Goodrich Actuation Systems Limited

Annual Report
for the year ended 31 December 2018

Registered number: 04482320

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Goodrich Actuation Systems Limited

Contents

Goodrich Actuation Systems 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 Actuation Systems Limited is principally involved in the design, manufacture and supply of advanced technology systems, products and services to the world's aerospace industry. It is reinvesting for the future in key technologies with demonstrable customer benefits.

The Company is based in at Wolverhampton 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 key financial and other performance indicators during the year were as follows;

	2018	*2017*	Change
	£'000	*£'000*	%
Turnover	**459,602**	400,882	*14.6%*
Company operating loss	**(20,597)**	(22,661)	*(9.1%)*
Loss for the financial year	**(25,961)**	(25,422)	*(2.1%)*
Total shareholders' funds	**56,042**	131,431	*(57.4%)*
Current assets as % of current liabilities	**80.2%**	94.1%	
Average number of employees	**1,223**	1,169	

During the year, the business experienced strong growth in new programmes, principally the Airbus A350, A320 NEO and the A220.

The Company's earnings growth strategy contemplates earnings from organic sales growth in commercial OEM and aftermarket sales volume, including growth from new product development and product improvements, structural cost reductions and operational improvements.

Key performance indicators

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 growth in sales of 14.6% (2017: 12.5%).

Employee Involvement

It is the policy of the Company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the Group. 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, briefing meetings, video presentations, Company newsletters and training sessions. A wide range of procedures exists for consultation with employees and their representatives including employee communication meetings and employee surveys.

Strategic Report for the year ended 31 December 2018

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; 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.

During 2018 the business continued to integrate into the UTC Environment, Health & Safety (EH&S) framework achieving all the milestone targets set within the integration plan.

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.

Competitive Risks

The Company has many contracts, several significant, and through a continued commitment to excellence, seeks to achieve and exceed customer expectations to mitigate and reduce the risk of non-renewal and contract termination.

The Company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

Legislative Risks

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All 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.

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.

Goodrich Actuation Systems 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.

On November 26, 2018 the ultimate parent undertaking and controlling party, United Technologies Corporation (UTC), 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 24 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

P. Ross.

P Ross
Director
31st July 2019

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

Goodrich Actuation Systems Limited

Directors' Report for the year ended 31 December 2018

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

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.

Research and development

During 2018 the Company's project to develop actuation systems for the new programs continued according to plan.

Going concern

The financial statements have been prepared on a going concern basis as the directors have obtained support 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 Technology 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 basis 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.

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 Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring these risks and taking appropriate action.

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge for these exposures.

Credit risk
The Company has a policy that requires appropriate credit checks on potential customers before sales are made. The financial strength of existing customers is also monitored on a regular basis, and credit terms are adjusted as needed.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk
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.

Financial risk management objectives and policies (continued)

The Company has reviewed the requirements of IAS 21 to determine its correct functional currency. After considering both primary and secondary economic indicators, 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.

Dividends

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

Directors

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

P Ross
D Middleton
P Martin
R Grover (Resigned 10 December 2018)
E Dryden (Appointed 10 December 2018)

Disabled employees

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

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, employee surveys and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. All employees receive an annual bonus related to the overall profitability of the Company.

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.

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.

Directors' Report for the year ended 31 December 2018

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 laws 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 the financial statements, the directors are required to:

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

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

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

Statement of disclosure of information to auditors

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

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

Independent Auditors

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.

Directors' Report for the year ended 31 December 2018

Approved by the Board and signed on its behalf by:

P. Ross

P Ross
Director
31st July 2019

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

Independent auditors' report to the members of Goodrich Actuation Systems Limited

Report on the audit of the financial statements

Opinion

In our opinion, Goodrich Actuation Systems Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2018; the profit and loss account; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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.

