

**Detector Electronics (U.K.) Limited**

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

Registered number: **01617797**



**Detector Electronics (U.K.) Limited**

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# Detector Electronics (U.K.) Limited

## Strategic Report

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

### Review of the business

Revenue for the year ended 31 December 2018 amounted to £9,752,000 (2017: £12,341,000). Profit before taxation for the year was £1,405,000 (2017: £1,321,000) and net assets at the year end amounted to £5,923,000 (2017: £4,396,000).

The directors consider that in the challenging economic context of 2018, both the level of the business and the year end financial position were satisfactory.

2018 saw the tentative start of our core oil and gas markets with a recovery at last gathering pace and forecast to continue in the coming years. The efforts to diversify into non-oil & gas markets started to provide revenue and these programmes will continue.

Major and mid-tier projects continued to be challenging to win against stiff competition, but our channel partners and OEM turbine business continued to provide a solid basis for the business. The major engineering companies in UK showed growing signs of increased activity and we it seems that 2019 will continue the upward trend. We continue to position for success in major projects for end use in Kazakhstan and Russia and we monitor the funding status and other factors to be sure we are kept up-to-date with any risk to the business.

Geopolitical issues and sanctions continue to cause the business additional burden of compliance and restriction. Brexit became a serious cause for concern and the company is putting in to place mitigation plans to handle additional workload, logistics issues and supply chain. Brexit will no doubt cause some issues in terms of ease of doing business with EU27 customers. Core markets show continued signs of recovery and investment and we are well placed to take advantage of this.

The company's financial position at the end of the year is set out in the balance sheet on page 9 of the financial statements.

### Key performance indicators

The company's key financial indicators for the year are as follows:

	<b>2018</b>	2017	Change
	<b>£'000</b>	£'000	%
Revenue	<b>9,752</b>	12,341	(21.0)%
Gross Profit	<b>3,035</b>	3,869	(21.6)%
Operating profit before taxation	<b>1,405</b>	1,321	6.4 %
Operating profit as a % of sales	<b>14.4%</b>	10.7%	4.3 %
Net current assets	<b>5,378</b>	3,908	37.6 %

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to some risks. More than half the business is sales to the oil and gas industries and demand is influenced by capital investment and ongoing maintenance budgets of the major customers.

The company is monitoring the oil price and the situation with regards to sanctions in end destinations such as Russia and part-owned end users by Russian corporations across the region. We work hard to understand the potential impact on future revenue streams in the oil industry.

One of the larger risks is with foreign exchange, with the weakening of the GB pound resulting from Brexit, which may cause an increased GBP list price, making the business less price competitive.

# Detector Electronics (U.K.) Limited

## Strategic Report

### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including foreign exchange risk, credit risk, liquidity risk and price risk.

#### *Foreign exchange risk*

The company manages foreign exchange risk through arrangements with the UTC group whereby foreign currency that is not required is offered to the group at the spot rate and similarly required foreign currency can be obtained from the group at the spot rate.

#### *Credit risk*

The company manages its credit risk in line with its credit control policy, including credit checks, trade references and credit limit reviews.

#### *Liquidity risk*

The company ensures the availability of funding through managing cash flow and access to intercompany funding where required.

#### *Price risk*

The company's price risk arises from competition in the market. the company minimises this risk by operating in a number of markets with a defined pricing strategy and structure.

### Future developments

The directors of Detector Electronics (U.K.) Limited expect the general level of activity to remain consistent with 2018 in the forthcoming year.

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 17 to the financial statements.

### Approval

Approved by the Board and signed on its behalf by:



S Day  
Director  
September 2019

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

30<sup>th</sup>

## **Detector Electronics (U.K.) Limited**

### **Directors' Report**

The directors present their annual 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 2 and form part of this report by cross-reference.

#### **Going concern**

The directors have a reasonable expectation that the company and the Group have 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 statement of accounting policies in the financial statements.

#### **Financial risk management objectives and policies**

Details of financial risk management objectives and policies can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

#### **Dividends**

The directors do not recommend the payment of a dividend (2017: £nil).

#### **Directors**

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

D Riddle

S Day (appointed 14 May 2018)

Chubb Management Services Limited

#### **Directors' indemnities**

The directors have the benefit of an indemnity provided on a group wide basis via United Technologies Corporation which is a qualifying third party indemnity provision. The indemnity was in force throughout the last financial year and also at the date of approval of the financial statements.

# Detector Electronics (U.K.) Limited

## Directors' Report

### 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 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.

### 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

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 auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



S Day  
Director  
30<sup>th</sup> September 2019

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

## Detector Electronics (U.K.) Limited

### Independent auditors' report to the members of Detector Electronics (U.K.) Limited

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

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##### Opinion

In our opinion, Detector Electronics (U.K.) 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 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 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.

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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.

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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.

## **Detector Electronics (U.K.) Limited**

### **Independent auditors' report to the members of Detector Electronics (U.K.) Limited**

#### **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 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 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](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.



## Detector Electronics (U.K.) Limited

### Independent auditors' report to the members of Detector Electronics (U.K.) Limited

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#### Other required reporting

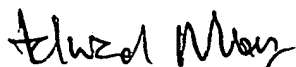
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##### Companies Act 2006 exception reporting

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, 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.



Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

30 September 2019

## Detector Electronics (U.K.) Limited

### Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	3	9,752	12,341
Cost of sales		(6,716)	(8,472)
<b>Gross profit</b>		<b>3,035</b>	<b>3,869</b>
Distribution costs		(1,769)	(2,277)
Administrative expenses		114	(296)
Other operating income		—	14
<b>Operating profit</b>		<b>1,380</b>	<b>1,310</b>
Finance income	4	25	11
<b>Profit before taxation</b>	5	<b>1,405</b>	<b>1,321</b>
Tax on profit	9	—	—
<b>Profit for the financial year</b>		<b>1,405</b>	<b>1,321</b>
<b>Other comprehensive income</b>		<b>—</b>	<b>—</b>
<b>Total comprehensive income for the year</b>		<b>1,405</b>	<b>1,321</b>

All results are derived from continuing operations.

# Detector Electronics (U.K.) Limited

## Balance sheet

As at 31 December 2018

Registered number: 01617797

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	10	424	488
		<b>424</b>	<b>488</b>
<b>Current assets</b>			
Inventories	11	875	747
Debtors amounts falling due within one year	12	6,651	5,869
Cash at bank and in hand		44	61
		<b>7,570</b>	<b>6,677</b>
<b>Creditors: Amounts falling due within one year</b>	13	<b>(2,191)</b>	<b>(2,769)</b>
<b>Net current assets</b>		<b>5,378</b>	<b>3,908</b>
<b>Net assets</b>		<b>5,802</b>	<b>4,396</b>
<b>Equity</b>			
Called up share capital	14	80	80
Retained earnings		5,722	4,316
<b>Total Shareholders' funds</b>		<b>5,802</b>	<b>4,396</b>

The notes on pages 11 to 25 form part of these financial statements.

The financial statements on pages 8 to 25 were approved by the board of directors on September 2019 and were signed on its behalf by:



S Day  
Director

30<sup>th</sup> September 2019

**Detector Electronics (U.K.) Limited**

**Statement of changes in equity**

**For the year ended 31 December 2018**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total share- holders' funds £'000</b>
<b>Balance at 1 January 2017</b>	<b>80</b>	<b>2,995</b>	<b>3,075</b>
Profit for the financial year	—	1,321	1,321
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>1,321</b>	<b>1,321</b>
<b>Balance at 31 December 2017</b>	<b>80</b>	<b>4,316</b>	<b>4,396</b>
Profit for the financial year	—	1,405	1,405
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>1,405</b>	<b>1,405</b>
<b>Balance at 31 December 2018</b>	<b>80</b>	<b>5,722</b>	<b>5,802</b>

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

### For the year ended 31 December 2018

#### 1. Accounting Policies

Detector Electronics (U.K.) Limited ('the company') provides the sale and service of high speed fire and gas detection systems.

The company is a private limited company, limited by shares, and is incorporated and domiciled in the England. The address of its registered office is Ash House, Littleton Road, Ashford, TW15 1TZ.

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.

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.

# Detector Electronics (U.K.) 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 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 members of a group;

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 18.

#### 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 31 December 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 Strategic Report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

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

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.

#### Intangible assets acquired separately

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

The useful economic lives of intangible assets acquired separately are:

Software - 8 years

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting Policies (continued)

#### 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.

#### Impairment of intangible assets

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

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

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

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

#### Inventories

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.

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting Policies (continued)

#### 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.

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.



# **Detector Electronics (U.K.) 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 and for the company this is 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. The company bases its estimate of the return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **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, revenue is recognised when the performance obligations are satisfied in accordance with the customer contract.

A receivable is recognised when the performance obligations are satisfied in accordance with the customer contract. This is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

##### **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**

For defined contribution schemes the amount charged to the statement of comprehensive income 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.

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting Policies (continued)

#### Foreign currency

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

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

Exchange differences are recognised in 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*

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.

#### 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.

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting Policies (continued)

#### *Effective interest method*

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.

#### *Loans and receivables*

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

#### *Impairment of financial assets*

##### *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 non-current 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 and contract assets.

#### *Financial liabilities and equity*

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

#### *Equity instruments*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### *Financial liabilities*

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

## **Detector Electronics (U.K.) Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2018**

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

##### ***Other financial liabilities***

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

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

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

##### ***Derecognition of financial liabilities***

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

##### ***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.

# Detector Electronics (U.K.) 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.

#### *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.

#### **Inventory provisioning**

The company supplies, installs and maintains fire and security equipment which are subject to changing customer demands and technological change. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 11 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 12 for the net carrying amount of the receivables and the associated impairment provision.

