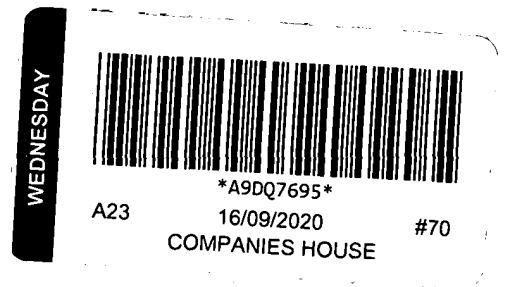


Claverham Limited

**Annual Report
for the year ended 30 November 2019**

Registered number: 03384710



Claverham Limited

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Claverham Limited

Strategic Report for the year ended 30 November 2019

The directors present their Strategic Report for the company for the year ended 30 November 2019.

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

At 30 November 2019 the company was a subsidiary of United Technologies Corporation (UTC). Refer to note 23 and the post balance sheet event change of ownership to Raytheon Technologies Corporation (RTX).

Principal activities

The principal activity of the company is to support the design of specialist actuation systems, mechanisms and equipment for other UTC companies.

Review of the business

The manufacturing site closed in September 2017. The company continues to act as an engineering hub providing limited design and development activity for other UTC companies.

The company generated a profit of £1.4m for the financial year (2018: profit of £4.1m).

Management consider the most important measure of the company's performance to be operating profit. In the year ended 30 November 2019, there is an operating profit of £1.0m (2018: £3.6m profit). In 2018 the high operating profit was driven by the restructuring of the company's operations, compared to the operating profit in 2019 which reflects the current support the company provides.

Key performance indicators

	2019	2018	Change %
Revenue	£4.7m	£4.0m	15.6%
Operating profit	£1.0m	£3.6m	(71.6%)
Profit for the financial year	£1.4m	£4.1m	(65.4%)
Total shareholders' funds	£47.1m	£48.8m	(3.4%)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below.

1. Competition

The company operates in an extremely competitive environment regarding technical innovation and product pricing. The company seeks to avoid selling on a cost-plus basis and commoditising of products, emphasising the engineering added value of its service offering as a means of overcoming this challenge.

2. Employees

The company's performance depends to a significant degree on the highly trained and experienced staff. The resignation of key individuals and the inability to recruit people with appropriate experience and skills from the local community could adversely impact the company's results. To mitigate these issues, the company undertook a Management Development Programme in the prior year. The company operates in a region which has a concentrated aerospace industry and offers competitive pay levels.

Claverham Limited

Strategic Report for the year ended 30 November 2019

Principal risks and uncertainties (continued)

3. Disaster recovery

The key operational risk to the overall business is an incident that disrupts or terminates the operational functions. A comprehensive disaster recovery plan is in place to ensure continuity of IT capability as well as plans to minimise impact on output to customers.

4. Economic uncertainty

As the state of the global economy continues to be in flux, the company is well positioned to withstand the current economic environment. Its products are diversified across a number of markets and enjoys the support that UTC provides. The company operates in market sectors that are by nature long term. Following the results of the United Kingdom EU referendum, the directors have begun considering the implications which at this stage remain uncertain. As there has been no changes in strategy and any impact in the short term is concluded as unlikely, there have been no additional disclosures or adjustments to the financial statements.

5. Working capital

Working capital is an indicator of the company's operational efficiency. There are key performance indicators and business actions led by the Directors of the company, which focus on maintaining a healthy working capital level. The current assets of the company continue to exceed the current liabilities which provide assurance that current liabilities can be paid for after conversion of customer receivables. If working capital is negative, it may impact the ability to operate effectively.

6. Development contracts

The nature of development contracts implies risk in terms of the eventual cost to complete and production qualifications of a product. The company is involved in a number of development contracts which will ultimately be brought into production. The company has experienced growth in initial estimates to complete on a selected number of programs and has experienced delays in the timeliness of completion. As the company is through a significant portion of its key development programs in terms of schedule and cost, the risk decreases as advanced critical milestones are achieved.

