain. Some of the current business is secured for fixed periods of time or volumes, but will be subject to periodic competitive tender. As such, renewal of these contracts is uncertain and based upon financial and performance criteria. To counteract these risks there remains significant opportunities to secure new orders for new composite products within the aerospace industry and reduce the dependency on the existing customer base.

#### *Legislative Risks*

All of the aerospace business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and within the UTC group audit function. During the year the company achieved accreditation to AS9100D which is a widely adopted and recognised quality management system for the aerospace industry.

### **Impact of Brexit**

The Company has taken a structured approach to the exit of the United Kingdom from the European Union (Brexit). This includes planning at both a local business level and the Collins Aerospace level through their corporate Brexit Working Group. The transition period remains uncertain and entirely outside of the control of Collins Aerospace, due to this the business continues to plan for the UK leaving the EU without a deal or transition period.

Key areas of focus with regards to business continuity and customer support are EASA Certifications for Spares and Repairs, Supply of Parts/Material, Shipment delays and flow of goods, Customs Delays and Export Licences.

## **Crompton Technology Group Limited**

### **Strategic Report for the year ended 31 December 2018**

#### **Impact of Brexit (continued)**

With regards to EASA Certifications the Company have been proactively worked with EASA and received confirmation that our EASA Part 145 TCO certificate number was successfully concluded on 13<sup>th</sup> February 2019. This certificate becomes valid and available on 30<sup>th</sup> March 2019 and will allow the business to continue to release equipment to EU customers.

With respect to movement of goods we have conducted a detailed evaluation of all potential Customs scenarios with our main shipping agents to ensure that goods continue to move as quickly as possible.

In conclusion, given both the global work of the Collins Aerospace Brexit Working Group and specific actions taken by the Company within the UK we are confident that processes are now in place to mitigate any customs and shipping risks to our customers and business continuity in the event of a no-deal Brexit.

#### **Future developments**

The directors are committed to spend an increased amount in research and development as the company continues to invest in the development of new products. There is an expected ramp up of production on a number of our existing programmes including demand on the Airbus A350 programme, while the business has also gone to market with new product offerings with anticipated wins likely in the coming year. This will increase both top and bottom line growth over the next five year period.

On November 26, 2018 the ultimate parent undertaking and controlling party, United Technologies Corporation, announced its intention to separate into three independent companies: (1) UTC, an aerospace company comprised of the Collins Aerospace Systems and Pratt & Whitney businesses, (2) Otis, and (3) Carrier.

The proposed separations are expected to be effected through spin-offs by UTC of Otis and Carrier that are intended to be tax-free for the Company's shareowners for U.S. federal income tax purposes.

The Company expects to complete the separation transaction by mid-year 2020.

#### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

#### **Approval**

Approved by the Board and signed on its behalf by:



P Ross  
Director

Date 26<sup>TH</sup> JUNE 2019

Fore 1, Fore Business Park,  
Huskisson Way,  
Shirley, Solihull,  
West Midlands,  
B90 4SS.

## **Crompton Technology Group Limited**

### **Directors' Report for the year ended 31 December 2018**

The directors present their Report and audited financial statements of the company for the year ended 31 December 2018.

#### **Future developments and events after the balance sheet date**

Details of future developments and events that have occurred after the balance sheet date 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 United Technologies 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 financial statements.

Further details regarding the adoption of the going concern basis can be found in the 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, foreign currency risk and liquidity risk. The use of financial derivatives is governed by United Technologies Corporation 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. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

##### *Credit risk*

The Company's principal financial assets are 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.

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

##### *Liquidity risk*

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

# **Crompton Technology Group Limited**

## **Directors' Report for the year ended 31 December 2018**

### **Financial risk management objectives and policies (continued)**

#### *Foreign currency risks*

The Company buys and sells goods and services denominated in currencies other than sterling. As a result, the value of the business's non-sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in exchange rates in general and in US Dollar rates in particular.

