Moog Wolverhampton Limited

Company Registered No: 07008386

Report and Financial Statements

28th September 2019

Directors
SK McLachlan
DJ Sharples

Secretaries
CA Head
PJ Garrad

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX
United Kingdom

Bankers
HSBC
3 Rivergate
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BS1 6ER

Solicitors
Willans
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Cheltenham
Gloucestershire
GL50 1RH

Registered Office
Ashchurch
Tewkesbury
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GL20 8NA
United Kingdom

Strategic Report

The directors present their Strategic Report for the year ended 28th September 2019.

Review of the business

The principal activity of the company is that of the design, development and manufacture of flight control actuation systems for use in commercial and military aerospace applications. The product portfolio encompasses both primary and secondary flight control systems. In addition to its engineering and manufacturing activities, the business also provides aftermarket support (spares sales and repair services) to end users.

The company has long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and continue to prepare the financial statements on a going concern basis.

The company's key financial indicators during the year ended 28th September 2019 were as follows:

	2019	2018	Change
	£'000	£'000	%
Turnover	93,611	94,217	(0.6%)
Profit before taxation	9,998	12,724	(21.4%)
Profit after tax	8,847	9,944	(11.0%)
Average number of employees	447	433	3.2%

Turnover for 2019 was similar to 2018. Whilst some of the programs that the company supports have, or are nearing the end of their life cycle, others are currently in the early phases of volume production.

Profit before taxation has reduced by £2.7m (21.4%) in the year predominantly due to exceptional costs of £3.2m relating to the earlier than anticipated end of production of the Airbus A380 aircraft. These exceptional costs together with Group Management Charges of £0.7m (not previously incurred) have been partially offset by Research and Development Expenditure Credits of £1.0m.

Future developments

The company continues to outsource some of its lower value added manufacturing activities to suppliers based in Asia and to focus its UK operation on the design and development projects and the manufacture of the more complex elements of its product portfolio thereby maximising the contribution from its highly skilled workforce.

The Directors expect the turnover for 2020 to be higher than 2019.

Strategic Report

Principal risks and uncertainties

The principal risks and uncertainties fall into the following categories:

COVID-19

The spread of COVID-19 has disrupted businesses on a global scale. On 11th March 2020 the World Health Organisation classified the outbreak as a pandemic. As we entered this crisis, the Company established two clear priorities: first and foremost, the health and safety of our employees and their families and second, continuing to meet the needs of our customers whilst maintaining the financial wellbeing of the Company.

The coronavirus pandemic poses an unprecedented set of circumstances for Moog Wolverhampton Limited. Substantially the Company's production activities have remained open and operational and we have continued to trade whilst maintaining regular contact with our employees, customers, suppliers and other business partners.

We have implemented changes in our work practices maintaining a safe working environment for our production employees, while enabling other employees to productively work from home. No adverse impact has been noted to productivity or business support. The Company's position is to apply the UK Government guidance on all matters impacting our operations and we continue to have regular dialogue with all our key stakeholders.

The response of our employees to the new working protocols has been exemplary.

The Directors are actively monitoring the evolving situation regarding the Coronavirus, assessing further possible implications on our operations, supply chain, liquidity, cash flow and customer orders and will take further action in an effort to mitigate any adverse consequences if necessary.

Brexit

Since the decision made by the UK to leave the European Union, or 'Brexit' as it has become known, the company continues to embrace the challenges that this decision has delivered. The company continues to assess and mitigate the likely impacts of 'Brexit' on its customers and suppliers under a variety of potential outcomes so as to ensure that we offer continuity of service and supply.

The company is fully integrated into an International supply chain and as such, the company has held full HMRC Authorised Economic Operator (AEO) accreditation since December 2015 (with the next reassessment due in April 2022).

AEO is an internationally recognised accreditation that indicates that the company's role in the supply chain is secure and reliable and that any Customs controls and procedures are efficient and reliable. The company's AEO accreditation serves to reduce the risk of delays at the post 'Brexit' border.

