Carrier Transicold (UK) Limited

Annual Report
for the year ended 30 November 2018

Registered number: 01080363

Carrier Transicold (UK) Limited

Contents

Carrier Transicold (UK) Limited

Strategic Report

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.

Principal activities

Carrier Transicold (UK) Limited is a supplier of temperature controlled systems to the road transport sector. We also provide an aftermarket solution for the maintenance of the system through our independent network. Our business model is based on Carrier Transicold (UK) Limited being a Solution provider to our customers. We actively work with our customer base to support their short, medium and long term requirements. Our customer base is diverse operating nationally with key partners in the supermarket and rental sectors.

Review of the business

The directors are of the firm belief that with the continuing focus on customer requirements and product quality, together with the support of the independent dealer network, the company can continue to increase its market share within the United Kingdom and further improve its financial performance. In addition, the company has retained a tight control over the administrative costs of the business.

Turnover increased by 12.0% to £69,692,000 (2017: £62,245,000) and gross margins increased by 7.1% to £7,593,000 (2017: £7,092,000). There were no significant changes in our customer base. The market conditions remain competitive and challenging but the business stability provides a good platform for the delivery of results.

The market

The directors are confident that the business will continue to perform strongly in the future and build on our existing market share. Although the purchasing requirements of our key customers can vary each year, the close relations that we have with them allows us to work with them and manage their needs accordingly.

Strong customer focus, a wide product range and a robust national support network provide the business with a strong base to work with the market.

Strategy

The company's primary objective is to increase turnover, return on sales and return on capital employed.

The key elements of this strategy are

- Being a solution provider to our customer base
- Demonstrating the value added aspect of our proposition
- Operational excellence through the development of a world class quality, environment and health and safety management system; and
- Developing a stable and knowledgeable workforce through a reduction in employee attrition, investment in training and development through improved internal communication.

Key performance indicators ("KPIs")

A number of KPI's are used by the company's directors to analysis and understand the development, performance and position of the business.

	2018	2017
Revenue per FTE	1,883,567	1,667,275
Administration expenses as a percentage of revenue	6.25%	6.29%
Distribution costs as a percentage of revenue	1.64%	1.72%
Current ratio	1.57	1.56

The company directors believe that the above KPI's reflect the strong performance of the business.

Strategic Report

Principal risks and uncertainties

Financial risk management objectives
The company's operations expose it to a variety of financial risks. The most significant of which is credit risk. This risk is managed as follows:

Credit risk
Where appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the Board.

Exchange Rate risk
The company's operations expose it to Euro exchange rate fluctuations. The company policy is to hedge against short term fluctuations in exchange rates (note 22).

Future developments

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 ultimate parent company expects to complete the separation transactions by mid-year 2020.

Separation of Otis and Carrier from UTC via spin-off transactions will be subject to the satisfaction of customary conditions, including, among others, final approval by the ultimate parent company's Board of Directors, receipt of tax rulings in certain jurisdictions and/or a tax opinion from external counsel (as applicable), the filing with the Securities and Exchange Commission (SEC) and effectiveness of Form 10 registration statements, and satisfactory completion of financing.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

J Ross
Director
29 November 2019

260 Cygnet Court
Centre Park
Warrington
WA1 1RR

Carrier Transicold (UK) Limited

Directors' Report

The directors present their report and audited financial statements of the company for the year ended 30 November 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 pages 1 and 2 and form part of this report by cross-reference.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus 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 of accounting policies in the financial statements.

Financial risk management

These are included in the strategic report.

Results and dividends

Turnover in the financial year increased as market conditions improved. 2018 revenue was £69,692,000 compared to £62,245,000 in 2017. The profit before taxation of the company amounted to £1,924,000 (2017: £1,792,000). The profit has been transferred to reserves.

An interim dividend of £2,000,000 (2017: £nil) was paid during the year. No other dividends have been paid or proposed.

Directors

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

S Dargan
P Knight
J Forster
A Wainwright
J Ross

None of the directors had, at any time during the financial year, any interest in the shares of the company or of any group company incorporated in Great Britain.

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 places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 these 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.

Carrier Transicold (UK) Limited

Directors' Report

Disclosure of information to auditors

In the case if 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

A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

J Ross
Director
29 November 2019

260 Cygnet Court
Centre Park
Warrington
WA1 1RR

Independent auditors' report to the members of Carrier Transicold (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Carrier Transicold (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 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 30 November 2018; the Income Statement, the Statement of Other 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 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 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.

