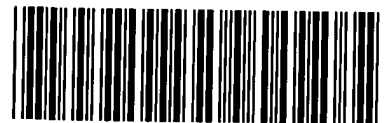


Kidde Products Limited

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

Registered number: **04622271**

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Kidde Products Limited

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Kidde Products Limited

Strategic Report

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

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

Review of the business

The directors are satisfied with the results for the year and anticipate sustainable results for the continuing operations in the future. The company's operating loss for the financial year is £0.6 million (2016: £0.4 million). However as a result of finance income, the company's profit for the financial year is £0.5 million (2016: £0.8 million), which will be transferred to reserves. The company has net assets of £126.7 million (2016: £123.3 million).

At the year end the company is in a strong cash position. Any excess cash is put on deposit with an intercompany party and amounted to £110.7 million (2016: £109.7 million) which is shown within intercompany debtors.

The directors anticipate that economic conditions will remain challenging in 2018 and will seek to manage the cost base of the company to offset any weakness in selling prices.

Key performance indicators

Revenue on continuing operations shows a year on year increase of 14.2% from £14.2 million in 2016 to £16.2 million in 2017. This is primarily due to good organic growth in the year.

No dividend was proposed and paid in the year ended 31 December 2017 (2016: £nil).

Principal risks and uncertainties

The directors and senior managers review the company's financial risk profile on a regular basis. This process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Compliance with regulation, legal and ethical standards is of extreme importance not only within the company, but the United Technologies Corporation group as a whole. The key business risks affecting the company are considered to relate to the economic environment, including credit risk, and foreign exchange risk.

Business environment

The global fire suppression industry is highly competitive as many companies offer similar coverage. This gives rise to competitive pricing structures. The company regularly assesses the impact of market conditions and technological changes in relation to the products supplied, and strive to be ahead of the market in offering new and innovative solutions.

Credit risk

The company's principal financial assets are cash at bank, intercompany and trade debtors and other debtors. The credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. Cash collections are monitored on a regular basis.

Liquidity and interest rate risk

Liquidity risk is managed centrally by the company's ultimate parent.

Foreign exchange risk

The majority of the company's transactions are denominated in sterling and the directors do not believe that there is a significant foreign exchange risk.

Kidde Products Limited

Strategic Report

Future developments

The directors expect the general level of activity of the continuing operations to remain consistent with 2017 in the forthcoming year. The impact of the Brexit negotiations will be kept under review as the situation unfolds.

Events after the balance sheet date

On 20 January 2018, Kidde Fire Protection Services Limited, a 100% subsidiary, declared a dividend of £23,549,000. The dividend was settled through intercompany loans. On 7 March 2018, Kidde Fire Protection Services Limited was placed into voluntary liquidation. It is hoped that the subsidiary will be dissolved in the coming year.

Approval

Approved by the Board and signed on its behalf by:



C Forbes
Director

29th June 2018

Stokenchurch House
Oxford Road
Stokenchurch
HP14 3SX

Kidde Products 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 1 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 notes to 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:

J Simpson
C Forbes
V Malimanek

Directors' indemnities

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

Disabled employees

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

Employee consultation

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

Kidde Products 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

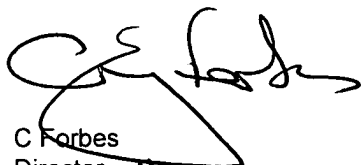
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 are being made 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:



C Forbes
Director

29 June 2018

Stokenchurch House
Oxford Road
Stokenchurch
HP14 3SX

Independent Auditors' Report to the Members of Kidde Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kidde Products 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 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 2017; the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Kidde Products Limited

Independent Auditors' Report to the Members of Kidde Products Limited

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. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kate Finn

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

29 JUNE 2018

Kidde Products Limited

Income Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	16,165	14,155
Cost of sales		(12,871)	(11,061)
Gross profit		3,294	3,094
Distribution costs		(1,817)	(1,649)
Administrative expenses		(2,113)	(1,812)
Operating loss		(636)	(367)
Loss on ordinary activities before finance income		(636)	(367)
Finance income	4	1,284	1,537
Profit on ordinary activities before taxation	5	648	1,170
Income tax expense on profit on ordinary activities	9	(187)	(370)
Profit for the financial year		461	800

All results are derived from continuing operations.

