

Registered Number 01171948

Moog Controls Limited

Report and Financial Statements

1st October 2016

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COMPANIES HOUSE

Moog Controls Ltd

Registered Number 01171948

Directors

N P Cottell
P Garrad
H Preston (resigned 27th November 2015)
C Curr
G Parks (died 28th November 2015)
S McLachlan
E Burghardt (appointed 19th January 2016)
D Fijas (appointed 2nd February 2017)

Secretary

P Garrad

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Bankers

HSBC
3 Rivergate
Bristol
BS1 6ER

Solicitors

Willans
28-29 Imperial Square
Cheltenham
Gloucestershire
GL50 1RH

Registered Office

Ashchurch
Tewkesbury
Gloucestershire
GL20 8NA

Strategic Report

The directors present their strategic report for the year ended 1st October 2016.

Review of the business

The principal activity of the company is that of the manufacture of electro-hydraulic servo control mechanisms for use in aerospace and industrial applications. The product lines consist of servo valves and servo actuators with related electronics and the repair and servicing of these product lines.

The company's key financial indicators during the year ended 1st October 2016 were as follows:

	<i>2016</i>	<i>2015</i>	<i>Change</i>
	<i>£000</i>	<i>£000</i>	<i>%</i>
Turnover	57,829	56,397	2.5%
Operating profit	9,235	7,319	26%
(Loss) Profit before taxation	(8,120)	7,197	(213%)
(Loss) Profit after tax	(10,361)	5,867	(277%)
Average number of employees	433	421	2.9%

The increase in trading is due to the general increase in the European Aerospace sector activity. Prospects within this sector remain fairly buoyant at current levels of activity. We expect to retain our market position in both the Aerospace and Industrial sectors. The company's Aerospace segment products are mainly focused on more fuel efficient aircraft reducing the risk that a market downturn will affect the company. The company's Industrial segment is increasing its product and service portfolio to maintain sales year on year.

During the year the investment in Moog Fernau Limited has been impaired based on the net present value of future cash flows of the company resulting in a write off of £17,334,000.

Principal risks and uncertainties

The principal risks and uncertainties fall into the following categories:

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.

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.

Moog Controls Ltd

Registered Number 01171948

Strategic Report

Principal risks and uncertainties (continued)

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.



Director: P Garrad

Date: 2017-06-28

Directors Report

The directors present their report and financial statements of the company for the year ended 1st October 2016. In the current year the directors have adopted FRS102, this therefore presents the first set of accounts under this new accounting standard.

Directors

The directors who held office during the year and subsequent to the year end were:

N P Cottell

P Garrad

G Parks (died 28th November 2015)

H Preston (resigned 27th November 2015)

C Curr

S Mclachlan

E Burghardt (appointed 19th January 2016)

D Fijas (appointed 2nd February 2017)

Dividends

The directors do not propose the payment of a dividend (2015: £nil).

Research and development

The company has continued research and development into both existing and new products in the fields of technology in which the company presently operates. Costs of £1,331,000 (2015: £1,032,000) attributable to research and development have been written off in the year.

Future developments

In support of its strategic plans, Moog Controls Ltd's objective is to be recognised by customers as a competitive and world class provider of customised motion control solutions and to be renowned for innovative engineering, talented people, quality products, services and solutions. Future developments include Aerospace programs on Boeing 787 and Airbus A350 and Industrial projects providing customised solutions; both divisions offer an ever widening portfolio of products and services.

Post Balance Sheet Events

The companies investment in Moog OY has been liquidated in November 2016 and £2,735,000 has been received by MCL from the process.

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 3.

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.

The directors, having assessed the responses of the directors of the company's parent, Moog Inc, to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Moog Group to continue as a going concern.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Moog Inc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to prepare the annual financial statements on a going concern basis.

Directors Report (continued)

Political and charitable contributions

The company did not make any political or charitable donations during the period.

Disabled employees

The company gives full consideration to applicants 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 4. 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.

