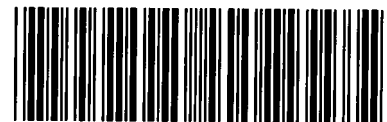


Registered number: 04622277

Kidde Graviner Limited

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

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Kidde Graviner Limited

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Kidde Gravier Limited
For the year ended 31 December 2017

Strategic Report

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

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

Business review, future developments and principal activities

The principal activities of the company are 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).

Profit before taxation of £21,574,000 (2016: loss of £39,540,000) from discontinued operations has been achieved on sales of £17,051,000 (2016: £26,876,000). Profit before taxation has been achieved of £226,000 (2016: 1,296,000 profit) from continuing operations. The Directors consider that the level of business and the 2017 year-end financial position were satisfactory during a year when an entity's main operating facility planned corporate strategy resulted in the closure of the Colnbrook site.

The Company saw an expected reduction in sales in 2017 when compared to previous years but higher than planned. Sales in the commercial spares market alongside an initiative for additional build-ahead inventory, much of which was sold were the foundations of this over-achievement.

As a result of the successful completion of the site closure, 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 Defence in the USA (both businesses part of UTC Aerospace Systems).

The company's financial position at the end of the year is set out in the balance sheet on page 10 of the financial statements.

Principal risks and uncertainties facing the entity

The Kidde Gravier entity will remain beyond 2017 with six full time employees in position.

Kidde Gravier 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 Defence (KADA) in Wilson USA for ongoing support services, accounting and financial administration.

Key performance indicators (KPIs)

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

Discontinued Operations	2017 £'000	2016 £'000	Change %
Revenue	17,051	26,876	(36.6)%
Gross profit	5,481	9,994	(45.2)%
profit /(Loss) before taxation	20,881	(39,540)	N/A
profit /(Loss) as a % of sales	126.2%	(147.1)%	N/A
Net current assets	72,066	50,103	43.8%

Kidde Graviner Limited
For the year ended 31 December 2017

Strategic Report (continued)

Results and dividends

The profit before taxation for the financial year was £21,800,000 (2016: loss of £38,244,000). The profit for the financial year of £21,744,000 (2016: loss of £37,773,000) has been transferred to reserves. An interim dividend of Nil was paid in 2017 (2016: Nil). There is no final dividend proposed.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and price risk.

Credit risk

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

Liquidity risk

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

Price risk

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

Foreign exchange risk

The company manages its foreign exchange risk through arrangements with the UTC group whereby unrequired foreign currency is offered to the group at the spot rate and similarly required foreign currency can be obtained from the group at the spot rate.

Employee involvement

Employees are regularly engaged on an ongoing basis through monthly all hands communications, individual performance appraisals, objective setting, training and regular departmental meetings and improvement activities.

Health and safety

Safe, healthy and hygienic working conditions are necessary for employees and business. The group's policy is to follow best practice, whilst constantly looking for ways to improve.

Research and development

The board considers that research and development plays a vital role in the company's success and continues to build on its capabilities in key product areas.

The company has been incorporated in the management structure of United Technologies Aerospace Systems (UTAS), a division of United Technologies Corporation (UTC). UTAS is among the largest global suppliers of technologically advanced aerospace and industrial products.

Kidde Graviner Limited
For the year ended 31 December 2017

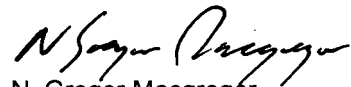
Strategic Report (continued)

Events after the balance sheet date

There were no significant events since the balance sheet date which have impacted the financial statements.

Approval

Approved by the Board and signed on its behalf by:



N. Gregor Macgregor
Director

26 June 2018

Registered office

Fore 1, Fore Business Park
Huskisson Way, Stratford Road
Shirley
B90 4SS
England

Kidde Graviner Limited
For the year ended 31 December 2017

Directors' Report

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

Future developments, research and development and events after the balance sheet date

Details of future developments, research and development and events that have occurred after the balance sheet date can be found in the Strategic Report and form part of this report by cross-reference.

Financial risk management objectives and policies

Detail of the company's operations, financial risk exposure and the management of those risks by the directors can be found in the Strategic Report and form part of this report by cross-reference.

