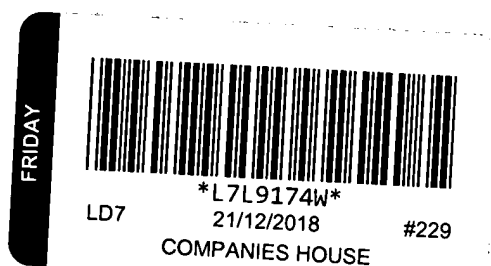


**Kidde Safety Europe Limited**

**Annual Report  
for the year ended 31 December 2017**

Registered number: 03941629



# Kidde Safety Europe Limited

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# Kidde Safety Europe Limited

## Strategic Report

The directors present their Strategic Report for the company for the year ended 31 December 2017.

### Review of the business

Revenue for the year ended 31 December 2017 amounted to £14,681,000 (2016: £16,513,000). Loss before taxation for the year was £(2,272,000) (2016: £(391,000)) and net assets at the year end amounted to £236,000 (2016: £2,516,000).

The directors consider that in the challenging economic context of 2017, both the level of the business and the year end financial position were satisfactory.

2017 was a mixed trading year for Kidde Safety Europe. The transition of Homebase stores to Bunnings had an impact on sales in the later part of the year. The retail business is holding its sales position with growth coming from the professional category.

Looking forward, the company has a new Managing Director and has executed an internal re-structure to the business to develop across all sectors with further plans to grow strongly over the next 18 months.

The effect of Brexit is currently unknown as is the impact on future business plans.

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>2017</b>	2016	Change
	<b>£'000</b>	£'000	%
Revenue	<b>14,681</b>	16,513	(11.1)%
Gross Profit	<b>2,864</b>	3,495	(18.1)%
Operating loss before taxation	<b>(2,272)</b>	(391)	(481.1)%
Operating loss as a % of sales	<b>(15.5)%</b>	(2.4)%	
Net current (liabilities)/assets	<b>(360)</b>	2,516	(114.3)%

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to some risks. The British and European Brexit plans are unclear and therefore the business impact is unknown.

Changes to the standards for both the smoke alarms and carbon monoxide alarms following the review of the Grenfell Tower tragedy are also unclear however, any changes to the standards will mean additional costs to the business.

With the continued leverage of technology, ongoing education for our customers is fundamental. The objective to evolve our brand and reputation is a priority to ensure risks are minimized with regard to the trend of the retail high street and the growth in e-commerce sales.

# Kidde Safety Europe 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

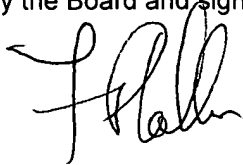
The directors of Kidde Safety Europe Limited expect the general level of activity to remain consistent with 2017 in the forthcoming year. A new computer system and further plans to grow the business in the UK and Europe will facilitate an overall increase in our market position. New products and the restructure of the trading areas will allow Kidde Safety to identify and develop new areas of business to ensure ongoing company growth and expansion.

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 20 to the financial statements.

### Approval

Approved by the Board and signed on its behalf by:



F Collins  
Director  
21 December 2018

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

# **Kidde Safety Europe Limited**

## **Directors' Report**

The directors present their Report and audited financial statements of the company for the year ended 31 December 2017.

### **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 company has received a letter of support from United Technologies Corporation and, therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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 (2016: £nil).

### **Directors**

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

F Collins	(appointed 26 July 2017)
P Fraipoint	(appointed 26 July 2017)
Chubb Management Services Limited	
A Burnett	(resigned 31 July 2017)
J Ward	(resigned 19 June 2017)

### **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.

# Kidde Safety Europe 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

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

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

### Independent Auditors

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:



F Collins  
Director

21 December 2018

Ash House  
Littleton Road  
Ashford  
TW15 1TZ

# Independent auditors' report to the members of Kidde Safety Europe Limited

## Report on the audit of the financial statements

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### Opinion

In our opinion, Kidde Safety Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2017; 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.

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### Basis for opinion

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

#### *Independence*

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

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### Conclusions relating to going concern

We have nothing to report in respect of the following matters to which 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.

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.

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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.

## Independent auditors' report to the members of Kidde Safety Europe 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 2017 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.



