

Kidde Graviner Limited

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

Registered number: 04622277



Kidde Graviner Limited

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Kidde Graviner Limited

Strategic Report for the year ended 31 December 2018

The directors present their strategic report for the company for the year ended 31 December 2018.

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

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

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

The principal activity of the company includes services provided by its employees to companies within the UTC Group which assist with the design, manufacture and sale of fire detection and protection equipment and other safety equipment for aircraft, military and commercial vehicles, and the provision of spares and repairs services to support the original equipment sales (OEM).

Business review, future developments and principal activities

As a result of the successful completion of the site closure in 2017, the Colnbrook site was vacated and various production lines and customer services were transferred to our sister companies, L'Hotellier in France and Kidde Aerospace and Defense in the USA (both businesses part of UTC Aerospace Systems). The company continues to exist in a reduced form with limited design and development activity with six full time employees. The company will not be a trading company but will rely on European Financial Shared Services (EFSS) in the UK and the Finance team at Kidde Aerospace and Defense (KADA) in Wilson USA for ongoing support services, accounting and financial administration.

The company incurred a loss before taxation of £29,000 (2017: £226,000 profit) from continuing operations. The Directors consider that the level of business and the 2018 year-end financial position were reasonable.

Key performance indicators (KPIs)

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

	2018 £'000	2017 £'000	Change %
Operating (loss)/ profit	(806)	(241)	(234.4%)
(Loss)/ profit for the financial year	(311)	170	(282.9%)
Total shareholders' funds	78,850	81,092	(2.8%)
Current assets as % of current liabilities	279%	267%	
Average number of employees	7	58	

The company's directors are of the opinion that an analysis using any other KPI's is not necessary for an understanding of the development, performance and position of the company and therefore no further information has been provided.

Kidde Graviner Limited

Strategic Report for the year ended 31 December 2018

Principal risks and uncertainties

Following the UK's decision to leave the EU following the referendum held on 23 June 2016 and the consequential uncertainty surrounding the UK economy the Directors have carried out a risk assessment. Whilst this is viewed as a low impact to the business, we have set up a team specifically to monitor developments as the post-Brexit landscape evolves and, in particular, to ensure that all potential implications relating to Brexit are considered.

Future developments

The directors expect the company to continue to exist in a reduced form with its current level of limited design and development activity.

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

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

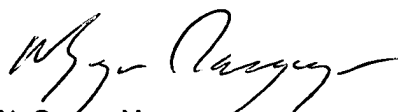
The Company expects to complete the separation transaction by mid-year 2020.

Events after the balance sheet date

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

Approval

Approved by the Board and signed on its behalf by:



N. Gregor Macgregor
Director
30th July 2019

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

Kidde Graviner Limited

Directors' Report for the year ended 31 December 2018

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

Results and dividends

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

Future developments

The future developments are currently disclosed in the strategic report on page 2 and form part of this report by cross-reference.

Going concern

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

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk, foreign currency risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The company does not enter into any interest rate or currency hedging, but does follow active management policies to minimize the risks as far as possible.

Credit risk

The company has minimal financial assets which comprises of trade and other debtors.

The company's credit risk is primarily attributable to its debtors. The amounts presented in the balance sheet are net of expected credit losses. When assessing expected credit losses, management considers factors including the credit rating of the debtor, the ageing profile and historical experience. The company applies IFRS 9 simplified approach to measure expected credit losses which uses 12 month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk.

Liquidity risk

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

Kidde Graviner Limited

Directors' Report for the year ended 31 December 2018

Financial risk management objectives and policies (continued)

Foreign currency risks

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

Modern Slavery Act

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

Directors

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

P J McArdle (Resigned on 30 March 2018)

E McCleave

N.Gregor Macgregor

Directors' indemnities

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- 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.

Kidde Graviner Limited

Directors' Report for the year ended 31 December 2018

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

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.

Statement of disclosure of information to auditors

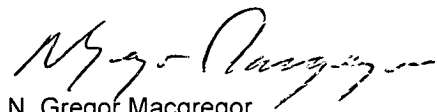
In the case of each director in office at the date the Directors' Report is approved:

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

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



N. Gregor Macgregor
Director
30th July 2019

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

Report on the audit of the financial statements

Opinion

In our opinion, Kidde Graviner Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its 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 2018; the profit and loss account; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Kidde Graviner Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4 and 5, 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.