Credit Risk Exposure

The company endeavours to minimise the risk of financial loss caused by third parties failing to discharge an obligation by only granting credit terms to customers who demonstrate an appropriate payment history and satisfy credit worthiness criteria or limiting the value of credit extended to customers who are less credit worthy.

Strategic Report

Liquidity Risk

The company mitigates liquidity risk by managing cash flow generation throughout its operation and by applying cash collection procedures. Cash flow risk is managed by careful negotiation of terms with customers and suppliers.

Through continual product improvement and development of new products, the company provides products that are competitive in the market.

Suppliers

The company carefully selects suppliers who demonstrate an ability to consistently supply high quality products and services at competitive prices.

Currency

The company has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency as well as the currency risk associated with inter-company transactions in various currencies. Potential exposures to foreign exchange rate movements are monitored through rolling cash flow forecasts in all currencies in which the company trades. These are reviewed monthly and appropriate actions are taken to manage net open positions.

This report was approved by the Board on 18 August 2020 and signed on its behalf.

Director: D J Sharples

Date: 18 August 2020

Directors' Report

The directors present their report and financial statements of the company for the year ended 28th September 2019.

Directors and directors' interests

The directors who held office during the period and to the date of this report were:

RE Burghardt (resigned 30 April 2019)
SK McLachlan
DJ Sharples

None of the directors held any interest in the share capital of the company during the year or to the date of this report.

Dividends declared and paid during the year

On 27th March 2019 the Directors declared a final dividend of £18million which was settled on 27th March 2019. No dividends for the year ended 28th September 2019 have been declared or paid.

Research and development

The company has invested in research and development activities to reinforce its leading position in the marketplace for its products. These expenditures are focussed on further enhancing existing products and the creation of new products in the fields of technology in which the company presently operates. Costs of £729,000 (2018: £1,022,000) attributable to research and development have been written off in the year.

Going concern

The group's business activities, together with the factors likely to affect its future development including its exposures to credit, liquidity and currency risk are described in the Strategic Report on pages 2 to 4. Moog Wolverhampton Limited has access to the Group's centralised treasury arrangements and borrowing facilities, and the Company has received a support letter from Moog Inc.

In assessing the going concern position of the Company for the period ended 28th September 2019 the Directors have considered the Company's cash flows, liquidity and business activities. Based on the Company's forecasts and funding arrangements, the Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors have made this assessment after consideration of the Company's cash flows and related assumptions with due consideration of the potential impact of the COVID-19 pandemic on the operating performance of the Company over the period through to 30th September 2021. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of government-imposed restrictions.

Operationally, the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital. These include but are not limited to; delay or deferral of non-essential operating costs with minimal utilisation of the Coronavirus Job Retention Scheme.

The Company's financial modelling for the period through to 30th September 2021 recognises performance to date and assumes an unanticipated 50% volume reduction in our commercial aircraft OEM business together with an unanticipated 25% volume reduction in our military aircraft OEM business in the coming years. The volume downturn in this scenario will also reduce our royalty income which is similarly associated with commercial aircraft hardware.

Directors' Report

Going concern (continued)

The Company has not assumed any reduction in the spares and repairs business nor in the customer funded engineering development activities in the financial models.

In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered a further downside scenario assuming an unanticipated 100% volume reduction in our commercial OEM business. The further volume downturn in this scenario will further reduce our royalty income which is similarly associated with commercial aircraft hardware.

The financial impact of the most severe downside scenario indicates that the Company would continue to operate within it's available funding for a period of at least 12 months from approval of these financial statements. Accordingly the Report and Financial Statements have been prepared on a going concern basis.

Political and charitable contributions

The company did not make any political or charitable donations during the period (2018: nil).

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever possible.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through newsletters and publications in which employees have been encouraged to present their suggestions and views. Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of employee meetings, which allow a free flow of information and ideas.

Disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Events since the balance sheet date

Since the preparation of the financial statements there has been a global pandemic and the spread of the COVID-19 outbreak has disrupted businesses on a global scale. This will have an acute impact on commercial aviation for a number of years due to the resulting travel restrictions and reduced revenues for operators. This in turn will impact the commercial aircraft manufacturers.

Trading between March 2020 and July 2020 was affected to some extent by COVID-19 disruption and we have experienced a slight downturn in turnover associated with our commercial aircraft business. This downturn in volume has also reduced our royalty income which is similarly associated with commercial aircraft hardware.

The Company is well positioned in the military aircraft sector in which we operate where we expect growth in both the OEM and spares and repairs markets.

Directors' Report

Events since the balance sheet date (continued)

Activity on customer funded engineering development programmes has remained as expected and we will become further engaged on several new commercial and military programmes in the future.

The Company has modelled a number of scenarios that reflect unanticipated volume reductions in both our commercial and military aircraft OEM revenue streams and despite these reductions in income, we have analysed our cashflow and we are confident that the cash reserves we have can withstand this fall in income through to 30th September 2021.

Operationally, the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital and in parallel, we are looking at the UK Government support options for business in the event that we need to take advantage of these.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Director : D J Sharples

Date: 18 August 2020

Statement of Directors Responsibilities

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

Company law requires the directors prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report

to the members of Moog Wolverhampton Limited

Opinion

We have audited the financial statements of Moog Wolverhampton Limited for the year ended 28 September 2019 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28th of September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Disclosure in relation to the effects of COVID-19

We draw attention to Notes 1 and 24 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Independent auditor's report

to the members of Moog Wolverhampton Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Elizabeth Gray (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 18 August 2020

Profit and loss account

For the year ended 28th September 2019

	Note	2019 £'000	2018 £'000
Turnover	2	93,611	94,217
Exceptional Item	5	(3,180)	-
Cost of sales		(74,809)	(75,724)
Gross profit		15,622	18,493
Administrative expenses		(9,254)	(9,098)
Other operating expenses		(714)	(372)
Other income	4	4,471	3,673
Operating profit	5	10,125	12,696
Interest receivable and similar income	6	-	28
Interest payable and similar charges	6	(127)	-
Profit before taxation		9,998	12,724
Tax	7	(1,151)	(2,780)
Profit for the financial year		**8,847**	**9,944**

All activities derive from continuing operations.

Statement of comprehensive income

For the year ended 28th September 2019

	2019 £'000	2018 £'000
Profit for the financial year	8,847	9,944
Other comprehensive income	-	-
Total comprehensive income for the year	**8,847**	**9,944**

Balance sheet

at 28th September 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	8	30,002	31,610
Intangibles	9	14,393	17,295
		44,395	48,905
Current assets			
Cash		660	818
Stocks	11	11,912	12,404
Debtors	12	45,904	46,741
		58,476	59,963
Creditors: amounts falling due within one year	13	(29,596)	(25,643)
Net current assets		28,880	34,320
Total assets less current liabilities		73,275	83,225
Provisions for liabilities and charges	14	(4,275)	(5,016)
Grants received	15	(1,594)	(1,650)
Net assets		**67,406**	**76,559**
Capital and reserves			
Called up share capital	16	-	-
Share premium account	17	28,229	28,229
Profit and loss account	18	39,177	48,330
Equity shareholders' funds		**67,406**	**76,559**

The financial statements were approved and authorised for issue by the board and were signed on it's behalf by:

Director : D J Sharples

Date 18 August 2020

Statement of changes in equity

at 28th September 2019

	Share Capital	*Share Premium*	*Retained Earnings*	*Total Equity*
	£000	*£000*	*£000*	*£000*
As at 30th September 2017	-	28,229	53,886	82,115
Profit for the year	-	-	9,944	9,944
Dividends paid	-	-	(15,500)	(15,500)
Total comprehensive income for the year	-	-	(5,556)	(5,556)
As at 29th September 2018	-	28,229	48,330	76,559
Profit for the year	-	-	8,847	8,847
Dividends paid	-	-	(18,000)	(18,000)
Total comprehensive income for the year	-	-	(9,153)	(9,153)
As at 28th September 2019	**-**	**28,229**	**39,177**	**67,406**

Notes to the financial statements

at 28th September 2019

General Information

Moog Wolverhampton Limited is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom. The registered office is Ashchurch, Tewkesbury, Gloucestershire, GL20 8NA.

