Goodrich Control Systems

Annual Report
for the year ended 31 December 2019

Registered number: 04482312

Goodrich Control Systems

Contents

Goodrich Control Systems

Strategic Report for the year ended 31 December 2019

The directors present their Strategic Report for the company for the year ended 31 December 2019.

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

Goodrich Control Systems 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 based in the UK and its registered office is Fore 1, Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, West Midlands, B90 4SS.

At 31 December 2019 the company was a subsidiary of United Technologies Corporation (UTC). Refer to note 25 and the post balance sheet event change of ownership to Raytheon Technologies Corporation (RTX).

Review of the business and Key performance indicators

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

	2019 £'000	2018 £'000	Change %
Turnover	**254,237**	226,373	*12.3*
Company operating profit	**75,951**	14,944	*408.2*
Profit for the financial year	**62,475**	14,581	*328.5*
Total shareholders' funds	**617,594**	556,742	*10.9*
Average number of employees	**630**	587	

During 2019 the business increased core sales by 12.3%. Sales volume growth came from spares growth on new platforms T7000 and XWB and from MRO sales growth due to work being transferred from the Neuss facility in Germany, following its closure in June 2019.

A manufacturing and repair site within Goodrich Control Systems commenced the transfer of all operations to associated United Technology Corporation companies and the consolidation of all research and development into one site, The Fore Campus, Solihull from Hemel Hempstead. This relocation is due to be completed in 2020. Various redundancies have also been provided within the year.

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.

Competitive Risks (continued)

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

Legislative Risks

All of the business carried out is subject to standards set by the 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.

COVID-19 current impact and future outlook

Given the global impact of COVID-19 across the aviation industry and global economy, the Directors have taken a number of actions to ensure the business is well positioned.

Goodrich Control Systems is part of Raytheon Technologies Corporation which is one of the largest aerospace and defense manufacturers in the world by revenue and market capitalisation. Being part of such a large corporation gives the company the ability to access any necessary funding and investment during challenging times such as COVID-19.

People continue to be the biggest asset of the business and as such our initial focus from Day 1 of the pandemic has been to ensure the health and safety of our people. Measures we have taken to protect the workforce include (i) remote working (ii) social distancing within the work place and (iii) provision of PPE equipment.

The financial impact of the COVID-19 pandemic is difficult to accurately predict at this time but our expectation is that there will be an impact on Sales, EBIT and Cashflow for 2020 compared to 2019. The extent of the impact depends on how long the pandemic lasts and how quickly airlines begin to ramp up operations. The Directors have taken a number of measures to ensure that the business continues to operate during this challenging period and emerge in a strong position for the future.

(i) Customer Support – our business continues to engage with our customers to understand their plans and requirements during this period.
(ii) Cost Management – given the drop off in volume the business has taken cost initiatives to align cost base to the revised sales volumes.

It is believed that with the continued support of Raytheon Technologies Corporation and by taking the appropriate cost reduction actions the business will be well placed to trade through this pandemic.

Goodrich Control Systems

Strategic Report for the year ended 31 December 2019

Section 172 (1) Statement

This section describes how the directors have had regard to the matter set out in Section 172(1) (a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its key stakeholders.

The likely consequences of any decision in the long term

The directors of the Company have a duty of care to the key stakeholders when making decisions that affect long term sustainability of the Company. Key objectives are formulated as such to ensure that the Company continues as a going concern. The directors remain mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

Having regard to the need to act fairly as between members of the Company

The directors recognise their legal and regulatory duties, and do not take any decisions or actions, such as selectively disclosing confidential or inside information, that will provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

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.

Having regard to the interests of the Company's employees

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.

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 Programmes and Benefits
The company operates ongoing employee development programmes which reflect development needs highlighted in the annual performance reviews. The company sponsored a number of employees on the UTC Employee Scholar Programme. All office employees completed a range of mandatory on-line training modules centred on business practices designed to increase awareness and promote strong ethical compliance, training includes anti-corruption and bribery matters. The company also continued a job rotation programme for high potential employees. As part of its "wellness" and health management programmes the company provides a 'Cycle to Work' scheme and bi-monthly health initiatives. It also provided an all employee reward programme, together with a new reward and recognition programme for those employees exhibiting exemplary performance. The company operates a sports and social club available to the employees.