Kidde Graviner Limited

Independent auditors' report to the members of Kidde Graviner Limited

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

We have no exceptions to report arising from this responsibility.



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

31 July 2019

Kidde Graviner Limited

Profit and Loss Account For the year ended 31 December 2018

Continuing operations

	<i>Note</i>	2018 £'000	2017 £'000
Administrative expenses		(806)	(241)
Operating loss		(806)	(241)
Interest receivable and similar income	5	2,212	467
Interest payable and similar expenses	6	(1,435)	-
(Loss)/ profit before taxation	7	(29)	226
Tax on (loss)/ profit	10	(282)	(56)
(Loss)/ profit from continuing operations		(311)	170

Discontinued operations

	<i>Note</i>	2018 £'000	2017 £'000
Revenue	3	-	17,051
Cost of sales		-	(11,570)
Gross profit		-	5,481
Distribution costs		-	(1,058)
Administrative expenses		-	(1,706)
Other operating expenses		-	(643)
Profit before exceptional items		-	2,074
Exceptional items	4	-	19,500
Profit before taxation	7	-	21,574
Tax on profit	10	-	-
Profit from discontinued operations		-	21,574

Statement of comprehensive income
For the year ended 31 December 2018

	2018	2017
	£'000	£'000
(Loss) / Profit for the financial year	(311)	21,744
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/ gain on pension scheme (note 16)	(2,327)	1,933
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension surplus (note 10)	396	(329)
Other comprehensive (expense) / income for the year net of tax	(1,931)	1,604
Total comprehensive (expense) / income for the year	(2,242)	23,348

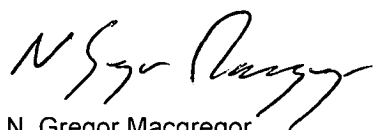
Kidde Graviner Limited
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Balance Sheet
As at 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Current assets			
Trade and other receivables:			
Amounts falling due within one year	11	112,976	115,493
Cash and cash equivalents		-	28
		112,976	115,521
<hr/>			
Creditors: Amounts falling due within one year	12	(40,548)	(43,280)
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Net current assets		72,428	72,241
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Pensions and similar obligations	16	6,422	8,851
Net assets		78,850	81,092
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Capital and reserves			
Called up share capital	14	71,389	71,389
Share premium account		8,130	8,130
Profit and loss account		(669)	1,573
Total Shareholders' funds		78,850	81,092

The notes on pages 13 to 32 form part of these financial statements.

The financial statements on pages 9 to 32 were approved by the board of directors on 30th July 2019 and were signed on its behalf by:



N. Gregor Macgregor
Director

Kidde Graviner Limited

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

	Called up share capital (Note 14) £'000	Share premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
Balance at 1 January 2017	71,389	8,130	(21,775)	57,744
Profit for the financial year	-	-	21,744	21,744
Other comprehensive income/(expense) for the year				
- Actuarial gain on pension scheme	-	-	1,933	1,933
- Deferred tax on pension scheme	-	-	(329)	(329)
Total comprehensive income for the year	-	-	23,348	23,348
Balance at 31 December 2017	71,389	8,130	1,573	81,092
Loss for the financial year	-	-	(311)	(311)
Other comprehensive expense for the year				
- Actuarial loss on pension scheme	-	-	(2,327)	(2,327)
- Deferred tax on pension scheme	-	-	396	396
Total comprehensive expense for the year	-	-	(2,242)	(2,242)
Balance at 31 December 2018	71,389	8,130	(669)	78,850

Kidde Graviner Limited

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

1. Accounting policies

Kidde Graviner Limited's ('the company') principal activities include support services provided by its employees to companies within the United Technologies group which assist with the design, manufacture and sale of fire detection and protection equipment and other safety equipment for aircraft, military and commercial vehicles, and the provision of spares and repairs services to support the original equipment sales (OEM).