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period is set out below.

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The company's financial statements are presented in sterling and all values rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Going Concern

The group's business activities, together with the factors likely to affect its future development including its exposures to credit, liquidity and currency risk are described in the Strategic Report on pages 2 to 4. Moog Wolverhampton Limited has access to the Group's centralised treasury arrangements and borrowing facilities, and the Company has received a support letter from Moog Inc.

In assessing the going concern position of the Company for the period ended 28th September 2019 the Directors have considered the Company's cash flows, liquidity and business activities. Based on the Company's forecasts and funding arrangements, the Directors have adopted the going concern basis in preparing the Financial Statements.

The Directors have made this assessment after consideration of the Company's cash flows and related assumptions with due consideration of the potential impact of the COVID-19 pandemic on the operating performance of the Company over the period through to 30th September 2021. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of government-imposed restrictions.

Operationally, the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital. These include but are not limited to; delay or deferral of non-essential operating costs with minimal utilisation of the Coronavirus Job Retention Scheme.

The Company's financial modelling for the period through to 30th September 2021 recognises performance to date and assumes an unanticipated 50% volume reduction in our commercial aircraft OEM business together with an unanticipated 25% volume reduction in our military aircraft OEM business in the coming years. The volume downturn in this scenario will also reduce our royalty income which is similarly associated with commercial aircraft hardware.

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In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered a further downside scenario assuming an unanticipated 100% volume reduction in our commercial OEM business. The further volume downturn in this scenario will further reduce our royalty income which is similarly associated with commercial aircraft hardware.

The financial impact of the most severe downside scenario indicates that the Company would continue to operate within it's available funding for a period of at least 12 months from approval of these financial statements. Accordingly, the Report and Financial Statements have been prepared on a going concern basis.

Notes to the financial statements

at 28th September 2019

Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Moog Wolverhampton Limited is a qualifying entity as its results are consolidated into the financial statements of Moog Inc. a company incorporated in the United States of America, registration number 67444, the registered office is Moog Inc., 400 Jamison Road, Elma, New York 14059, United States of America.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial includes the Company's cash flows (FRS 102 paragraph 1.12(b)
- not to disclose related party transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transaction are wholly owned by the ultimate controlling party (FRS 102 paragraph 33.1(a))

Fixed assets

Fixed assets acquired as part of the purchase of the business were the subject of an independent valuation at the point of acquisition and are depreciated over their remaining useful life, not to exceed the useful life for new asset additions. New additions are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets with the exception of land, at rates calculated to write off the cost, less estimated residual values based on prices at the date of acquisition, of each asset over its expected useful life, as follows:

Land is not depreciated	
Buildings	- over 40 years
Plant and machinery	- over 8-10 years
Rotables	- over 3 years
Computer Hardware	- over 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realizable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first in, first out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long-term contracts

Profit on long-term contracts is recorded as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover applicable to long-term contracts represents the value of work completed during the year, calculated with reference to the total expected value of the contracts. Revenues derived from change orders on contracts are recognised at estimated amounts when they become probable. Full provision is made for losses on all contracts in the year in which they are foreseen.

Notes to the financial statements

at 28th September 2019

Goodwill

Goodwill is the difference between the cost of the purchase of the business and the aggregate of the fair value of that those identifiable assets and liabilities that were acquired.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life (being 15 years). It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Revenue and royalty income

Revenue is recognised when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer. With the sale of goods, this occurs when the goods are despatched or made available to the customer. With royalty income, revenue is recognised in accordance with the substance of the relevant agreement.