COVID-19 current impact and future outlook

During the month of January 2020, the emergence of the new virus called Covid-19 was announced, with an epidemic that quickly spread to many countries around the world, defined by the World Health Organization as a "pandemic situation".

In Europe, at the time of issue of this document, UK is one of the countries most affected. This has led to strong pressure on the country's health system and the consequent enactment by the Government authorities of a series of measures aimed at containing the risk of further expansion of the virus among the British population.

From the very first signs of an emergency, the Company promptly implemented mitigation measures aimed primarily at preserving production continuity while ensuring full protection of workers' health and safety.

The financial impact of the COVID-19 pandemic cannot be reasonably estimated at this time but may materially affect the company's business, financial condition, results of operations and cash flows. The extent of such impact depends on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic and actions to contain its spread or treat its impact, among others.

The directors in any case believes that what is happening does not change the company's solid medium-long term prospects and the use of the going concern assumption is considered appropriate by management.

Claverham Limited

Strategic Report for the year ended 30 November 2019

COVID-19 current impact and future outlook (continued)

Taking into account management data and with reference to the calendar year, for the year 2020 revenues are expected to decrease due to the economic crisis linked to the COVID-19 pandemic, which is particularly affecting the civil aviation sector; the financial impact of the COVID-19 pandemic cannot be reasonably estimated at this time but may materially affect the company, financial condition, results of operations and cash flows. The extent of such impact depends on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic and actions to contain its spread or treat its impact, among others.

Future developments

On 9 June 2019, UTC entered into a merger agreement with the Raytheon Company to combine its aerospace businesses with Raytheon to form a merged company Raytheon Technologies Corporation ("RTX").

The merger was completed 3 April 2020, shortly after the completion of the separation of Otis and Carrier. As a result of this merger, the company is now a member of RTX. Further details are contained in note 23 to the financial statements.

Events after the balance sheet date

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

Approval

Approved by the Board and signed on its behalf by:



D Middleton
Director
10 September 2020

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

Claverham Limited

Directors' Report for the year ended 30 November 2019

The Directors present their Report and audited financial statements of the company for the year ended 30 November 2019.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Going concern

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

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

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in prices risk, credit risk, liquidity risk and interest rate 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.

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.

Liquidity risk

The company works with the ultimate parent Company's treasury function to minimise exposure to liquidity risk.

Interest rate risk

The company has minimal risk from interest rate exposure due to the nature of the deposits and borrowings within the UK cash pooling accounts. As monies are borrowed from the UK cash pool within UTC, the company pays interest at the Bank of England's base rate, plus 0.5%. At this time, the company has no third party interest bearing loans.

Dividends

There were no dividends proposed, declared and paid in the year (2018: £nil).

Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

D Middleton
J Holland
E Dryden

Claverham Limited

Directors' Report for the year ended 30 November 2019

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.

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.rtx.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.

Political donations

The company made no political donations in the year (2018: nil).

Statement of directors' responsibilities

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

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

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

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

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

Claverham Limited

Directors' Report for the year ended 30 November 2019

Directors' confirmations


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

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

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



D Middleton
Director
10 September 2020

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

Claverham Limited

Independent auditors' report to the members of Claverham Limited

Report on the audit of the financial statements

Opinion

In our opinion, Claverham Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 30 November 2019; the income statement; 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

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

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

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

Reporting on other information

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

Claverham Limited

Independent auditors' report to the members of Claverham 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 30 November 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on pages 5 and 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.

Claverham Limited

Independent auditors' report to the members of Claverham 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
11 September 2020

Claverham Limited

Income statement For the year ended 30 November 2019

	<i>Note</i>	2019 £'000	2018 £'000
Revenue	3	4,670	4,039
Cost of sales		(3,354)	(2,474)
Gross profit		1,316	1,565
Distribution costs		-	(3)
Administrative expenses		(329)	(1,743)
Other operating income	4	47	3,818
Operating profit	7	1,034	3,637
Interest receivable and similar income	5	1,687	1,538
Interest payable and similar expenses	6	(1,168)	(1,098)
Profit before taxation		1,553	4,077
Tax on profit	11	(145)	(7)
Profit for the financial year		1,408	4,070

All results are derived from continuing operations.