Section 172 (1) Statement (continued)

Having regard to need to foster the Company's business relationships with suppliers, customers and others

Customers
The directors of the Company, on a continuing basis, promote the development and maintenance of a customer focus culture. The time invested in developing this culture can be seen in the growth of turnover generated year on year. 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.

Suppliers
The directors recognise the key role suppliers play in ensuring the company delivers a reliable service to customers. The directors seek to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the desired quality and service levels for our customers. The Company works with suppliers and builds robust, long-lasting supply chains. The Company pays the suppliers in line with their payment terms.

Regulators
The Company seeks a constructive and cooperative relationship with the bodies that authorise and regulate the business activities. This helps us maintain a reputation for high standards of business conduct.

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 through the UTC group audit function.

The Company manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities.

The impact of the Company's operations on the community and the environment

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 employees.

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 25 to the financial statements.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 25 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

L Powell

L Powell
Director
17 September 2020

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

Goodrich Control Systems

Directors' Report for the year ended 31 December 2019

The directors present their Report and audited financial statements of the company for the year ended 31 December 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 5 and form part of this report by cross-reference.

Research and development

During 2019, Motor Drive Systems Centre focused on the development of Electric Motors and their associated electronic controls and their application in the Aerospace industry. Preparations were commenced for the transfer of all manufacturing and repair operations to associated United Technology companies and the consolidation of all R&D into one site, The Fore Campus, Solihull.

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 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 cash flow risk, liquidity risk and credit risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

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

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

Liquidity risk
The company aims to mitigate liquidity risk by managing cash generation by its operations and applying collection targets.

The company participates in the overall worldwide group's 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.

Credit risk
The Company's principal financial assets are bank balances and cash, and trade and other debtors.

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

Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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 2019 the business delivered on the targets set.

Employee Involvement

Details of employee involvement can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

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, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Environmental Matters

Details of employee involvement can be found in the Strategic Report on page 4 and form part of this report by cross-reference.

Dividends

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

Directors

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

L Powell
G Morris
A McHugh Murchison
M Phillips (Resigned 14 March 2019)
A Plumley (Resigned 29 July 2019)
C Derose (Resigned 29 July 2019)
K Kinsley (Appointed 29 July 2019)
R Gracewski (Appointed 29 July 2019)
N Carter (Appointed 29 July 2019)
S Mckenna Battal (Resigned 2 September 2019)
M Holme (Appointed 23 July 2020)

Goodrich Control Systems

Directors' Report for the year ended 31 December 2019

Directors indemnities

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

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

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

Directors' Report for the year ended 31 December 2019

Independent Auditors

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

Approved by the Board and signed on its behalf by:

L Powell

L Powell
Director
17 September 2020

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

Independent auditors' report to the members of Goodrich Control Systems

Report on the audit of the financial statements

Opinion

In our opinion, Goodrich Control Systems' financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 31 December 2019; 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

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.

Independent auditors' report to the members of Goodrich Control Systems

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 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 in respect of the financial statements set out on page 8, 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.

Goodrich Control Systems

Independent auditors' report to the members of Goodrich Control Systems

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
17 September 2020

Goodrich Control Systems

Profit and loss account
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	254,237	226,373
Cost of sales		(140,005)	(134,581)
Gross profit		114,232	91,792
Administrative expenses		(38,281)	(76,848)
Operating profit	6	75,951	14,944
Interest receivable and similar income	4	23,560	22,420
Interest payable and similar expenses	5	(25,646)	(25,753)
Profit before taxation		73,865	11,611
Tax on profit	10	(11,390)	2,970
Profit for the financial year		62,475	14,581

All results are derived from continuing operations.

