UTC Fire & Security UK Limited

Annual Report for the year ended 31 December 2018

Registered number: SC069196

UTC Fire & Security UK Limited

Contents

UTC Fire & Security UK Limited

Strategic Report

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

Review of the business

Revenue for the year ended 31 December 2018 amounted to £11,691,000 (2017: £13,384,000). Operating profit for the year was £368,000 (2017: £468,000) and net assets at the year end amounted to £6,640,000 (2017: £6,821,000).

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

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

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

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

Key performance indicators

The directors of United Technologies Corporation Inc. (UTC) manage the group's operations on a group basis. For this reason, the company's directors believe that the analysis using key business performance indicators for the company is not appropriate for an understanding of the development, performance or position of the business of UTC Fire & Security UK Limited on an individual basis. Refer to the group financial statements of UTC for an assessment of the key performance indicators.

Principal risks and uncertainties

The directors of United Technologies Corporation Inc. (UTC) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of UTC Fire & Security UK Limited. Refer to the group financial statements of UTC for an assessment of the principal risks and uncertainties.

Future developments

The directors expect the general level of activity to remain consistent with 2018 in the forthcoming year.

Events after the balance sheet date

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

UTC Fire & Security UK Limited

Approval

Approved by the Board and signed on its behalf by:

M Bens
Director
26 September 2019

Marioff Building
Badentoy Crescent
Badentoy Park
Portlethen
Aberdeen
AB12 4YD

Directors' Report

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

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found In the Strategic Report on page 1 and form part of this report by cross-reference.

Going concern

The company has received a letter of support from Kidde UK and, therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the 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 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 uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The company's principal financial assets are trade and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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.

Dividends

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

Directors

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

M Bens	(appointed 17 December 2018)
J E Davies	(appointed 12 March 2018)
V Malimanek	(resigned 17 December 2018)
K Swann	(resigned 12 March 2018)
J A van Goethem	(resigned 30 April 2018)

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

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.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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.

UTC Fire and Security UK limited

Directors Report (Cont'd)

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 auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

M Bens
Director
26 September 2019

Marloff Building
Badentoy Crescent
Badentoy Park
Portlethen
Aberdeen
AB12 4YD

Report on the audit of the financial statements

Opinion

In our opinion, UTC Fire & Security UK Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2018; the 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 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.

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 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.

Independent auditors' report to the members of UTC Fire & Security UK Limited (Continued)

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
26 September 2019

UTC Fire and Security UK Limited

Income statement

For the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Revenue	3	11,691	13,384
Cost of sales		(7,540)	(8,502)
Gross profit		4,151	4,882
Administrative expenses		(3,783)	(4,414)
Operating profit		368	468
Finance income	4	81	195
Finance costs	5	(61)	(40)
Profit before taxation	6	388	623
Tax on profit	10	(67)	—
Profit for the financial year		321	623

All results are derived from continuing operations.

UTC Fire & Security UK Limited

Statement of other comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		**321**	623
Actuarial (loss)/gain on pension scheme	*18*	**(502)**	654
Other comprehensive (expense)/income for the year net of tax		**(502)**	654
Total comprehensive (expense)/income for the year		**(181)**	1,277

UTC Fire & Security UK Limited

Balance sheet

As at 31 December 2018

Registered number: SC069196

	Note	2018	2017
		£'000	£'000
Fixed assets			
Intangible assets	*11*	**6,636**	6,636
Property, plant and equipment	*12*	**30**	35
		6,666	6,671
Current assets			
Inventories	*13*	**273**	282
Debtors - due within one year	*14*	**2,221**	3,784
		2,494	4,066
Creditors: Amounts falling due within one year	*15*	**(5,293)**	(7,288)
Net current liabilities		**(2,799)**	(3,222)
Total assets less current liabilities		**3,867**	3,449
Net assets excluding pension assets		**3,867**	3,449
Pension asset	*18*	**2,773**	3,372
Net assets		**6,640**	6,821
Equity			
Called up share capital	*16*	**5,501**	5,501
Share premium account		**8,391**	8,391
Accumulated losses		**(7,252)**	(7,071)
Total Shareholders' funds		**6,640**	6,821

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

The financial statements on pages 9 to 34 were approved by the board of directors on 26 September 2019 and were signed on its behalf by:

M Bens - Director

Statement of changes in equity

For the year ended 31 December

	Called up share capital	Share premium account	Accumulated losses	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance at 1 January 2017	**5,501**	**8,391**	**(8,348)**	**5,544**
Profit for the financial year	—	—	623	623
Other comprehensive income for the year				
- Actuarial gain on pension scheme	—	—	654	654
Total comprehensive income for the year	—	—	**1,277**	**1,277**
Balance at 31 December 2017	**5,501**	**8,391**	**(7,071)**	**6,821**
Profit for the financial year	—	—	321	321
Other comprehensive expense for the year				
- Actuarial loss on pension scheme	—	—	(502)	(502)
Total comprehensive expense for the year	—	—	**(181)**	**(181)**
Balance at 31 December 2018	**5,501**	**8,391**	**(7,252)**	**6,640**

1. Accounting Policies

UTC Fire & Security UK Limited ('the company') distributes and provides support of electronic security and safety products.

The company is a private limited company, limited by shares, and is incorporated and domiciled in the Scotland. The address of its registered office is Marioff Building, Badentoy Crescent, Badentoy Park, Portlethen, Aberdeen, AB12 4YD.

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. Except for the departure from the Companies Act explained in note 11.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

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

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

IFRS 7 – financial instrument disclosures
IFRS 13 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1 – Information on management of capital
IAS 7 – statement of cash flows
IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective
IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more wholly owned members of a group

Where required, equivalent disclosures are given in the group financial statements of United Technologies Corporation. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 21.

1. **Accounting Policies (continued)**

Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 have had a material impact on the company.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking. The company has also received a letter of support from its immediate parent undertaking which has expressed its willingness to support the company for at least 12 months from the signing of these financial statements.

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.

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 the income statement.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures and equipment 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:

Plant and machinery	3 - 20 years

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

1. **Accounting Policies (continued)**

Impairment of tangible and intangible assets

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

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

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

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

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 consideration transferred, is less than the fair value of the net assets of the trade and assets acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purposes 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 is 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 recognises immediately as an expense and is not subsequently reversed.

Inventories

Stocks are stated at the lower of cost and net realisable value. 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.

1. **Accounting Policies (continued)**

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.

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.

1. **Accounting Policies (continued)**

Revenue

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

Sale of goods

The company distributes and provides support of electronic security and safety products. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Sale of services

The company provides software support services under fixed price and variable price contracts. 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.

Some contracts include multiple deliverables, such as the sale of equipment and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

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.

1. **Accounting Policies (continued)**

Revenue (continued)

Sale of services (continued)

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceeds the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Interest income

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

Pension costs

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

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

- current service cost, past-service cost and gains and losses on curtailments and settlements; -

net-interest expense or income; and

- remeasurement.

The company presents the first two components of defined benefit costs within administrative expenses (see note 6) in the income statement. Curtailments gains and losses are accounted for as past-service cost. Remeasurements are recorded in the statement of other comprehensive income.

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

1. **Accounting Policies (continued)**

Foreign currency

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

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

Exchange differences are recognised in the income statement in the period in which they arise except for:

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

Leases

The company as lessee

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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

1. **Accounting Policies (continued)**

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL); and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met: • the asset is held within a business model whose objective is to collect the contractual cash flows, and

- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Impairment of financial assets

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

1. **Accounting Policies (continued)**

Trade and other receivables

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

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from supplies.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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 believe the following to be the critical judgements, 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 12 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 14 for the net carrying amount of the receivables and the associated impairment provision.

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 18 for the disclosures of the defined benefit scheme.

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

Goodwill and intangible assets

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Goodwill was tested for impairment using the 5 year cash flow forecast with terminal value at the end. The revenue forecast used a 2% increase and profit was adjusted to the profit margin of 4.5 %, which is consistent with recent performance. The result of the impairment test was an excess of £ 731,000 and therefore no impairment of goodwill has been provided for.