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.

Reporting on other information (continued)

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 the 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 4 , 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.

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, 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.

Kate Finn

Kate Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 November 2019

Carrier Transicold (UK) Limited

Income statement

For the year ended 30 November 2018

	Note	2018 £'000	2017 £'000
Revenue	3	69,692	62,245
Cost of sales		(62,099)	(55,153)
Gross profit		7,593	7,092
Distribution costs		(1,145)	(1,070)
Administrative expenses		(4,357)	(3,917)
Other operating expense		—	(347)
Operating profit		2,091	1,758
Finance income	4	(56)	34
Finance costs	5	(111)	—
Profit before taxation	6	1,924	1,792
Tax on profit	10	(1,250)	(79)
Profit for the financial year		674	1,713

All results are derived from continuing operations.

Carrier Transicold (UK) Limited

Statement of other comprehensive income

For the year ended 30 November 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		674	1,713
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on pension scheme	21	(63)	908
Movement on deferred tax relating to pension asset		186	(175)
Other comprehensive income for the year net of tax		123	733
Total comprehensive income for the year		797	2,446

Carrier Transicold (UK) Limited

Balance sheet

As at 30 November 2018

Registered number: 01080363

	Note	2018	2017
		£'000	£'000
Fixed assets			
Property, plant and equipment	*12*	34	36
Investments	*13*	3,002	3,002
		3,036	3,038
Current assets			
Inventories	*14*	1,640	503
Debtors - due within one year	*15*	31,033	33,185
Cash at bank and in hand		—	312
		32,673	34,000
Creditors: Amounts falling due within one year	*16*	(21,715)	(21,844)
Net current assets		10,958	12,156
Total assets less current liabilities		13,994	15,194
Provisions for liabilities	*18*	(625)	(624)
Net assets excluding pension assets		13,369	14,570
Pension asset	*21*	1,547	1,549
Net assets		14,916	16,119
Equity			
Called up share capital	*19*	6,150	6,150
Retained earnings		8,766	9,969
Shareholders' funds		14,916	16,119

The notes on pages 13 to 34 form part of these financial statements.

The financial statements on pages 9 to 34 were approved by the board of directors on 29 November 2019 and were signed on its behalf by:

J Ross

Director

Carrier Transicold (UK) Limited

Statement of changes in equity

For the year ended 30 November 2018

	Called up share capital	Retained earnings	Total share-holders' funds
	£'000	£'000	£'000
Balance at 1 December 2016	**6,150**	**7,523**	**13,673**
Profit for the financial year	—	1,713	1,713
Other comprehensive income for the year			
- Actuarial gain on pension scheme	—	908	908
- Deferred tax on pension scheme	—	(175)	(175)
Total comprehensive income for the year	—	**2,446**	**2,446**
Balance at 30 November 2017	**6,150**	**9,969**	**16,119**
Profit for the financial year	—	674	674
Other comprehensive loss for the year			
- Actuarial loss on pension scheme	—	(63)	(63)
- Deferred tax on pension scheme	—	186	186
Total comprehensive income for the year	—	**797**	**797**
Dividends (note 10)	—	(2,000)	(2,000)
Total transactions with owners recognised directly in equity	—	**(2,000)**	**(2,000)**
Balance at 30 November 2018	**6,150**	**8,766**	**14,916**

1. Accounting Policies

Carrier Transicold (UK) Limited ('the company') provides the sale, marketing and service of transport refrigeration equipment and supply of spare parts.

The company is a private limited company, limited by shares, and is incorporated and domiciled in the England, United Kingdom. The address of its registered office is 260 Cygnet Court, Centre Park, Warrington, WA1 1RR.

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 were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 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.

The financial statements contain information about Carrier Transicold (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, United Technologies Corporation, a company incorporated in the United States of America.

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

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 wholly owned members of a group
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 Holdings Limited. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 24.

1. Accounting Policies (continued)

Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2018 have had 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 company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Property, plant and equipment

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.

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.

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	10 years
Plant and machinery	10 years

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

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

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.

1. **Accounting Policies (continued)**

Impairment of tangible assets (continued)

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.

