Goodrich Aerospace UK Limited

Annual Report
for the year ended 31 December 2018

Registered number: 02426119

Goodrich Aerospace UK Limited

Contents

Goodrich Aerospace UK Limited

Strategic Report for the year ended 31 December 2018

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

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

Goodrich Aerospace UK Limited is principally involved in the business of commercial aircraft wheel and brake repair and overhaul.

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

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

Review of the business

The volume of units overhauled increased by 13.5% in 2018 but due to different sales mix this resulted in an increase in sales revenue of 29.6% to £35,905,000. Repairs from carbon heat sinks continued at levels in line with previous years demonstrating the ongoing success of this fuel efficient technology.

The benefits of being part of United Technologies Corporation (UTC) continue to be seen with improvements being made in operating systems, quality assurance, product development and Environmental, Health and Safety (EH&S).

The Company manages all aspects of its EH&S responsibilities in accordance with UTC corporate policy. Locally appointed staff with EH&S responsibilities carry out risk assessments, site auditing and general EH&S management, including incident reporting where applicable. During the year there were no lost time incidents which underlines the company employee commitment to health and safety.

Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2018	*2017*	Change
	£'000	*£'000*	%
Turnover	**35,905**	27,704	*29.6%*
Operating profit	**8,395**	3,858	*117.6%*
Profit for the financial year	**7,183**	3,947	*82.0%*
Total shareholders' funds	**6,267**	12,774	*-50.9%*
Current assets as % of current liabilities	**102%**	119%	
Average number of employees	**62**	59	

Achieving Competitive Excellence

The business continues to deploy an operational framework which drives continuous improvement in all areas across the business to ensure that financial and growth targets are met. During 2018 the business delivered on the targets set.

Strategic Report for the year ended 31 December 2018

Employee Involvement

It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, video presentations, company bulletins and training sessions. Employee engagement is measured via short surveys deployed 3 times each year. During 2018 the Company continued to meet with the Employee Forum as well as the established Health and Wellbeing committee. Objectives of these two groups include the improvement of information to and from employees, communication of health and safety information, business developments and the promotion of health and welling being of employees at work, at home and in the community.

Environmental Matters

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility. The Company will, on a continuing basis: develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this; provide a healthy and safe place of work for all its employees, contractors and visitors; develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large; and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all its employees.

Principal risks and uncertainties

The principal non-financial risks and uncertainties facing the Company are broadly grouped as competitive and legislative. The financial risks are discussed in the financial risk management section of the Directors report.

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

In October 2018 a new 3rd Country EASA approval was sought (and granted in February 2019) to ensure that in the event of a no deal Brexit the company would be able to maintain shipments to all customers.

Competitive Risks

The aerospace MRO (Maintenance, Repair and Overhaul) business is reliant on new and repeat business from aircraft operators. The majority of this business is secured for fixed periods of time, but will be subject to periodic competitive tender. As such, renewal of these contracts is uncertain and based upon financial and performance criteria. The remainder of the business is for individual purchase orders, and there is no certainty of repeat business from this income stream.

Legislative Risks

All of the business carried out is subject to standards set by the UK Civil Aviation Authority (CAA), and the US Federal Aviation Authority (FAA). Both of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and within the UTC group audit function. In August 2018 the Company received a successful outcome following an audit from UTC Quality Assurance.

Goodrich Aerospace UK Limited

Strategic Report for the year ended 31 December 2018

Future developments

The Directors expect to see continued growth and development of the Company under United Technologies Corporation due to benefits derived from economies of scale.

The company continues to remain focused on developing its future growth with carbon brake technology on platforms such as the Airbus A320neo, A350, Boeing 737 and 777x with long term growth expected from the Europe, Middle East and African markets.

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

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

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

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

H English
Director
Date 17 June 2019

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

Directors' Report for the year ended 31 December 2018

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

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 3 and form part of this report by cross-reference.

Going concern

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

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

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk 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.