3. Revenue

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

	2018 £'000	2017 £'000
Continuing operations		
Sales of goods	**11,691**	13,384
	11,691	13,384

An analysis of the Company's revenue by class of business is set out below:

	2018 £'000	2017 £'000
Revenue:		
Electronic security	**11,691**	13,384
	11,691	13,384

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

	2018 £'000	2017 £'000
Revenue:		
United Kingdom	**11,691**	13,384
	11,691	13,384

4. Finance income

	2018 £'000	2017 £'000
Interest receivable from group companies	-	127
Net finance income on post retirement benefits	**81**	68
	81	195

5. Finance Costs

	2018	2017
	£'000	£'000
Interest payable to group companies	(51)	(39)
Exchange loss on foreign currency borrowings less deposits (net)	(10)	(1)
	(61)	(40)

6. Profit Before Taxation

Profit before taxation is stated after charging:	2018	2017
	£'000	£'000
Net foreign exchange losses - included in Finance Costs	10	1
Depreciation of tangible fixed assets:		
- owned	14	25
Pension scheme administrative costs	427	285
Operating lease charges	304	234
Staff costs (see note 8)	3,454	3,336

7. Auditors' Remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statement were £7,000 (2017: £6,220).

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

8. Staff Costs

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

	2018 Number	2017 Number
Sales	23	23
Administration	23	23
	46	46

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	2,707	2,784
Social security costs	320	318
Other pension costs (see note 18)	427	234
	3,454	3,336

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

9. Directors' Remuneration and Transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	67	144
Company contributions to money purchase pension schemes	3	10
	70	154

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

10. Tax on Profit

Tax expense included in profit or loss:

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	41	—
Adjustments in respect of prior years		
UK corporation tax	26	—
Total current tax	67	—
Total tax on profit	67	—

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

	2018 £'000	2017 £'000
Profit before tax	388	623
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	74	120
Effects of:		
Expenses not deductible for tax purposes	—	(21)
Group relief	—	(53)
Amounts not recognised	(33)	(46)
Adjustments to tax charge in respect of prior years	26	—
Total tax charge for the year	67	—

The reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2018 is therefore 19% and the rate used for closing deferred tax balances is 17%.

10. Tax on Profit (continued)

Unprovided deferred taxation

The Company has not recognised a deferred tax asset of £282,580 (2017: deferred tax asset £239,000) due to uncertainties over the timing and nature of future taxable profits.

The unprovided deferred taxation assets/(liabilities) are set out below:

	2018	2017
	£'000	£'000
Retirement benefit obligations	**(471)**	(573)
Contribution to pension	**528**	528
Tax losses	**163**	214
Accelerated tax depreciation	**61**	70
Deferred tax asset	**281**	239

11. Intangible Assets

	Goodwill
	£'000
Cost	
At 1 January 2018	**6,636**
At 31 December 2018	**6,636**
Net book value	
At 31 December 2018	**6,636**
At 31 December 2017	**6,636**

Goodwill was reviewed for impairment. The result of the impairment test was an excess compared to the goodwill net book value, hence the goodwill was not impaired.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 10 years would be a charge of £0.7 million (2017: £0.7 million) against operating profit and a reduction of £0.7 million (2017: £0.7 million) in the carrying value of goodwill in the balance sheet.

12. Property, Plant and Equipment

	Plant and machinery £'000	Total £'000
Cost		
At 1 January 2018	479	479
Additions	9	9
At 31 December 2018	488	488
Accumulated depreciation		
At 1 January 2018	444	444
Depreciation	14	14
At 31 December 2018	458	458
Net book value		
At 31 December 2018	30	30
At 31 December 2017	35	35

13. Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	273	282
	273	282

In the opinion of the directors, there is no material difference between the net book value and replacement cost of stocks at 31 December 2018 and 31 December 2017.

14. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	1,658	2,611
Amounts owed by group undertakings	509	1,085
Other receivables	41	39
Prepayments and accrued income	13	49
	2,221	3,784

Trade receivables are stated after provision for impairment of £27,552 (2017: £11,744).

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

15. Creditors Amounts Falling Due Within One Year

	2018	2017
	£'000	£'000
Bank loans and overdrafts	—	4
Trade creditors	63	30
Amounts owed to group undertakings	4,306	5,798
Other taxation and social security	320	558
Accruals and deferred income	537	898
Income Tax payable	67	—
	5,293	7,288

Included in amounts owed to group undertakings is £4,169,898 (2017: £4,451,502) which is unsecured, incurs interest 1.0% (2017: 1.0%), has no fixed date of repayment and is repayable on demand. Remaining amounts are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Called Up Share Capital