Kidde Products Limited**Statement of Other Comprehensive Income****For the year ended 31 December 2017**

	2017	2016
	£'000	£'000
Profit for the financial year	461	800
Items that will not be reclassified subsequently to profit:		
Actuarial loss on pension scheme	(3,528)	(20,082)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension asset	(595)	3,150
Return on plan assets greater than discount rate	7,026	2,318
Other comprehensive income/(expense) for the year net of tax	2,903	(14,614)
Total comprehensive income/(expense) for the year	3,364	(13,814)

Kidde Products Limited

Balance Sheet

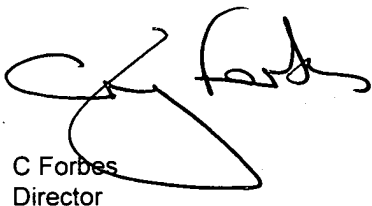
As at 31 December 2017

Registered number: 04622271

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	10	5,946	5,946
Property, plant and equipment	11	97	139
Investments in subsidiaries	12	25,316	25,316
Deferred tax asset	16	145	927
		31,504	32,328
Current assets			
Inventory	13	2,805	2,833
Debtors			
- due within one year	14	114,629	113,099
Cash and cash equivalents		521	675
Derivative financial instruments	21	32	52
		117,987	116,659
Creditors: Amounts falling due within one year	15	(39,356)	(38,581)
Net current assets		78,631	78,078
Total assets less current liabilities		110,135	110,404
Provisions for liabilities	17	—	—
Net assets excluding pension assets		110,135	110,406
Pension asset	20	16,575	12,940
Net assets		126,710	123,346
Equity			
Called up share capital	18	71,500	71,500
Share premium account		16,314	16,314
Retained earnings		38,896	35,532
Total shareholders' funds		126,710	123,346

The notes on pages 12 to 34 form part of these financial statements.

The financial statements on pages 8 to 34 were approved by the board of directors on 29th June 2018 and were signed on its behalf by:


C Forbes
Director

Kidde Products Limited

Statement of Changes in Equity

For the year ended 31 December 2017

	Called up share capital (Note 18) £'000	Share premium account £'000	Retained Earnings £'000	Total shareholders funds £'000
Balance as at 1 January 2016	71,500	1,081	49,346	121,927
Profit for the financial year	—	—	800	800
Other comprehensive (expense)/income for the year				
- Actuarial loss on pension scheme	—	—	(20,082)	(20,082)
- Return on plan assets greater than discount rate	—	—	2,318	2,318
- Tax credit on pension asset	—	—	3,150	3,150
Total comprehensive expense for the year	—	—	(13,814)	(13,814)
Proceeds from shares issued	—	15,233	—	15,233
Total transactions with owners recognised directly in equity	—	15,233	—	15,233
Balance at 31 December 2016	71,500	16,314	35,532	123,346
Profit for the financial year	—	—	461	461
Other comprehensive (expense)/income for the year				
- Actuarial loss on pension scheme	—	—	(3,528)	(3,528)
- Return on plan assets greater than discount rate	—	—	7,026	7,026
- Tax credit on pension asset	—	—	(595)	(595)
Total comprehensive income for the year	—	—	3,364	3,364
Balance at 31 December 2017	71,500	16,314	38,896	126,710

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies

Kidde Products Limited ('the company') manufactures and sells a comprehensive range of fire suppression equipment and fire alarm systems.

The company is a private limited company, limited by shares, and is incorporated and domiciled in England. The address of its registered office is Stokenchurch House, Oxford Road, Stokenchurch, Buckinghamshire, HP14 3SX.

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, under the historical cost convention, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Basis of accounting (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 3 – not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

IFRS 13 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities

IAS 1 – Information on management of capital

IAS 7 – statement of cash flows

IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group;

IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and

IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment

Where required, equivalent disclosures are given in the group financial statements of Kidde UK. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 24.