Claverham Limited

Statement of comprehensive income For the year ended 30 November 2019

	2019 £'000	2018 £'000
Profit for the financial year	1,408	4,070
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on pension scheme	(3,225)	(42)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension scheme	145	7
Other comprehensive expense for the year net of tax	(3,080)	(35)
Total comprehensive (expense) / income for the year	(1,672)	4,035

Claverham Limited

Balance sheet At 30 November 2019

	<i>Note</i>	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	12	184	209
Right of use assets	13	1,126	-
		<u>1,310</u>	209
Current assets			
Debtors	14	44,164	43,204
		<u>44,164</u>	43,204
Creditors: Amounts falling due within one year	15	(1,391)	(1,363)
Net current assets		<u>42,773</u>	41,841
Total assets less current liabilities		44,083	42,050
Creditors: amounts falling due after more than one year	16	(984)	-
Provisions for liabilities	17	-	(343)
Pension and similar obligations	19	4,011	7,075
Net assets		<u>47,110</u>	48,782
Equity			
Called up share capital	18	-	-
Share premium account		20,003	20,003
Retained earnings		27,107	28,779
Total Shareholders' funds		<u>47,110</u>	48,782

The notes on pages 14 to 39 form part of these financial statements

The financial statements on pages 10 to 39 were approved by the board of directors on 10 September 2020 and were signed on its behalf by:



D Middleton
Director

Claverham Limited

Statement of changes in equity For the year ended 30 November 2019

	Called up share capital (Note 18) £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 December 2017	-	20,003	24,744	44,747
Profit for the financial year	-	-	4,070	4,070
Other comprehensive (expense) / income for the year				
- Actuarial loss on pension scheme	-	-	(42)	(42)
- Movement on deferred tax relating to pension scheme	-	-	7	7
Total comprehensive income for the year	-	-	4,035	4,035
Balance at 30 November 2018	-	20,003	28,779	48,782
Profit for the financial year	-	-	1,408	1,408
Other comprehensive (expense) / income for the year				
- Actuarial loss on pension scheme	-	-	(3,225)	(3,225)
- Movement on deferred tax relating to pension scheme	-	-	145	145
Total comprehensive expense for the year	-	-	(1,672)	(1,672)
Balance at 30 November 2019	-	20,003	27,107	47,110

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies

Claverham Limited ('the company') is a private company, limited by shares, and is incorporated and domiciled in England, United Kingdom. The address of the registered office is Fore 1 Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, England, 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 were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are therefore prepared in accordance with the Companies Act 2006 or applicable to companies using FRS101.

The financial statements have been prepared under the historical cost convention.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, 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.

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

IFRS 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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

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

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

IAS 36 - impairment of assets - paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e)

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

Adoption of new and revised Standards

The company has applied IFRS 16 "Leases" (which replaces IAS 17 "Leases") for the first time for the reporting period commencing 1 December 2018. The company has adopted the modified retrospective approach for IFRS 16 which has had a material impact on the company's financial statements – see note 22.

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 liquidity position; 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 its ultimate parent undertaking.

The parent, Raytheon Technologies Corporation, 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.

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

Freehold buildings	40 years
Plant and machinery	5-12 years

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Taxation

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

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

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Taxation (continued)

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

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

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

Revenue 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.

Sales of services

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

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

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

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 19) in its income statement. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs or finance income respectively (see notes 5 and 6).

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).

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Leases

The company leases buildings and equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. A lessee may elect an accounting policy, by asset class, to include both the lease and non-lease components as a single component and account for it as a lease (thus eliminating the pricing allocation). The company has adopted this accounting policy election for equipment leases only.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

In the year ending 30 November 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 December 2018, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measure on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease for each period.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Interest payable and similar charges

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

Finance costs which are directly attributable to the construction of tangible 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), fair value through other comprehensive income (FVOCI) and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

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 (FVTPL):

- 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.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

1. Accounting policies (continued)

Trade and other receivables

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

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

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

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The group has concluded that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates.

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.