Independent auditors' report to the members of Goodrich Actuation Systems Limited

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Independent auditors' report to the members of Goodrich Actuation Systems Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

Goodrich Actuation Systems Limited

Profit and loss account
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	**459,602**	400,882
Cost of sales		**(437,207)**	(348,735)
Gross profit		**22,395**	52,147
Administrative expenses		**(42,992)**	(74,808)
Operating loss		**(20,597)**	(22,661)
Interest receivable and similar income	4	**13,022**	12,874
Interest payable and similar expenses	5	**(17,540)**	(17,127)
Loss before taxation	6	**(25,115)**	(26,914)
Tax on loss	10	**(846)**	1,492
Loss for the financial year		**(25,961)**	(25,422)

All results are derived from continuing operations.

Goodrich Actuation Systems Limited

Statement of comprehensive income
For the year ended 31 December 2018

	2018 £'000	2017 £'000
Loss for the financial year	**(25,961)**	(25,422)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/ gain on pension scheme	**(14,320)**	16,702
Movement relating to hedge reserve	**(27,989)**	43,679
Income tax relating to items not reclassified:		
- deferred tax adjustment on hedge reserve	**4,758**	(7,426)
- movement on deferred tax relating to pension surplus	**2,435**	(2,839)
Other comprehensive (expense)/ income for the year net of tax	**(35,116)**	50,116
Total comprehensive (expense)/ income for the year	**(61,077)**	24,694

Goodrich Actuation Systems Limited
Registered number: 04482320

Balance sheet
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	*11*	**121,854**	125,281
Tangible assets	*12*	**43,988**	44,072
Investments	*13*	**-**	1,760
		165,842	171,113
Current assets			
Stocks	*14*	**100,958**	88,492
Debtors	*15*	**117,140**	113,220
Creditors: amounts falling due within one year	*16*	**(271,869)**	(214,348)
Net current liabilities		**(53,771)**	(12,636)
Total assets less current liabilities		**112,071**	158,477
Creditors: amounts falling due after more than one year	*16*	**(75,863)**	(75,908)
Provisions for liabilities	*18*	**(30,941)**	(17,395)
Pension asset and similar obligations	*21*	**50,775**	66,257
Net assets		**56,042**	131,431
Equity			
Called up share capital	*19*	**1**	1
Share premium account		**187,563**	187,563
Hedge reserve		**(19,043)**	8,946
Profit and loss account		**(112,479)**	(65,079)
Total Shareholders' funds		**56,042**	131,431

The notes on pages 15 to 49 form part of these financial statements

The financial statements on pages 11 to 49 were approved by the board of directors on 31st July 2019 *and were signed on its behalf by:*

P. Ross

P Ross
Director

Goodrich Actuation Systems Limited

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

	Called up share capital (Note 19) £'000	Share premium account £'000	Hedge Reserve £'000	Profit and loss account £'000	Total Share-holders' funds £'000
Balance at 1 January 2017	**1**	**187,563**	**(34,733)**	**(46,441)**	**106,390**
Loss for the financial year	-	-	-	(25,422)	(25,422)
Other comprehensive income for the year					
- Deferred tax adjustment on hedge reserve	-	-	-	(7,426)	(7,426)
- Hedge reserve movement	-	-	43,679	-	43,679
- Actuarial gain on pension scheme	-	-	-	16,702	16,702
- Deferred tax on pension scheme	-	-	-	(2,839)	(2,839)
Total comprehensive income for the year	**-**	**-**	**43,679**	**(18,985)**	**24,694**
Share based payments (note 22)	-	-	-	347	347
Balance at 31 December 2017	**1**	**187,563**	**8,946**	**(65,079)**	**131,431**
Change in accounting policy (note 23)	-	-	-	(14,952)	(14,952)
Restated balance as at 31 December 2017	**1**	**187,563**	**8,946**	**(80,031)**	**116,479**
Loss for the financial year	-	-	-	(25,961)	(25,961)
Other comprehensive expense for the year					
- Deferred tax adjustment on hedge reserve	-	-	-	4,758	4,758
- Hedge reserve movement	-	-	(27,989)	-	(27,989)
- Actuarial loss on pension scheme	-	-	-	(14,320)	(14,320)
- Deferred tax on pension scheme	-	-	-	2,435	2,435
Total comprehensive expense for the year	**-**	**-**	**(27,989)**	**(33,088)**	**(61,077)**
Share based payments (note 22)	-	-	-	640	640
Balance at 31 December 2018	**1**	**187,563**	**(19,043)**	**(112,479)**	**56,042**

1. Accounting policies

Goodrich Actuation Systems Limited ('the Company') is principally involved in the design, manufacture and supply of advanced technology systems, products and services to the world's aerospace industry.