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

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

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

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.

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

1. Accounting policies (continued)

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

IFRS 3 - not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

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

IAS 1 – Information on management of capital

IAS 7 – statement of cash flows

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

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

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

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

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

The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 20.

Adoption of new and revised Standards

The Company has applied IFRS 15 “Revenue from Contracts with Customer” (which replaces IAS 18 “Revenue”) and IFRS 9 “Financial Instruments” (which replaces IAS 39 “Financial Instruments”) for the first time for the reporting period commencing 1 January 2018. There is no material impact to the company’s opening retained earnings balance as a result of applying these standards.

Going concern

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The financial statements have been prepared on a going concern basis as the Directors have obtained an undertaking from relevant Group undertakings, that existing loan financing will not be called for repayment in such a way as to impair the ability of the company to meet its liabilities to non-related parties as they fall due.

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

1. Accounting policies (continued)

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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 deferred tax computation of taxable profit, and is accounted for using the balance sheet liability method. 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.

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

1. Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of the return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services

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

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

Interest receivable and similar income

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

Pension costs

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 by discounting the expected future cashflows, with actuarial valuations being carried out at the end of each reporting period. Re-measurement 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. Re-measurement recorded in the statement of other comprehensive income is not recycled. Past service cost is recognised within the income statement 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
- re-measurement.

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

1. Accounting Policies (continued)

Pension costs (continued)

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

Net-interest expense or income is recognised within finance costs.

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).

Trade and other receivables

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

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

When assessing expected credit losses, management considers factors including the credit rating of the debtor, the ageing profile and historical experience. The company applies IFRS9 simplified approach to measure expected credit losses which uses 12 month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk.

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.

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

1. Accounting Policies (continued)

Provisions (continued)

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.

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

Apart from those involving estimations (which are dealt with separately below), there are no critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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 receivables. 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.

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the presented value of the obligation 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 experiences and current trends.

Kidde Graviner Limited

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

The following notes reflect the combined continuing and discontinued operations.

3. Revenue

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

	2018 £'000	2017 £'000
Discontinued operations		
Sales of goods	-	14,975
Rendering of services	-	2,076
	-	17,051

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

	2018 £'000	2017 £'000
Revenue:		
United Kingdom	-	7,151
Europe	-	5,024
United States	-	3,379
Rest of the World	-	1,497
	-	17,051

4. Exceptional items reported after operating profit

These costs arise due to the restructuring of the business; the operational site was closed in December 2017 and distribution streams were transferred to L'Hotellier (Kidde France) and Wilson within the US (also part of the United Technologies Corporation group). This has resulted in the items below.

	2018 £'000	2017 £'000
Restructuring costs – site closure	-	(1,163)
Severance provision	-	(91)
Accelerated depreciation	-	602
Income from transfer of assets	-	20,152
	-	19,500

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

5. Interest receivable and similar income

	2018 £'000	2017 £'000
Bank deposits	558	290
Pension interest income – return on assets	1,654	177
	<u>2,212</u>	<u>467</u>

6. Interest payable and similar expenses

	2018 £'000	2017 £'000
Pension interest expense – defined benefit obligation	1,435	-
	<u>1,435</u>	<u>-</u>

7. (Loss)/ profit before taxation

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

	2018 £'000	2017 £'000
Net foreign exchange gains	22	374
Depreciation of tangible fixed assets	-	249
Research and development	-	702
Derivative financial instrument charge/ (credit)	-	643
Operating lease expense	-	197
Operating lease income	-	(215)
Inventory recognised as an expense	-	11,050
Impairment of trade receivables	-	(7)
Movement in inventory provision	-	146

8. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £23,426 (2017: £23,426).

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

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

9. Staff costs, Directors' remuneration and transactions

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

	2018 Number	2017 Number
Production	4	34
Sales	3	-
Admin	-	24
	<u>7</u>	<u>58</u>

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	562	3,411
Social security costs	79	363
Other pension costs	499	349
Termination costs	-	2,371
	<u>1,140</u>	<u>6,494</u>

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

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	62	175
Company contributions to money purchase pension schemes	4	34
Compensation for loss of office	281	-
	<u>347</u>	<u>209</u>

The total emoluments paid to the highest paid director amounts to £343,000 (2017: £175,000).