Restructurings

A restructuring provision is recognised when the company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

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.

Key sources of estimation uncertainty

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

Useful economic lives of properties, plant and equipment

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

Useful economic lives of right of use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Restructuring

A restructuring provision is recognised when the company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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.

Defined Benefit Pension Scheme

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures of the defined benefit scheme.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

3. Revenue

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

	2019 £'000	2018 £'000
Sales of goods	-	-
Rendering of services	4,670	4,039
Revenue from construction contracts	-	-
	4,670	4,039

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

	2019 £'000	2018 £'000
Revenue:		
United Kingdom	3,274	2,069
Continental Europe	1,396	1,970
	4,670	4,039

4. Other operating income

	2019 £'000	2018 £'000
Rental	47	-
	47	-

The company rented out part of the ground floor of their building to other group undertakings in the year and charges the group on a monthly basis.

The effects of the other operating income reported within operating profit on the amounts credited to the income statement for taxation were:

	2019 £'000	2018 £'000
Profit on disposal of tangible assets	-	3,818
	-	3,818

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

5. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest income on post-retirement benefits	1,377	1,277
Interest receivable from group companies	310	261
	1,687	1,538

6. Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable:		
- Bank overdraft	-	8
Interest expense on post-retirement benefits	1,168	1,090
	1,168	1,098

7. Operating profit

Operating profit is stated after (crediting)/ charging:

	2019 £'000	2018 £'000
Net foreign exchange (gains)/ losses	(9)	9
Depreciation of tangible assets:		
- owned	25	47
Depreciation of right of use asset	52	-
Profit on disposal of tangible assets	-	(3,818)
Lease charges	64	64
Audit fees payable to company's auditors (see note 8)	40	40
Staff costs (see note 9)	2,123	3,434

8. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £40,000 (2018: £40,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services were £nil during the year (2018: £nil).

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

9. Staff costs

The average monthly number of employees was:

	2019 Number	2018 Number
Sales and administration	33	34
	33	34

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	1,510	2,629
Social security costs	225	281
Other pension costs (see note 19)	388	524
	2,123	3,434

10. Directors' remuneration and transactions

Three directors are non-executive directors and also directors of a number of other group undertakings for which they carry on work. They are paid by Goodrich Actuation Systems Limited that makes no recharge to the company.

There was no (2018: nil) compensation paid for loss of office.

11. Tax on profit

Tax charge included in the income statement:

	2019 £'000	2018 £'000
Current tax		
- Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
- Origination and reversal of timing differences	162	8
- Change in rate of tax	(17)	(1)
Total deferred tax	145	7
Total tax charge on profit	145	7

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

11. Tax on profit (continued)

Factors affecting tax charge for the year

The tax on the profit before tax for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The charge for the year can be reconciled to the profit in the income statement as follows:

	2019 £'000	2018 £'000
Profit before taxation	1,553	4,077
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	295	775
Effects of:		
Group relief	(169)	181
Gain on disposal of property covered by indexation	-	(740)
Expenses not deductible	16	17
Re-measurement of deferred tax – changes in UK tax rates	(17)	(1)
Employee share scheme deduction	-	(14)
Amounts not recognised	20	(211)
Total tax charge for the year	145	7

Deferred tax assets/ (liabilities):

	2019 £'000	2018 £'000
Deferred tax charge to income statement for the period	145	7
Deferred tax credit to other comprehensive income for the period	(145)	(7)
Provision at the end of period	-	-

The tax rate for the current year is the same as the prior year.

Factors that may affect future tax charge

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

11. Tax on profit (continued)

Tax income 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:

	2019 £'000	2018 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
- Deferred tax on defined benefit pension scheme	145	7
Total income tax recognised in other comprehensive income	145	7

12. Tangible assets

	Plant and machinery £'000
Cost	
At 1 December 2018	252
At 30 November 2019	252
Accumulated depreciation	
At 1 December 2018	43
Depreciation	25
At 30 November 2019	68
Net book value	
At 30 November 2019	184
At 30 November 2018	209