Current and Deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income and directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Research and development expenditure is written off as incurred.

Notes to the financial statements

at 28th September 2019

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

Pensions and other post-retirement benefits

The company operates a defined contribution pension scheme which requires contributions to be made to an independently administered fund. Contributions to the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Lease commitments

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

Derivative Instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value using quoted rates with changes in fair value being recorded through the profit and loss account.

Judgements in applying accounting policies and key sources of estimation uncertainty.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect amounts reported for assets, liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates and underlying assumptions are reviewed on an ongoing basis.

The areas of any estimation uncertainty and critical accounting judgement that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are listed below:

- Completion of contracts for the purpose of long-term accounting
- Contract loss and warranty provisions

2. Turnover

Turnover, which is stated net of value added tax, represents the value of goods sold and the value of long-term contract revenue earned in the period.

Turnover attributable to continuing activities, relates to the manufacture of primary and secondary flight control activation products and related aftermarket activities. An analysis of turnover by geographical market is given below:

	2019	***2018***
	£'000	***£'000***
United Kingdom	6,832	3,411
Rest of Europe	23,123	23,499
USA	55,938	59,752
Other	7,718	7,555
	93,611	94,217

Notes to the financial statements

at 28th September 2019

3. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	19,828	19,206
Social security costs	2,117	1,938
Other pension costs	1,423	1,316
	23,368	22,460

The monthly average number of employees (including directors employed by the company) during the year was as follows:

	2019	2018
Administration and Management	63	59
Production	301	297
Engineering	83	77
	447	433

Directors' emoluments

	2019 £'000	2018 £'000
Emoluments	-	44
Company contributions paid to money purchase pension schemes	-	2

One director is remunerated by the company however no substantive qualifying services are provided by this director and all costs are recharged to other companies. The other directors are employees of other related companies where they are remunerated for their employment, no substantive qualifying services are provided by these directors to the company and it is not considered that they received remuneration in the current period in their capacity as directors of the company (2018:nil).

Key management personnel

The parent company consider the directors of the company to be the key management personnel who have authority and responsibility for planning, directing and controlling the activities of the company.

Notes to the financial statements

at 28th September 2019

4. Other Income

	2019 £'000	2018 £'000
Royalty Income	3,463	3,673
Research and Development Expenditure Credit	1,008	-
	4,471	**3,673**

Royalty income is received from Moog Inc. the ultimate parent company, for the granting of exclusive licenses that permit the use of the intellectual property of the company to manufacture actuation systems for use on the Boeing 787, together with the provision of spares and repairs for the Boeing 787, Boeing 737, and the Airbus A380 and A300 product lines.

The Research and Development Expenditure Credit is a UK Government tax incentive designed to reward innovative companies for such expenditure. The company has now completed an exercise to review the expenditure that has been incurred in research and development to identify any qualifying costs. The credit above relates to expenditure incurred in 2017, 2018 and 2019 with associated credits of £365,000 for 2017, £302,000 for 2018 and £341,000 for 2019.

5. Operating Profit

This is stated after charging / (crediting):

	2019 £'000	2018 £'000
Auditors' remuneration: - audit services - UK	108	112
Tax consultancy	142	-
Research and development expenditure written off	729	1,022
Amortisation of goodwill (note 9)	2,902	2,902
Operating lease rentals - plant and machinery	131	131
Gain on disposal of fixed assets	(3)	(18)
(Gain)/Loss on foreign exchange	98	(82)
Depreciation of owned assets (note 8)	2,679	2,498
Group management charges	674	-
Exceptional item	3,180	-
Stock expensed through cost of sales	74,605	71,884

During the year the company made cost provisions for supplier penalty costs of £2,776k and obsolete inventory of £404k due to the earlier than anticipated end of production of the Airbus A380 aircraft for which the company provides flight actuation control systems. Given the value and one-time nature of these costs they have been aggregated and reported as an exceptional item.

