

Claverham Limited

Annual report and financial statements  
for the year ended 30 November 2010

Registered number 03384710



# **Claverham Limited**

## **Annual report and financial statements for the year ended 30 November 2010**

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# **Claverham Limited**

## **Directors and advisers for the year ended 30 November 2010**

### **Directors**

T Saxe  
R Buxton  
P Fowler

### **Company secretary**

Edwin Coe Secretaries Ltd  
2 Stone Buildings  
Lincoln's Inn  
London  
WC2A 3TH

### **Registered office**

Claverham  
Bristol  
Avon  
BS49 4NF

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Principal bankers**

HSBC Bank PLC  
Poultry and Princes Street Branch  
PO Box 648  
27 – 32 Poultry  
London  
EC2P 2BX

# **Claverham Limited**

## **Directors' report for the year ended 30 November 2010**

The directors present their report and the audited financial statements of the company for the financial year ended 30 November 2010

### **Principal activities**

The principal activity of the company continues to be the design, manufacture and repair of specialist actuation systems, mechanisms and equipment for aerospace, defence and specialised industrial sectors

### **Business review**

The company has endured a difficult year and there have been a number of items that have had a significant impact on the profitability of the business. The primary reasons for the current year losses are set out below

- i) There has been greater than anticipated costs associated with the company's long term development programs. This has resulted in a re-assessment of the estimated cost to complete on many projects and there has been an additional charge for loss making contracts of £0.8m
- ii) A £4.6m charge has been incurred in the year due to a contractual agreement
- iii) There has been continued self funding of the Boeing 787 programme where we are developing valves and actuators for the environmental control system, this has significantly impacted profits

The most important measure of the company's performance is defined as being operating (loss)/profit. In the year to 30 November 2010, operating loss of £14.4m was realised compared to a loss of £15.9m in 2009, this number being net of research and development costs of £7.2m (2009 £5.4m) and £5.4m (2009 £10.0m) of one-off items. Sales in the year for continuing operations diminished by 2.2% to £42.3m (2009 £43.2m)

### **Strategy**

The overriding objective of the company is to maximise the growth in operating profit before non-recurring items and goodwill amortisation primarily through organic growth

The main strategies adopted to develop the operating performance of the company can be summarised as continuing to grow global market share in the various aerospace, defence and rail sectors by targeting specific customer groups and product initiatives, whilst striving for reduced cost of sales through operational innovation, supply chain partnerships and the elimination of non-value adding tasks across all aspects of the business

### **Future outlook**

The long term outlook for the company is very good. Continuing participation in a number of development programs will contribute to future profitability and will focus the area of specialisation. The Company is aligned with a sister United Technologies Corporation ("UTC") company in the United States, this enables a more coherent strategy in delivering to a world wide market

# Claverham Limited

## Directors' report for the year ended 30 November 2010 (continued)

### Principal risks and uncertainties

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

#### 1 Competition

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

#### 2 Employees

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

#### 3 Disaster recovery

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

#### 4 Current economic downturn

The company is well placed to withstand the current economic downturn. It undertook a restructuring exercise at the end of 2009 to enable greater cost efficiencies. It is diversified across a number of markets and enjoys the support and synergies that UTC provides. The company operates in market sectors that are by nature long term.

#### 5 Development contracts

The nature of development contracts implies risk in terms of eventual cost to complete and bring to production, and also in terms of time frame and compensation due for late delivery. The company is involved in a number of development contracts which will ultimately be brought into production and has experienced growth in initial estimates to complete, the company has also experienced delays in the timeliness of completion.

### Key Performance Indicators ("KPIs")

KPI	2010	2009	Definition and Method of Calculation
Growth in Sales (%)	(2.2)%	(12.3)%	Year on year sales movement in continuing operations, expressed as a percentage
Gross loss (%)	(10.4)%	(4.5)%	The ratio of gross loss to sales, expressed as a percentage
Stock turn (days)	119.4	78.7	Total stocks divided by cost of sales and multiplied by 365
Debtor (days)	63	51	Trade debtors divided by turnover, multiplied by 365

# **Claverham Limited**

## **Directors' report for the year ended 30 November 2010 (continued)**

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risks.