The Company holds monetary assets and liabilities in which the underlying currency is a currency other than the Company's functional currency. In line with Generally Accepted Accounting Principles these monetary assets and liabilities are revalued at each month end to the closing balance sheet rate. These revaluations give rise to foreign exchange gains or losses which are taken through the profit and loss account in the month in which they arise.

### **Modern Slavery Act**

The Company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the Company has published a statement for the Reporting Period at [www.utcaerospacesystems.com](http://www.utcaerospacesystems.com).

### **Dividends**

There were no dividends proposed, declared or paid in the year (2017: £nil).

### **Directors**

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

P Ross  
D Middleton  
E Dryden  
R Grover (resigned 10 December 2018)

### **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.

### **Statement of directors' responsibilities in respect of the financial statements**

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:

## **Crompton Technology Group Limited**

### **Directors' Report for the year ended 31 December 2018**

#### **Statement of directors' responsibilities in respect of the financial statements (continued)**

- 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 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.

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.

#### **Disclosure of information to auditors**

In the case of each director in office at the date the Directors' Report is approved:

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

#### **Independent Auditors**

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:



P Ross  
Director

Date 26<sup>TH</sup> JUNE 2019

Fore 1, Fore Business Park,  
Huskinson Way,  
Shirley,  
Solihull,  
West Midlands,  
B90 4SS.



# **Crompton Technology Group Limited**

## **Independent auditors' report to the members of Crompton Technology Group Limited**

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Crompton Technology Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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 31 December 2018; the profit and loss account, 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.

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#### **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.

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#### **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.

## **Crompton Technology Group Limited**

### **Independent auditors' report to the members of Crompton Technology Group Limited**

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#### **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 31 December 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 in respect of the financial statements set out on pages 5-6, 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.

## **Crompton Technology Group Limited**

### **Independent auditors' report to the members of Crompton Technology Group 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](http://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.

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## **Other required reporting**

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### **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.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
17 June 2019

# Crompton Technology Group Limited

## Profit and Loss Account For the year ended 31 December 2018

	<i>Note</i>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Turnover</b>	<b>3</b>	<b>29,517</b>	<b>28,688</b>
Cost of sales		(22,151)	(18,144)
<b>Gross profit</b>		<b>7,366</b>	<b>10,544</b>
Administrative expenses		(4,869)	(4,898)
<b>Operating profit</b>		<b>2,497</b>	<b>5,646</b>
Interest payable and similar expenses	<b>4</b>	(655)	(367)
<b>Profit before taxation</b>	<b>5</b>	<b>1,842</b>	<b>5,279</b>
Tax on profit	<b>9</b>	(383)	(646)
<b>Profit for the financial year</b>		<b>1,459</b>	<b>4,633</b>

All results are derived from continuing operations.

# Crompton Technology Group Limited

## Statement of comprehensive income For the year ended 31 December 2018

	2018 £'000	2017 £'000
<b>Profit for the financial year</b>	<b>1,459</b>	<b>4,633</b>
Items that will not be reclassified subsequently to profit or loss:		
Movement relating to hedge reserve	(358)	-
Income tax relating to items not reclassified:		
- deferred tax adjustment on hedge reserve	61	-
<b>Other comprehensive expense for the year net of tax</b>	<b>(297)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>1,162</b>	<b>4,633</b>