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: P Garrad

Date: 2017-06-28

Statement of directors responsibilities in respect of the financial statements

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 to 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). 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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 Controls Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOOG CONTROLS LIMITED

We have audited the financial statements of Moog Controls Ltd for the year ended 1st October 2016 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1st October 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report (continued)

to the members of Moog Controls Ltd

Matters on which we are required to report by exception

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



Chris Gilbert (Senior Statutory auditor)

For and behalf of Ernst & Young LLP, Statutory Auditor

Bristol

2017-06-28

Profit and loss account

For the year ended 1st October 2016

	Notes	2016 £000	2015 £000
Turnover	3	57,829	56,397
Cost of sales		(41,598)	(41,429)
Gross profit		16,231	14,968
Administrative expenses		(8,233)	(8,578)
Other operating expenses		(268)	(375)
Royalty income		1,505	1,304
Operating profit	4	9,235	7,319
Interest and similar charges	7	(25)	(205)
Finance income	8	4	83
Investment impairment	11	(17,334)	-
(Loss) Profit on ordinary activities before taxation		(8,120)	7,197
Tax on profit on ordinary activities	9	(2,241)	(1,330)
(Loss) Profit for the financial year		(10,361)	5,867

All amounts relate to continuing activities.

An amount of £1,220,000 has been reclassified between administrative expenses and cost of sales in the 2015 profit and loss account to be consistent with the 2016 presentation which the directors believe better represents the activities of the business.

Statement of comprehensive income

for the year ended 1st October 2016

	Notes	2016 £000	2015 £000
(Loss) Profit for the financial year		(10,361)	5,867
Actuarial (loss) recognised on pension scheme	18	(4,135)	(2,384)
Movement in deferred taxation in respect of pension scheme		860	544
Total comprehensive (loss) income for the year		(13,636)	4,027

Statement of changes in equity

for the year ended 1st October 2016

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At October 2014 (as restated)	2,250	35,778	53,962	91,990
Profit for the year	-	-	5,867	5,867
Other comprehensive income for the year	-	-	(1,840)	(1,840)
At October 2015 (as restated)	2,250	35,778	57,989	96,017
Profit for the year	-	-	(10,361)	(10,361)
Other comprehensive income for the year	-	-	(3,275)	(3,275)
At 1 st October 2016	2,250	35,778	44,353	82,381

Moog Controls Ltd**Registered Number 01171948****Balance Sheet**At 1st October 2016

	<i>Notes</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Fixed assets			
Tangible assets	10	9,984	10,056
Investments	11	43,367	60,701
Goodwill	12	802	1,606
		<hr/> 54,153	<hr/> 72,363
Current assets			
Cash		475	89
Stocks	13	10,461	10,953
Debtors	14	28,084	20,862
		<hr/> 39,020	<hr/> 31,904
Creditors: amounts falling due within one year	15	(7,095)	(5,938)
Net current assets		<hr/> 31,925	<hr/> 25,966
Total assets less current liabilities		<hr/> 86,078	<hr/> 98,329
Provisions for liabilities and charges	16	(321)	(256)
Creditors: amounts falling due after one year	15	-	(2,000)
Net assets excluding pension liability		<hr/> 85,757	<hr/> 96,073
Pension scheme (liabilities)/assets	18	(3,376)	(56)
Net assets		<hr/> 82,381	<hr/> 96,017
Capital and reserves			
Called up share capital	19	2,250	2,250
Share premium account		35,778	35,778
Profit and loss account		44,353	57,989
Equity shareholders' funds		<hr/> 82,381	<hr/> 96,017

Approved by the Board

Director P Garrad

Date 2017-06-28



Notes to the financial statements

At 1st October 2016

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention 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 transitioned from previously extant UK GAAP to FRS102 as at 29th September 2014. Information on the impact of the first time adoption of FRS102 is given in note 23.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercised judgement in applying the Company's accounting policies.

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

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 Controls Ltd 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 which are publicly available. The company has not prepared group accounts as its results are consolidated within these publically available financial statements.

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

- i) 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))
- ii) 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

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, 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:

Freehold buildings	over 40 years
Short leasehold	over 25 years
Plant and machinery	over 8 years
Fixtures and fittings, tools and equipment	over 2-3 years

The carrying value 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 taken 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 variations on contracts are recognised only when they have been accepted by the customer. A full provision is made for losses on all contracts in the year in which they are first foreseen.