Ordinary shares

	2018	2017
	£'000	£'000
Allotted and fully-paid		
5,501,001 (2017: 5,501,001) ordinary shares of £1 (2017: £1) each	5,501	5,501
	5,501	5,501

17. 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	2017
	£'000	£'000
Within one year	78	78
Between two and five years	67	145
	145	223

18. Retirement Benefit Schemes

Defined benefit schemes

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

Under the Kidde Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary for each complete month and year of pensionable service 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 commissions 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 actuarial valuation of the UTC (UK) Pension Scheme as at 31 December 2015 was made by Barnett Waddingham, an independent firm of actuaries, using the projected unit method. Full actuarial valuations of the scheme are carried out every three years. This valuation was updated as at 31 December 2018 by Willis Towers Watson, another independent firm of actuaries. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

18. **Retirement Benefit Schemes (continued)**

The liability and asset figures, as well as benefit payments and expenses have been allocated to each employer by percentage liability based on the pension membership census data as at 31 December 2017. This allocates the liabilities to the relevant company that the pension member is associated with. The employee contributions and service cost were allocated using the census data, but only the current employees at the time of the census who are members of the pension scheme were included.

Employer contributions for 2018 have been allocated in accordance with the actual split of contributions paid by each employer.

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	**2.25%**	2.25%
Expected rate of increase of pensions in payment	**1.95%-3.00%**	1.95%-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 45 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
Service and Administrative Cost		
Current service cost	**257**	179
Past service cost	**114**	-
Administration cost	**56**	55
Interest income	**(81)**	(68)
	346	166

Of the expense (service and administration cost) for the year, £nil (2017: £nil) has been included in the income statement as cost of sales and £427,000 (2017: £234,000) has been included in administrative expenses. The net interest income has been included within finance income (see note 4). The remeasurement of the net defined benefit liability is included in the statement of other comprehensive income.

18. Retirement Benefit Schemes (continued)

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

	2018	2017
	£'000	£'000
Present value of defined benefit obligations	(22,767)	(22,458)
Fair value of scheme assets	25,540	25,830
Funded status	2,773	3,372
Net asset arising from defined benefit obligation	2,773	3,372

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

	2018	2017
	£'000	£'000
Opening defined benefit obligation	(22,458)	(22,024)
Current service cost	(257)	(179)
Past service cost	(114)	—
Interest cost	(550)	(581)
Remeasurement gains:		
Actuarial gains and losses arising from changes in demographic assumptions	133	—
Actuarial gains and losses arising from changes in financial assumptions	940	(595)
Actuarial gains and losses arising from experience adjustments	(1,871)	—
Benefits paid	1,410	921
Closing defined benefit obligation	(22,767)	(22,458)

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

	2018	2017
	£'000	£'000
Opening fair value of scheme assets	25,830	24,657
Interest income	631	649
Remeasurement gains/(losses):		
The return on scheme assets (excluding amounts included in net interest expense)	296	1,249
Contributions from the employer	249	251
Benefits paid	(1,410)	(921)
Administrative costs paid	(56)	(55)
Closing fair value of scheme assets	25,540	25,830

18. Retirement Benefit Schemes (continued)

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

	2018	2017
	£'000	£'000
Cash and cash equivalents	**690**	3,410
Equity instruments	**5,363**	5,295
Debt instruments	**11,723**	8,679
Property	**766**	672
Other	**6,998**	7,775
Total	**25,540**	25,830

The actual return on scheme assets was £296,000 (2017: £1,249,000).

The value of the assets of the UTC (UK) Pension Scheme as at 31 December 2018 have been apportioned to each of the business entities in accordance with their share of the total scheme defined benefit obligations as at 31 December 2018.

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**	**Decrease in assumption**
Discount rate	0.1%	Decrease by 2.0%	Increase by 2.0%
Salary growth rate	1.0%	Increase by 1.0%	Decrease by 1.0%
Price inflation	0.1%	Increase by 1.0%	Decrease by 1.0%
Life expectancy	1 year	Increase by 4.0%	Decrease by 4.0%

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 £256,000 (2018: £249,000) to the defined benefit scheme during the next financial year.

19. Contingent Liabilities

The Company is party to a UTC group revolving credit facility with its relationship bankers.

The Company has no other contingent liabilities at 31 December 2018 (2017: £ nil).

20. Subsequent Events

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

21. 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