Goodrich Control Systems

Statement of comprehensive income
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the financial year	**62,475**	14,581
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on pension scheme	**(2,347)**	(23,160)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension surplus	**399**	3,937
Other comprehensive expense for the year net of tax	**(1,948)**	(19,223)
Total comprehensive income / (expense) for the year	**60,527**	(4,642)

Goodrich Control Systems
Registered number: 04482312

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	*11*	**44,352**	44,352
Tangible assets	*12*	**34,467**	34,982
Right of use assets	*13*	**3,570**	-
		82,389	79,334
Current assets			
Stocks	*14*	**25,580**	24,921
Debtors	*15*	**726,201**	624,847
Cash and cash equivalents		**-**	6,133
Creditors: Amounts falling due within one year	*16*	**(116,798)**	(106,163)
Bank loans and overdrafts		**(11,497)**	-
Net current assets		**623,486**	549,738
Total assets less current liabilities		**705,875**	629,072
Creditors: Amounts falling due after more than one year	*17*	**(146,616)**	(131,768)
Provisions for liabilities	*18*	**(6,722)**	(10,224)
Pension and similar obligations	*22*	**65,057**	69,662
Net assets		**617,594**	556,742
Equity			
Called up share capital	*20*	**1**	1
Share premium account		**181,166**	181,166
Profit and loss account		**436,427**	375,575
Total Shareholders' funds		**617,594**	556,742

The notes on pages 17 to 51 form part of these financial statements

The financial statements on pages 13 to 51 were approved by the board of directors on 17 September 2020 and were signed on its behalf by:

L Powell

L Powell
Director

Goodrich Control Systems

Statement of changes in equity
For the year ended 31 December 2019

	Called up share capital (Note 20) £'000	Share premium account £'000	Profit and loss account £'000	Total Share-holders' funds £'000
Balance at 1 January 2018	**1**	**181,166**	**379,922**	**561,089**
Profit for the financial year	-	-	14,581	14,581
Other comprehensive expense for the year:				
- Actuarial loss on pension scheme (note 22)	-	-	(23,160)	(23,160)
- Deferred tax on pension scheme (note 19)	-	-	3,937	3,937
Total comprehensive expense for the year	**-**	**-**	**(4,642)**	**(4,642)**
Share based payments (note 23)	-	-	295	295
Balance at 31 December 2018	**1**	**181,166**	**375,575**	**556,742**
Profit for the financial year	-	-	62,475	62,475
Other comprehensive expense for the year:				
- Actuarial loss on pension scheme (note 22)	-	-	(2,347)	(2,347)
- Deferred tax on pension scheme (note 19)	-	-	399	399
Total comprehensive income for the year	**-**	**-**	**60,527**	**60,527**
Share based payments (note 23)	-	-	325	325
Balance at 31 December 2019	**1**	**181,166**	**436,427**	**617,594**

Notes to the financial statements
For the year ended 31 December 2019

Accounting policies

Goodrich Control Systems ('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 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 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.

Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies (continued)

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
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 26.

Adoption of new and revised Standards

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 24. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

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 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.

1. Accounting policies (continued)

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.

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

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.

1. **Accounting policies (continued)**

Tangible assets (continued)

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	nil
Buildings and Short-term leasehold improvements	3%-7% per annum
Plant and machinery	4%-33% per annum
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.

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

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

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

Stocks

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

1. Accounting policies (continued)

Taxation

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

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

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

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

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

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

Current tax and deferred tax for the year

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

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Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies (continued)

Revenue recognition

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

Over time revenue recognition

Performance obligations are satisfied over-time if the customers receive 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.

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Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies (continued)

Sales of services (continued)

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

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

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 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).

As in previous years, the liability and asset figures, as well as benefit payments and administration expenses have been allocated to each employer within the Goodrich Section of the UTC (UK) Pension Scheme by the percentage of liability as at the most recent funding valuation of the Goodrich Section

1. Accounting policies (continued)

Foreign currency

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

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

Leases

The company 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 stand-alone 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, 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.

1. Accounting policies (continued)

Leases (continued)

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.

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.

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 profit and loss account 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.

1. Accounting policies (continued)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL), 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.

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

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

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and

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

Financial assets at fair value through profit and loss

The following financial assets are classified at fair value through profit or loss (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.

1. Accounting policies (continued)

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.

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.

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 fair value through profit or loss.

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

Incentives in the form of shares are provided to one or more Directors under share option and share award schemes that are established by the ultimate parent company, United Technologies Corporation. The fair value of these options and awards at the date of their grant is determined by a valuation as described in note 23 and is charged to the profit and loss account over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the Company of these share based payments.

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.

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.