Notes to the financial statements

at 28th September 2019

6. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest receivable from group companies	-	28
Interest payable to group companies	(127)	-
	(127)	**28**

7. Tax on profit on ordinary activities

(a) Analysis of charge in period

The tax charge is made up as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax based on the results for the period	1,263	2,219
Prior year adjustment	(342)	(28)
Total current tax	921	2,191
Deferred tax charge	257	130
Deferred tax prior year adjustment	-	473
Deferred tax rate change adjustment	(27)	(14)
Total deferred tax	230	589
Tax on profit on ordinary activities (note 7b)	**1,151**	**2,780**

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2018: higher) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are reconciled below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	9,998	12,724
Profit on ordinary activities multiplied by standard rate of tax in the UK of 19.0% (2018: 19.0%)	1,900	2,418
Effects of:		
(Expenses)/income not deductible for tax purposes	(133)	83
Prior year adjustment	(342)	445
Patent box	(247)	(152)
Change of rate	(27)	(14)
Total tax (note 7a)	**1,151**	**2,780**

Notes to the financial statements

at 28th September 2019

7. Tax on profit on ordinary activities (continued)

(c) Factors affecting future tax charges

As at 28th September 2019, the corporation tax rate was due to reduce from 19% to 17% from 1st April 2020; this change in rate was substantively enacted and fully enacted on 6th and 15th September 2016 respectively. In March 2020, the UK government formally announced that the corporation tax rate would remain at 19%, this was substantively enacted on 17th March 2020. This deferred tax rate change is not reflected in these financial statements.

8. Tangible fixed assets

	Land	Buildings	Plant and machinery	Rotables	Computer hardware	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost:						
At 29th September 2018	1,163	21,927	21,944	449	499	45,982
Additions	-	99	983	-	18	1,100
Disposals	-	-	(422)	-	(66)	(488)
At 28th September 2019	1,163	22,026	22,505	449	451	46,594
Depreciation:						
At 29th September 2018	-	(3,288)	(10,232)	(449)	(403)	(14,372)
Charged in the period	-	(567)	(2,075)	-	(37)	(2,679)
Disposals	-	-	393	-	66	459
At 28th September 2019	-	(3,855)	(11,914)	(449)	(374)	(16,592)
Net book value:						
At 28th September 2019	**1,163**	**18,171**	**10,591**	**-**	**77**	**30,002**
At 29th September 2018	1,163	18,639	11,712	-	96	31,610

Notes to the financial statements
at 28th September 2019

9. Intangibles

	Goodwill £'000
Cost:	
At 29th September 2018 and 28th September 2019	43,528
Amortization:	
At 29th September 2018	(26,233)
Charged in the period	(2,902)
At 28th September 2019	(29,135)
Net book value:	
At 29th September 2018	17,295
At 28th September 2019	**14,393**

The goodwill relates to the transfer of trade and assets from GE Aviation Ltd to Moog Wolverhampton Limited. The goodwill is amortised over a useful life of fifteen years.

On transition to FRS 102 from previous UK GAAP the group and the company has taken advantage of transitional relief as follows:

Business combinations

The group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill, and intangible assets subsumed within goodwill have not been separately recognised.

10. Deferred Tax

The closing deferred tax liability for the year ended 28th September 2019 is detailed below:

	2019 £'000	***2018 £'000***
At beginning of the year	(1,820)	(1,231)
Charged to profit and loss account in the year	(230)	(589)
At end of the year	**(2,050)**	**(1,820)**

A deferred tax (liability) recognised at 17% in the financial statements as follows:

	2019 £'000	***2018 £'000***
Capital allowances in excess of depreciation	(2,058)	(1,975)
Short term timing differences	8	155
Deferred tax (liability)	**(2,050)**	**(1,820)**

Notes to the financial statements

at 28th September 2019

11. Stocks

	2019	*2018*
	£'000	*£'000*
Raw materials	956	989
Work in progress	8,607	9,586
Finished goods	2,349	1,829
	11,912	**12,404**

In the directors' opinion there was no significant difference between the replacement cost and the amount at which the stock is held in the financial statements.