**Crompton Technology Group Limited**  
**Registered number: 00964143**

**Balance sheet**  
**As at 31 December 2018**

	<i>Note</i>	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Fixed assets</b>			
Intangible assets	<b>10</b>	<b>748</b>	1,001
Tangible assets	<b>11</b>	<b>26,232</b>	26,355
		<b>26,980</b>	27,356
<b>Current assets</b>			
Stocks	<b>12</b>	<b>2,372</b>	4,770
Debtors: Amounts falling due within one year	<b>13</b>	<b>19,515</b>	8,492
Debtors: Amounts falling due after more than one year	<b>13</b>	-	37
		<b>21,887</b>	13,299
Creditors: Amounts falling due within one year	<b>14</b>	<b>(60,019)</b>	(52,168)
<b>Net current liabilities</b>		<b>(38,132)</b>	(38,869)
<b>Total assets less current liabilities</b>		<b>(11,152)</b>	(11,513)
Provisions for liabilities	<b>16</b>	<b>(2,150)</b>	(2,970)
<b>Net liabilities</b>		<b>(13,302)</b>	(14,483)
<b>Equity</b>			
Called up share capital	<b>17</b>	<b>100</b>	100
Non-distributable reserves		<b>5,262</b>	5,262
Hedge reserve		<b>(358)</b>	-
Profit and loss account		<b>(18,306)</b>	(19,845)
<b>Total Shareholders' deficit</b>		<b>(13,302)</b>	(14,483)

The notes on pages 14 to 40 form part of these financial statements

The financial statements on pages 10 to 40 were approved by the board of directors on **26<sup>th</sup>** June 2019 and were signed on its behalf by:



P Ross  
Director

**Crompton Technology Group Limited**

**Statement of changes in equity  
For the year ended 31 December 2018**

	<b>Called up share capital (Note 17) £'000</b>	<b>Non- distributable Reserves £'000</b>	<b>Hedge Reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Share- holders' deficit £'000</b>
<b>Balance at 1 January 2017</b>	<b>100</b>	<b>5,262</b>	<b>-</b>	<b>(24,482)</b>	<b>(19,120)</b>
Profit for the financial year	-	-	-	4,633	4,633
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,633</b>	<b>4,633</b>
Share based payments (note 20)	-	-	-	4	4
<b>Balance at 31 December 2017</b>	<b>100</b>	<b>5,262</b>	<b>-</b>	<b>(19,845)</b>	<b>(14,483)</b>
Change in accounting policy (note 21)	-	-	-	17	17
<b>Restated balance as at 31 December 2017</b>	<b>100</b>	<b>5,262</b>	<b>-</b>	<b>(19,828)</b>	<b>(14,466)</b>
Profit for the financial year	-	-	-	1,459	1,459
Other comprehensive income / (expense) for the year					
- Hedge reserve movement	-	-	(358)	-	(358)
- Deferred tax adjustment on hedge reserve	-	-	-	61	61
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>(358)</b>	<b>1,520</b>	<b>1,162</b>
Share based payments (note 20)	-	-	-	2	2
<b>Balance at 31 December 2018</b>	<b>100</b>	<b>5,262</b>	<b>(358)</b>	<b>(18,306)</b>	<b>(13,302)</b>

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies**

Crompton Technology Group Limited ('the company') is principally involved in the design, development and manufacture of high performance mechanical systems specifically with the use of advanced, carbon fibre based, composites.

The company is a private company, limited by shares, and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Fore 1, Fore Business Park, Huskisson Way, Shirley, Solihull, West Midlands, B90 4SS.

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.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are therefore prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on a going concern basis and also under the historical cost convention, 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.



# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

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

IFRS 15 – paragraphs 110b, 113a, 114,115,118,119 a-c, 121-127,129

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 23.

### **Adoption of new and revised Standards**

The company has applied IFRS 15 "Revenue from Contracts with Customers (which replaces IAS 18 "Revenue") and IFRS 9 "Financial Instruments" (which replaces IAS 39 "Financial Instruments") for the first time for the reporting period commencing 1 January 2018.

The company has adopted the modified respective approach for IFRS 15, with £17,000 being the brought forward restatement to reserves. IFRS 9 did not have a material impact on the company.