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Impairment reviews are carried out by the directors on an annual basis, or when there is indication that impairment may have occurred.

Inventories

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 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.

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.

1. **Accounting Policies (continued)**

Taxation (continued)

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.

Extended warranty

Extended warranty revenue is recognised in equal instalments over the appropriate period.

1. **Accounting Policies (continued)**

Revenue (continued)

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 other comprehensive income in the period in which they occur. Remeasurement recorded in the statement of other 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 21) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

Net-interest income is recognised within finance income (see note 4).

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.

1. **Accounting Policies (continued)**

Foreign currency (continued)

Exchange differences are recognised in the income statement 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.

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: 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.

1. **Accounting Policies (continued)**

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.

Critical judgements in applying the company's accounting policies

The directors do not believe there are any critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies.

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.

Contract cost accrual

Contract costs are recognised when they are incurred. A provision for expected contract costs based on the lifecycle of the contract is booked on a quarterly basis. This is based on a historic actuarial model of the cost at a European level.

Inventory provisioning

The company supplies, installs and maintains commercial refrigeration 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 14 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 15 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 21 for the disclosures of the defined benefit scheme.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £ 3,002 thousand (2017: £ 3,002 thousand) with no impairment loss recognised in 2018 or 2017.

3. Revenue

An analysis of the Company's revenue, all of which is derived in the UK, is as follows:

	2018	2017
	£'000	£'000
Continuing operations		
Sales of goods	52,255	49,304
Rendering of services	17,437	12,941
	69,692	62,245

4. Finance Income

	2018	2017
	£'000	£'000
Interest receivable:		
Bank deposits	24	17
Net finance income on post retirement benefits	(80)	17
	(56)	34

5. Finance Costs

	2018	2017
	£'000	£'000
Exchange loss on foreign currency	(111)	—
	(111)	—

6. Profit Before Taxation

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

	2018 £'000	2017 £'000
Net foreign exchange losses	332	169
Depreciation of tangible fixed assets:		
- owned	2	8
Operating lease charges	240	257
Inventory recognised as expense	52,361	47,814
Impairment of inventory	26	(84)
Impairment of trade receivables	—	6
Staff costs	2,512	2,380

7. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statement were £20,306 (2017: £20,306).

Fees payable to PricewaterhouseCoopers LLP for non-audit services to the company £ nil (2017: £ nil).

8. Staff Costs

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

	2018 Number	2017 Number
Sales	8	8
Administration	29	29
	37	37

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	2,290	2,003
Social security costs	185	210
Stakeholder pension costs	—	69
Other pension costs (see note 21)	37	98
	2,512	2,380

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

9. Directors' Remuneration and Transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	662	648
Company contributions to money purchase pension schemes	29	81
	691	729

	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	2	2
Are members of a pension scheme	3	3

	2018 £'000	2017 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	181	186
Company contributions to money purchase pension schemes	12	13

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

10. Tax on Profit

Tax expense included in profit or loss:	**2018**	2017
	£'000	£'000
Current tax		
Adjustments in respect of prior years		
UK corporation tax	**1,238**	—
Total current tax	**1,238**	—
Deferred tax		
Origination and reversal of timing differences	**14**	4
Adjustment in respect of previous periods	**(1)**	96
Impact of rate change	**(1)**	(21)
Total deferred tax	**12**	79
Total tax on profit	**1,250**	79

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

	2018	2017
	£'000	£'000
Profit before tax	**1,924**	1,792
Tax on profit at standard UK corporation tax rate of 19.0% (2017: 19.33%)	**366**	346
Effects of:		
Expenses not deductible for tax purposes	**10**	2
Re-measurement of deferred tax - changes in UK tax rates	**(1)**	(21)
Group relief claimed for nil receipt	**(362)**	(341)
Movement in capital loss	—	(3)
Adjustment in respect of previous periods	**1,237**	96
Total tax charge for year	**1,250**	79

The adjustment in respect of previous periods relates to corporation tax recharges up to 2017 from other group companies.

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% (effective 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 closing deferred tax balances is 17%.