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.

Notes to the financial statements

At 1st October 2016

1. Accounting policies (continued)

Investments

Fixed asset investments are shown at cost less a provision for impairment.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Goodwill is amortised over its estimated useful economic life. It is stated at cost less amortisation.

Goodwill 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.

Deferred taxation

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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. 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.

Notes to the financial statements

At 1st October 2016

1. Accounting policies (continued)

Pensions and other post-retirement benefits

The company operates a defined benefit and a defined contribution pension scheme, both of which require contributions to be made to separately administered funds

Defined benefits scheme

The defined benefits scheme provides benefits based on each employee's final pensionable pay. Contributions to the defined benefits scheme are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amount charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Defined contributions scheme

Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Lease and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Related parties

The company is exempt from the requirement to disclose transactions between group companies as all subsidiaries have 100% of their voting rights controlled within the group and the consolidated financial statements of the group are publicly available.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Moog Inc, within whose consolidated cash flow statement the cash flows of the company are included.

2. 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 the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Notes to the financial statements

At 1st October 2016

2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Pensions and other post-retirement benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumption and the long term nature of these plans, such estimates are subject to significant uncertainty. The company engages suitably qualified actuaries to compile this information and engages investment managers to manage the assets of the scheme in the most effective manner.

Notes to the financial statements

At 1st October 2016

3. Turnover

Turnover is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

Turnover by geographical market	2016	2015
	£000	£000
United Kingdom	21,801	24,558
Rest of Europe	26,431	22,107
USA	4,869	4,758
Other	4,728	4,974
	<u>57,829</u>	<u>56,397</u>

4. Operating profit

This is stated after charging:

	2016	2015
	£000	£000
Auditors' remuneration for audit services	52	52
Auditors' remuneration for non-audit services	10	-
Research and development expenditure written off	1,331	1,032
Operating lease rentals land & buildings	727	457
Operating lease rentals plant & machinery	193	186
Profit on disposal of fixed asset	-	52
Depreciation of owned asset (note 10)	1,503	1,322
Foreign exchange gain	546	80
Amortisation of intangible assets (note 12)	804	804

5. Directors' Remuneration

Directors' emoluments	2016	2015
	£000	£000
Emoluments	567	532
Company contributions paid to money purchase pension schemes	<u>47</u>	<u>44</u>

Five directors are remunerated by the company and are members of the defined contribution scheme (2015: 5). The other directors are remunerated by other group companies for any services to the company.

The amounts in respect of the highest paid director are as follows:	2016	2015
	£000	£000
Emoluments	<u>151</u>	<u>137</u>
Company contributions paid to money purchase pension schemes	<u>15</u>	<u>8</u>

Moog Controls Ltd
01171948

Registered Number

Notes to the financial statements

At 1st October 2016

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.

6. Staff Costs

	<i>2016</i>	<i>2015</i>
Employment Costs	£000	£000
Wages and salaries	17,675	17,368
Social security costs	1,834	1,809
Other pension costs	1,374	1,245
	<u>20,883</u>	<u>20,422</u>

Monthly average number of employees (including directors)	<i>2016</i>	<i>2015</i>
	<i>No</i>	<i>No</i>
Administration and management	162	167
Production	271	254
	<u>433</u>	<u>421</u>

7. Interest and similar charges

	<i>2016</i>	<i>2015</i>
	£000	£000
Interest payable	25	205
	<u>25</u>	<u>205</u>

8. Finance income

	<i>2016</i>	<i>2015</i>
	£000	£000
Interest receivable from defined benefit pension plan	4	83
	<u>4</u>	<u>83</u>

Notes to the financial statements

At 1st October 2016

9. Tax

(a) *Tax on profit on ordinary activities*

The tax charge is made up as follows:

	2016 £000	2015 £000
Current tax:		
UK corporation tax	1,909	1,489
UK corporation tax prior year adjustment	-	(11)
Foreign tax	1	16
Total current tax	1,910	1,494
Deferred tax excluding pension scheme	101	(264)
Deferred tax pension scheme	28	100
Deferred tax rate change adjustment	202	-
Tax on profit on ordinary activities	2,241	1,330

(b) *Factors affecting tax charge*

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.0%. The differences are reconciled below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	(8,120)	7,197
Profit on ordinary activities multiplied by standard rate of tax in the UK of 20.0% (2015:20.5%)	(1,624)	1,475
<i>Effects of:</i>		
Non-deductible expenses	3,681	239
Enhanced research & development allowance	(20)	(38)
Foreign tax	1	16
Rate change to profit & loss	203	-
Other	-	(351)
Prior year adjustment	-	(11)
Total tax (note 9a)	2,241	1,330

Notes to the financial statements

At 1st October 2016

9. Tax (continued)

(c) Factors affecting future tax charges

In the 2016 budget the Chancellor announced a reduction to 17% effective for the financial year beginning 1st April 2020. The main rate of corporation tax will fall to 19% from 1st April 2017 and will be reduced by a further 2% to 17% from 1st April 2020. As these tax rates were substantively enacted the relevant rate reductions are reflected in these financial statements.

10. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Short leasehold £000</i>	<i>Plant and equipment £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Assets in the course of construction £000</i>	<i>Total £000</i>
<i>Cost:</i>						
At beginning of the year	772	2,722	16,152	2,005	511	22,162
Additions	-	44	1,326	108	(47)	1,431
Disposals	-	-	(3)	-	-	(3)
At end of the year	772	2,766	17,475	2,113	464	23,590
<i>Depreciation:</i>						
At beginning of the year	245	679	9,774	1,408	-	12,106
Charged in the year	19	116	1,185	183	-	1,503
Disposals	-	-	(3)	-	-	(3)
At end of the year	264	795	10,956	1,591	-	13,606
<i>Net book value:</i>						
At end of the year	508	1,971	6,519	522	464	9,984
At beginning of the year	527	2,043	6,378	597	511	10,056

Notes to the financial statements

At 1st October 2016

11. Investments

Investment in subsidiary undertakings, being cost and net book value:

	2016 £000	2015 £000
Moog Norden AB	20	20
Moog OY	10	10
Moog Components Group Limited	9,446	9,446
Moog Fernau Limited	5,681	23,015
Moog Wolverhampton Limited	28,210	28,210
	<u>43,367</u>	<u>60,701</u>

During the year the investment in Moog Fernau Limited has been impaired based on the net present value of future cash flows of the company resulting in a write off of £17,334,000.

The investment in Moog OY has been liquidated in November 2016 and £2,735,000 has been received by MCL from the process.

The company has the following wholly owned subsidiaries incorporated in Sweden, Finland and the UK respectively:

<i>Name of company & Registered Office</i>	<i>Called up share capital (ordinary shares)</i>	<i>Country</i>	<i>Nature of business</i>
Moog Norden AB Stora Ävägen 19B, 436 34 Askim, Sweden	200,000 Sw Kr	Sweden	Sales and repair facility for Industrial products on the Nordic territories
Moog OY Hietapellontie 15 A Helsingfors, Finland	75,000 F Mk	Finland	Sales office for Industrial products in Finland
Moog Components Group Limited 30 Sutton Ind Est, Reading RG6 1AW	135,137 GBP	UK	Precision engineering and manufacture of electro mechanical devices
Moog Fernau Limited Unit C Airport Executive Park President Way Luton Bedfordshire LU2 9NY	2,590,000 GBP	UK	Sales and manufacture of air traffic management equipment and navigational aids
Moog Wolverhampton Limited Alexandra Way, Ashchurch, Tewkesbury GL20 8NA	101 GBP	UK	Sales and manufacture of flight control actuation products

Notes to the financial statements

At 1st October 2016

12. Goodwill

	2016 £000	2015 £000
At beginning of the year	1,606	2,410
Amortisation	(804)	(804)
At end of the year	802	1,606

The goodwill relates to the transfer of trade and assets from Moog Whitton Ltd to Moog Controls Ltd. The goodwill is amortised over a useful life of five years.