12. Debtors

	2019	*2018*
	£'000	*£'000*
Trade debtors	14,119	16,925
Amounts recoverable on contracts and accrued income	15,805	15,316
Amounts owed from parent company and fellow subsidiary undertakings	13,705	13,537
Corporation Tax	1,513	-
Other debtors	371	489
Prepayments	391	336
Derivative financial instruments – foreign currency forwards (note 22)	-	138
	45,904	**46,741**

13. Creditors: amounts falling due within one year

	2019	*2018*
	£'000	*£'000*
Trade creditors	10,736	9,677
Amounts owed to parent company and fellow subsidiary undertakings	11,957	4,537
Customer advances	2,177	2,145
Corporation tax	-	1,035
Other taxation and social security	784	643
Defined contribution pension scheme contributions	2	201
Accruals & deferred income	3,484	7,405
Derivative financial instruments – foreign currency forwards (note 22)	456	-
	29,596	**25,643**

Notes to the financial statements

at 28th September 2019

14. Provisions for liabilities and charges

	Contract loss and warranty	*Deferred tax liabilities (note 10)*	*Total*
	£'000	*£'000*	*£'000*
At 30th September 2018	3,196	1,820	5,016
Charge to profit and loss account in the year	2,834	230	3,064
Utilised in the year	(3,805)	-	(3,805)
At 28th September 2019	**2,225**	**2,050**	**4,275**

The contract loss and warranty provision is for product integrity rework and contract loss provisions where the sales value of items on order is less than the cost of such items. The provision represents the best estimate of the company's cost and is expected to be incurred over the next two years.

15. Grants Received

	2019	***2018***
	£'000	***£'000***
At beginning of the year	1,650	1,706
Utilised	(56)	(56)
At end of the year	**1,594**	**1,650**

The grants received are from the Department for Business Innovation & Skills, financed by the European Regional Development fund, to help implement the project to invest in new premises, plant and machinery at i54 Business Park, Wolverhampton.

The grant is released in line with the useful economic life of the assets to which it relates.

16. Called up share capital

	2019	***2018***
	£	***£***
Authorised		
Equity shares: 101 ordinary shares of £1 each	101	101
Allotted, called up and fully paid		
Equity shares: 101 ordinary shares of £1 each	**101**	**101**

Notes to the financial statements

at 28th September 2019

17. Share Premium Account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

18. Profit and Loss Account

The profit and loss account includes all current and prior period retained profits and losses.

19. Capital commitments

	2019	*2018*
	£'000	*£'000*
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**1,197**	**84**

The 2019 capital commitments comprise £742,000 for machining equipment and £455,000 for assembly and test equipment.

20. Financial commitments

At 28th September 2019, the company had future minimum lease payments due under non-cancellable operating leases as set out below:

	2019	*2018*
	£'000	*£'000*
Lease payments due:		
Within one year	120	82
In two to five years	203	61
Over five years	-	-
	323	**143**

The company has entered into commercial leases on cars and other tangible fixed assets. These leases have an average duration of between 1 and 5 years and contain varied terms specific to each lease such as break options and renewal options. There are no restrictions placed upon the lessee by entering into these leases.

21. Contingent liabilities

There is a contingent liability in respect of an indemnity provided in respect of deferment of duty allowable by HM Customs and Excise. The value of any potential liability varies depending on the value of any duty outstanding at any point in time. As at 28th September 2019 the guarantee facility provided by HSBC Bank plc in respect of this was £140,000. During the year the value of the liability varied from £29,000 to £103,000.

The Company has control procedures in place to ensure that its obligations under this approved scheme are properly discharged and accordingly no provision for any liability has been made in these financial statements.