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.

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; 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.

Notes to the financial statements for the year ended 31 December 2017

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.

Property, plant and equipment

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

Plant and machinery are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Short leasehold	Over term of lease
Plant and machinery	3-20 years

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

Impairment of tangible and intangible assets

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

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

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

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Investments

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

Goodwill

Goodwill arises on the acquisition of trade and assets and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of the consideration transferred, is less than the fair value of the net assets of the trade and assets acquired, in the case of bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill are monitored for internal management purposes.

Goodwill is monitored at the operating segment level. Goodwill is not amortised. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Share Capital

Ordinary shares are classified as equity.

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.

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Taxation (continued)

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.

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.

Sale of goods

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Revenue (continued)

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

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

Pension costs

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

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

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

The company presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 20) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

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

Foreign currency

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

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

Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Leases

The company as lessee

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

Financial instruments

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

Financial Assets

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

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

Equity instruments

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities

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

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.

Embedded derivatives

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

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

Provisions

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

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

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

Provisions are discounted where the impact of discounting is material.

Warranties

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

Notes to the financial statements for the year ended 31 December 2017

1. Accounting Policies (continued)

Share premium

When the company issues new shares, any excess in price paid over the nominal value of the share, will be taken to the share premium account.

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.

Useful economic lives of properties, plant and equipment

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

Inventory provisioning

The company supplies, installs and maintains fire and security equipment which are subject to changing customer demands and technological change. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 13 for the net carrying value of inventory and

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures of the defined benefit scheme.

Notes to the financial statements for the year ended 31 December 2017

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

Impairment of goodwill

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £25.3 million with no impairment loss recognised in 2017 or 2016.

3. Revenue

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

	2017 £'000	2016 £'000
Continuing operations		
Sales of goods	16,165	14,155
	16,165	14,155

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

	2017 £'000	2016 £'000
Revenue:		
Continuing operations		
United Kingdom	2,888	2,782
Europe	9,179	6,190
Rest of the world	4,098	5,183
	16,165	14,155

4. Finance Income

	2017 £'000	2016 £'000
Interest receivable:		
Other loans and receivables	945	715
Net finance income on post-retirement benefits (note 20)	339	822
	1,284	1,537

Notes to the financial statements for the year ended 31 December 2017

5. Profit on Ordinary Activities Before Taxation

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

	2017 £'000	2016 £'000
Net foreign exchange gains	(83)	(318)
Depreciation of tangible fixed assets:		
- owned	42	44
Operating lease charges	348	407
Inventory recognised as expense	11,133	9,225
Impairment of inventory	169	186
Trade receivables recognised as expense	1	41
Impairment (release) of trade receivables (see note 14)	—	(37)
Staff costs (see note 7)	1,898	2,168

6. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statement were £37,000 (2016: £31,000).

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

7. Staff Costs

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

	2017 Number	2016 Number
Production	16	16
Selling and distribution	16	15
Administration	15	19
	47	50

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	1,680	1,713
Social security costs	49	154
Other pension costs (see note 20)	169	301
	1,898	2,168

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

Notes to the financial statements for the year ended 31 December 2017

8. Directors' Remuneration and Transactions

	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	126	145
Company contributions to money purchase pension schemes	12	12
	138	157

	2017 Number	2016 Number
The number of directors who:		
Are members of a money purchase pension scheme	1	1

	2017 £'000	2016 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	126	145
Company contributions to money purchase pension schemes	12	12

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

Directors' transactions

Details of transactions with directors during the year are disclosed in note 23.