Tax expense/(income) included in other comprehensive income

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

	2016	2015
	£'000	£'000
Deferred tax		
Origination and reversal of timing differences	**(186)**	175
Total income tax recognised in other comprehensive income	**(186)**	175

11. Dividends on Equity Share

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Interim dividend for the year ended 30 November 2018 of 32.52p (2017: £nil) per ordinary share	2,000	—

12. Property, Plant and Equipment

	Leasehold, land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
At 30 November 2017	120	535	655
Additions	—	—	—
Disposals	—	—	—
At 30 November 2018	**120**	**535**	**655**
Accumulated depreciation			
At 30 November 2017	120	499	619
Depreciation	—	2	2
At 30 November 2018	**120**	**501**	**621**
Net book value			
At 30 November 2018	**—**	**34**	**34**
At 30 November 2017	—	36	36

13. Investments

	£'000
Cost	
At 30 November 2017 & 30 November 2018	**3,002**
Provisions for impairment	
At 30 November 2017 & 30 November 2018	—
Net book value at 30 November 2017	3,002
Net book value at 30 November 2018	**3,002**

Details of the Company's investments at 30 November 2018 are as follows:

Name & Registered Address	Principal Activity	Class of share	Proportion of ownership interest
Muddy Boots Software Limited Phocle Green, Ross on Wye, Herefordshire, HR9 7XU	The provision of computer software, hardware and related services	Ordinary A1	19.99%

The investments in subsidiaries are all stated at cost less provision for impairment.

The directors believe that the carrying value of the investments are supported by its future cash flows. The recoverable amount has been determined based on the value-in-use calculation. This calculation used post-tax cash flow projections based on financial budgets approved by management covering the next financial year and estimates for the following five financial years. Cash flows for the period covering years six to ten are extrapolated using the estimated growth rates stated below.

The company's organic revenue is assumed to increase by up to 10% per annum over the ten years, reflecting growth plans in the competitive segments the Company operates in. Gross margin has been assumed to be 97.5% as past results show margins of between 94.8% and 98.1%. The operating margin is assumed to improve year over year to 6.6% in 2023, on the basis that any increase in costs will be offset by the synergies received from its business combinations in the periods up to the balance sheet date and new cost saving initiatives being undertaken.

Whilst considering whether the value of investments is impaired or not, the directors have used a calculated post tax weighted average cost of capital of 11.3% and a terminal growth rate of 2.5%. The value in use calculation described above, together with sensitivity analysis using reasonable assumptions including a 1% change in the discount rate and terminal growth rate. Increase of 1% on the discount rate impairs the investment by £0.6m and reduction in growth rate by 1% impairs the investment by £0.5m. Decrease of discount rate by 1% and increasein terminal growth rate of 1% provide additional headroom.

14. Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	1,640	503
	1,640	503

The inventory balance includes a provision for aged stock items of £44,753 (2017: £19,866). There is no variation between the inventory value and the replacement costs.

15. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	30,725	27,307
Amounts owed by group undertakings	—	5,775
Other receivables	22	—
Prepayments and accrued income	286	103
	31,033	33,185

Trade receivables are stated after provision for impairment of £nil (2017: £nil).

Included in amounts owed by group undertakings is £nil (2017: £3,621,000) which is unsecured, earns interest at nil (2017: 0.5%) and is repayable on demand. Remaining amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Creditors Amounts Falling Due Within One Year

	2018 £'000	2017 £'000
Trade creditors	1,793	1,995
Amounts owed to group undertakings	14,573	13,035
Other taxation and social security	1,649	1,198
Accruals and deferred income	3,700	5,616
	21,715	21,844

Included in amounts owed to group undertakings is £4,063,237 (2017: £nil) which is unsecured, pays interest at 1.25% (2017: nil) and is repayable on demand. Other amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Deferred Tax

The analysis of deferred tax liabilities is as follows:

	2018 £'000	2017 £'000
Deferred tax liabilities due within 12 months	(255)	(254)
Total provision due within 12 months	(255)	(254)

Deferred tax liabilities:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 December 2016	—	—	—	—
(Credited)/charged to the income statement	(7)	88	(2)	79
Charged to other comprehensive income	—	175	—	175
At 1 December 2017	(7)	263	(2)	254
Charge/(credited) to the income statement	1	10	1	12
Charged/(credited) to other comprehensive income	—	(11)	—	(11)
At 30 November 2018	**(6)**	**262**	**(1)**	**255**

18. Provisions for Liabilities

	Deferred tax £'000	Product warranties £'000	Total £'000
At 1 December 2016	—	732	732
Additions to the income statement	79	—	79
Additions to the statement of other comprehensive income	175	—	175
Amounts utilised	—	(362)	(362)
At 30 November 2017	254	370	624
Additions to the income statement	12	258	270
Additions to the statement of other comprehensive income	(11)	—	(11)
Amounts utilised	—	(258)	(258)
At 30 November 2018	**255**	**370**	**625**

Product warranties

The provision for product warranties relates to expected warranty claims on products sold in the last 12 months.