The Company has reviewed the requirements of IAS 21 to determine its correct functional currency. After considering both primary and secondary economic indicators the management has concluded that it is most appropriate to use Sterling as the functional currency as this most faithfully represents the economic effects of underlying transactions, events and conditions.

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

Credit risk
The Company's principal financial assets are bank balances and cash, 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 credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

In the normal course of business, the Company sells items on deferred terms to other parties. Any risk associated with these third parties failing to honour their obligations arising from these transactions is mitigated through rigorous credit control procedures.

Liquidity risk
The Company participates in the overall world-wide UTC funding strategy managed at corporate treasury level. The Company participates in a UK cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

Modern Slavery Act

The company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the company has published a statement for the Reporting Period at www.utcaerospacesystems.com.

Dividends

There were £10,700,000 dividends proposed, declared and paid in the year (2017: £6,900,000).

Directors

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

H English
S Doctor
D Middleton
F Skrobak (Appointed 28 February 2018 & Resigned 2 October 2018)
J Miller (Appointed 17 January 2019)
A Mahajan (Appointed 2 October 2018 & Resigned 17 January 2019)
E D'Amico (Jnr) (Resigned 28 February 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 in respect of the financial statements

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

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

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

Goodrich Aerospace UK Limited

Directors' Report for the year ended 31 December 2018

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

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

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

Disclosure of information to auditors

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

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

Independent Auditors

The 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:

H English

Director
Date 19 June 2019

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

Independent auditors' report to the members of Goodrich Aerospace UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Goodrich Aerospace 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 profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of Goodrich Aerospace UK Limited

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 5-6, 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 Goodrich Aerospace UK Limited

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
21 June 2019

Goodrich Aerospace UK Limited

Profit and loss account
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	**35,905**	27,704
Cost of sales		**(27,487)**	(23,154)
Gross profit		**8,418**	4,550
Administrative expenses		**(23)**	(692)
Operating profit		**8,395**	3,858
Interest receivable and similar income	4	**1,472**	320
Interest payable and similar expenses	5	**(1,219)**	(239)
Profit before taxation	6	**8,648**	3,939
Tax on profit	10	**(1,465)**	8
Profit for the financial year		**7,183**	3,947

All results are derived from continuing operations.

The company has no recognised other comprehensive income other than its profit for the financial years ended 31 December 2018 and 31 December 2017, and hence no separate statement of comprehensive income has been presented.

Goodrich Aerospace UK Limited
Registered number: 02426119

Balance sheet
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	*11*	**1,405**	1,328
Current assets			
Stocks	*12*	**2,159**	2,084
Debtors: Amounts falling due within one year	*13*	**208,340**	68,672
Debtors: Amounts falling due after more than one year	*13*	**19**	32
Cash and cash equivalents		**242**	393
		210,760	71,181
Creditors: Amounts falling due within one year	*14*	**(205,858)**	(59,717)
Net current assets		**4,902**	11,464
Total assets less current liabilities		**6,307**	12,792
Provisions for liabilities	*16*	**(40)**	(18)
Net assets		**6,267**	12,774
Equity			
Called up share capital	*17*	**1**	1
Share premium account		**635**	635
Capital reserve		**279**	279
Profit and loss account		**5,352**	11,859
Total Shareholders' funds		**6,267**	12,774

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

The financial statements on pages 10 to 32 were approved by the board of directors on 19 June 2019 and were signed on its behalf by:

H English
Director

Goodrich Aerospace UK Limited

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

	Called up share capital (Note 17) £'000	Share premium account £'000	Capital Reserve £'000	Profit and loss account £'000	Total Share-holders' funds £'000
Balance at 1 January 2017	**1**	**635**	**279**	**14,812**	**15,727**
Profit for the financial year	-	-	-	3,947	3,947
Total comprehensive income for the year	**-**	**-**	**-**	**3,947**	**3,947**
Dividends (note 18)	-	-	-	(6,900)	(6,900)
Balance at 31 December 2017	**1**	**635**	**279**	**11,859**	**12,774**
Change in accounting policy (note 22)	-	-	-	(2,990)	(2,990)
Restated balance at 31 December 2017	**1**	**635**	**279**	**8,869**	**9,784**
Profit for the financial year	-	-	-	7,183	7,183
Total comprehensive income for the year	**-**	**-**	**-**	**7,183**	**7,183**
Dividends (note 18)	-	-	-	(10,700)	(10,700)
Balance at 31 December 2018	**1**	**635**	**279**	**5,352**	**6,267**

1. Accounting policies

Goodrich Aerospace UK Limited ('the company') is principally involved in the business of commercial aircraft wheel and brake repair and overhaul.