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

13. Right of use assets

The company has a lease contract for buildings used in the operations. The amounts recognised in the financial statements in relation to the lease are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	30 November 2019 £'000	1 December* 2018 £'000
Right-of-use assets		
Buildings	1,126	446
	1,126	446
Lease liabilities		
Current	137	59
Non-current	984	387
	1,121	446

Additions to the right-of-use assets during the 2019 financial year were £1,138,000*

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 £'000	2018* £'000
Depreciation charge of right-of-use assets		
Buildings	52	-
	52	-
Interest expense	16	-
	2019 £'000	2018* £'000
Future minimum lease payments as at 30 November 2019 are as follows:		
Not later than one year	137	64
Later than one year and not later than five years	548	256
Later than five years	436	203
Total gross payments	1,121	523
Impact of finance expenses	-	-
Carrying amount of liability	1,121	523

* The company initially applied IFRS 16 at 1 December 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparatives presented are based on IAS 17 while the current year amounts are based on IFRS 16. For adjustments recognised on adoption of IFRS 16, please refer to note 22.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

14. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	24	98
Amounts owed by group undertakings	43,694	41,941
Other receivables	411	1,143
Prepayments and accrued income	35	22
	44,164	43,204

Trade receivables are stated after provision for impairment of £524,000 (2018: £444,000).

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

15. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	381	521
Amounts owed to group undertakings	424	497
Accruals and deferred income	449	345
Lease liability (note 13)	137	-
	1,391	1,363

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

16. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Lease liability (note 13)	984	-
	984	-

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

17. Provisions for liabilities

	Restructuring £'000	Total £'000
At 1 December 2018	343	343
Amounts utilised	(343)	(343)
At 30 November 2019	-	-

Restructuring

On 16 October 2014 the proposed closure of the Claverham Facility was announced to all staff. The announcement gave rise to a present obligation that would be settled by the transfer of economic benefits to the employees.

18. Called up share capital

	2019 £	2018 £
Allotted and fully-paid		
4 (2018:4) ordinary shares of £1 each	4	4

19. Pension and similar obligations

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 the income statement of £0.1m (2018: £0.1m) represents contributions payable to these schemes by the company at rates specified in the rules of the plans.

Defined benefit schemes

The company has a defined benefit scheme, Claverham section of the 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 Claverham Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary for each complete month and year of pensionable service on attainment of a retirement age of 65. The pensionable salary is based on the yearly rate of gross salary, excluding bonuses, overtime pay and directors' fees.

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.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

19. Pension and similar obligations (continued)

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

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

A full accounting valuation for UK GAAP purposes of the Claverham Section of the UTC (UK) Pension Scheme as at 31 December 2015 was carried out 31 December 2018 by Willis Towers Watson.

The next full accounting valuation of the Plan is due as at 31 December 2021. A separate valuation is performed for cash funding.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

19. Pension and similar obligations (continued)

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

	2019 %	2018 %
Key assumptions used:		
Discount rate(s)	1.94	2.99
Expected rate(s) of salary increase	3.00	3.00
Rate of inflation	3.00	3.25
Expected rate of increase of pensions in payment	2.85	3.00
Average longevity at age 65 for current pensioners (years)*		
- Male	22.0	21.2
- Female	23.5	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
- Male	23.3	22.6
- Female	25.0	25.2

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

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

	2019 £'000	2018 £'000
Service cost:		
- Current service cost	109	192
- Past service cost – plan amendments	-	120
Administrative Costs	108	102
Interest income	(209)	(187)
	8	227

Of the expense (service cost) for the year, £0.2m (2018: £0.4m) has been included in the income statement as administrative expenses. The interest income and expense has been included within *finance income and expense respectively* (see notes 5 and 6). The *remeasurement of the net defined benefit asset* 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:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(43,417)	(40,073)
Fair value of scheme assets	47,428	47,148
Net asset arising from defined benefit obligation	4,011	7,075

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

19. Pension and similar obligations (continued)

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

	2019 £'000	2018 £'000
Opening defined benefit obligation	40,073	42,487
Current service cost	109	192
Past service cost – plan amendments	-	120
Interest cost	1,188	1,090
Remeasurement (gains)/ losses:		
- Actuarial gains and losses arising from changes in demographic assumptions	371	(138)
- Actuarial gains and losses arising from changes in financial assumptions	5,921	(1,867)
- Actuarial losses arising from changes in methodology*	-	1,892
- Actuarial gains and losses arising from changes in experience	(2,007)	-
Contributions from scheme participants	-	5
Benefits paid	(2,218)	(3,708)
Closing defined benefit obligation	43,417	40,073

* The liability experience item arising over the year is due to a change in methodology for rolling forward the liabilities applied by the actuary.