It is expected that all of the provisions will be utilised within 12 month of the balance sheet date.

19. Called Up Share Capital

Ordinary shares

	2018 £'000	2017 £'000
Allotted and fully-paid		
6,150,000 (2017: 6,150,000) ordinary shares of £1 (2017: £1) each	6,150	6,150

20. Financial Commitments

Capital commitments are as follows:

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

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	163	163
Between two and five years	433	421
After five years	—	85
	596	669

21. 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 £89,190 (2017: £69,413) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 November 2018, contributions of £7,478 (2017: £nil) due in respect of the current reporting period had not been paid over to the schemes.

21. Retirement Benefit Schemes (continued)

Defined benefit schemes

The company has a defined benefit scheme, Carrier (UK) Pension Scheme 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 employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary 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 entities 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 a deterioration in the funding position.

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

A full actuarial valuation of the Carrier (UK) Pension Scheme as at 30 November 2015 was made by Willis Towers Watson, an independent firm of actuaries, using the projected unit method. This valuation was updated as at 30 November, 2016 by Willis Towers Watson. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

21. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

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

	2018	2017
	%	%
Key assumptions used:		
Discount rate(s)	3.00%	2.70%
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
Other (describe)		

* 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	2017
	£'000	£'000
Service cost:		
Current service cost	97	70
Past service cost	124	—
Administration cost	38	28
Interest income	(43)	(17)
	216	81

Of the expense (service cost) for the year, £259,000 (2017: £98,000) 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

21. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

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	(8,327)	(8,555)
Fair value of scheme assets	9,874	10,104
Funded status	1,547	1,549

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	8,555	5,329
Current service cost	97	70
Interest cost	229	154
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	(34)	—
Actuarial gains and losses arising from changes in financial assumptions	(326)	379
Actuarial gains and losses arising from experience adjustments	—	2,886
Scheme participants contributions	4	2
Past service cost	124	—
Benefits paid	(322)	(265)
Closing defined benefit obligation	8,327	8,555

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

	2018 £'000	2017 £'000
Opening fair value of scheme assets	10,104	5,959
Interest income	272	171
Remeasurement (gains)/losses:		
The return on scheme assets (excluding amounts included in net interest income)	(423)	4,173
Contributions from the employer	277	92
Contributions from scheme participants	4	2
Benefits paid	(322)	(265)
Administrative costs paid	(38)	(28)
Closing fair value of scheme assets	9,874	10,104

21. Retirement Benefit Schemes (continued)

Defined benefit schemes (continued)

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

	2018 £'000	2017 £'000
Cash and cash equivalents	167	172
Equity instruments	5,638	5,769
Debt instruments	2,913	2,981
Property	257	263
Other	899	919
Total	9,874	10,104

The actual return on scheme assets was £(423,000) (2017: £4,173,000).

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 period, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	decrease 2%	increase 2%
Salary growth rate	0.25%	increase 1%	decrease 1%
Pension growth rate	0.1%	increase 1%	decrease 1%
Life expectancy	1 year	increase 4%	decrease 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 period, 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 £nil (2017: £nil) to the defined benefit scheme during the next financial year.

22. Financial Instruments

The group enters into foreign exchange forward contracts on behalf of the Company to manage its exposure to foreign exchange rate risk. These instruments are therefore not recognised in the Company financial statements.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 95% to 100% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

23. Subsequent Events

On 7th May 2019 the company's immediate parent undertaking changed from United Technologies Holdings Limited to Matlock Holdings Limited.

24. Controlling Party

The company's immediate parent undertaking throughout the year and as at 30 November 2018 was United Technologies Holdings Limited.

On 7th May 2019 the company's immediate parent undertaking became Matlock 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 Corporation group financial statements are publicly available and can be obtained from www.utc.com