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.

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 23 for the disclosures of the defined benefit scheme.

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.

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 considers the nature and condition of inventory, as well as applies 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 debtors

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 turnover is as follows:

	2019	2018
	£'000	£'000
Sales of goods	**122,154**	117,891
Rendering of services	**132,083**	108,482
	254,237	226,373

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

	2019	2018
	£'000	£'000
Revenue:		
Original Equipment Manufacture	**24,050**	24,646
Aftermarket	**230,187**	201,727
	254,237	226,373

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

	2019	2018
	£'000	£'000
Turnover:		
United Kingdom	**102,374**	96,846
Rest of Europe	**50,315**	48,992
North America	**53,762**	37,568
Rest of World	**47,786**	42,967
	254,237	226,373

Notes to the financial statements
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4. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from group companies	5,376	4,065
Pension interest income - return on assets (see note 22)	18,175	18,347
Other interest	9	8
	23,560	22,420

5. Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable to group companies	9,208	9,665
Bank loans and interest	-	35
Lease liabilities +	130	-
Pension interest expense – defined benefit obligation (see note 22)	16,308	16,053
	25,646	25,753

+ The company initially applied IFRS 16 at 1 January 2019, 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.

6. Operating profit

Operating profit is stated after charging/ (crediting):

	2019 £'000	2018 £'000
Net foreign exchange losses/ (gains)	2,284	(2,148)
Depreciation of tangible fixed assets:		
- owned	4,852	4,862
Depreciation of right-of-use assets	1,230	-
Loss on disposal of tangible fixed assets	1,185	202
Impairment of development costs	-	48,551
Impairment of trade receivables	1,253	837
Impairment of inventory	5,071	4,714
Research and development	2,309	5,416
Stock recognised as an expense	81,230	94,535
Audit costs	81	97
Staff costs (see note 8)	47,230	48,862

Goodrich Control Systems

Notes to the financial statements
For the year ended 31 December 2019

7. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £81,000 (2018: £97,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services amount to £19,000 (2018: £12,000).

8. Staff costs

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

	2019 Number	2018 Number
Manufacturing	377	324
Engineering	92	93
Administration & Management	161	170
	630	587

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	32,699	32,628
Redundancy costs	683	5,347
Social security costs	3,553	3,318
Other pension costs (see note 22)	9,970	7,274
Share based payments	325	295
	47,230	48,862

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

9. Directors' remuneration and transactions

	2019 **£'000**	2018 £'000
Directors' remuneration		
Emoluments	**817**	1,010
Company contributions to money purchase pension schemes	**88**	99
Share options	**122**	126
	1,027	1,235

Two directors are executives of the company and also executive directors of a large number of fellow companies for which they carry on work. They are paid by overseas group undertakings which makes no recharge to the company.

	2019 **Number**	2018 Number
The number of directors who:		
Members of a defined contribution pension scheme	**5**	5

	2019 **£'000**	2018 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	**308**	270
Company contributions to money purchase pension schemes	**30**	30

The highest paid director exercised share options in the year of £73,000 (2018: £37,000).

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

No compensation for loss of office as paid to Directors (2018: nil).

10. Tax on profit

Tax expense included in profit or loss:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the year	**12,049**	-
Adjustments in respect of prior periods	**(576)**	1,879
Total current tax	**11,473**	1,879
Deferred tax		
Origination and reversal of timing differences	**(8)**	(4,827)
Adjustments in respect of prior periods	**(75)**	(22)
Total deferred tax (see note 19)	**(83)**	(4,849)
Total tax on profit	**11,390**	(2,970)

Factors affecting tax charge for the year

The tax on the profit before tax for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	**73,865**	11,611
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	**14,034**	2,206
Effects of:		
Expenses not deductible for tax purposes	**(107)**	683
Adjustments in respect of prior years	**(651)**	1,857
Group relief (receivable)/ surrendered for no payment	**(1,887)**	(8,220)
Rate differential on temporary differences	**1**	504
Total tax charge / (credit) for the year	**11,390**	(2,970)

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

10. Tax on profit (continued)

Factors that may affect future tax charge

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.

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. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the period and increase the deferred tax asset by £806,000.