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

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

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

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

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

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

1. Accounting policies (continued)

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

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

The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 25.

Adoption of new and revised Standards

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

The company has adopted the modified respective approach for IFRS 15, with £14,952,000 being the brought forward restatement to reserves.

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 Company meets its day to day working capital requirements through a cash-pooling arrangement which is centrally managed by another group undertaking.

At 31 December 2018 the Company had net current liabilities of £53,771,000 (2017: £12,636,000). The Company is dependent upon the continued support of its parent group, 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.

1. Accounting policies (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets – Goodwill

Goodwill arises on a business combination and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. 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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1. Accounting policies (continued)

Internally-generated intangible assets – research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Amortisation is recognised over the expected life of the contract. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 income.

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

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

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

Land and building improvements	3% - 7% per year
Plant and equipment	4% - 33% per year
Construction in progress	no depreciation charge until transferred to appropriate class of asset upon completion

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.

1. Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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.

Investments

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

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.

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.

1. **Accounting policies (continued)**

Taxation (continued)

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

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

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

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

Current tax and deferred tax for the year

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

Revenue recognition

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

Sale of goods

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

1. Accounting policies (continued)

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 contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on actual labour hours spent relative to the total expected labour hours.

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

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

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

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced. exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1. Accounting policies (continued)

Pension costs

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

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

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

The Company presents the first two components of defined benefit costs within administrative expenses (see note 6) in its consolidated profit and loss account. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs and interest receivable (see note 4 and 5).

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).

1. **Accounting policies (continued)**

Leases

The Company as lessee

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

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

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Finance costs

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.

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.

1. **Accounting policies (continued)**

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 company 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.

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.

1. Accounting policies (continued)

Trade and other receivables (continued)

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.

Derivative financial instruments

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.

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 in profit or 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.

1. **Accounting policies (continued)**

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited as 'other operating income' to the profit and loss account as the related expenditure is incurred.

Share-based payments

Where the Company's parent Company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Where the Company grants to its employees rights to equity instruments of its parent, the Company accounts for such arrangements as cash-settled share-based payment arrangements.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1. Accounting policies (continued)

Provisions

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

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

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

Provisions are discounted where the impact of discounting is material.

Warranties

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

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

Defined Benefit Pension Scheme

The Company participates in a group defined benefit scheme for qualifying employees (the UTC (UK) Pension Scheme). Under the scheme, the employees are entitled to retirement benefits varying between 1% and 67% per cent of final salary on attainment of a retirement age of 65.

The Company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures of the defined benefit scheme.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful economic lives of tangible assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 12 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £55,573,000 (2017: £59,000,000). The projects continue to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the projects.

A detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Stock provisioning

The Company designs, manufactures and supplies advanced technology systems, products and services to the world's 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 applying assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 14 for the net carrying value of inventory and associated provision.

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

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 15 for the net carrying amount of the receivables and the associated impairment provision.

3. Turnover

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

	2018 **£'000**	2017 £'000
Sales of goods	**424,233**	376,444
Rendering of services	**35,369**	24,438
	459,602	400,882

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

	2018 **£'000**	2017 £'000
Turnover:		
United Kingdom	**75,547**	79,483
Rest of Europe	**175,812**	164,188
North America	**182,644**	137,678
Rest of World	**25,599**	19,533
	459,602	400,882

4. Interest receivable and similar income

	2018 **£'000**	2017 £'000
Interest receivable from group companies	**45**	36
Pension interest income - return on assets (see note 21)	**12,977**	12,838
	13,022	12,874

5. Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest payable to group companies	**6,124**	5,533
Pension interest expense – defined benefit obligation (note 21)	**11,416**	11,594
	17,540	17,127

6. Loss before taxation

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

	2018 £'000	2017 £'000
Net foreign exchange losses/ (gains)	**725**	(7)
Depreciation of tangible fixed assets:		
- owned	**7,529**	6,163
Amortisation of intangible assets included in other operating expenses:		
- internally generated	**4,912**	4,547
Loss on disposal of fixed assets	**275**	333
Loss on impairment of development costs	**-**	6,887
Research and development	**14,798**	9,255
Inventory recognised as expense	**303,152**	323,999
Profit on disposal of investment	**24,480**	-
Audit costs	**111**	111
Staff costs (note 8)	**84,830**	80,844

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the Company's annual financial statements were £111,000 (2017: £111,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services amount to £nil (2017: £18,000).

Goodrich Actuation Systems Limited

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

8. Staff costs

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

	2018 Number	2017 Number
Engineering	**169**	179
Manufacturing	**890**	785
Administration	**164**	205
	1,223	1,169

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**65,352**	63,021
Social security costs	**6,976**	6,500
Share based payments	**640**	347
Other pension costs (note 21)	**11,862**	10,976
	84,830	80,844

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

9. Directors' remuneration and transactions

	2018 £'000	2017 £'000
Directors' remuneration		
Emoluments	**510**	215
Stock option	**6**	49
Company contributions to money purchase pension schemes	**54**	27
	570	291

	2018 Number	2017 Number
The number of directors who are:		
Members of a defined contribution pension scheme	**2**	1

Two 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

	2018 £'000	2017 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	**285**	215
Company contributions to money purchase pension schemes	**29**	27

The highest paid director exercised share options in the year of £3,000 (2017: £nil).

10. Tax on loss

Tax expense included in profit or loss:

	2018 £'000	2017 £'000
Current tax		
Adjustment in respect of prior years	**49**	(2)
Total current tax	**49**	(2)
Deferred tax		
Origination and reversal of timing differences	**2,936**	(1,422)
Adjustment in respect of prior years	**(2,139)**	(68)
Total deferred tax (note 17)	**797**	(1,490)
Total tax on loss	**846**	(1,492)

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:

	2018 £'000	2017 £'000
Loss before tax	**(25,115)**	(26,914)
Tax on loss at standard UK corporation tax rate of 19% (2017: 19.25%)	**(4,772)**	(5,181)
Effects of:		
Expenses not deductible for tax purposes	**(4,439)**	27
Rate differential on temporary differences	**67**	188
Adjustments in respect of prior years	**(2,090)**	(70)
Group relief surrendered for no payment	**12,080**	3,544
Total tax charge for period	**846**	(1,492)

10. Tax on loss (continued)

The tax charge in future periods may be affected by:

Claims for capital allowances are running in advance of depreciation. 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.

Tax (income)/ expense included in other comprehensive income

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

	2018 £'000	2017 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Hedge reserve	**(4,758)**	7,426
Pension scheme	**(2,435)**	2,839
Total (income)/ expense tax recognised in other comprehensive income	**(7,193)**	10,265

11. Intangible assets

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2017	80,417	136,187	**216,604**
Additions	2,880	-	**2,880**
Disposals	(11,209)	-	**(11,209)**
At 31 December 2017	72,088	136,187	**208,275**
Additions	1,485	-	**1,485**
At 31 December 2018	73,573	136,187	**209,760**
Accumulated amortisation and impairment			
At 1 January 2017	12,863	69,906	**82,769**
Amortisation	4,547	-	**4,547**
Disposals	(4,322)	-	**(4,322)**
At 31 December 2017	13,088	69,906	**82,994**
Amortisation	4,912	-	**4,912**
At 31 December 2018	18,000	69,906	**87,906**
Net book value			
At 31 December 2018	**55,573**	**66,281**	**121,854**
At 31 December 2017	**59,000**	**66,281**	**125,281**

Development costs have been capitalised in accordance with the measurement and recognition bases of IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss. The costs primarily relate to the development across a number of aerospace new product introduction programs. Production has commenced on these programs, and the related costs are being amortised over the period to the end of each program.