Going concern

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.

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

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

Dividends

The directors recommend an interim dividend of Nil for the year (2016: Nil).

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)

J Keppy (Resigned on 18 December 2017)

E McCleave (Appointed on 18 December 2017)

N.Gregor Macgregor (Appointed on 18 December 2017)

Directors indemnities

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

Kidde Graviner Limited
For the year ended 31 December 2017

Directors' Report (continued)

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

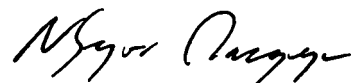
In the case of each director in office at the date the Directors' Report is approved:

- 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

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

Approved by the Board and signed on its behalf by:



N. Gregor Macgregor
Director

26 June 2018

Registered office

Fore 1, Fore Business Park
Huskisson Way, Stratford Road
Shirley
B90 4SS
England

Kidde Graviner Limited
For the year ended 31 December 2017

Independent auditors' report to the members of Kidde Graviner Limited

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2017; the Income Statement, the Statement of other comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion 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.

Kidde Graviner Limited
For the year ended 31 December 2017

Independent auditors' report to the members of Kidde Graviner Limited

Report on the audit of the financial statements

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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.

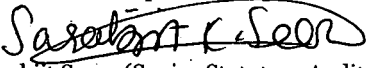
Other required reporting

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.


Sarabjit Seera (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
27 June 2018

Kidde Graviner Limited
For the year ended 31 December 2017

Income Statement

	<i>Note</i>	2017 £'000	2016 £'000
Administrative expenses		(241)	(517)
Profit / (Loss) before finance income		(241)	(517)
Finance Income	5	467	879
Profit /(Loss) before taxation	6	226	362
Tax on (profit) / loss	9	(56)	471
Profit /(Loss) from continuing operations		170	833

Discontinued Operations

	<i>Note</i>	2017 £'000	2016 £'000
Revenue	3	17,051	26,876
Cost of sales		(11,570)	(16,882)
Gross profit		5,481	9,994
Distribution costs		(1,058)	(1,004)
Administrative expenses		(1,706)	124
Other operating (expenses)/ income		(643)	382
Profit / (Loss) before exceptional items		2,074	9,496
Exceptional Items	4	19,500	(48,102)
Profit /(Loss) before taxation	6	21,574	(38,606)
Tax on (profit) / loss	9	-	-
Profit /(Loss) from discontinued operations		21,574	(38,606)

Kidde Graviner Limited

Statement of other comprehensive income For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit /(Loss) for the financial year	21,744	(37,773)
Actuarial gain/ (loss) on pension scheme	1,933	(9,560)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension asset	(329)	1,693
Total comprehensive income/ (expense) for the year	23,348	(45,640)

Kidde Graviner Limited
Registered number: 04622277
Balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	10	-	171
Pension asset	18	8,851	6,910
Deferred tax assets	14	175	560
		9,026	7,641
Current assets			
Inventories	11	-	2,544
Trade and other receivables:			
Amounts falling due within one year	12	115,318	95,611
Cash and cash equivalents		28	106
		115,346	98,261
Creditors: Amounts falling due within one year	13	(43,280)	(48,158)
Net current assets		72,066	50,103
Net assets		81,092	57,744
Capital and reserves			
Called up share capital	15	71,389	71,389
Share premium account	16	8,130	8,130
Retained earnings/(Accumulated losses)		1,573	(21,775)
Total shareholders' funds		81,092	57,744

The notes on pages 12 to 35 form part of these financial statements.

The financial statements on pages 8 to 35 were approved by the board of directors on 26 June 2018 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 2017

	Called up share capital £'000	Share premium account £'000	(Accumulated losses)/ Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 January 2016	71,389	-	23,865	95,254
Loss for the financial year	-	-	(37,773)	(37,773)
Other comprehensive (expense)/ income for the year				
- Actuarial (loss)/gain on pension scheme	-	-	(9,560)	(9,560)
- Movement on deferred tax relating to pension asset	-	-	1,693	1,693
Total comprehensive expense for the year	-	-	(45,640)	(45,640)
Proceeds from share issued (Note 16)	-	8,130	-	8,130
Balance at 31 December 2016	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 (loss)/gain on pension scheme	-	-	1,933	1,933
- Movement on deferred tax relating to pension asset	-	-	(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

Kidde Graviner Limited

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

1. Accounting policies

Kidde Graviner Limited's ('the company') principal activities are 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, Stratford Road, Shirley B90 4SS, England,

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 or applicable to companies using FRS101.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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.