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

	2019 £'000	2018 £'000
Opening fair value of scheme assets	47,148	49,658
Interest income	1,377	1,277
Remeasurement (gains)/ losses:		
- The loss / (gain) on scheme assets (excluding amounts included in net interest expense)	1,060	(155)
Contributions from the employer	169	173
Contributions from scheme participants	-	5
Benefits paid	(2,218)	(3,708)
Other Administration expenses	(108)	(102)
Closing fair value of scheme assets	47,428	47,148

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

19. Pension and similar obligations (continued)

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

	2019 % Quoted	2018 % Quoted
Cash and cash equivalents	5.0	5.1
Equity instruments	46.0	44.4
Debt instruments	1.8	1.9
Property	0.6	1.5
Other	12.0	12.7
Total	65.4	65.6

	2019 % Unquoted	2018 % Unquoted
Cash and cash equivalents	17.4	17.0
Equity instruments	0.3	0.3
Debt instruments	-	1.0
Property	1.4	1.1
Other	15.5	15.0
Total	34.6	34.4

	2019 £'000	2018 £'000
Quoted	31,018	30,929
Unquoted	16,410	16,219
Fair value of plan assets	47,428	47,148

The actual return on scheme assets was £1,377,000 (2018: £1,277,000).

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

19. Pension and similar obligations (continued)

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

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

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

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

The company expects to make a contribution of £0.1m (2018: £0.2m) to the defined benefit scheme during the next financial year.

20. Contingent liabilities

The company has provided a guarantee to HM Revenue and Customs for £0.1m (2018: £0.1m) in respect to import value added tax.

21. Related party transactions

As 100% of the company's voting rights were controlled by United Technologies Corporation (UTC), the company is not required pursuant to FRS 101 paragraph 8 (k) to disclose transactions with other group subsidiaries, joint venture or associated companies.

The company has not transacted with any other related parties during the year.

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22. Changes in accounting policies

The company has adopted IFRS 16 Leases retrospectively from 1 December 2018 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 December 2018.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 December 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 December 2018 was 3.82%.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 December 2018;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 December 2018 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date on initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

	£'000
Measurement of lease liabilities	
Operating lease commitments disclosed as at 30 November 2018	523
(Less): short-term leases not recognised as a liability	(64)
(Less): low-value leases not recognised as a liability	(13)
Lease liability recognised as at 1 December 2018	446
Of which are:	
Current lease liabilities	59
Non-current lease liabilities	387
	446

Claverham Limited

Notes to the financial statements For the year ended 30 November 2019

23. Subsequent events

United Technologies Corporation ("UTC"), the ultimate parent company of a multinational group of which the Company was a member during the year ended 30 November 2019, separated into three independent companies via spin-off transactions on 3 April 2020: (1) Otis Worldwide Corporation ("Otis"), (2) Carrier Global Corporation ("Carrier"), and (3) UTC, an aerospace company comprised of the Collins Aerospace Systems and Pratt & Whitney businesses.

On 9 June 2019, UTC entered into a merger agreement with the Raytheon Company to combine its aerospace businesses with Raytheon to form a merged company Raytheon Technologies Corporation ("RTX"). The merger was completed 3 April 2020, shortly after the completion of the separation of Otis and Carrier. As a result of this merger, the Company is now a member of RTX.

Closure of the Defined Benefit Pension Scheme

The UTC UK Pension Scheme ("the Scheme") was closed to all future service benefit accruals with effect from 31 March 2020.