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

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11. Intangible assets (continued)

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £6,798,000 (2017: £6,798,000) against operating profit, and a reduction of £6,798,000 (2017: £ £6,798,000) in the carrying value of goodwill in the balance sheet

12. Tangible assets

	Land and Building Improvements £'000	Plant and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2017	3,205	80,638	11,797	**95,640**
Additions	-	1,407	8,301	**9,708**
Transfer between classes	1,105	1,933	(3,038)	**-**
Disposals	-	(923)	-	**(923)**
At 31 December 2017	4,310	83,055	17,060	**104,425**
Additions	393	3,638	3,943	**7,974**
Transfer between classes	1,532	7,947	(9,479)	**-**
Disposals	-	(1,359)	-	**(1,359)**
At 31 December 2018	**6,235**	**93,281**	**11,524**	**111,040**
Accumulated depreciation				
At 1 January 2017	1,474	53,306	-	**54,780**
Depreciation	239	5,924	-	**6,163**
Disposals	-	(590)	-	**(590)**
At 31 December 2017	1,713	58,640	-	**60,353**
Depreciation	489	7,040	-	**7,529**
Disposals	-	(830)	-	**(830)**
At 31 December 2018	**2,202**	**64,850**	**-**	**67,052**
Net book value				
At 31 December 2018	**4,033**	**28,431**	**11,524**	**43,988**
At 31 December 2017	2,597	24,415	17,060	44,072

13. Investments

	£'000
Cost	
At 1 January 2017	1,760
At 31 December 2017	1,760
Disposals	(1,760)
At 31 December 2018	-
Provisions for impairment	
At 1 January 2017	-
At 31 December 2017	-
At 31 December 2018	-
Net book value at 31 December 2018	-
Net book value at 31 December 2017	1,760

On 16 May 2018 the company divested their 40% shareholding in Compania Espanola de Sistemas Aeronauticos SA (CESA) to Airbus Defence and Space S.A. resulting in a profit on disposal of £24,480,000.

14. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	**72,683**	53,527
Work in progress	**24,081**	22,780
Finished goods and goods for resale	**4,194**	12,185
	100,958	88,492

In the opinion of the Directors the difference between the purchase price or production cost of stocks and their replacement cost is not material. There is a provision of £14,424,000 (2017: £9,856,000) over stock held.

15. Debtors

Amounts falling due within one year:

	2018 £'000	2017 £'000
Trade receivables	**51,484**	49,818
Amounts owed by group undertakings	**42,596**	42,379
Corporation tax	**476**	1,070
VAT repayable	**3,224**	2,431
Other debtors	**1,238**	1,454
Derivative financial instruments	**-**	6,589
Prepayments and accrued income	**698**	500
	99,716	104,241

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

Trade receivables are stated after provision for impairment of £1,050,000 (2017: £880,000).

Amounts falling due after more than one year

	2018 £'000	2017 £'000
Deferred tax asset (note 17)	**17,424**	8,979
	17,424	8,979

16. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**90,687**	52,550
Amounts owed to group undertakings	**141,121**	147,527
Derivative financial instruments held with group undertakings	**20,764**	-
Accruals and deferred income	**19,297**	14,271
	271,869	214,348

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

Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	**75,392**	75,376
Deferred government grants	**281**	339
Accruals and deferred income	**190**	193
	75,863	75,908

17. Deferred tax

The analysis of deferred tax liabilities is as follows:

	2018 £'000	2017 £'000
Deferred tax assets due after more than 12 months	**17,424**	8,979
Deferred tax liabilities due after more than 12 months	**(6,824)**	(8,282)
Net deferred tax asset	**10,600**	697

The movement in deferred tax is as follows:

Deferred tax assets/ (liabilities):