The total contributions to money purchase pension schemes paid to the highest paid director was £4,000 (2017: £34,000).

	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	1	1

Two (2017: three) of the directors of the company are also directors of other group undertakings and their remuneration, including share based payment charges, for the year was paid by other undertakings.

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

10. Income tax expense

Tax expense included in the income statement:

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	-	-
Adjustments in respect of prior years		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(14)	511
Impact of rate change	1	(60)
Adjustment in respect of prior periods	295	(395)
Total deferred tax (see note 13)	282	56
Total tax on profit/ (loss) on ordinary activities	282	56

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

	2018	2017
	£'000	£'000
Profit/ (loss) on ordinary activities before taxation	(29)	21,800
Tax on profit/ (loss) on ordinary activities before taxation at standard UK corporation tax rate of 19.00% (2017: 19.25%)	(5)	4,197
Effects of:		
Expenses not deductible for tax purposes	-	(63)
Transfer pricing adjustments	(80)	(61)
Tax rate changes	1	(60)
Effects of group relief / other reliefs	71	317
Adjustments in respect of prior years	295	(395)
Income not taxable	-	(3,879)
Total tax charge for year	282	56

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

10. Income tax expense (continued)

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2018) was substantively enacted on 26 October 2015. A further reduction to 17% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2018 is therefore 19% and the rate used for the 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 recognized in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Pension asset movement	(396)	329
Total income tax recognised in other comprehensive income	(396)	329

11. Trade and other receivables

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	10	540
Amounts owed by group undertakings	112,069	114,631
Prepayments and accrued income	21	8
Corporation tax	538	-
Deferred tax asset	288	175
Other taxation	50	139
	112,976	115,493

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

The amounts above are stated after impairments of £nil (2017: £97,000).

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

12. Creditors; amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	-	106
Amounts owed to group undertakings	40,339	42,152
Other creditors	-	150
Accruals	209	872
	40,548	43,280

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

13. Deferred tax asset

The analysis of deferred tax assets is as follows:

	2018 £'000	2017 £'000
Deferred tax assets	288	175
Net deferred tax asset	288	175

The movement in deferred tax is as follows:

	Other provisions and temporary differences £'000	Total £'000
Deferred tax liabilities:		
At 1 January 2017	14	14
Charged to income statement	111	111
At 31 December 2017	125	125
Credited to income statement	(126)	(126)
At 31 December 2018	(1)	(1)

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

13. Deferred tax asset (continued)

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
Deferred tax asset:			
At 1 January 2017	291	255	546
Credited to profit and loss account	(118)	(49)	(167)
Credited to other comprehensive income	-	(329)	(329)
At 31 December 2017	173	(123)	50
Charged / (credited) to profit and loss account	(173)	16	(157)
Charged to other comprehensive income	-	396	396
At 31 December 2018	-	289	289

14. Called up share capital

Ordinary shares

	2018 £'000	2017 £'000
Authorised		
100,000,000 (2017: 100,000,000) ordinary shares of £1 each	100,000	100,000
Allotted and fully-paid		
71,389,001 (2017: 71,389,001) ordinary shares of £1 each	71,389	71,389

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

15. 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:

	2018 £'000	2017 £'000
Lessee:		
Expiring within one year	-	39
Expiring between two and five years	-	-
Expiring over five years	-	-
Lessor:		
Expiring within one year	-	-

At 31 December 2018 the company did not have any capital commitments not provided for (2017: Nil). Up until September 2018, the Company was a lessor based upon the rental of Mathisen Way, from which Kidde Graviner Limited operated, to various other UTC entities for a fee.

16. Retirement benefits

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 £12,068 (2017: £90,033) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £nil (2017: £nil) due in respect of the current reporting year had not been paid over to the schemes.

Defined benefit schemes

The UTC UK Pension Scheme (defined benefit scheme) is administered by a UTC Pension Trust Limited 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 for each completed year of pensionable service on attainment of a retirement age of 65. The pensionable salary based on total earnings in the tax year prior to leaving the service. In addition, the service period is limited to 40 years resulting in a maximum yearly entitlement (life-long annuity) of 2/3 of final salary.