9. Tax on Profit on Ordinary Activities

Tax expense included in profit:

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits for the year	—	—
Total current tax	—	—
Deferred tax		
Origination and reversal of timing differences	207	379
Adjustment in respect of prior years	4	22
Effects of changes in tax rate	(24)	(31)
Total deferred tax (see note 16)	187	370
Total tax on profit on ordinary activities	187	370

Notes to the financial statements for the year ended 31 December 2017

9. Tax on Profit on Ordinary Activities (continued)

The charge for the year can be reconciled to the profit in the income statement as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	648	1,170
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20.00%)	125	234
Effects of:		
Expenses not deductible for tax purposes	1	19
Utilisation of tax losses	—	(2)
Adjustments to tax charge in respect of prior years	4	22
Re-measurement of deferred tax (changes in UK tax rates)	(24)	(31)
Group relief not paid for	93	189
Transfer pricing adjustment	(12)	(61)
Total tax charge for year	187	370

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%.

Tax expense/(income) included in other comprehensive income

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

	2017 £'000	2016 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Pension asset	595	(3,150)
Total income tax charge/(credit) recognised in other comprehensive income	595	(3,150)

Notes to the financial statements for the year ended 31 December 2017

10. Intangible Assets

	Goodwill £'000	Total £'000
Cost		
At 1 January 2017	13,596	13,596
At 31 December 2017	13,596	13,596
Accumulated amortisation and impairment		
At 1 January 2017	7,650	7,650
At 31 December 2017	7,650	7,650
Net book value		
At 31 December 2017	5,946	5,946
At 31 December 2016	5,946	5,946

The directors have performed a review of the value of the company's intangible assets at the year end. The directors and their management team review the company's performance on a divisional basis and the internal structure allows identification of specific assets that generate a specific revenue stream. As such, the directors have performed the impairment review by comparing the value in use of the division against the value of the goodwill.

The recoverable amount of the cash generating unit has been determined based on a value-in-use calculation. This calculation used post-tax cash flow projections based on financial budgets approved by management covering the next financial year and estimates for the following four financial years. Cash flows beyond this period are extrapolated using the estimated growth rates stated below.

The divisions organic revenue is assumed to increase by 5% each year over the five years, this is a conservative estimate based on the developments within the company's market. Gross margin has been assumed to be an average of 22% as past results show margins of between 19% and 22%. Administrative expenses are assumed to increase by 1% year on year. The long term growth rate is 2% and the calculated post tax weighted average cost of capital is 8.4%.

Notes to the financial statements for the year ended 31 December 2017

11. Property, Plant and Equipment

	Short leasehold	Plant and machinery	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	57	418	475
At 31 December 2017	57	418	475
Accumulated depreciation			
At 1 January 2017	30	306	336
Depreciation	11	31	42
At 31 December 2017	41	337	378
Net book value			
At 31 December 2017	16	81	97
At 31 December 2016	27	112	139

12. Investments

	£'000
Cost	
At 1 January 2017	42,967
At 31 December 2017	42,967
Provisions for impairment	
At 1 January 2017	17,651
At 31 December 2017	17,651
Net book value	
At 31 December 2017	25,316
At 31 December 2016	25,316

Airsense Technology Limited and Kidde Fire Protection Services Limited have been treated as subsidiary undertakings because the Group exercises dominant influence over the investment, directing its financial and operating policies.

Details of the company's directly owned subsidiaries at 31 December 2017 are as follows:

Kidde Products Limited

Notes to the financial statements for the year ended 31 December 2017

12. Investments (continued)

Name	Principal Activity	Registered Office	Class of share	Proportion of ownership interest %
Airsense Technology Limited	Dormant company	Mathisen Way, Colnbrook, Slough, Berkshire, SL3 0HB	Ordinary	100
Kidde Fire Protection Services Limited	Dormant company	Mathisen Way, Colnbrook, Slough, Berkshire, SL3 0HB	Ordinary	100

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

During March 2018, Kidde Fire Protection Services Limited was put into voluntary liquidation. No impairment of the investment has been identified as a result (note 22).

13. Inventory

	2017 £'000	2016 £'000
Raw materials and consumables	978	969
Work in progress	191	214
Finished goods and goods for resale	1,636	1,650
	2,805	2,833

Inventories are stated after provision for impairment of £506,000 (2016: £337,000).