	Accelerated tax depreciation £'000	Deferred development costs £'000	Tax losses £'000	Other timing differences £'000	Retirement benefit obligation £'000	Total £'000
At 1 January 2017	(1,382)	(7,652)	7,532	6,836	4,138	9,472
(Charged)/credited to profit and loss	34	1,515	-	(207)	148	1,490
Credited/ (charged) to other comprehensive income	-	-	-	(7,426)	(2,839)	(10,265)
At 1 January 2018	**(1,348)**	**(6,137)**	**7,532**	**(797)**	**1,447**	**697**
Change in accounting policy (note 23)	-	-	-	3,507	-	3,507
Restated balance at 1 January 2018	**(1,348)**	**(6,137)**	**7,532**	**2,710**	**1,447**	**4,204**
(Charged)/ credited to profit and loss	131	530	1,894	(3,549)	197	(797)
(Charged)/ credited to other comprehensive income	-	-	-	4,758	2,435	7,193
At 31 December 2018	**(1,217)**	**(5,607)**	**9,426**	**3,919**	**4,079**	**10,600**

18. Provisions for liabilities

	Environ-mental £'000	Product Warranties £'000	Onerous Contracts £'000	Deferred Tax Liability £'000	Total £'000
At 1 January 2017	1,278	9,093	4,917	-	15,288
Additions to the profit and loss account	-	2,484	-	8,282	10,766
Amounts utilised	-	(6,036)	-	-	(6,036)
Unused amounts reversed to the profit and loss account	-	(234)	(2,389)	-	(2,623)
At 31 December 2017	**1,278**	**5,307**	**2,528**	**8,282**	**17,395**
Additions to the profit and loss account	-	17,598	-	-	17,598
Amounts utilised	-	(2,594)	-	-	(2,594)
Unused amounts reversed to the profit and loss account	-	-	-	(1,458)	(1,458)
At 31 December 2018	**1,278**	**20,311**	**2,528**	**6,824**	**30,941**

Environmental
It is anticipated that the majority of the environmental provision will be utilised after more than one year.

Product warranties
The provision for product warranties relates to expected warranty claims on products sold in the last three years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Onerous Contracts
On reviewing certain key business activities, management identified that an onerous contract provision would be required.

19. Called up share capital

Ordinary shares

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

20. *Financial commitments*

Capital commitments are as follows:

	2018 £'000	2017 £'000
Contracts for future capital expenditure not provided in the financial statements	**4,951**	4,019
	4,951	4,019

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
Before one year	**88**	79
Between one and five years	**992**	1,147
	1,080	1,226

21. 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 £2,573,000 (2017: £2,213,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £nil (2017: £nil) were due in respect of the current reporting year had not been paid over to the schemes.

21. Retirement benefit schemes (continued)

Defined benefit schemes

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

Under the Goodrich Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1.25% of final pensionable pay for each complete month and year of pensionable employment plus any flat pension to which they are entitled on attainment of a normal retirement age of 65 (although some benefits may be taken at an earlier age). The pensionable salary is based on annual rate of a member's basic pay.

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

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

21. Retirement benefit schemes (continued)

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

A full accounting valuation for FRS 101 purposes of the Goodrich Section of the UTC (UK) Pension Scheme as at 31 December 2014 was carried out by Willis Towers Watson using the projected unit method. This valuation was updated as at 31 December 2017 by Willis Towers Watson. A separate valuation is performed for cash funding.

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

	2018	2017
	%	%
Key assumptions used:		
Discount rate(s)	**2.81**	2.55
Expected rate(s) of salary increase	**3.00**	3.00
Rate of inflation	**3.25**	3.25
Expected rate of increase of pensions in payment	**3.30**	3.30
Average longevity at age 65 for current pensioners (years)*		
Male	**21.2**	21.1
Female	**23.7**	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	**22.6**	22.8
Female	**25.2**	25.6

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

Amounts recognised in profit and loss in respect of these defined benefit schemes are as follows:

	2018	2017
	£'000	£'000
Service cost:		
Current service cost	**7,834**	7,674
Past service costs – plan amendments	**421**	-
Administration cost	**1,034**	1,089
Net interest income	**(1,561)**	(1,244)
	7,728	7,519

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21. Retirement benefit schemes (continued)