## Independent auditors' report to the members of Kidde Safety Europe Limited

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### Other required reporting

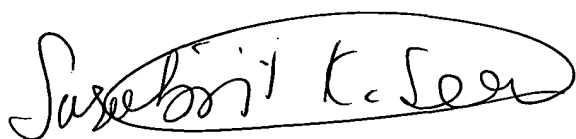
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#### Companies Act 2006 exception reporting

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.

A handwritten signature in black ink, which appears to read "Sarabjit K. Seera". The signature is enclosed within a hand-drawn oval.

Sarabjit Seera (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

21 December 2018

# Kidde Safety Europe Limited

## Statement of Comprehensive Income

For the year ended 31 December 2017

	<i>Note</i>	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
<b>Revenue</b>	<b>3</b>	<b>14,681</b>	16,513
Cost of sales		(11,817)	(13,018)
<b>Gross profit</b>		<b>2,864</b>	3,495
Distribution costs		(5,055)	(3,768)
Administrative expenses		(400)	(151)
Other operating income		350	50
<b>Operating loss</b>		<b>(2,241)</b>	(374)
Finance costs	<b>4</b>	(31)	(17)
<b>Loss before taxation</b>	<b>5</b>	<b>(2,272)</b>	(391)
Income tax on loss	<b>9</b>	(8)	(3)
<b>Loss for the financial year</b>		<b>(2,280)</b>	(394)
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive expense for the year</b>		<b>(2,280)</b>	(394)

All results are derived from continuing operations.

# Kidde Safety Europe Limited

## Balance sheet

As at 31 December 2017

Registered number: 03941629

	<i>Note</i>	<b>2017</b>	2016
		<b>£'000</b>	£'000
<b>Fixed assets</b>			
Intangible assets	<b>10</b>	<b>507</b>	—
Property, plant and equipment	<b>11</b>	<b>295</b>	—
		<b>802</b>	—
<b>Current assets</b>			
Inventory	<b>12</b>	<b>2,952</b>	3,889
Debtors due within one year	<b>13</b>	<b>4,856</b>	3,457
Cash at bank and in hand		<b>500</b>	239
		<b>8,308</b>	7,585
<b>Creditors: Amounts falling due within one year</b>	<b>14</b>	<b>(8,668)</b>	(5,069)
<b>Net current (liabilities)/assets</b>		<b>(360)</b>	2,516
<b>Total assets less current liabilities</b>		<b>442</b>	2,516
<b>Provisions for liabilities</b>	<b>16</b>	<b>(206)</b>	—
<b>Net assets</b>		<b>236</b>	2,516
<b>Equity</b>			
Called up share capital	<b>17</b>	—	—
Retained earnings		<b>236</b>	2,516
<b>Shareholders' funds</b>		<b>236</b>	2,516

The notes on pages 11 to 29 form part of these financial statements.

The financial statements on pages 8 to 29 were approved by the board of directors on 21 December 2018 and were signed on its behalf by:



F Collins  
Director

**Kidde Safety Europe Limited**

**Statement of changes in equity**

**For the year ended 31 December 2017**

	<b>Called up share capital (Note 17) £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
<b>Balance as at 1 January 2016</b>	—	<b>2,910</b>	<b>2,910</b>
Loss for the financial year	—	(394)	(394)
<b>Total comprehensive expense for the year</b>	—	<b>(394)</b>	<b>(394)</b>
<b>Balance at 31 December 2016</b>	—	<b>2,516</b>	<b>2,516</b>
Loss for the financial year	—	(2,280)	(2,280)
<b>Total comprehensive expense for the year</b>	—	<b>(2,280)</b>	<b>(2,280)</b>
<b>Balance at 31 December 2017</b>	—	<b>236</b>	<b>236</b>

# Kidde Safety Europe Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 1. Accounting Policies

Kidde Safety Europe Limited's ('the company') principal activity is the sale of residential fire safety equipment.

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 a going concern basis, and also on the historical cost basis, 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.

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 21.

#### **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 2017 have had a material impact on the company.

# Kidde Safety Europe Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 1. Accounting Policies (continued)

##### Going concern

At 31 December 2017 the company had net current liabilities of £360,000 (2016: net current assets of £2,516,000). The Company is dependent upon the continued support of a fellow group undertaking, United Technologies Corporation, which has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

##### 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 - 10 years

##### Derecognition of intangible assets

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

##### Property, plant and equipment

Leasehold improvements, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Leasehold improvements	5 to 7.5 years
------------------------	----------------

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

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### Impairment of tangible and intangible assets

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

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

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

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

#### Inventories

Stocks are stated at the lower of cost and net realisable value on a FIFO basis. 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.