#### *Price risk*

The company is exposed to commodity price risk as a result of its operations. The company manages its exposure through a combination of short and long term supply agreements.

#### *Credit risk*

The company has a policy that requires appropriate credit checks on potential customers before sales are made. The financial strength of existing customers is also monitored on a regular basis, and payment terms are kept to a minimum.

#### *Liquidity risk*

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

#### *Interest rate risk*

The company has no interest bearing loans and so does not consider itself exposed to interest rate risk.

### **Results and dividends**

The loss for the year amounted to £14,412,000 (2009 loss £15,933,000) after taxation. The directors have not recommended the payment of a dividend (2009 £nil).

### **Directors**

Directors who served during and subsequent to the year end up to the date of signing the financial statements are listed below.

R Leduc (resigned 08 November 2010)  
T Saxe (appointed 08 November 2010)  
R Buxton  
P Fowler

### **Going concern**

The company has net liabilities of £43,680,000 (2009 net liabilities £29,558,000). The directors' have received confirmation from the ultimate parent company that they will provide sufficient funding to enable the company to meet its liabilities for a period of 12 months from the date of these financial statements. On this basis the directors consider that the going concern basis of preparation is still appropriate.

### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who did not suffer a disability.

# **Claverham Limited**

## **Directors' report for the year ended 30 November 2010 (continued)**

### **Employee consultation**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business unit and of the company as a whole. Communication with all employees continues through formal and informal meetings.

### **Donations**

The company made charitable donations during the year of £737 (2009 £400). These donations were to various local charities.

### **Differences between market and balance sheet value of land**

In the opinion of the directors, the difference between the market value and balance sheet value of land is not significant.

### **Research and development**

The directors are committed to maintaining research and development expenditure in order to expand the company's range of products. In the year a total of £9,934,000 (2009 £8,468,000) was spent on engineering development of which £2,693,000 (2009 £3,073,000) was funded by customers and £7,241,000 (2009 £5,395,000) by the company.

### **Policy and practice on payment of creditors**

Trade creditors at the year-end represented 52 days (2009 46 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 and loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 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.

## **Claverham Limited**

### **Directors' report for the year ended 30 November 2010 (continued)**


#### **Auditors and disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the company's auditors are not aware. Each director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



P Fowler  
Director  
Date 2/12/11

Registered number 03384710



## **Independent auditors' report to the members of Claverham Limited**

We have audited the financial statements of Claverham Limited for the year ended 30 November 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities on page 5, 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 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.

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

### **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.

### **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 30 November 2010 and of its loss 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.

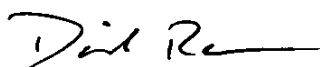
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.



David Reeman (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
Date 2 December 2011

## Claverham Limited

### Profit and loss account for the year ended 30 November 2010

		2010	2009
	Note	£'000	£'000
<b>Turnover</b>	2	<b>42,256</b>	43,225
Cost of sales (including exceptional item of £5,364,000 (2009 £8,513,000))	4	<b>(46,668)</b>	(45,158)
<b>Gross loss</b>		<b>(4,412)</b>	(1,933)
Other operating expenses (including exceptional items of £nil (2008 £1,484,000))	3	<b>(10,568)</b>	(13,939)
<b>Operating loss</b>	4	<b>(14,980)</b>	(15,872)
Interest receivable and similar income	6	<b>23</b>	94
Interest payable and similar charges	6	<b>(1)</b>	(10)
Other finance income	20	<b>475</b>	88
<b>Loss on ordinary activities before taxation</b>		<b>(14,483)</b>	(15,700)
Tax on loss on ordinary activities	7	<b>71</b>	(233)
<b>Loss for the financial year</b>	17	<b>(14,412)</b>	(15,933)