### **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 another group undertaking.

At 31 December 2018 the company had net current liabilities of £38,132,000 (2017: £38,869,000). The Company is dependent upon the continued support of its parent, United Technologies Corporation, which has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **1. Accounting policies (continued)**

##### **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's programs development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Amortisation is recognised over the expected life of the contract. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### **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.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Tangible assets**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to income.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures 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 land and buildings	over the length of the lease on a straight line basis
Plant and machinery	3-10 years on a straight line basis
Construction in progress	no depreciation charge until transferred to appropriate class of asset upon completion

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

#### **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.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Stocks**

Stocks 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 profit and loss account 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.

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 profit and loss account, 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.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied or when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below.

#### **Sale of goods**

The company is involved in the design, development and manufacture of high performance mechanical systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

#### **Over time revenue recognition**

Performance obligations are satisfied over-time if the customers receives the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

#### **Sales of services**

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of equipment and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Sales of services (continued)**

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceeds the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

#### **Interest receivable and similar 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**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **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).

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Financial instruments**

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

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL); and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### ***Financial assets at fair value through profit or loss or at fair value through other comprehensive Income***

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets

#### ***Financial assets at amortised cost***

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### ***Financial assets at fair value through profit and loss***

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Impairment of financial assets**

##### ***Assets carried at amortised cost***

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The group has concluded that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates.

#### **Leases**

##### ***The company as lessee***

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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.

##### ***The company as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.



# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Interest payable and similar charges**

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.

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

#### ***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.

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.

#### ***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.

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **1. Accounting policies (continued)**

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited as 'other operating income' to the profit and loss account as the related expenditure is incurred.

#### **Share-based payments**

Incentives in the form of shares are provided to one or more Directors under share option and share award schemes that are established by the ultimate parent company, United Technologies Corporation. The fair value of these options and awards at the date of their grant is determined by a valuation as described in note 20 and is charged to the income statement over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the Company of these share based payments.

#### **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.

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **1. Accounting policies (continued)**

##### ***Restructurings***

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

##### ***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.

##### ***Onerous contracts***

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **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.

#### **Stock provisioning**

The company supplies high performance mechanical systems 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 stock and the associated provisioning required. Management consider the nature and condition of stock, as well as apply assumptions around expected future demand for the stock, when calculating the level of stock provisioning. See note 12 for the net carrying value of stock and associated provision.

#### **Provisions**

The company makes a provision for onerous contracts, warranties, dilapidations and restructurings. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **3. Turnover**

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Continuing operations</b>		
Sales of goods	<b>29,517</b>	<b>28,688</b>
	<b>29,517</b>	<b>28,688</b>

An analysis of the Company's turnover by class of business is set out below:

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Turnover:</b>		
Original Equipment Manufacture	<b>29,517</b>	<b>28,688</b>
	<b>29,517</b>	<b>28,688</b>

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Turnover:</b>		
United Kingdom	<b>25,707</b>	<b>23,463</b>
Rest of Europe	<b>3,807</b>	<b>4,965</b>
North America	<b>3</b>	<b>260</b>
	<b>29,517</b>	<b>28,688</b>

#### **4. Interest payable and similar expenses**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Interest payable to group companies	<b>626</b>	<b>273</b>
Unwinding of discounts on provisions	<b>29</b>	<b>94</b>
	<b>655</b>	<b>367</b>

## Crompton Technology Group Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 5. Profit before taxation

Profit before taxation is stated after (crediting) / charging:

	2018 £'000	2017 £'000
Net foreign exchange (gains) / losses	(80)	572
Depreciation of tangible assets:		
- owned	1,783	1,714
Loss on disposal of tangible assets	2	394
Operating lease charges:		
- plant and machinery	62	114
- other operating leases	-	35
Amortisation of intangible assets	253	97
Research and development	2,544	1,716
Stock recognised as expense	1,816	2,616
Auditors' remuneration	29	24
Staff costs (see note 7)	8,031	7,397

#### 6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £28,750 (2017: £23,750).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services amount to £3,000 (2017: £9,000).