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

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

Basis of accounting

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

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

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

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

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

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

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

1. Accounting policies (continued)

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

IFRS 3 - not to restate business combinations before the date of transition
IFRS 7 – financial instrument disclosures
IFRS 13 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1 – Information on management of capital
IAS 7 – statement of cash flows
IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective
IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group;
IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and
IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment
IFRS 15 – paragraphs 110b, 113a, 114,115,118,119 a-c, 121-127,129

Where required, equivalent disclosures are given in the group financial statements of United Technology Corporation.

The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 24.

Adoption of new and revised Standards

The company has applied IFRS 15 "Revenue from Contracts with Customers (which replaces IAS 18 "Revenue") and IFRS 9 "Financial Instruments" (which replaces IAS 39 "Financial Instruments") for the first time for the reporting period commencing 1 January 2018.

The company has adopted the modified respective approach for IFRS 15, with a loss of £2,990,000 being the brought forward restatement to reserves. IFRS 9 did not have a material impact on the company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; 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 cash flow risk, credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

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

1. Accounting policies (continued)

Tangible assets

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 profit and loss account.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Leasehold improvements	over the remaining life of the lease
Plant and equipment	5 - 15 years
Office machinery and fittings	5 - 15 years

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

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1. **Accounting policies (continued)**

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied or 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.

Over time revenue recognition
Performance obligations are satisfied over time if the customers receives the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

Sales of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. *For fixed price long term 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 costs incurred relative to the total expected costs of fulfilling the contract.

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.

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.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 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).

Leases

The company as lessee

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Interest payable and similar charges

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

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

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

Financial instruments

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.

1. Accounting policies (continued)

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.

Provisions

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

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

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

Provisions are discounted where the impact of discounting is material.

Warranties

The Company has examined the incidence of warranty claims and based on historical evidence has decided that a provision is no longer required but will continue to monitor the situation in the light of any changes in warranty experience.

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 following are 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 and that have the most significant effect on the amounts recognised in financial statements.

Stock provisioning

The company maintains repairs and overhauls equipment for the aerospace industry which is 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 12 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 debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 13 for the net carrying amount of the receivables and the associated impairment provision.

3. Turnover

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

	2018 £'000	2017 £'000
Turnover:		
Aftermarket	**35,905**	27,704
	35,905	27,704

All turnover is resulting from rendering of services.

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

	2018 £'000	2017 £'000
Turnover:		
United Kingdom	**14,236**	11,311
Rest of Europe	**12,711**	9,017
North America	**6,833**	6,461
Rest of World	**2,125**	915
	35,905	27,704

4. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group companies	**1,472**	320
	1,472	320

5. Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest payable to group companies	**1,219**	239
	1,219	239

6. Profit before taxation

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

	2018 £'000	2017 £'000
Net foreign exchange (gains)/ losses	**(214)**	448
Depreciation of tangible assets:		
- owned	**202**	246
Loss on disposal of tangible assets	**16**	2
Stock recognised as expense	**25,437**	16,758
Operating lease rentals – Land & Building	**509**	506
Auditors' remuneration	**29**	24
Staff costs (see note 8)	**3,239**	2,971

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £29,000 (2017: £24,000).