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.

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting Policies (continued)

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

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

Where required, equivalent disclosures are given in the group financial statements of United Technologies Corporation. The group financial statement of United Technologies Corporation are available to the public and can be obtained as set out in note 20.

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.

The company is currently undertaking significant restructuring activity. The Company is dependent upon the continued support of the ultimate parent undertaking, United Technologies Corporation, which has expressed its willingness to support the company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting Policies (continued)

Property, plant and equipment

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

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:

Freehold land	Not depreciated
Freehold buildings	50 years
Plant and machinery	3 to 12 years

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

Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less any 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.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Share capital

Ordinary shares are classified as equity.

Operating leases

Rental costs under operating leases are charged to the statement of comprehensive income in equal amounts over the period of the leases. The Company has no finance leases. Incentives such as rent free periods are amortised over the period of the lease.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting Policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the 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.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material.

The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting Policies (continued)

Revenue (continued)

Sale of goods

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

Specific activity service contracts

Where service contracts require the performance of a specific activity, revenue is recognised once this specific activity has been completed to the performance required by the customer.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

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 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.

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

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).

Financial instruments

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

Financial Assets

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

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

Financial assets at FVTPL

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting Policies (continued)

Financial assets at FVTPL (continued)

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

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

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

Embedded derivatives

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting Policies (continued)

Impairment of financial assets (continued)

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

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

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised within the income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 10 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Inventory provisioning

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

Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other 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. See note 12 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 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.

Restructuring in the year

The company currently holds provisions related to its ongoing restructuring programme. These provisions are predominantly made up of severance costs. While a detailed plan is in place for the respective events, the amount and timing of outflows is subject to estimation uncertainty.

The following notes reflect the combined continuing and discontinued operations.

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

3. Revenue

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

	2017 £'000	2016 £'000
Discontinued operations		
Sales of goods	14,975	23,664
Rendering of services	2,076	3,212
	17,051	26,876

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

	2017 £'000	2016 £'000
Revenue:		
United Kingdom	7,151	12,306
Europe	5,024	8,909
United States	3,379	3,110
Rest of the World	1,497	2,551
	17,051	26,876

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'Hotelier (Kidde France) and Wilson within the US (also part of the United Technologies Corporation group). This has resulted in the items below.

	2017 £'000	2016 £'000
Restructuring costs – site closure	(1,163)	(2,972)
Profit on sale of land and buildings	-	7,970
Severance provision	(91)	(1,960)
Accelerated depreciation	602	(1,114)
Goodwill write off	-	(50,026)
Income from transfer of assets	20,152	-
	19,500	(48,102)

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

5. Finance income continuing operations

	2017 £'000	2016 £'000
Interest receivable:		
Bank deposits	290	443
Net interest on defined benefit pension scheme	177	436
	467	879

6. (Loss)/ profit before taxation discontinued operations

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

	2017 £'000	2016 £'000
Net foreign exchange gains	374	(1,160)
Depreciation of tangible fixed assets	249	726
Research and development	702	435
Derivative financial instrument charge/ (credit)	643	(382)
Operating lease expense	197	320
Operating lease income	(215)	(335)
Inventory recognized as an expense	11,050	16,729
Impairment of trade receivables	(7)	(4)
Movement in inventory provision	146	101

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £23,426 (2016: £23,000).

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

8. Staff costs, Directors' remuneration and transactions

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

	2017 Number	2016 Number
Production	34	64
Sales	-	7
Admin	24	18
	58	89

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	3,411	3,734
Social security costs	363	336
Other pension costs (see note 18)	349	1,164
Termination costs	2,371	1,960
	6,494	7,194

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

	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	175	157
Company contributions to money purchase pension schemes	34	45
	209	202

	2017 Number	2016 Number
The number of directors who:		
Are members of a defined benefit pension scheme	1	1

	2017 £'000	2016 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	175	157
Company contributions to money purchase pension schemes	34	45

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

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £34,000 under the scheme at the end of the year. There is no accrued lump sum.