The result for both financial years arose entirely from continuing operations

There is no material difference in either year between the loss on ordinary activities before taxation and the loss for the financial years as stated above and their historical cost equivalent

## Claverham Limited

### Statement of total recognised gains and losses for the year ended 30 November 2010

		2010	2009
	Note	£'000	£'000
<b>Loss for the financial year</b>		<b>(14,412)</b>	<b>(15,933)</b>
Actuarial gain on pension scheme	20	361	939
Movement on current and deferred tax balances relating to pension schemes	7	(71)	233
<b>Total recognised gains and losses relating to the year</b>		<b>(14,122)</b>	<b>(14,122)</b>

# Claverham Limited

## Balance sheet as at 30 November 2010

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Intangible assets	9	670	2,523
Tangible assets	10	4,999	5,312
		<b>5,669</b>	<b>7,835</b>
<b>Current assets</b>			
Stocks	11	13,981	9,404
Debtors	12	16,447	15,519
Cash at bank and in hand		-	8,365
		<b>30,428</b>	<b>33,288</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(14,405)</b>	<b>(10,854)</b>
<b>Net current assets</b>		<b>16,023</b>	<b>22,434</b>
<b>Total assets less current liabilities</b>		<b>21,692</b>	<b>30,269</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(49,438)</b>	<b>(49,438)</b>
<b>Provisions for liabilities and charges</b>	15	<b>(17,300)</b>	<b>(10,591)</b>
<b>Net liabilities excluding pension surplus</b>		<b>(45,046)</b>	<b>(29,760)</b>
Pension surplus	20	1,366	202
<b>Net liabilities including pensions surplus</b>		<b>(43,680)</b>	<b>(29,558)</b>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Profit and loss reserve	17	(43,680)	(29,558)
<b>Total shareholders' deficit</b>	18	<b>(43,680)</b>	<b>(29,558)</b>

The financial statements on pages 8 to 30 were approved by the board of directors on 2/12/11 and were signed on its behalf by



P Fowler  
Director

Registered number 03384710

# **Claverham Limited**

## **Notes to the financial statements for the year ended 30 November 2010**

### **1 Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

A summary of the principal accounting policies is given in the following paragraphs, which have been consistently applied

#### **Cash flow**

As the company is a wholly owned subsidiary of United Technologies Corporation, it is exempt under the terms of FRS1 (Revised 1996) from publishing a cash flow statement

#### **Going concern**

The company has net liabilities of £43,680,000 (2009 net liabilities £29,558,000) The directors' have received confirmation from the ultimate parent company that they will provide sufficient funding to enable the company to meet its liabilities for a period of 12 months from the date of these financial statements On this basis the directors consider that the going concern basis of preparation is still appropriate

#### **Turnover**

Turnover comprises the value of sales (excluding Value Added Tax and similar taxes, trade discounts) in the normal course of business Revenue is recognised when goods are delivered and all risks and rewards are transferred The exception to this is revenue in respect of long term contracts and further information in respect of this is given below

#### **Long term contracts**

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account Excess progress payments are included in creditors as payments on account Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and any anticipated future losses on contracts and payments on account, are included as long term contract balances in stock Profit and revenue is recognised on long term contracts by reference to an assessment of the projected financial outcome of each contract and the proportion of the cost of work completed by the balance sheet date

#### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and business, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its economic life of twenty years Provision is made for any impairment

The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 1 Accounting policies (continued)

#### Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and estimated net realisable value. Cost includes materials (which are measured on a FIFO basis), direct labour and an attributable portion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

#### Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and provision for any impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each on a straight-line basis over its expected useful life, as follows:

Freehold building	Over the estimated residual life of the building
Plant, machinery and other equipment	12½ - 20% per annum
Motor vehicles	25%
Tooling and computer software and hardware	20% - 33⅓% per annum

Depreciation rates are reviewed periodically to ensure that they remain appropriate.