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

8. Staff costs

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

	2018 Number	2017 Number
Production	**56**	54
Administration & Management	**6**	5
	62	59

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**2,754**	2,520
Social security costs	**281**	263
Other pension costs (see note 20)	**204**	188
	3,239	2,971

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

9. Directors' remuneration and transactions

	2018	2017
	£'000	£'000
Directors' remuneration		
Emoluments	**150**	146
Company contributions to money purchase pension schemes	**11**	10
	161	156

	2018	2017
	Number	Number
The number of directors who:		
Members of a defined contribution pension scheme	**1**	1

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

The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes (2017: none).

There was no (2017: nil) compensation paid for loss of office.

10. Tax on profit

Tax expense included in profit or loss:

	2018 £'000	2017 £'000
Current tax		
Adjustments in respect of prior years		
UK corporation tax	**751**	-
Total current tax	**751**	-
Deferred tax		
Origination and reversal of timing differences	**718**	12
Adjustments in respect of prior years	**(4)**	(20)
Total deferred tax (see note 15)	**714**	(8)
Total tax on profit	**1,465**	(8)

Tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2018 £'000	2017 £'000
Profit before taxation	**8,648**	3,939
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	**1,643**	758
Effects of:		
Expenses not deductible for tax purposes	**1**	1
Group relief (receivable)/ surrendered for no payment	**(923)**	(745)
Adjustments in respect of prior years	**747**	(20)
Rate differential on temporary differences	**(3)**	(2)
Total tax (credit)/ charge for the year	**1,465**	(8)

The tax charge in future periods may be affected by:

10. Tax on profit (continued)

Depreciation is running in advance of claims for capital allowances. Whether this continues to be the case depends on the level of capital allowance claims in the future and the level of future investment in fixed assets.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Tangible assets

	Leasehold improvements £'000	Plant and equipment £'000	Office machinery and fittings £'000	Construction in progress £'000	Total £'000
Cost					
At 1 January 2017	249	2,076	254	86	**2,665**
Additions	3	296	52	15	**366**
Disposals	-	(18)	-	-	**(18)**
At 31 December 2017	252	2,354	306	101	**3,013**
Additions	-	316	-	-	**316**
Disposals	(10)	(99)	-	(21)	**(130)**
At 31 December 2018	242	2,571	306	80	**3,199**
Accumulated depreciation					
At 1 January 2017	14	1,403	36	-	**1,453**
Depreciation	17	218	11	-	**246**
Disposals	-	(14)	-	-	**(14)**
At 31 December 2017	31	1,607	47	-	**1,685**
Depreciation	17	169	16	-	**202**
Disposals	(1)	(92)	-	-	**(93)**
At 31 December 2018	47	1,684	63	-	**1,794**
Net book value					
At 31 December 2018	**195**	**887**	**243**	**80**	**1,405**
At 31 December 2017	221	747	259	101	1,328

12. Stocks

	2018	2017
	£'000	£'000
Raw materials and consumables	**2,159**	1,565
Work in progress	**-**	497
Finished goods and goods for resale	**-**	22
	2,159	2,084

In the opinion of the Directors the difference between the purchase price or production cost of stocks and their replacement cost is not material. Stocks are held net of an obsolete and slow-moving stock provision of £80,000 (2017: £119,000).

13. Debtors

Amounts falling due within one year:

	2018	2017
	£'000	£'000
Trade receivables	**1,615**	4,208
Amounts owed by group undertakings	**204,891**	63,949
VAT repayable	**137**	194
Other debtors	**1,498**	183
Prepayments and accrued income	**199**	138
	208,340	68,672

A loan to the ultimate parent company matures on a monthly basis and is renewable at a variable interest rate. No interest rate is charged on inter-company trading balances. The directors do not believe any further provision is required for trade receivables other than the amount of £283,000 (2017: £170,000) which has been calculated according to UTC policy guidelines.