#### Share capital

Ordinary shares are classified as equity.

# Kidde Safety Europe Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 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.



# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### 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.

#### Pension costs

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

#### Foreign currency

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

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### 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.

#### Finance costs

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

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

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

#### Financial instruments

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

##### *Financial Assets*

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

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

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### ***Effective interest method***

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

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

#### ***Financial assets at FVTPL***

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 17.

#### ***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.

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### ***Derecognition of financial assets***

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

#### ***Financial liabilities and equity***

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

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### **Financial liabilities**

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

#### **Financial liabilities at FVTPL**

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
  - such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
  - the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
  - it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

#### **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.

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 1. Accounting Policies (continued)

#### ***Derivative financial instruments***

The company may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

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

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

#### ***Embedded derivatives***

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

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

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 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.

#### **Impairment of Trade Receivables**

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

### 3. Revenue

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

	2017	2016
	£'000	£'000
<b>Revenue:</b>		
United Kingdom	13,315	14,016
Europe	1,361	2,464
Rest of World	5	33
	<b>14,681</b>	<b>16,513</b>

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 4. Finance Costs

	2017	2016
	£'000	£'000
Interest payable to group companies	(31)	(17)
	<b>(31)</b>	<b>(17)</b>

### 5. Loss Before Taxation

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

	2017	2016
	£'000	£'000
Net foreign exchange (gains)/losses	(284)	1,299
Depreciation of tangible fixed assets	12	—
Amortisation of intangible assets	28	—
Operating lease charges	120	87
Inventory recognised as expense	10,964	12,983
Impairment of inventory	35	122
Impairment of trade receivables	203	97
Staff costs (see note 8)	1,609	1,493

### 6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statement were £30,000 (2016: £23,000).

Fees payable to PricewaterhouseCoopers LLP for non-audit services to the company £nil (2016: £nil).



# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 7. Staff Costs

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

	2017 Number	2016 Number
Sales & Administration	20	21

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	1,363	1,263
Social security costs	163	130
Other pension costs (see note 20)	83	100
	<b>1,609</b>	<b>1,493</b>

### 8. Directors' Remuneration and Transactions

	2017 £'000	2016 £'000
<b>Directors' remuneration</b>		
Emoluments	247	161
Defined contribution pension expense in the year	22	27
	<b>269</b>	<b>188</b>

	2017 Number	2016 Number
<b>The number of directors who:</b>		
Are members of a defined contribution pension scheme	1	1

	2017 £'000	2016 £'000
<b>Remuneration of the highest paid director:</b>		
Emoluments and amounts (excluding shares) under long term incentive schemes	144	161
Company contributions to money purchase pension schemes	17	27
	<b>161</b>	<b>188</b>

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 9. Tax on Loss

Tax expense included in profit or loss:

	2017	2016
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on loss for the year	—	—
<b>Total current tax</b>	<b>—</b>	<b>—</b>
<b>Deferred tax</b>		
Current year	9	1
Impact of rate change	(1)	—
Current year adjustment in respect of prior periods	—	2
<b>Total deferred tax (see note 15)</b>	<b>8</b>	<b>3</b>
<b>Total tax on loss</b>	<b>8</b>	<b>3</b>

The charge for the year can be reconciled to the loss in the Statement of Comprehensive Income as follows:

	2017	2016
	£'000	£'000
<b>Loss before tax</b>	<b>(2,272)</b>	<b>(391)</b>
Tax on loss at standard UK corporation tax rate of 19.25% (2016: 20.00%)	<b>(437)</b>	<b>(78)</b>
Effects of:		
Expenses not deductible for tax purposes	17	1
Re-measurement of deferred tax - changes in UK tax rates	(1)	—
Group relief	429	78
Adjustments to tax charge in respect of prior years	—	2
<b>Total tax charge for period</b>	<b>8</b>	<b>3</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 2017 is therefore 19.25% and the rate used for closing deferred tax balances is 17%.