## Detector Electronics (U.K.) Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 3. Revenue

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

	2018	2017
	£'000	£'000
<b>Continuing operations</b>		
Sales of goods	9,752	12,341
<b>Total revenue</b>	<b>9,752</b>	<b>12,341</b>

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

	2018	2017
	£'000	£'000
<b>Revenue:</b>		
United Kingdom	3,051	3,849
European Union	4,998	5,367
United States of America	162	276
Rest of World	1,541	2,849
	<b>9,752</b>	<b>12,341</b>

#### 4. Finance Income

	2018	2017
	£'000	£'000
Interest receivable:		
Bank deposits	25	11
	<b>25</b>	<b>11</b>

#### 5. Profit Before Taxation

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

	2018	2017
	£'000	£'000
Net foreign exchange (gains)/ losses	(172)	5
Gains on derivative financial instruments		14
Amortisation of intangible assets	47	—
Operating lease charges:		
- plant and machinery	51	71
- building rent	138	145
Audit fees	18	27
Inventory recognised as expense	6,229	7,799
Movement in inventory provision	13	2
Impairment of trade receivables	92	152
Staff costs (see note 7)	1,619	1,182

## Detector Electronics (U.K.) Limited

### Notes to the financial statements

#### For the year ended 31 December 2018

##### 6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statement were £18,218 (2017: £27,000).

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

##### 7. Staff Costs

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

	<b>2018</b>	2017
	<b>Number</b>	Number
Selling & Distribution	<b>17</b>	17
	<b>17</b>	17

Their aggregate remuneration comprised:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Wages and salaries	<b>1,469</b>	1,014
Social security costs	<b>110</b>	86
Other pension costs (see note 15)	<b>40</b>	82
	<b>1,619</b>	1,182

# Detector Electronics (U.K.) Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 8. Directors' Remuneration and Transactions

	2018 £'000	2017 £'000
<b>Directors' remuneration</b>		
Emoluments	200	158
Defined contribution pension expense in the year	9	14
	<b>209</b>	<b>172</b>

	2018 Number	2017 Number
<b>The number of directors who:</b>		
Are members of a pension scheme	2	1

Aggregate amounts paid to the Kidde UK pension scheme arrangement amounts to £9,349 (2017: £13,843).

### 9. Tax on Profit

<b>Tax expense included in profit or loss:</b>	2018 £'000	2017 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	—	—
<b>Total current tax</b>	—	—
<b>Total tax on profit</b>	—	—



## Detector Electronics (U.K.) Limited

### Notes to the financial statements

For the year ended 31 December 2018

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

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

	2018 £'000	2017 £'000
<b>Profit before taxation</b>	<b>1,405</b>	<b>1,321</b>
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	267	254
Effects of:		
Expenses not deductible for tax purposes	11	1
Group relief received for nil consideration	(275)	(220)
Amounts not recognised	(3)	(36)
<b>Total tax charge for year</b>	<b>—</b>	<b>—</b>

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 31 December 2018 is therefore 19% and the rate used for closing deferred tax balances is 17%.

#### 10. Intangible Assets

	Software £'000	Total £'000
<b>Cost</b>		
At 1 January 2018	513	513
Additions	—	—
Disposals	(17)	(17)
<b>At 31 December 2018</b>	<b>496</b>	<b>496</b>
<b>Accumulated amortisation</b>		
At 1 January 2018	25	25
Amortisation	47	47
<b>At 31 December 2018</b>	<b>72</b>	<b>72</b>
<b>Net book value</b>		
<b>At 31 December 2018</b>	<b>424</b>	<b>424</b>
At 31 December 2017	488	488

## Detector Electronics (U.K.) Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 11. Inventory

	2018	2017
	£'000	£'000
Raw materials and consumables	1	—
Work in progress	26	7
Finished goods and goods for resale	848	740
	<u>875</u>	<u>747</u>

Inventories are stated after provisions for impairment of £28,000 (2017: £13,000).

#### 12. Debtors

Amounts falling due within one year:

	2018	2017
	£'000	£'000
Trade receivables	2,569	2,234
Amounts owed by group undertakings	4,030	3,455
Other receivables	37	174
Prepayments and accrued income	15	6
	<u>6,651</u>	<u>5,869</u>

Trade receivables are stated after provision for impairment of £155,000 (2017: £323,000).

Amounts owed by group undertakings includes a cash pool balance at an interest rate of 0.5%, other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

#### 13. Creditors Amounts Falling Due Within One Year

	2018	2017
	£'000	£'000
Trade creditors	460	415
Amounts owed to group undertakings	1,262	1,677
Other creditors	148	148
Accruals and deferred income	322	529
	<u>2,192</u>	<u>2,769</u>

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

## Detector Electronics (U.K.) Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 14. Called Up Share Capital

##### Ordinary shares

	2018	2017
	£'000	£'000
<b>Allotted and fully-paid</b>		
80,000 (2017: 80,000) ordinary shares of £1 (2017: £1) each	80	80

#### 15. 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 £40,199 (2017: £82,000) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £nil (2017: £nil) due in respect of the current reporting year had not been paid over to the schemes.

#### 16. Contingent Liabilities

The company has provided bank guarantees to its customers amounting to approximately £nil (2017: £100,000).

#### 17. Subsequent Events

There have been no significant events since the balance sheet date.

#### 18. Controlling Party

The company's immediate parent undertaking is United Technologies Holdings Limited, with effect from 10 October 2017. Prior to this date the immediate parent undertaking was Kidde UK.

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)