13. Stocks

	2016 £000	2015 £000
Raw materials	4,420	4,792
Work in progress	2,582	2,795
Finished goods	3,459	3,366
	10,461	10,953

14. Debtors

	2016 £000	2015 £000
Trade debtors	11,431	9,157
Amounts recoverable on contracts	-	25
Parent company and fellow subsidiaries	16,148	10,380
Deferred taxation	266	414
Prepayments and accrued income	239	886
	28,084	20,862

A deferred tax asset is recognised at 17% in the financial statements as follows:

	2016 £000	2015 £000
Difference between accumulated depreciation and capital allowances	247	376
Other timing differences	19	38
Deferred tax asset	266	414

Notes to the financial statements

At 1st October 2016

15. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	2,549	2,499
Amounts owed to parent company and fellow subsidiary undertakings	1,419	832
Corporation tax	1,150	593
Other taxation and social security	485	515
Accruals and deferred income	1,370	1,499
Other payables	122	-
	<u>7,095</u>	<u>5,938</u>

16. Provisions for liabilities and charges

	<i>Contract loss and warranty £000</i>
At beginning of the year	256
Charged to the profit and loss account in the year	245
Utilised in the year	(180)
	<u>321</u>
At end of the year	<u>321</u>

The contract loss and warranty provision is for product integrity rework and contract loss provisions. The figure includes £69,000 for warranty returns in the forthcoming year based on current year actual experience. The balance comprises customer-specific product integrity issues provisioned at factory cost.

Notes to the financial statements

At 1st October 2016

17. Creditors: amounts falling due after one year

	2016	2015
	£000	£000
Promissory notes	-	2,000

On 15th March 2013, Moog IFSC, issued interest bearing promissory notes to MCL replacing the Moog Inc promissory notes issued to finance the acquisition of Fernau Avionics Limited. These Moog IFSC notes carried interest at a fixed rate of 3.88% per annum and were repayable in full by 14 March 2017. The promissory notes were repaid in full on 20th October 2016.

18. Pension arrangements

The company operates a defined benefit and defined contribution pension scheme, both of which require contributions to be made to separately administered funds.

Defined contributions scheme

The pension costs are charged to the profit and loss as they become payable. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,169,000 (2015: £1,092,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit scheme

a) Information about the scheme

General description of the type of scheme:

Defined benefit scheme providing benefits linked to salary at retirement or earlier date of leaving service. The plan has been closed to new entrants since 1992.

Description of funding policy:

Following the 1st December 2013 triennial valuation, the company agreed that it will pay £10,000 per month for a period of thirteen months. The company is currently continuing to pay £10,000 per month in to the plan. Funding levels are monitored on an annual basis and the current agree employer future service contribution rate is 35.8% of contribution salaries. The next triennial valuation is due to be completed as at 1st December 2016.

Date of the most recent actuarial valuation:

1st December 2013

b) Reconciliation of value of liabilities

	2016	2015
	£000	£000
Value of liabilities at start of year	25,285	22,933
Current service cost	210	236
Interest cost	943	904
Contributions by plan participants	30	28
Recognised actuarial loss on liabilities	6,948	2,359
Benefits paid	(924)	(1,175)
Value of liabilities at end of year	32,492	25,285

Notes to the financial statements

At 1st October 2016

18. Pension arrangements (continued)

c) Reconciliation of fair value of assets

	2016 £000	2015 £000
Value of assets at start of year	25,215	25,113
Expected return on assets	948	987
Actuarial gain/loss	2,812	(25)
Contributions by the employer	343	287
Contributions by scheme participants	30	28
Benefits paid	(924)	(1,175)
Value of assets at end of year	<u>28,424</u>	<u>25,215</u>

d) Profit and loss

	2016 £000	2015 £000
Administration Current service cost	209	236
Finance interest receivable	(4)	(83)

e) Amounts recognised in other comprehensive income (OCI)