#### 7. Staff costs

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

	2018 Number	2017 Number
Production	161	155
Administration	11	12
	172	167

# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 7. Staff costs (continued)

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	6,842	6,304
Social security costs	712	666
Other pension costs (see note 19)	477	427
	<b>8,031</b>	<b>7,397</b>

'Other pension costs' includes only those items included within operating costs.

### 8. Directors' remuneration and transactions

The directors did not receive any emoluments in respect of their services to the company (2017: £nil).

The directors of the company are also members of other group undertakings and their remuneration, including share based payment charges, for the year was paid by other undertakings.

### 9. Tax on profit

Tax expense included in profit or loss:

	2018 £'000	2017 £'000
<b>Current tax</b>		
UK corporation tax on profit/ (loss) for the year	-	54
Adjustments in respect of prior years	224	-
<b>Total current tax</b>	<b>224</b>	<b>54</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	163	529
Adjustment in respect of prior years	(4)	63
<b>Total deferred tax (see note 15)</b>	<b>159</b>	<b>592</b>
<b>Total tax on profit</b>	<b>383</b>	<b>646</b>

## Crompton Technology Group Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 9. Tax on profit (continued)

Tax expense for the year is higher (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below.

The charge for the year can be reconciled to the profit/ (loss) in the profit and loss account as follows:

	2018 £'000	2017 £'000
<b>Profit/ (loss) before taxation</b>	<b>1,842</b>	<b>5,279</b>
Tax on profit/ (loss) at standard UK corporation tax rate of 19.00% (2017: 19.25%)	<b>350</b>	1,016
Effects of:		
Expenses not deductible for tax purposes	<b>(51)</b>	25
Adjustments to tax charge in respect of prior years	<b>220</b>	63
Group relief not paid for	<b>(117)</b>	(388)
Rate differential on temporary differences	<b>(19)</b>	(70)
<b>Total tax charge for the year</b>	<b>383</b>	<b>646</b>

The tax charge in future periods may be affected by:

Claims for capital allowances are running in advance of depreciation. Whether this continues to be the case depends on the level of capital allowance claims in the future and the level of future investment in fixed assets.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016): These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.



# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 10. Intangible assets

	Development costs £'000	Total £'000
<b>Cost</b>		
At 1 January 2017	1,528	1,528
Additions	-	-
At 31 December 2017	1,528	1,528
Additions	-	-
At 31 December 2018	1,528	1,528
<b>Accumulated amortisation</b>		
At 1 January 2017	430	430
Amortisation	97	97
At 31 December 2017	527	527
Amortisation	253	253
At 31 December 2018	780	780
<b>Net book value</b>		
At 31 December 2018	748	748
At 31 December 2017	1,001	1,001

In 2016, 2017 and 2018 Development costs relating to Airbus programs were capitalised in accordance with the measurement and recognition bases of IAS 38 *Intangible Assets*. The production commenced in 2016 and the costs are being written off over the life of each program.

Amortisation has been included in the profit and loss account within Administrative expenses.

# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 11. Tangible assets

	Leasehold land and buildings £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	16,664	14,457	2,791	33,912
Additions	-	-	764	764
Disposals	-	(848)	(53)	(901)
Transfer between classes	290	1,244	(1,534)	-
At 31 December 2017	16,954	14,853	1,968	33,775
Additions	240	421	1,159	1,820
Disposals	-	(229)	(65)	(294)
Transfer between classes	174	1,421	(1,595)	-
At 31 December 2018	17,368	16,466	1,467	35,301
<b>Accumulated depreciation</b>				
At 1 January 2017	1,325	4,746	-	6,071
Depreciation	519	1,195	-	1,714
Disposals	-	(365)	-	(365)
Transfer between classes	-	-	-	-
At 31 December 2017	1,844	5,576	-	7,420
Depreciation	381	1,402	-	1,783
Disposals	-	(134)	-	(134)
At 31 December 2018	2,225	6,844	-	9,069
<b>Net book value</b>				
At 31 December 2018	15,143	9,622	1,467	26,232
At 31 December 2017	15,110	9,277	1,968	26,355