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### Taxation

The company follows the UK wide United Technologies Corporation ("UTC") policy for accounting for the group relief of tax losses. No tax provision will be booked in the statutory financial statements of profitable companies on the assumption that group relief will be available. Also, no asset will be booked in the company surrendering the tax loss. If sufficient tax losses are not available to cover the taxable profits, a net tax charge will be accounted for within one of the profitable UK UTC holding companies.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

#### Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 1 Accounting policies (continued)

#### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

The company provides for warranty on products sold on the basis of agreements operated by customers for the replacement and consequential costs of defective products over the warranty period

#### Research and development

Research and development expenditure is written off as it is incurred

#### Pension costs

The company accounts for pension and other post retirement benefits schemes in accordance with FRS 17 'Retirement Benefits'

For the defined benefit scheme the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

### 2 Turnover

Geographical analysis of turnover by destination

	2010	2009
	£'000	£'000
United Kingdom	8,919	15,347
Continental Europe	20,953	18,739
The Americas	11,759	6,749
Asia	564	2,023
Other	61	367
	42,256	43,225

All turnover and net assets originate from the United Kingdom and one class of business

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 3 Other operating expenses

	2010	2009
	£'000	£'000
Administration expenses	8,444	10,370
Distribution costs	271	232
Amortisation of goodwill (note 9)	1,853	1,853
Exceptional restructuring cost	-	1,484
	<b>10,568</b>	<b>13,939</b>

### 4 Operating loss

#### Operating loss is stated after charging:

	2010	2009
	£'000	£'000
Depreciation of tangible fixed assets – owned assets (note 10)	1,182	1,042
Loss on disposal of fixed assets	76	-
Amortisation of goodwill (note 9)	1,853	1,853
Exceptional restructuring cost	-	1,484
Exceptional onerous contract provision	6,500	2,000
Exceptional provision for losses on long term contracts	2,810	6,513
Operating lease rentals		
- plant and machinery	92	120
- other	183	226
Research and development		
- gross expenditure	9,934	8,468
- net expenditure after funding from customers	7,241	5,395
Auditors' remuneration		
- audit services	55	55
- non audit services	-	-



# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 4 Operating loss (continued)

#### Restructuring

Restructuring costs related to redundancy and other one-off costs incurred to reposition the business in light of the economic downturn

#### Exceptional onerous contract provision

In March 2008 a contract was entered into with a major UK customer to transfer the obligation from the Company to bring a development project to fruition. Dependent upon the ability of that customer to meet various milestones, the outflows arising from this agreement were agreed as £3 million in 2009, £2 million in 2010 and £2 million in 2011. The first two milestones were met and recognised in former years and subsequent to the year ended 30 November 2010 the final milestone was achieved, therefore the £2 million for 2011 has been provided for in note 15.

In addition to the potential outflows scheduled above, there is a further commitment to pay up to £6.5 million, depending upon the number of ship sets ordered. Provision has been made in respect of the future shipsets as the directors believe that economic outflow is possible, based on their current knowledge of likely shipset orders for the product.

As explained in notes 15 the company has incurred a £6,500,000 charge (2009 £2,000,000 charge) in respect of a contractual agreement.

#### Exceptional provision for losses on long term contracts

As part of the ongoing review process in respect of the long term contracts that the company operates, various loss making contracts have been identified. There was an equivalent loss in the prior year and further details are provided in note 15.

### 5 Employee information

The average monthly number of employees (including executive directors) were as follows

By activity	2010 Number	2009 Number
Production and distribution	118	194
Other	94	78
	212	272

## Claverham Limited

### Notes to the financial statements for the year ended 30 November 2010 (continued)

#### 5 Employee information (continued)

Their aggregate remuneration comprised

	2010	2009
	£'000	£'000
Wages and salaries	8,890	10,503
Social security costs	947	1,063
Other pension costs (note 20)		
- defined benefit plan	420	328
- defined contribution plan	535	589
	10,792	12,483

#### 6 Net interest receivable and similar income

	2010	2009
	£'000	£'000
Bank interest receivable	23	94
Bank interest payable	(1)	(10)
Net interest receivable and similar income	22	84