	2016 £000	2015 £000
Actual return less expected return on assets	2,812	(26)
Experience gain/(loss) arising on scheme liabilities	(163)	69
Changes in assumptions	(6,784)	(2,427)
Total (losses) recognised in OCI	<u>(4,135)</u>	<u>(2,384)</u>

Notes to the financial statements

At 1st October 2016

Pension arrangements (continued)

f) Analysis of value of assets and reconciliation of funded status

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Equities	9,789	12,056	12,770	11,864	10,102
Bonds	18,508	13,062	12,250	11,190	10,073
Cash	128	97	93	111	146
<i>Total market value of assets</i>	<u>28,425</u>	<u>25,215</u>	<u>25,113</u>	<u>23,165</u>	<u>20,321</u>
Present value of scheme liabilities	(32,492)	(25,285)	(22,933)	(22,075)	(21,669)
Pension (liability)/asset before deferred tax	(4,067)	(70)	2,180	1,090	(1,348)
Related deferred tax asset at 17%	691	14	(436)	(218)	310
<i>Net Pension (Liability)/Asset</i>	<u>(3,376)</u>	<u>(56)</u>	<u>1,744</u>	<u>872</u>	<u>(1,038)</u>

g) Actual return on assets

	2016	2015
	£000	£000
Actual return on assets	<u>3,760</u>	<u>2,370</u>

h) Actuarial assumptions at end of year

	2016	2015	2014	2013	2012
	%	%	%	%	%
Rate of salary increases	3.00	3.50	3.50	3.50	3.30
Rate of increase in pensions in payment (inflation subject to a maximum of 5% per annum)	2.95	3.00	3.00	3.15	2.80
Discount rate	2.29	3.80	4.00	4.30	4.00
Inflation assumption RPI	3.00	3.10	3.10	3.30	2.80
Inflation assumption CPI	2.00	2.10	1.90	2.10	2.00

Mortality assumption (2016): 75% of the S1PMA for males 72% of S1FPA for females with the CMI 2013 core projection with a minimum improvement of 1% pa

Notes to the financial statements

At 1st October 2016

19. Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
Equity shares: 2,250,001 (2015: 2,250,001) ordinary shares of £1 each	2,250	2,250

20. Capital commitments

	2016 £000	2015 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	749	1,135

Financial commitments

At 1st October 2016 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2016 Land and buildings £000	2016 Other £000	2015 Land and buildings £000	2015 Other £000
Not later than one year	727	142	270	189
Later than one year and not later than five years	2,980	161	2,908	296
Later than five years	9,355	-	10,654	-
	13,062	303	13,832	485

21. Contingent liabilities

There is a contingent liability in respect of a counter indemnity up to a maximum of £20,000 (2015: £20,000) in respect of deferment of duty allowable by HM Revenue and Customs.

22. Ultimate parent company

The ultimate holding company, immediate parent 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 that 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.

Notes to the financial statements

At 1st October 2016

23. First time adoption of FRS 102

Reconciliation of equity at 28th September 2014

	<i>£000</i>
Equity shareholders' funds at 28 th September 2014 under previous UK GAAP	91,990
Effect of transition	-
Equity shareholders' funds at 28 th September 2014 under FRS102	91,990

Reconciliation of equity at 3rd October 2015

	<i>£000</i>
Equity shareholders' funds at 3 rd October 2015 under previous UK GAAP	96,017
Effect of transition	-
Equity shareholders' funds at 3 rd October 2015 under FRS102	96,017

Reconciliation of profit and loss account for the year ended 3rd October 2015

	<i>£000</i>
Profit for the year ended 3 rd October 2015 under previous UK GAAP	6,269
Effect of transition on defined benefit pension scheme cost	(506)
Tax effect of transition on defined benefit pension scheme cost	104
Profit for the year ended 3 rd October 2015 under FRS102	5,867

Explanation of changes to previously reported profit and equity:

The defined benefit pension scheme prior year position has been re-stated under FRS102, whereby the interest cost and expected return on assets items have been replaced with a net interest cost item calculated using the interest rate.

The effect of this has been to change the classification of £506,000 of the total return on assets from profit and loss account to OCI. The overall impact of this on the equity of the company is zero.