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

9. Income tax expense/(credit)

Tax expense/(credit) included in the income statement:

	2017 £'000	2016 £'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	511	(583)
Impact of rate change	(60)	64
Adjustment in respect of prior periods	(395)	48
Total deferred tax (see note 14)	56	(471)
Total tax on profit/ (loss) on ordinary activities	56	(471)

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

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before taxation	21,800	(38,244)
Tax on profit/(loss) on ordinary activities before taxation at standard UK corporation tax rate of 19.25% (2016: 20.00%)	4,197	(7,649)
Effects of:		
Expenses not deductible for tax purposes	(63)	10,209
Transfer pricing adjustments	(61)	(77)
Tax rate changes	(60)	64
Effects of group relief / other reliefs	317	(1,036)
Adjustments in respect of prior years	(395)	48
Deferred tax on asset disposal	-	(436)
Income not taxable	(3,879)	-
Chargeable gains /(losses)	-	(1,594)
Total tax charge/(credit) for year	56	(471)

Notes to the financial statements (continued)
For the year ended 31 December 2017

9. Income tax expense/(credit) (continued)

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% was substantively enacted on 6 September 2016. The current tax rate used in the year ended 31 December 2017 is therefore 19.25% and the rate used for 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:

	2017	2016
	£'000	£'000
Deferred tax		
<hr/>		
Arising on income and expenses recognised in other comprehensive income:		
Pension asset movement	329	(1,693)
<hr/>		
Total income tax recognised in other comprehensive income	329	(1,693)
<hr/>		

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

10. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2016	9,495	7,604	17,099
Additions	-	379	379
Disposals	(9,495)	(39)	(9,534)
At 31 December 2016	-	7,944	7,944
Additions	-	301	301
Disposals	-	(7,957)	(7,957)
At 31 December 2017	-	288	288

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Accumulated depreciation			
At 1 January 2016	2,415	5,933	8,348
Depreciation	-	726	726
Accelerated depreciation	-	1,114	1,114
Disposals	(2,415)	-	(2,415)
At 31 December 2016	-	7,773	7,773
Depreciation	-	249	249
Disposals	-	(7,734)	(7,734)
At 31 December 2017	-	288	288

Net book value			
At 31 December 2016	-	171	171
At 31 December 2017	-	-	-

None of these assets are held under finance lease.

11. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	-	1,763
Work in progress	-	248
Finished goods and goods for resale	-	533
	-	2,544

There is no material difference between the carrying amount of inventory and the replacement cost.

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

12. Trade and other receivables

Amounts falling due within one year:

	2017 £'000	2016 £'000
Trade receivables	540	4,410
Amounts owed by group undertakings	114,631	89,859
Prepayments and accrued income	8	489
Other taxation	139	210
Derivative financial instruments	-	643
	115,318	95,611

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 impairment of £97,000 (2016:£7,000).

13. Creditors; amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	106	1,258
Amounts owed to group undertakings	42,152	42,234
Other creditors	150	265
Accruals	872	4,386
Warranty accrual	-	15
	43,280	48,158

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

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

14. Deferred tax asset/(liability)

The analysis of deferred tax assets/ (liabilities) is as follows:

	2017 £'000	2016 £'000
Deferred tax assets/ (liabilities)	175	560
Net deferred tax asset/ (liabilities)	175	560

The movement in deferred tax is as follows:

	Other provisions and temporary differences £'000	Total £'000
Deferred tax assets:		
At 1 January 2016	53	53
Charged/(credited) to income statement	(39)	(39)
At 31 December 2016	14	14
Charge/(credit) to income statement	111	111
At 31 December 2017	125	125

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
Deferred tax liabilities:			
At 1 January 2016	(344)	(1,314)	(1,658)
Charged/(credited) to income statement	635	(124)	510
Charged/(credited) to other comprehensive income	-	1,693	1,693
At 31 December 2016	291	255	546
Charge/(credit) to income statement	(118)	(49)	(167)
Charged/(credited) to other comprehensive income	-	(329)	(329)
At 31 December 2017	173	(123)	50