14. Debtors

Amounts falling due within one year:

	2017 £'000	2016 £'000
Trade receivables	1,534	1,281
Amounts owed by group undertakings	112,697	111,531
Other receivables	187	236
Prepayments and accrued income	211	51
	114,629	113,099

Trade receivables are stated after provision for impairment of £nil (2016: £nil).

Included within amounts due by group undertakings is a receivable balance from Parkview Treasury Services (UK) Limited of £110.7 million, (2016: £109.7 million). This represents surplus cash pooled with Parkview Treasury Services (UK) Limited. Interest is receivable on this balance at an average of 0.29% from 1 January 2017 to 31 December 2017 (2016: 0.25%).

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

Notes to the financial statements for the year ended 31 December 2017

15. Creditors Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Trade creditors	1,767	998
Amounts owed to group undertakings	36,986	36,797
Other taxation and social security	171	203
Other creditors	271	410
Accruals and deferred income	161	173
	39,356	38,581

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

16. Deferred Tax

The analysis of deferred tax assets is as follows:

	2017 £'000	2016 £'000
Deferred tax assets due after more than 12 months	145	927
Total provision due after more than 12 months	145	927
Net deferred tax asset	145	927

The movement in deferred tax is as follows:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other temporary differences £'000	Total £'000
At 1 January 2016	587	(2,458)	18	(1,853)
(Charged)/credited to profit and loss	(111)	(363)	95	(379)
Credited to other comprehensive income	—	3,150	—	3,150
Adjustments in respect of prior years	(1)	—	(21)	(22)
Effect of change in tax rate	(16)	61	(14)	31
At 31 December 2016	459	390	78	927
Charge to profit and loss	(87)	(26)	(94)	(207)
Credited to other comprehensive income	—	(595)	—	(595)
Adjustments in respect of prior years	—	(2)	(2)	(4)
Effect of change in tax rate	10	3	11	24
At 31 December 2017	382	(230)	(7)	145

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the deferred tax asset has been recognised in these financial statements.

Notes to the financial statements for the year ended 31 December 2017

17. Provisions for Liabilities

	Product warranties £'000	Total £'000
At 1 January 2016	29	29
Additions to the income statement	3	3
Amounts utilised	(27)	(27)
Unused amounts reversed to the income statement	(5)	(5)
At 31 December 2016 and 2017	—	—

Product warranties

The provision for product warranties relates to specific warranty claims on products sold in the last three years where specific issues had been noted.

18. Called Up Share Capital

Ordinary shares

	2017 £'000	2016 £'000
Allotted and fully-paid		
71,500,002 (2016: 71,500,002) ordinary shares of £1 each	71,500	71,500
	71,500	71,500

19. Financial Commitments

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
	Land and Buildings	Other	Land and Buildings	Other
Within one year	321	33	37	72
Between two and five years	137	39	—	46
After five years	—	—	—	—
	458	72	37	118

20. 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.

Notes to the financial statements for the year ended 31 December 2017

20. Retirement Benefit Schemes (continued)

Defined contribution schemes (continued)

The total cost charged to the Income Statement of £169,000 (2016: £301,000) 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 £16,000 (2016: £17,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

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

Under the Kidde Section, the employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary on attainment of a retirement age of 65. The pensionable salary is based on gross pay in the tax year prior to the effective date, excluding bonuses and commissions for that tax year plus an average of bonuses and commission over three tax years.

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

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

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

A full accounting valuation of the Kidde Section of the UTC (UK) Pension Scheme as at 31 December 2014 was carried out by Willis Tower Watson, an independent firm of actuaries, using the projected unit method. This valuation was updated as at 31 December 2017 by Willis Towers Watson. A separate valuation is performed for cash funding.