Notes to the financial statements

at 28th September 2019

22. Financial Instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2019	*2018*
	£'000	*£'000*
Financial assets		
Measured at fair value through profit and loss:		
Derivative financial instruments – foreign currency forwards	-	138
Non derivative financial assets:		
Trade debtors	14,119	16,925
Amounts owed by parent company and fellow subsidiary undertakings	13,705	13,537
Total Financial Assets	**27,824**	**30,600**
Financial liabilities		
Measured at fair value through profit and loss:		
Derivative financial instruments – foreign currency forwards	456	-
Non derivative financial liabilities:		
Trade creditors	10,731	9,677
Amounts owed to parent company and fellow subsidiary undertakings	11,957	4,537
Total Financial Liabilities	**23,144**	**14,214**

The company purchases and sells goods in US Dollars and has a regular exposure to US Dollars. The company will hedge this net exposure by using a variety of forward exchange instruments for up to 12 months ahead.

Notes to the financial statements

at 28th September 2019

22. Financial Instruments (continued)

The company has outstanding forward foreign exchange contracts at the period end as follows

Maturity Date	Notional principal amounts US$	Type
31st October 2019	600,000	Plain vanilla forward contract
31st October 2019	500,000	Plain vanilla forward contract
31st October 2019	400,000	Plain vanilla forward contract
29th November 2019	600,000	Plain vanilla forward contract
29th November 2019	500,000	Plain vanilla forward contract
29th November 2019	400,000	Plain vanilla forward contract
27th December 2019	600,000	Plain vanilla forward contract
27th December 2019	400,000	Plain vanilla forward contract
31st January 2020	1,100,000	Plain vanilla forward contract
28th February 2020	1,100,000	Plain vanilla forward contract
27th March 2020	1,100,000	Plain vanilla forward contract
30th April 2020	1,100,000	Plain vanilla forward contract
29th May 2020	1,100,000	Plain vanilla forward contract
26th June 2020	1,100,000	Plain vanilla forward contract

The fair value of the above contracts at the statement of financial position date was £456,000 included in Creditors (note 13) (29 September 2018: £138,000, included Debtors (note 12)). The fair value charge to the Profit and Loss account is £281,000 (credit to the Profit and Loss account of £248,000 for the year ended 29 September 2018).

23. Ultimate parent company

The immediate parent company is Moog Controls Limited, a company registered in England and Wales.

The ultimate holding company and ultimate controlling party undertaking is Moog Inc., a company incorporated in the United States of America.

The largest and smallest group in which the results of the company are consolidated is headed by Moog Inc.

Copies of the Moog Inc. financial statements may be obtained from Shareholder Relations, Moog Inc., East Aurora, New York, 14052-0018, USA. 2018).

Notes to the financial statements

at 28th September 2019

24. Events since the balance sheet date

Since the preparation of the financial statements there has been a global pandemic and the spread of the COVID-19 outbreak has disrupted businesses on a global scale. This will have an acute impact on commercial aviation for a number of years due to the resulting travel restrictions and reduced revenues for operators. This in turn will impact the commercial aircraft manufacturers.

Trading between March 2020 and July 2020 was affected to some extent by COVID-19 disruption and we have experienced a slight downturn in turnover associated with our commercial aircraft business. This downturn in volume has also reduced our royalty income which is similarly associated with commercial aircraft hardware.

The Company is well positioned in the military aircraft sector in which we operate where we expect growth in both the OEM and spares and repairs markets.

Activity on customer funded engineering development programmes has remained as expected and we will become further engaged on several new commercial and military programmes in the future.

The Company has modelled a number of scenarios that reflect unanticipated volume reductions in both our commercial and military aircraft OEM revenue streams and despite these reductions in income, we have analysed our cashflow and we are confident that the cash reserves we have can withstand this fall in income through to 30th September 2021.

Operationally, the Company has implemented a number of actions to manage costs and cash in order to maintain sufficient working capital and in parallel, we are looking at the UK Government support options for business in the event that we need to take advantage of these.