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

15. Called up share capital

Ordinary shares

	2017 £'000	2016 £'000
Authorised		
100,000,000 (2016: 100,000,000) ordinary shares of £1 each	100,000	100,000
	2017 £'000	2016 £'000
Allotted and fully-paid		
71,389,001 (2016: 71,389,001) ordinary shares of £1 each	71,389	71,389

16. Reserves

On the 7th November 2016, the company issued one ordinary share, as part of the arrangement relating to the implementation of the asset backed contribution to the pension scheme earlier this year. The company issued one ordinary share to Kidde UK at an issuance price of £8,130,000 (one share with a nominal value of £1 per share, issued at a premium of £8,129,999 per share).

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:

	2017 £'000	2016 £'000
Lessee:		
Expiring within one year	39	906
Expiring between two and five years	-	41
Expiring over five years	-	-
Lessor:		
Expiring within one year	-	335

At 31 December 2017 the company did not have any capital commitments not provided for (2016: Nil). Up until September 2017, 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.

18. 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.

Notes to the financial statements (continued)
For the year ended 31 December 2017**18. Retirement benefits (continued)**

The total cost charged to income of £90,033 (2016: £101,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2017, contributions of £nil (2016: £nil) due in respect of the current reporting 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.

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.

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. This allocates the liabilities to the relevant company that the pension member is associated with. Employer contributions for 2017 have been allocated in accordance with the actual split of contributions paid by each employer.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

18. Retirement benefits (continued)

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

A full actuarial valuation of the UTC (UK) Pension Scheme as at 31 December 2017 was made by Towers Watson, an independent firm of actuaries.

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

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

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

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Retirement benefits (continued)

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

	2017 £'000	2016 £'000
Current service cost	412	370
Interest Income	(177)	(436)
Administration cost incurred during the year	145	147
	380	81

Of the expense for the year, £557,000 (2016: £517,000) has been mapped to administrative expenses continuing operations. The net interest income has been included within Finance Income in continuing operations, £177,000 (2016: £436,000).

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:

	2017 £'000	2016 £'000
Present value of defined benefit obligations	(58,941)	(57,804)
Fair value of scheme assets	67,792	64,714
Funded status	8,851	6,910
Net asset arising from defined benefit obligation	8,851	6,910

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	57,804	47,290
Current service cost	412	370
Interest cost	1,522	1,771
Remeasurement (gains)/ losses:		
Actuarial gains and losses arising from changes in financial assumptions	1,619	9,465
Actuarial gains and losses arising from changes in demographic assumptions	-	1,019
Plan participants' contributions	1	-
Benefits paid	(2,417)	(2,111)
Closing defined benefit obligation	58,941	57,804

Kidde Graviner Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Retirement benefits (continued)

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

	2017 £'000	2016 £'000
Opening fair value of scheme assets	64,714	54,583
Interest income	1,699	2,207
Remeasurement gains:		
The return on scheme assets (excluding amounts included in net interest expense)	3,552	924
Administrative costs paid	(145)	(147)
Contributions from the employer	388	9,258
Plan participants' contributions	1	-
Benefits paid	(2,417)	(2,111)
Closing fair value of scheme assets	67,792	64,714
<hr/>		
Net position at 31 December	8,851	6,910

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

	2017 £'000	2016 £'000
Cash and cash equivalents	8,949	1,877
Equity instruments	13,897	24,785
Debt instruments	22,778	17,861
Property	1,763	1,618
Other	20,405	18,573
Total	67,792	64,714

The actual return on scheme assets was (£3,552,000) (2016: Loss of £924,000).

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

18. Retirement benefits (continued)

	Impact on defined benefit asset		
	Change in assumption	Increase in asset	Decrease in asset
Discount rate	0.1%	Increase 2%	Decrease 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 £405,000 (2016: £388,000) to the defined benefit scheme during the next financial year.

19. Related party transactions

Directors' transactions

None of the directors have had loans with the company at any time during this or the previous year.

20. 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.

The United Technologies Corporation registered address is 10 Farm Springs Rd, Farmington, Connecticut, CT 06032.