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 7 Tax on loss on ordinary activities

#### (a) Analysis of tax in the year

	2010	2009
	£'000	£'000
<b>Current tax:</b>		
Current tax on income for the year at 28% (2009 28%)	-	-
Total current tax (note 7 (b))	-	-
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	33	(78)
Pension cost relief in excess of pension charge	344	311
Effects of tax rate change	33	-
Adjustments to the estimated recoverable deferred tax assets arising in prior periods	(481)	-
Total deferred tax	(71)	233
<b>Tax on loss on ordinary activities</b>	<b>(71)</b>	<b>233</b>

The Chancellor of the Exchequer announced in his emergency budget on 22 June 2010 that the rate of corporation tax would be reduced by 1 percentage point each year until 2014, down to a rate of 24%. On 27 July 2010 the emergency budget measures were partially enacted and so, in accordance with relevant accounting standards, the calculation of the deferred tax provision at 30 November 2010 has been calculated at 27%. In Budget 2011 the Chancellor further announced that the tax rate effective from 1 April 2011 would be further reduced from 28% to 26%. This was enacted substantially on 30 March 2011.

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 7 Tax on loss on ordinary activities (continued)

#### (b) Factors affecting the taxation charge for the year

The tax assessed for the year is in line with (2009 in line with) than the standard rate of corporation tax in the UK 28% (2009 28%) The factors affecting the charge are outlined below

	2010	2009
	£'000	£'000
<b>Loss on ordinary activities before taxation</b>	<b>(14,839)</b>	<b>(15,700)</b>
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 28% (2008 28%)	<b>(4,155)</b>	<b>(4,396)</b>
Effects of		
Expenses not deductible for taxation purposes	<b>560</b>	529
Capital allowances less than (in excess of) depreciation for the year	<b>(33)</b>	(14)
Movement in short term differences	<b>(85)</b>	-
Pension contribution relief in excess of net pension cost charge	<b>(344)</b>	(239)
Schedule 28AA adjustment	<b>(166)</b>	(251)
Group relief	<b>4,223</b>	4,371
<b>Current taxation credit for the year</b>	<b>-</b>	<b>-</b>

A potential deferred tax asset of £196,284 (2009 £241,000) arising in respect of accelerated capital allowances and short term timing differences and £3,955,571 in respect of losses (2009 £4,102,000) has not been recognised on the grounds that there is insufficient evidence that it is more likely than not the asset will be recoverable in the foreseeable future This has resulted in the prior year deferred tax asset being reversed in the current year

The deferred tax asset/(liability) relating to the pension deficit is analysed below

	2010	2009
	£'000	£'000
<b>At 1 December</b>	<b>(78)</b>	-
(Charged)/credited to the profit and loss account	<b>(344)</b>	(311)
Impact of rate change – profit and loss account	<b>(12)</b>	-
Credited/(charged) to the statement of total recognised gains and losses	<b>(101)</b>	(263)
Impact of rate change – statement of total recognised gains and losses	<b>30</b>	
Deferred tax asset not recognised – charged to the statement of total recognised gains and losses	<b>-</b>	496
<b>At 30 November</b>	<b>(505)</b>	<b>(78)</b>

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 7 Tax on loss on ordinary activities (continued)

The deferred tax balances have been deducted in arriving at the net pension deficit/surplus on the balance sheet (see note 20)

### 8 Directors' emoluments

#### a) Remuneration

The remuneration of the directors was as follows

	2010 £'000	2009 £'000
Directors aggregate emoluments	189	220

#### b) Pensions

The number of directors who were members of pension schemes, and to whom retirement benefits are accruing, was as follows

	2010 Number	2009 Number
Defined benefit schemes	1	1

#### c) Highest paid director

The above amounts of remuneration include the following in respect of the highest paid director