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:		
Pension scheme	**(399)**	(3,937)
Total income tax recognised in other comprehensive income	**(399)**	(3,937)

11. Intangible assets

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2018	51,336	74,504	125,840
At 31 December 2018	51,336	74,504	125,840
At 31 December 2019	**51,336**	**74,504**	**125,840**
Accumulated amortisation and impairment			
At 1 January 2018	2,785	30,152	32,937
Impairment	48,551	-	48,551
At 31 December 2018	**51,336**	**30,152**	**81,488**
Impairment	-	-	-
At 31 December 2019	**51,336**	**30,152**	**81,488**
Net book value			
At 31 December 2019	-	**44,352**	**44,352**
At 31 December 2018	-	**44,352**	**44,352**

The development costs within Motor Drive System Centre were fully impaired in 2018, due to the site relocating to The Fore Campus Solihull from Hemel Hempstead, and no longer generating sufficient cash flows.

Goodwill was created as a result of; the purchase of business by Goodrich Control Systems from TRW Aeronautical Systems and other acquisitions.

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.

Notes to the financial statements
For the year ended 31 December 2019

12. Tangible assets

	Land, Buildings and leasehold improvements £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2018	4,492	54,289	1,396	**60,177**
Additions	-	7,207	838	**8,045**
Disposals	-	(877)	-	**(877)**
At 31 December 2018	**4,492**	**60,619**	**2,234**	**67,345**
Additions	-	6,268	-	**6,268**
Disposals	-	(3,786)	-	**(3,786)**
Transfers between classes	359	1,286	(1,645)	-
At 31 December 2019	**4,851**	**64,387**	**589**	**69,827**
Accumulated depreciation				
At 1 January 2018	2,884	25,003	-	**27,887**
Depreciation	449	4,413	-	**4,862**
Disposals	-	(386)	-	**(386)**
At 31 December 2018	**3,333**	**29,030**	-	**32,363**
Depreciation	438	4,414	-	**4,852**
Disposals	-	(1,855)	-	**(1,855)**
At 31 December 2019	**3,771**	**31,589**	-	**35,360**
Net book value				
At 31 December 2019	**1,080**	**32,798**	**589**	**34,467**
At 31 December 2018	1,159	31,589	2,234	34,982

Notes to the financial statements
For the year ended 31 December 2019

13. Leases

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:

	31 December 2019 £'000	1 January+ 2019 £'000
Right-of-use assets		
Buildings	**3,043**	3,984
Motor Vehicles	**527**	457
	3,570	4,441
Lease liabilities		
Current	**1,278**	1,268
Non-current	**2,283**	3,027
	3,561	4,295

Additions to the right-of-use assets during the 2019 financial year were £359,000+

(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	**941**	-
Motor Vehicles	**289**	-
	1,230	-
Interest expense (included in finance cost)	**130**	-

	2019 £'000	2018+ £'000
Future minimum lease payments as at 31 December 2019 are as follows		
Not later than one year	**1,278**	1,091
Later than one year and not later than five years	**2,283**	2,222
Later than five years	-	148
Total gross payments	**3,561**	3,461
Impact of finance expenses	-	-
Carrying amount of liability	**3,561**	3,461

+ The company initially applied IFRS 16 at 1 January 2019, 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 24.

14. Stocks

	2019	2018
	£'000	£'000
Raw materials and consumables	**14,246**	11,069
Work in progress	**3,672**	3,996
Finished goods and goods for resale	**7,662**	9,856
	25,580	24,921

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 £5,071,000 (2018: £4,714,000) over stock held.

15. Debtors

Amounts falling due within one year:

	2019	2018
	£'000	£'000
Trade receivables	**62,030**	57,649
Amounts owed by group undertakings	**649,646**	536,069
VAT repayable	**4,229**	8,743
Corporation tax	**-**	12,507
Prepayments and accrued income	**2,569**	2,567
	718,474	617,535

Loans to other group undertakings have variable interest rates and are repayable on demand. There is no security provided on these loans. No interest is charged on inter-company trading balances.

Trade receivables are stated after provision for impairment of £1,253,000 (2018: £837,000).