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

16. Retirement benefits (continued)

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 for US GAAP purposes of the Kidde Section of the UTC (UK) Pension Scheme as at 31 December 2017 was carried out by Willis Towers Watson using the projected unit method. This valuation was approximately updated as at 31 December 2018 by Willis Towers Watson. The next full accounting valuation of the Plan is due as at 31 December 2020 and will be carried out later this year. A separate valuation is performed for cash funding.

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

16. Retirement Benefits (continued)

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

	2018	2017
	%	%
Key assumptions used:		
Discount rate(s)	2.76	2.50
Expected rate(s) of salary increase	3.00	3.00
Rate of inflation	3.25	3.25
Expected rate of increase of pensions in payment	3.00	3.00
Average longevity at age 65 for current pensioners (years)*		
Male	21.2	21.1
Female	23.7	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	22.6	22.8
Female	25.2	25.6

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

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

	2018	2017
	£'000	£'000
Current service cost	95	412
Past service cost: plan amendments	262	-
Interest Income	(219)	(177)
Administration cost incurred during the year	130	145
	268	380

Of the expense for the year, £487,000 (2017: £557,000) has been mapped to administrative expenses continuing operations. The net interest income has been included within interest payable and receivable (see notes 5 and 6). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

16. Retirement benefits (continued)

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

	2018 £'000	2017 £'000
Present value of defined benefit obligations	(52,731)	(58,941)
Fair value of scheme assets	59,153	67,792
Net surplus	6,422	8,851

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	58,941	57,804
Current service cost	95	412
Interest cost	1,435	1,522
Remeasurement (gains)/ losses:		
Actuarial gains and losses arising from changes in financial assumptions	(2,178)	1,619
Actuarial gains and losses arising from changes in demographic assumptions	(307)	-
Actuarial gains and losses arising from changes in experience	(2,252)	-
Plan participants' contributions	-	1
Benefits paid	(3,265)	(2,417)
Past service cost: plan amendments	262	-
Closing defined benefit obligation	52,731	58,941

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

16. Retirement benefits (continued)

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

	2018 £'000	2017 £'000
Opening fair value of scheme assets	67,792	64,714
Interest income	1,654	1,699
Return on plan assets less than discount rate	(7,064)	3,552
Administrative costs paid	(130)	(145)
Contributions from the employer	166	388
Plan participants' contributions	-	1
Benefits paid	(3,265)	(2,417)
Closing fair value of scheme assets	59,153	67,792

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

	2018 £'000	2017 £'000
Cash and cash equivalents	1,597	8,949
Equity instruments	12,422	13,897
Debt instruments	27,151	22,778
Property	1,775	1,763
Other	16,208	20,405
Total	59,153	67,792

The actual return on scheme assets was £1,654,000 (2017: £1,699,000).

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

Kidde Graviner Limited

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

16. Retirement benefits (continued)

	Impact on defined benefit asset		
	Change in assumption	Increase in asset	Decrease in asset
Discount rate	0.1%	Decrease 2%	Increase 2%
Salary growth rate	1%	Increase 1%	Decrease 1%
Inflation sensitivity	0.1%	Increase 1%	Decrease 1%
Life expectancy	1 year	Increase 4%	Decrease 4%

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

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized 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 £800,000 (2017: £405,000) to the defined benefit scheme during the next financial year.

17. Subsequent events

On 7 May 2019 the company's immediate parent undertaking changed from Kidde UK to Goodrich Aftermarket Services Limited.

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

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

18. Controlling party

The company's immediate parent undertaking throughout the year and as at 31 December 2018 was Kidde UK.

On 7 May 2019 the company's immediate parent undertaking became Goodrich Aftermarket Services Limited.

The company's ultimate parent undertaking and controlling party is United Technologies Corporation, a company incorporated in the United States of America.

United Technologies Corporation is the smallest and largest group to consolidate these financial statements.

Copies of the United Technologies Corporation group financial statements are publicly available and can be obtained from www.utc.com.