# **Crompton Technology Group Limited**

## **Notes to the financial statements For the year ended 31 December 2018**

### **12. Stocks**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Raw materials	<b>1,340</b>	3,338
Work in progress	<b>363</b>	259
Finished goods and goods for resale	<b>669</b>	1,173
	<b>2,372</b>	4,770

In the opinion of the directors the difference between the purchase price or production cost of stocks and their replacement cost is not material. There is a provision of £356,000 (2017: £586,000) over stock held.

### **13. Debtors**

#### **Amounts falling due within one year:**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Trade receivables	<b>8,276</b>	5,431
Amounts owed by group undertakings	<b>10,641</b>	2,477
Other receivables	<b>158</b>	248
Prepayments and accrued income	<b>296</b>	336
Corporation tax	<b>144</b>	-
	<b>19,515</b>	8,492

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

Trade receivables are stated after provision for impairment of £97,000 (2017: £154,000)

#### **Amounts falling due after more than one year:**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Deferred tax asset	-	37
	-	37

## Crompton Technology Group Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 14. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	3,017	3,184
Amounts owed to group undertakings	54,510	46,656
Corporation tax	-	394
VAT	648	175
Accruals and deferred income	1,844	1,759
	<b>60,019</b>	<b>52,168</b>

Loans from the ultimate parent company and other group undertakings are repayable on demand.

The Company repaid their trading inter-company balance within the year of £31,075,000 owed to Goodrich Control Systems, by financing a loan with UT Park View Inc. for £35,851,000 at a 2.4% fixed interest rate.

The Company also has an interest bearing loan with Goodrich Control Systems for a principal amount of £14,880,000 (2017: £14,880,000) with interest charged at the 3 month LIBOR rate + 1.5%.

There is no security provided on either of these loans.

No interest is charged on inter-company trading balances.

# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 15. Deferred tax

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

	2018 £'000	2017 £'000
Deferred tax assets due after more than 12 months	-	37
Deferred tax liabilities due after more than 12 months	(513)	(448)
Total provision due after more than 12 months	(513)	(411)
Net deferred tax liability	(513)	(411)

The movement in deferred tax is as follows:

Deferred tax (liabilities)/ assets:

	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 1 January 2017	(430)	611	181
Charged to profit and loss	(18)	(574)	(592)
At 31 December 2017	(448)	37	(411)
Change in accounting policy (note 21)	-	(4)	(4)
Restated balance at 1 January 2018	(448)	33	(415)
Charged to profit and loss	(32)	(127)	(159)
Credited to other comprehensive income	-	61	61
At 31 December 2018	(480)	(33)	(513)

# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 16. Provisions for liabilities

	<b>Dilapidation costs £'000</b>	<b>Onerous Contracts &amp; other £'000</b>	<b>Restruc- turing £'000</b>	<b>Warranty £'000</b>	<b>Deferred Tax £'000</b>	<b>Total £'000</b>
At 1 January 2017	250	4,046	111	1,108	-	5,515
Additions to the profit and loss account	-	91	-	184	448	723
Amounts utilised	(250)	(2,896)	(111)	(11)	-	(3,268)
At 31 December 2017	-	<b>1,241</b>	-	<b>1,281</b>	<b>448</b>	<b>2,970</b>
Transferred from debtors	-	-	-	-	(33)	(33)
Additions to the profit and loss account	-	30	-	220	159	409
(Credited) to other comprehensive income	-	-	-	-	(61)	(61)
Amounts utilised	-	(964)	-	(171)	-	(1,135)
At 31 December 2018	-	<b>307</b>	-	<b>1,330</b>	<b>513</b>	<b>2,150</b>

#### Dilapidation

A provision was recognised in 2011 in respect of potential future dilapidation costs of repairing assets held under finance leases and of the costs under such leases after the premises to which they related are vacated by the company. Dilapidation costs are not discounted due to materiality. The provision was fully utilised in 2017, as the last remaining premise to which the provision related to was vacated in 2017.