Amounts falling due after more than one year:

	2019	2018
	£'000	£'000
Deferred tax asset (note 19)	**7,727**	7,312
	7,727	7,312

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**44,298**	48,036
Amounts owed to group undertakings	**3,549**	16,199
Accruals and deferred income	**57,113**	41,928
Corporation tax	**10,560**	-
Lease liability (note 13)	**1,278**	-
	116,798	106,163

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

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

	2019 £'000	2018 £'000
Accruals and deferred income	**35,734**	23,169
Lease liability (note 13)	**2,283**	-
Amounts owed to group undertakings	**108,599**	108,599
	146,616	131,768

Long term loans owed to the group have an interest bearing fixed loan rate of 7.40% and is due to be settled in May 2026 with the option to extend to May 2036.

18. Provisions for liabilities

	Environmental £'000	Product Warranties £'000	Dilapidation £'000	Restructuring £'000	Deferred tax liability £'000	Total £'000
At 1 January 2018	617	2,286	733	-	5,433	**9,069**
Additions to the income statement	-	1,362	75	5,347	-	**6,784**
Amounts utilised	-	(1,142)	-	-	-	**(1,142)**
Amounts reversed back to the income statement	-	-	-	-	(4,487)	**(4,487)**
At 31 December 2018	617	2,506	808	5,347	946	**10,224**
Additions to the income statement	-	316	83	1,288	-	**1,687**
Amounts reversed back to the income statement	-	(1,407)	(891)	(2,824)	(67)	**(5,189)**
At 31 December 2019	**617**	**1,415**	**-**	**3,811**	**879**	**6,722**

Environmental
The environmental provision was set up when Goodrich acquired the TRW businesses. The provision is being utilised as expenditure is being incurred on the ex TRW sites relating to environmental issues that predate the 2002 acquisition.

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

Dilapidation
A provision has been set up in the year relating to the Hemel Hempstead site. It is expected that this expenditure will all be incurred within three years of the balance sheet date.

Restructuring
The provision for restructuring relates to the redundancies of various employee's due to the relocation of the MDS site from Hemel Hempstead to Shirley.

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19. Taxation, including deferred tax

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

	2019 £'000	2018 £'000
Deferred tax assets due after more than 12 months	**7,727**	7,312
Deferred tax liabilities due after more than 12 months	**(879)**	(946)
Total provision due after more than 12 months	**6,848**	6,366
Total deferred tax provision	**6,848**	6,366

The movement in deferred tax is as follows:

Deferred tax (liabilities) / assets:

	Accelerated tax depreciation £'000	Deferred development costs £'000	Other timing differences £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2018	**(797)**	**(4,636)**	**334**	**2,679**	**(2,420)**
(Charged) / credited to profit and loss	(149)	4,636	359	3	4,849
Credited to other comprehensive income	-	-	-	3,937	3,937
At 31 December 2018	**(946)**	-	**693**	**6,619**	**6,366**
(Charged) / credited to profit and loss	67	-	(368)	384	83
(Charged) / credited to other comprehensive income	-	-	-	399	399
At 31 December 2019	**(879)**	-	**325**	**7,402**	**6,848**

20. Called up share capital

Ordinary shares

	2019 £'000	2018 £'000
Allotted called up and fully-paid		
1,000 (2018: 1,000) ordinary shares of £1 each	**1**	1

21. Financial commitments

Capital commitments are as follows:

	2019 £'000	2018 £'000
Contracts for future capital expenditure not provided in the financial statements	**900**	1,757
	900	1,757

22. 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 income of £1,416,000 (2018: £1,231,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £nil (2018: £nil) were due in respect of the current reporting year had not been paid over to the schemes.

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.

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22. Pension and similar obligations (continued)

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

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

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

A full accounting valuation of the Goodrich Section of the UTC (UK) Pension Scheme as at 31 December 2017 was carried out by Willis Towers Watson, an Independent firm of actuaries, using the projected unit method. This valuation was approximately updated as at 31 December 2019 by Willis Towers Watson.

The next full accounting valuation of the Goodrich Section is due as at 31 December 2020. A separate valuation is performed for cash funding.