Of the expense for the year, £9,289,000 (2017: £8,763,000) has been included in the profit and loss account as administrative expenses. The net interest expense has been included within interest payable and receivable (notes 4 and 5). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	2018 **£'000**	2017 £'000
Present value of defined benefit obligations	**(421,274)**	(444,023)
Fair value of scheme assets	**472,049**	510,280
Net surplus	**50,775**	66,257

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

	2018 **£'000**	2017 £'000
Opening defined benefit obligation	**444,023**	422,765
Current service cost	**7,834**	7,674
Interest cost	**11,416**	11,594
Plan participants' contributions	**-**	60
Other contributions	**17**	17
Re-measurement losses/ (gains):		
Actuarial gains and losses arising from changes in demographic assumptions	**(5,156)**	-
Actuarial gains and losses arising from changes in financial assumptions	**(22,199)**	13,459
Actuarial gains and losses arising from experience adjustments	**(6,745)**	(8)
Benefits paid	**(8,337)**	(11,538)
Past service costs – plan amendments	**421**	-
Closing defined benefit obligation	**421,274**	444,023

21. Retirement benefit schemes (continued)

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

	2018 **£'000**	2017 £'000
Opening fair value of scheme assets	**510,280**	473,190
Interest income	**12,977**	12,838
Return on plan assets less than discount rate	**(48,420)**	30,153
Contributions from the employer	**6,566**	6,649
Plan participants' contributions	**-**	60
Other contributions	**17**	17
Benefits paid	**(8,337)**	(11,538)
Administrative costs paid	**(1,034)**	(1,089)
Closing fair value of scheme assets	**472,049**	510,280

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

	2018 **£'000**	2017 £'000
Cash and cash equivalents	**12,745**	67,357
Equity instruments	**99,130**	104,608
Debt instruments	**216,671**	171,454
Property	**14,161**	13,267
Other	**129,342**	153,594
Total	**472,049**	510,280

The actual return on scheme assets was £12,977,000 (2017: £12,838,000).

21. Retirement benefit schemes (continued)

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.1%	Decrease 2%	Increase 2%
Salary growth rate	1%	Increase 3%	Decrease 3%
Pension growth rate	0.1%	Increase 1%	Decrease 1%
Life expectancy	1 year	Increase by 4%	Decrease by 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 year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

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

The Goodrich Section of the UTC (UK) Pension Scheme expects to make a contribution of £9,000,000 (2017: £9,400,000) to the defined benefit scheme during the next financial year.

22. Share based payments

The Company issues to certain employees share appreciation rights (SARs), determined by reference to the Company's parent's shares, that require the Company to pay the intrinsic value of the SAR to the employee at the date of exercise. The Company recorded total expenses of £227,000 and £135,000 in 2018 and 2017, respectively. The total intrinsic value at 31 December 2018, 2017 and 2016 was £210,000, £160,000, and £236,000 respectively.

The Company issues to certain employees performance share units (PSUs), determined by reference to the Company's parent's shares, that require the Company to pay the intrinsic value of the SAR to the employee at the date of exercise. The Company recorded total expenses of £413,000 and £212,000 in 2018 and 2017, respectively. The total intrinsic value at 31 December 2018, 2017 and 2016 was £409,000, £460,000 and £450,000 respectively.

23. 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**
Debtors	113,220	4,536	117,756
Stock	88,492	(6,748)	81,744
Creditors	(214,348)	(16,247)	(230,595)
Deferred tax	697	3,507	4,204
Profit and loss account	(65,079)	(14,952)	(80,031)

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	**(65,079)**	(65,079)
Recognition of loss on adoption of IFRS 15	**(18,459)**	-
Decrease in deferred tax liability	**3,507**	-
Adjustment to retained earnings from adoption of IFRS 15	**(14,952)**	-
Opening retained earnings – IFRS 15	**(80,031)**	(65,079)

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.

24. 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.

25. Controlling party

The Company's immediate parent undertaking is Goodrich Controls Holding 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 group financial statements are publicly available and can be obtained from www.utc.com.