The required 60-day consultation period commenced in tranches between September and October 2019 to the Scheme participants separately, followed by a 30-day reflection period to conclude on any differences. UTC communicated the final offer in December 2019 to the participants and it was agreed that the Scheme would close to future benefit accrual with effect from 31 March 2020.

The final decision to close the Scheme was taken after the year end, so the curtailment is deemed to occur after the year end and will not affect reporting for 30 November 2019. The expected curtailment impact in the next reporting period is £494,000.

After the year end and immediately following the Scheme closure, Claverham Limited provided the Trustee with a Withdrawal Notice, which the Trustee accepted, which stated Claverham Limited ceased to participate in the Scheme with effect from 31 March 2020. Claverham Limited entered into a flexible apportionment arrangement ("Arrangement") under which, for the purposes of Regulation 6E(2)(b)(i) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 and with effect on and from 31 March 2020, all liabilities under the Scheme attributable to Claverham Limited will be apportioned to another remaining Company within the Scheme.

Under the terms of the Arrangement, the Pension Trustee, Claverham Limited and the remaining Company agree that:

- 1) the Scheme is not in an assessment period or being wound up;
- 2) Claverham Limited is not in a period of grace under Regulation 6A;
- 3) the Trustee is satisfied that an assessment period is unlikely to begin in relation to the Scheme within the next 12 months;
- 4) the remaining Company will take over responsibility for all the liabilities of Claverham Limited in relation to the Scheme (including those listed in regulation 6ZB(17) of the Occupational Pension Schemes (Employer Debt) Regulations 2005);
- 5) Claverham Limited is discharged from any further liability in relation to the Scheme as of 31 March 2020, and shall no longer be either a participating employer or a former employer for the purposes of, respectively, the Scheme and the Employer Debt Regulations.

This Arrangement and Executed Deed took effect on 31 March 2020, immediately following the Withdrawal Notice taking effect, in accordance with Regulation 6E(1A).

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Notes to the financial statements For the year ended 30 November 2019

23. Subsequent events (continued)

Closure of the Defined Benefit Pension Scheme (continued)

Claverham Limited's balance sheet includes an asset (the "Pension Asset") which arises from the valuation of its defined benefit obligations under the Scheme relative to the fair value of the Scheme's assets. Following the execution of the flexible apportionment arrangement between the remaining Employer and Claverham Limited, Claverham Limited shall cease to have any entitlement to the Pension Asset. It was agreed that the remaining Company will make a payment to Claverham Limited of an amount equal to the estimated value of the Pension Asset (net of deferred tax) as at 31 March 2020 (using the latest market conditions available such that the payment could be made on 31 March), being the date on which the flexible apportionment arrangement is to take effect.

COVID-19

Claverham Limited is impacted by public health crises such as the global pandemic associated with COVID-19. The COVID-19 pandemic has significantly increased global economic and demand uncertainty. Public and private sector policies and initiatives in the U.S. and worldwide to reduce the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, have impacted the Company's business, operations and the aerospace sector as a whole.

The Company, and its ultimate parent company, Raytheon Technologies Corporation (RTX) (formerly United Technologies Corporation) are working to protect its employees, maintain business continuity and sustain its operations, including ensuring the safety and protection of its employees working in our offices, manufacturing and service facilities worldwide. The COVID-19 pandemic may also impact RTX's supply chains, including the ability of suppliers and vendors to provide their products and services to RTX, including the Company's subsidiary operations.

COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, and creating volatility and unpredictability in financial and capital markets, foreign currency exchange rates, and interest rates. The financial impact of the COVID-19 pandemic cannot be reasonably estimated at this time but may materially affect Claverham Limited and its subsidiary businesses, financial condition, results of operations and cash flows. The extent of such impact depends on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic and actions to contain its spread or treat its impact, among others.

24. Controlling party

The company's immediate parent undertaking is Claverham Group Limited.

The company's ultimate parent undertaking and controlling party throughout the year and as at 30 November 2019 was United Technologies Corporation, a company incorporated in the United States of America.

On 3 April 2020 the company's ultimate parent undertaking and controlling party became Raytheon Technologies Corporation, a company incorporated in the United States of America.

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

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