#### Onerous Contracts and Other

On reviewing certain key business activities in 2018 management identified that a future revenue stream would be loss making over the life of the contract, due to expire in 2021, and accordingly established an onerous contract provision in respect of this activity. This provision is subject to an annual review, and has been discounted at a group discount rate.

#### Restructuring

A provision was recognised in 2016 in relation to an organisational restructure, the remaining provision was fully utilised in 2017.

#### Warranty

The provision for product warranties relates to expected warranty claims on products sold in the last three years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

## Crompton Technology Group Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 17. Called up share capital

	2018 £'000	2017 £'000
<b>Allotted and fully-paid</b>		
100,000 (2017: 100,000) ordinary shares of £1 each	100	100

#### 18. Financial commitments

Capital commitments are as follows:

	2018 £'000	2017 £'000
Contracts for future capital expenditure not provided in the financial statements	879	935
	879	935

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	44	69
Between one and five years	54	97
	98	166

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **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 £435,000 (2017: £396,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There were no contributions outstanding at the year end.

##### **Defined benefit schemes**

The Company participates in a group defined benefit scheme for qualifying employees (the UTC (UK) Pension Scheme). Under the schemes, the employees are entitled to retirement benefits varying between 1% and 67% per cent of final salary on attainment of a retirement age of 65.

There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the year, which in the year ended 31 December 2018 was £42,000 (2017: £31,000).

Further details of the Group defined benefit scheme are disclosed in note 22 of the financial statements of Goodrich Controls Systems for the year ended 31 December 2018.

#### **20. Share based payments**

The company issues to certain employees share appreciation rights (SARs), determined by reference to the company's parent's shares, that require the company to pay the intrinsic value of the SAR to the employee at the date of exercise. The company recorded total expenses of £2,000 in 2018 (2017: £4,000). The total intrinsic value at 31 December 2018 was £nil (2017: £2,000).



# Crompton Technology Group Limited

## Notes to the financial statements For the year ended 31 December 2018

### 21. Changes in accounting policies

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the company has adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. The cumulative effect of the change in accounting was recognised through retained earnings at the date of adoption. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of adoption 1 January 2018 and at the end of the earliest period presented 31 December 2017:

	IAS 18 carrying amount 31 December 2017 £'000	Remeasurement £'000	IFRS 15 carrying amount 1 January 2018 £'000
Debtors: due within one year	8,492	413	8,905
Stock	4,770	(392)	4,378
Deferred tax asset	37	(4)	33
Profit and loss account	(19,845)	17	(19,828)

The impact on the company's retained earnings as at 1 January 2018 and 31 December 2017 is as follows:

	2018 £'000	2017 £'000
<b>Retained earnings</b>	<b>(19,845)</b>	<b>(19,845)</b>
Recognition of profit on adoption of IFRS 15	21	-
Reduction in deferred tax asset	(4)	-
Adjustment to retained earnings from adoption of IFRS 15	17	-
<b>Opening retained earnings – IFRS 15</b>	<b>(19,828)</b>	<b>(19,845)</b>

Performance obligations are satisfied over-time if the customers receives the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

Previously under IAS 18, revenue for these types of contracts was recognised at a point in time ie on completion of the repair.

## **Crompton Technology Group Limited**

### **Notes to the financial statements For the year ended 31 December 2018**

#### **22. Subsequent events**

On 10 June 2019, United Technologies Corporation announced its intention to merge with Raytheon. This is expected to be complete by mid-year 2020.

#### **23. Controlling party**

The company's immediate parent undertaking is Crompton Holdings Limited.

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](http://www.utc.com).