Amounts falling due after more than one year:

	2018	2017
	£'000	£'000
Deferred tax asset (note 15)	**19**	32
	19	32

14. Creditors: amounts falling due within one year

	2018 **£'000**	2017 £'000
Trade creditors	**555**	324
Amounts owed to group undertakings	**195,829**	56,083
Accruals and deferred income	**8,724**	2,654
Corporation Tax	**750**	656
	205,858	59,717

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

15. Deferred tax

The analysis of deferred tax assets is as follows:

	2018 **£'000**	2017 £'000
Deferred tax assets due in less than 12 months	**-**	-
Deferred tax assets due after more than 12 months	**19**	32
Total asset due after more than 12 months	**19**	32
Net deferred tax asset	**19**	32

The movement in deferred tax is as follows:

Deferred tax assets:

	Accelerated tax depreciation £'000	**Other timing differences £'000**	**Total £'000**
At 1 January 2017	24	-	24
Credited to profit and loss	8	-	8
At 31 December 2017	**32**	**-**	**32**
Change in accounting policy (note 22)	-	701	701
Restated balance at 1 January 2018	**32**	**701**	**733**
Credited/ (charged) to profit and loss	(13)	(701)	(714)
At 31 December 2018	**19**	**-**	**19**

16. Provisions for liabilities

	Dilapidation £'000	Total £'000
At 1 January 2017	-	-
Charge to the profit and loss account	18	18
At 31 December 2017	18	18
Charge to the profit and loss account	22	22
At 31 December 2018	**40**	**40**

Dilapidation

A provision was created in 2017 to cover potential dilapidation costs at the end of a 15 year lease on Boundary Way Buildings.

17. Called up share capital

Ordinary shares

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

18. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Final dividend for the year ended 31 December 2018 of £9,727.27 (2017: 6,272.73) per £1 ordinary share	**10,700**	6,900
	10,700	6,900

In November 2018, the company paid a final dividend to its immediate parent company, Goodrich Holding UK Limited, paid out of distributable reserves.

19. Financial commitments

Capital commitments are as follows:

	2018 **£'000**	2017 £'000
Contracts for future capital expenditure not provided in the financial statements	**116**	165
	116	165

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 **£'000**	2017 £'000
Within one year	**498**	498
Between one and five years	**1,991**	1,991
After five years	**3,543**	4,040
	6,032	6,529

20. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to income of £204,000 (2017: £188,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There were no unpaid contributions outstanding at the year-end (2017: £nil).

21. Contingent Liabilities

As part of a multilateral guarantee, the company has entered an agreement with the bank, its parent undertaking, fellow subsidiaries and other related companies. Under this agreement, the company is party to a cross-undertaking on a limited number of specified accounts, limited to the credit balance standing within a group wide cash pooling facility.

The company participates in a cash pooling arrangement with several UK group companies. At 31 December 2018 there was a cash pool surplus of £242,000 (2017: surplus £393,000) representing the bank balances of all the group companies within the cash pool.

22. *Changes in accounting policies*

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the company has adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. The cumulative effect of the change in accounting was recognised through retained earnings at the date of adoption. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of adoption 1 January 2018 and at the end of the earliest period presented 31 December 2017:

	IAS 18 carrying amount 31 December 2017 £'000	**Remeasurement £'000**	**IFRS 15 carrying amount 1 January 2018 £'000**
Stocks	2,084	(497)	1,587
Debtors: due within one year			
- Other debtors	183	594	777
- Deferred tax asset	32	701	733
Creditors: due within one year			
- Accruals and deferred income	2,654	3,789	6,443
Profit and loss account	11,859	(2,990)	8,869

The impact on the company's retained earnings as at 1 January 2018 and 31 December 2017 is as follows:

	2018 £'000	2017 £'000
Retained earnings	**11,859**	11,859
Recognition of Loss on adoption of IFRS 15	**(3,691)**	-
Increase in deferred tax asset	**701**	-
Adjustment to retained earnings from adoption of IFRS 15	**(2,990)**	-
Opening retained earnings – IFRS 15	**8,869**	11,859

Performance obligations are satisfied over-time if the customers receives the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

Previously under IAS 18, revenue for these types of contracts was recognised at a point in time ie on completion of the repair.

23. Subsequent events

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

24. Controlling party

The company's immediate parent undertaking is Goodrich Holding UK Limited.

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

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

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