Notes to the financial statements for the year ended 31 December 2017

20. Retirement Benefit Schemes (continued)

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

	2017 %	2016 %
Key assumptions used:		
Discount rate(s)	2.67	3.80
Expected rate(s) of salary increase	2.50	3.00
Retail price inflation	3.25	3.00
Consumer price inflation	2.25	2.00
Expected rate of increase of pensions in payment (where RPI min 0% applies max 5% applies)	3.00	2.85
Expected rate of increase of pensions in payment (where RPI min 0% applies max 2.5% applies)	1.95	1.85
Revaluation in deferment (where CPI min 0% applies max 5% applies)	2.25	2.00
Revaluation in deferment (where CPI min 0% applies max 2.5% applies)	2.25	2.00
Average longevity at age 65 for current pensioners (years)*		
Male	21.1	21.1
Female	23.7	23.6
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	22.8	22.7
Female	25.6	25.5

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

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

	2017 £'000	2016 £'000
Service cost:		
Current service cost	290	260
Interest income	(339)	(822)
	(49)	(562)

Of the expense (service cost) for the year, £290,000 (2016: £260,000) has been included in the income statement as administrative expenses. The net interest income has been included within finance income (see note 4).

The remeasurement of the net defined benefit asset is included in the Statement of Other Comprehensive Income. An actuarial loss of £3.5 million (2016: gain of £20.1 million) and return on plan assets of £7.0 million (2016: £2.3 million) have been included in other comprehensive income.

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

Notes to the financial statements for the year ended 31 December 2017

20. Retirement Benefit Schemes (continued)

	2017 £'000	2016 £'000
Present value of defined benefit obligations	(110,370)	(108,241)
Fair value of scheme assets	126,945	121,181
Net asset arising from defined benefit obligation	16,575	12,940

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	108,241	88,553
Current service cost	290	260
Interest cost	2,837	3,300
Remeasurement losses:		
Actuarial gains and losses arising from changes in demographic assumptions	—	1,898
Actuarial gains and losses arising from changes in financial assumptions	3,528	18,184
Benefits paid	(4,526)	(3,954)
Closing defined benefit obligation	110,370	108,241

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

	2017 £'000	2016 £'000
Opening fair value of scheme assets	121,181	102,210
Interest income	3,176	4,122
Remeasurement gains:		
The return on scheme assets (excluding amounts included in net interest expense)	7,026	2,318
Contributions from the employer	359	16,761
Benefits paid	(4,526)	(3,954)
Administration costs paid	(271)	(276)
Closing fair value of scheme assets	126,945	121,181

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

Notes to the financial statements for the year ended 31 December 2017

20. Retirement Benefit Schemes (continued)

	2017 £'000	2016 £'000
Cash and cash equivalents	3,681	3,514
Equity instruments	48,620	46,412
Debt instruments	35,037	33,446
Property	3,174	3,030
Other	36,433	34,779
Total	126,945	121,181

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease 2%	Increase 2%
Salary growth rate	1%	Increase 1%	Decrease 1%
Pension growth rate	0.1%	Increase 1%	Decrease 1%
Life expectancy	Increase or decrease by 1 year	Increase 4%	Decrease 4%

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

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

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

The company expects to make a contribution of £564,000 (2016: £620,000) to the defined benefit scheme during the next financial year.

21. Financial Instruments

Categories of financial instruments at fair value

	2017 £'000	2016 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL) - Embedded derivative	32	52

Notes to the financial statements for the year ended 31 December 2017

21. Financial Instruments (continued)

Changes in value of financial instruments at fair value

Profit for the year has been arrived at after charging/(crediting):

	Year ended 2017 £'000	Year ended 2016 £'000
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	20	(24)

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

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

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

22. Subsequent Events

On 20 January 2018, Kidde Fire Protection Services Limited, a 100% subsidiary, declared a dividend of £23,549,000. On 7 March 2018, Kidde Fire Protection Services Limited was placed into voluntary liquidation. It is hoped that the subsidiary will be dissolved in the coming year.

23. Related Party Transactions

In accordance with the exemption allowed by FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council, transaction with other undertakings within United Technologies Corporation Group have not been disclosed in these financial statements on the grounds that both related parties are wholly owned subsidiaries of United Technologies Corporation, whose financial statements are publicly available.

Directors' transactions

Loan to director:

Other than the directors emoluments disclosed in note 8, there are no other transactions between the company and its directors.

24. Controlling Party

The company's immediate parent undertaking is 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 Corporation group financial statements are publicly available and can be obtained from www.utc.com.