22. 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)	**2.01**	2.81
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	**3.05**	3.30
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 profit and loss in respect of these defined benefit schemes are as follows:

	2019 £'000	2018 £'000
Service cost:		
Current service cost	**3,207**	4,014
Past service cost - plan amendments:	**-**	587
Past service cost - curtailments	**3,638**	-
Administration cost	**1,709**	1,442
Net Interest income	**(1,867)**	(2,294)
	6,687	3,749

Of the expense for the year, £8,554,000 (2018: £6,043,000) has been included in the profit and loss account as administrative expenses. The net interest expense has been included within interest payable and receivable (see notes 4 and 5). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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22. Pension and similar obligations (continued)

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

	2019	2018
	£'000	£'000
Present value of defined benefit obligations	**(672,309)**	(588,245)
Fair value of scheme assets	**737,366**	657,907
Net surplus	**65,057**	69,662

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

	2019	2018
	£'000	£'000
Opening defined benefit obligation	**588,245**	631,308
Current service cost	**3,207**	4,014
Past service cost	**-**	587
Interest cost	**16,308**	16,053
Other contributions	**-**	24
Re-measurement losses/ (gains):		
Actuarial gains and losses arising from changes in demographic assumptions	**5,881**	(7,204)
Actuarial gains and losses arising from changes in financial assumptions	**77,239**	(31,011)
Actuarial gains and losses arising from experience adjustments	**24**	(13,906)
Benefits paid	**(22,233)**	(11,620)
Past service cost - curtailments	**3,638**	-
Closing defined benefit obligation	**672,309**	588,245

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22. Pension and similar obligations (continued)

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

	2019 £'000	2018 £'000
Opening fair value of scheme assets	**657,907**	724,146
Interest income	**18,175**	18,347
Return on plan assets less than discount rate	**80,797**	(75,281)
Contributions from the employer	**4,429**	3;733
Other contributions	**-**	24
Benefits paid	**(22,233)**	(11,620)
Administrative costs paid	**(1,709)**	(1,442)
Closing fair value of scheme assets	**737,366**	657,907

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

	2019 % Quoted	2018 % Quoted
Cash and cash equivalents	**5.1**	4.8
Equity instruments	**45.4**	45.5
Debt instruments	**1.8**	1.9
Property	**0.6**	1.5
Other	**12.5**	12.2
Total	**65.4**	65.9

	2019 % Unquoted	2018 % Unquoted
Cash and cash equivalents	**17.8**	16.2
Equity instruments	**0.3**	0.4
Debt instruments	**-**	1.1
Property	**1.0**	1.2
Other	**15.5**	15.2
Total	**34.6**	34.1

22. Pension and similar obligations (continued)

	2019	2018
	£'000	£'000
Quoted	**482,237**	433,561
Unquoted	**255,129**	224,346
Fair value of plan assets	**737,366**	657,907

The actual return on scheme assets was £18,175,000 (2018: £18,347,000).

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

	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 £3,947,000 (2018: £9,000,000) to the defined benefit scheme during the next financial year.

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.

As a result of this decision a curtailment event occurred with a Scheme re-measurement as of 31 December 2019.

23. 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 £117,000 and £91,000 in 2019 and 2018, respectively. The total intrinsic value at 31 December 2019, 2018 and 2017 was £57,000 £74,000, and £45,000 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 £208,000 and £204,000 in 2019 and 2018, respectively. The total intrinsic value at 31 December 2019, 2018 and 2017 was £61,000, £138,000, and £112,000 respectively.

24. Changes in accounting policies

The company has adopted IFRS 16 Leases retrospectively from 1 January 2019 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 January 2019.

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 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 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 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 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.

24. Changes in accounting policies (continued)

	£'000
Measurement of lease liabilities	
Operating lease commitments disclosed as at 31 December 2018	3,461
Discounted using the lessee's incremental borrowing rate of 3.82% at the date of initial application	834
Lease liability recognised as at 1 January 2019	4,295
Of which are:	
Current lease liabilities	1,268
Non-current lease liabilities	3,027
	4,295

25. 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 31 December 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.

COVID-19

Goodrich Control Systems 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 operations.

25. Subsequent events (continued)

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 Goodrich Control Systems 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.

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. (refer to pension note).

26. Controlling party

The company's immediate parent undertaking is Goodrich Systems Limited.

The company's ultimate parent undertaking and controlling party is 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.