	2010 £'000	2009 £'000
Aggregate emoluments	102	118

#### Defined benefit pension scheme

- Accrued pension at year end	-	-
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No director has, either directly or indirectly, any material interest in contracts (other than contracts of service) with the company at any time during the year or at the end of the year

## Claverham Limited

### Notes to the financial statements for the year ended 30 November 2010 (continued)

#### 9 Intangible assets

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 December 2009 and at 30 November 2010	41,230
<b>Accumulated amortisation</b>	
At 1 December 2009	38,707
Charged for the financial year	1,853
<b>At 30 November 2010</b>	<b>40,560</b>
<b>Net book value</b>	
<b>At 30 November 2010</b>	<b>670</b>
At 30 November 2009	2,523

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 10 Tangible assets

	Freehold land and buildings	Plant, machinery and other equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 December 2009	4,445	17,903	22,348
Additions	3	963	966
Disposals	(3)	(6,073)	(6,076)
<b>At 30 November 2010</b>	<b>4,445</b>	<b>12,793</b>	<b>17,238</b>
<b>Accumulated depreciation</b>			
At 1 December 2009	2,282	14,754	17,036
Charge for the financial year	142	1,040	1,182
Disposals	(3)	(5,976)	(5,979)
<b>At 30 November 2010</b>	<b>2,421</b>	<b>9,818</b>	<b>12,239</b>
<b>Net book value</b>			
<b>At 30 November 2010</b>	<b>2,024</b>	<b>2,975</b>	<b>4,999</b>
At 30 November 2009	2,163	3,149	5,312

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 11 Stocks

	2010 £'000	2009 £'000
Work in progress	6,657	4,592
Raw materials	7,324	4,812
	<b>13,981</b>	<b>9,404</b>

### 12 Debtors

	2010 £'000	2009 £'000
Trade debtors	7,297	6,155
Amounts owed by other group undertakings	4,865	3,544
Amounts recoverable on contracts	2,666	5,250
Deferred tax asset	505	78
Other debtors	1,025	462
Prepayments and accrued income	89	30
	<b>16,447</b>	<b>15,519</b>

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

The deferred tax asset recognised offsets the deferred tax liability resulting from the pension asset

	2010 £'000	2009 £'000
At 1 December	78	-
(Charged)/credited to the profit and loss account	344	(311)
Impact of rate change – profit and loss account	12	-
Credited/(charged) to the statement of total recognised gains and losses	101	(263)
Impact of rate change – statement of total recognised gains and losses	(30)	
Deferred tax asset not recognised – charged to the statement of total recognised gains and losses	-	496
	<b>505</b>	<b>78</b>



# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 13 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Payments on account	1,550	1,657
Trade creditors	6,076	5,456
Amounts owed to other group undertakings	484	310
Bank loans and overdraft	1,715	-
Other taxation and social security	366	414
Accruals and deferred income	4,214	3,017
	14,405	10,854

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

### 14 Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Amount owed to group undertakings	49,438	49,438

Amounts owed to group undertakings are unsecured and interest free

### 15 Provisions for liabilities and charges

	Loss making contracts	Onerous contract	Warranty	Total
	£'000	£'000	£'000	£'000
At 1 December 2009	8,195	2,000	396	10,591
Charged to profit and loss account	2,810	6,500	228	9,538
Utilised during financial year	(680)	(2,000)	(149)	(2,829)
At 30 November 2010	10,325	6,500	475	17,300

#### Loss making contracts

As part of the ongoing review process in respect of the long term contracts that the company operates, various loss making contracts have been identified. These amounts have not been discounted as they are expected to be predominantly utilised in the forthcoming year and the impact of discounting would therefore not be material.

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 15 Provisions for liabilities and charges (continued)

#### Onerous contract

As set out in note 4 the company has entered into an onerous contract during the year and the third tranche of the liability has been provided against. This is expected to be utilised during the following year and therefore has not been discounted as the impact is immaterial. Amounts have also been provided for the commitment based on the number of shipsets produced.