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 10. Intangible Assets

	<b>Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
Additions	535	535
At 31 December 2017	535	535
<b>Accumulated amortisation and impairment</b>		
Amortisation	28	28
At 31 December 2017	28	28
<b>Net book value</b>		
At 31 December 2017	507	507

### 11. Property, Plant and Equipment

	<b>Leasehold improvements £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
Additions	307	307
At 31 December 2017	307	307
<b>Accumulated depreciation</b>		
Depreciation	12	12
At 31 December 2017	12	12
<b>Net book value</b>		
At 31 December 2017	295	295

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 12. Inventory

	2017 £'000	2016 £'000
Finished goods and goods for resale	2,952	3,889
	<b>2,952</b>	<b>3,889</b>

Inventories are stated after provisions for impairment of £157,000 (2016: £122,000). There is no material between the carrying amount of inventory and the replacement cost.

### 13. Debtors

Amounts falling due within one year:

	2017 £'000	2016 £'000
Trade receivables	4,191	2,770
Amounts owed by group undertakings	520	648
Deferred tax asset (note 15)	—	4
Derivative financial instruments	129	—
Prepayments and accrued income	16	35
	<b>4,856</b>	<b>3,457</b>

Trade receivables are stated after provision for impairment of £203,000 (2016: £97,000).

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

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

	2017 £'000	2016 £'000
Trade creditors	472	271
Amounts owed to group undertakings	5,614	4,004
Other creditors	309	37
Accruals and deferred income	2,273	507
Derivative financial instruments	—	250
	<b>8,668</b>	<b>5,069</b>

Included in amounts owed to group undertakings is £3,350,000 (2016: £2,596,000) which is unsecured, interest bearing at a rate of 1.0% (2016: 0.75%) and is repayable on demand. Remaining amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 15. Deferred Tax

The analysis of deferred tax assets [liabilities] is as follows:

	2017 £'000	2016 £'000
Deferred tax assets due within 12 months	29	29
Deferred tax liabilities due within 12 months	(33)	(25)
Total provision due within 12 months	(4)	4
Net deferred tax (liability)/asset	(4)	4

The movement in deferred tax is as follows:

Deferred tax assets:

	Accelerated tax depreciation £'000	Other temporary differences £'000	Revaluation of financial assets £'000	Total £'000
At 1 January 2016	5	1	23	29
At 1 January 2017	5	1	23	29
At 31 December 2017	5	1	23	29

Deferred tax liabilities:

	Accelerated tax depreciation £'000	Other temporary differences £'000	Revaluation of financial assets £'000	Total £'000
At 1 January 2016	(2)	(1)	(19)	(22)
(Charged)/credited to profit and loss	—	(3)	—	(3)
At 1 January 2017	(2)	(4)	(19)	(25)
(Charge)/credit to profit and loss	(8)	—	—	(8)
At 31 December 2017	(10)	(4)	(19)	(33)

# Kidde Safety Europe Limited

## Notes to the financial statements

For the year ended 31 December 2017

### 16. Provisions for Liabilities

	Deferred tax £'000	Product warranties £'000	Leasehold property dilapidations £'000	Total £'000
At 1 January 2016	—	—	—	—
Additions to the income statement	—	—	—	—
At 31 December 2016	—	—	—	—
Reclassify debtor balance b/f	(4)	—	—	(4)
Additions to the income statement	8	171	31	210
At 31 December 2017	4	171	31	206

#### Product warranties

This is a provision for the recall of faulty products. It is expected that the provision will be fully utilised within the next 12 months.

### 17. Called Up Share Capital

#### Ordinary shares

	2017 £'000	2016 £'000
<b>Allotted and fully-paid</b>		
1 (2016: 1) ordinary share of £1 (2016: £1) each	—	—
	—	—

### 18. Financial Commitments

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:

	2017 £'000	2016 £'000
Within one year	260	50
Between two and five years	1,040	—
After five years	485	—
	1,785	50

# **Kidde Safety Europe Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2017**

### **19. Retirement Benefit Schemes**

#### **Defined contribution schemes**

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

The total cost charged to income of £83,000 (2016: £100,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2017, contributions of £nil (2016: £nil) due in respect of the current reporting period had not been paid over to the schemes.

### **20. Subsequent Events**

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

### **21. 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)