#### Warranty

A warranty is offered on a number of new build and repair and overhaul works. The provision represents the expected future costs in relation to this. It is expected that this will be largely utilised within one year and is not discounted.

### 16 Called-up share capital

	2010	2009
	£	£
<b>Authorised, allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2

### 17 Profit and loss reserve

	£'000
At 1 December 2009	(29,558)
Loss for the financial year	(14,412)
Actuarial gain on pension scheme (note 20)	361
Movement on deferred tax relating to the pension scheme	(71)
<b>At 30 November 2010</b>	<b>(43,680)</b>
Pension asset (note 20)	1,366
Profit and loss account excluding pension asset	(42,314)

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 18 Reconciliation of movements in shareholders' deficit

	2010	2009
	£'000	£'000
Loss for the financial year	(14,412)	(15,933)
Actuarial (loss)/gain on pension scheme (note 20)	361	939
Movement on deferred tax relating to the pension scheme	(71)	233
Net reduction to shareholders' funds	(14,122)	(14,761)
Opening shareholders' funds	(29,558)	(14,797)
<b>Closing in shareholders' deficit</b>	<b>(43,680)</b>	<b>(29,558)</b>

### 19 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	22	5	-	53
- between one and two years	-	31	39	24
- between two and five years	-	319	-	31
	22	355	39	108

There were no capital commitments as at 30 November 2010 (2009 £nil)

### 20 Pension arrangements

The Claverham Pension Scheme closed the defined benefit section to new members on 11 July 1998 and the defined contribution section was closed to new members on 1 May 2006. The Claverham Pension Scheme contains both defined benefit and defined contribution sections. The former was established to provide benefits to employees who were previously members of the defined section of the Fairey Group plc pension scheme.

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 20 Pension arrangements (continued)

#### Transfer of defined benefit section members

The assets and liabilities for all the members of the Defined Benefit Section were transferred to UTC (UK) Pension Scheme on 2 January 2009. Members' benefits are unchanged as a result of the transfer. Deferred members of the defined contribution section remain in the Claverham Pension Scheme.

Last year the Government announced that the reference index for statutory minimum indexation for UK occupational pension schemes is to revert to the Consumer Price Index (CPI) from the Retail Price Index (RPI). Where UTC's pension plan rules refer directly to the legislation setting out the statutory minimum indexation, allowance was made in the US GAAP disclosures for the future indexation to be in line with CPI. Consistent with the guidance issued by the Urgent Issues Taskforce of the ASB, the change in deferred revaluation approach has been treated as a change in actuarial assumptions.

The latest triennial actuarial valuation of the scheme was at 31 December 2009. The main financial assumptions used for the valuation were a rate of return on investments of 5.25% (investment rate post retirement), a rate of increase in general salaries of 4.5% per annum and a rate of increase in pensions of 3.25%. At this date, the actuarial value of the assets of the scheme was 72% of the actuarial value of the liabilities and the market value of the assets was £505m. The scheme had a valuation deficit of £199m and this is being reflected in the increased contributions payable to the fund over the average expected future service lives of existing members.

The pension cost for the year was £955,000 (2009: £917,000) of which £535,000 (2009: £589,000) related to the regular cost of defined contribution schemes and the balance to a defined benefit scheme. Contribution balances repaid or payable at the year-end are shown in the balance sheet under prepayments or accruals as appropriate. As at 30 November 2010 a creditors balance of £24,000 (2009: £26,000) was on the balance sheet in respect of the defined contribution scheme contributions. Pension contributions have been made in accordance with actuarial advice.

#### The financial assumptions used to calculate scheme liabilities include:

	2010	2009
Rate of increase in salaries	4.0%	4.5%
Rate of increase in pensions in payment	3.15%	3.25%
Discount rate	5.7%	5.7%
Rate of inflation - RPI	3.25%	3.25%
Rate of inflation - CPI	2.75%	N/A
Expected rate of return on plan assets	7.2%	7.2%

## Claverham Limited

### Notes to the financial statements for the year ended 30 November 2010 (continued)

#### 20 Pension arrangements (continued)

The mortality assumptions used were as follows:

	2010 years	2009 years
Longevity at age 65 for current pensioners		
- Men	21.7	21.7
- Women	24.6	24.6
Longevity at age 65 for future pensioners		
- Men	22.7	22.7
- Women	22.5	22.5

The fair value of scheme assets and expected rates of return were:

	2010 £'000	2009 £'000
Equities	15,554	18,002
Bonds	7,957	9,524
Property	484	481
Cash	433	677
Total market value of assets	24,428	28,684
Present value of scheme liabilities	(22,557)	(28,404)
Asset in scheme	1,871	280
Related deferred tax liability	(505)	(78)
Net pension asset	1,366	202

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 20 Pension arrangements (continued)

#### Reconciliation of present value of scheme liabilities:

	2010	2009
	£'000	£'000
At 1 December	28,404	20,243
Current service cost	420	328
Interest cost	1,627	1,317
Contributions by scheme participants	99	131
Actuarial (gain)/loss	(7,350)	7,341
Benefits paid	(643)	(729)
Curtailments	-	(227)
<b>At 30 November</b>	<b>22,557</b>	<b>28,404</b>

#### Reconciliation of present value of scheme assets:

	2010	2009
	£'000	£'000
At 1 December	28,684	18,473
Expected return on scheme assets	2,102	1,405
Actuarial gain/(loss)	(6,989)	8,280
Employer contributions	1,174	1,265
Contributions by scheme participants	99	131
Benefits paid	(505)	(729)
Expenses	(137)	(141)
	<b>24,428</b>	<b>28,684</b>

# Claverham Limited

## Notes to the financial statements for the year ended 30 November 2010 (continued)

### 20 Pension arrangements (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4,886,000 (2009 £(9,685,000)).

Analysis of amount charged to profit or loss are as follows:

	2010	2009
	£'000	£'000
Current service cost	420	328
Interest on pension scheme liabilities	1,627	1,317
Expected return on pension scheme assets	(2,102)	(1,405)
Curtailment	-	(227)
	(55)	13

The current service cost of £420,000 (2009 £328,000) and curtailment of £nil (2009 £227,000) have been included within administrative expenses. The cumulative amount of actuarial losses recognised within the STRGL is £20,000 (2008 £341,000).

Summary of prior year amounts:

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
<b>Plan assets</b>	<b>24,428</b>	28,684	18,473	25,320	22,442
<b>Defined benefit obligation</b>	<b>(22,557)</b>	(28,404)	(20,243)	(24,476)	(26,268)
<b>(Deficit)/surplus</b>	<b>1,871</b>	280	(1,770)	844	(3,826)
<b>Experience adjustment on plan liabilities</b>					
Amount (£'000)	(5,732)	-	-	-	(1)
<b>Experience adjustment on plan assets</b>					
Amount (£'000)	(6,989)	8,280	(9,251)	1,038	1,304
<b>Total amount recognised in the STRGL:</b>					
Amount (£'000)	361	939	(3,268)	4,647	361

The Company expects to contribute 23.6% of active members' pensionable salaries over 2010, plus a fixed payment of £793,000.

## **Claverham Limited**

### **Notes to the financial statements for the year ended 30 November 2010 (continued)**

#### **21 Ultimate parent company and controlling party**

The immediate parent company is Claverham Holdings Limited (formerly Claverham Limited), which is incorporated in Great Britain and registered in England and Wales

The company's ultimate parent company, and controlling party is United Technologies Corporation, a company incorporated in Delaware, the United States of America, a copy of United Technologies Corporation's accounts can be obtained from 1 Financial Plaza, Hartford, Connecticut, 06101, USA. United Technologies Corporation is also the smallest and largest company in which Claverham Limited is consolidated.

#### **22 Related parties**

The company is not required to disclose transactions with other group companies under the exemption provided by FRS 8. Other than transactions with group companies, there were no transactions requiring disclosure in the year.