

Claverham Limited

**Annual Report
for the year ended 30 November 2021**

Registered number: 03384710



Claverham Limited

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Claverham Limited

Strategic Report for the year ended 30 November 2021

The directors present their Strategic Report for the company for the year ended 30 November 2021.

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

At 30 November 2021, the Company was a subsidiary of Raytheon Technologies Corporation (RTX).

Principal activities

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

Review of the business

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

The company generated a loss of £1,217,000 for the financial year (2020: profit of £505,000).

Management consider the most important measure of the company's performance to be operating profit. In the year ended 30 November 2021, there is an operating loss of £1,102,000 (2020: £227,000 profit). In 2020, the operating performance reflected a year partially impacted by the COVID pandemic, whereas in 2021 the operating performance reflected both a full year of trading within the Covid environment and a business transformation moving away from being an office based engineering hub to a remote based engineering hub.

In March 2020, the company transferred their £5,800,000 Pension Asset, to a fellow group company which resulted in a gain of £516,000 included as a capital contribution in the Statement of changes in equity. The transfer has reduced the associated costs of the Pension Asset in the year and for the foreseeable future.

Key performance indicators

	2021	2020	Change %
	£'000	£'000	
Revenue	3,021	3,522	(14.2)
Operating (loss)/ profit	(1,102)	227	(585.5)
(Loss)/ Profit for the financial year	(1,217)	505	(341.0)
Total shareholders' funds	41,050	49,767	(17.5)

Claverham Limited

Strategic Report for the year ended 30 November 2021

Principal risks and uncertainties

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

1. Competition

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

2. Employees

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

3. Disaster recovery

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

4. Economic uncertainty

As the state of the global economy continues to be in flux, the company is well positioned to withstand the current economic environment. Its products are diversified across a number of markets and enjoys the support that RTX provides. The company operates in market sectors that are by nature long term.

5. Working capital

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

COVID-19 current impact and future outlook

Whilst COVID remains a consideration for any business, the success of the UK immunization programme has resulted in business returning to a semblance of normality during the latter part of 2021 and early 2022.

Due to the significant uptake in vaccinations the majority of COVID cases now manifest with minor symptoms which, given the transition to a remote based Engineering Hub, allow for continued business operations.

Operations will have been impacted in 2021 whilst the vaccination programme was rolled out, however this impact is expected to reduce in 2022 and beyond subject to further COVID variants.

Claverham Limited

Strategic Report for the year ended 30 November 2021

Future developments

The directors expect to see continued growth and development of the company under RTX due to benefits derived from economies of scale.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 20 to the financial statements.

Russia / Ukraine Conflict

To date the impact of the ongoing conflict in Ukraine has not impacted the Claverham business and is not expected to materially impact the business based upon their future workload.

Approval

Approved by the Board and signed on its behalf by:



C Bailey
Director
17 June 2022

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

Claverham Limited

Directors' Report for the year ended 30 November 2021

The Directors present their Report and audited financial statements of the company for the year ended 30 November 2021.

Future developments and events after the balance sheet date

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

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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

Financial risk management

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Dividends

An interim ordinary dividend of £7,500,000 was declared and paid in December 2020 (2020: £nil).

Directors

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

D Middleton (Resigned 19 March 2021)
J Holland
E Dryden (Resigned 11 February 2022)
K Blair (Appointed 19 March 2021)
C Bailey (Appointed 11 February 2022)

Claverham Limited

Directors' Report for the year ended 30 November 2021

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Modern Slavery Act

The company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the company has published a statement for the reporting period at www.rtx.com.

Directors' indemnities

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

Political donations

The company made no political donations in the year (2020: nil).

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Claverham Limited

Directors' Report for the year ended 30 November 2021

Directors' confirmations

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

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

Independent auditors

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

Approved by the Board and signed on its behalf by:



C Bailey
Director
17 June 2022

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

Claverham Limited

Independent auditors' report to the members of Claverham Limited

Report on the audit of the financial statements

Opinion

In our opinion, Claverham Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 30 November 2021; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

Claverham Limited

Independent auditors' report to the members of Claverham Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 November 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Claverham Limited

Independent auditors' report to the members of Claverham Limited

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices, tax compliance legislation and the UK Bribery Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to (1) Posting inappropriate journal entries to manipulate financial results; (2) management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries, throughout the audit with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to the recoverability of intercompany receivables.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
17 June 2022

Claverham Limited

Income statement
For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
Revenue	3	3,021	3,522
Cost of sales		(3,854)	(3,280)
Gross (loss)/ profit		(833)	242
Administrative expenses		(499)	(230)
Other operating income	7	230	215
Operating (loss)/ profit	8	(1,102)	227
Interest receivable and similar income	9	17	557
Interest payable and similar expenses	10	-	(279)
(Loss)/ profit before taxation		(1,085)	505
Tax on (loss)/ profit	11	(132)	-
(Loss)/ profit for the financial year		(1,217)	505

All results are derived from continuing operations.

Claverham Limited

**Statement of comprehensive income
For the year ended 30 November 2021**

	2021 £'000	2020 £'000
(Loss)/ profit for the financial year	(1,217)	505
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on pension scheme	-	1,636
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension scheme	-	-
Other comprehensive income for the year net of tax	-	1,636
Total comprehensive (expense) / income for the year	(1,217)	2,141

Claverham Limited

Balance sheet At 30 November 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	12	42	159
Right of use assets	13	-	1,024
		42	1,183
Current assets			
Debtors	14	42,495	50,488
		42,495	50,488
Creditors: Amounts falling due within one year	15	(1,195)	(954)
Net current assets		41,300	49,534
Total assets less current liabilities		41,342	50,717
Creditors: amounts falling due after more than one year	16	(292)	(950)
Pension and similar obligations	17	-	-
Net assets		41,050	49,767
Equity			
Called up share capital	18	-	-
Share premium account		20,003	20,003
Retained earnings		21,047	29,764
Total Shareholders' funds		41,050	49,767

The notes on pages 14 to 34 form part of these financial statements

The financial statements on pages 10 to 34 were approved by the board of directors on 17 June 2022 and were signed on its behalf by:



C Bailey
Director

Claverham Limited

Statement of changes in equity For the year ended 30 November 2021

	Called up share capital (Note 18) £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 December 2019	-	20,003	27,107	47,110
Profit for the financial year	-	-	505	505
Other comprehensive income for the year				
- Actuarial gain on pension scheme	-	-	1,636	1,636
Total comprehensive income for the year	-	-	2,141	2,141
Capital Contribution*	-	-	516	516
Balance at 30 November 2020	-	20,003	29,764	49,767
Loss for the financial year	-	-	(1,217)	(1,217)
Total comprehensive expense for the year	-	-	(1,217)	(1,217)
Dividends Paid	-	-	(7,500)	(7,500)
Balance at 30 November 2021	-	20,003	21,047	41,050

*Following the transfer of pension assets and liabilities to HS Marston Aerospace Limited on 30 March 2020, a capital contribution has been recognised representing the difference between the book value as at 31 March 2020 and the amount paid for the surplus asset. Claverham Limited received £6,316,000 and transferred £5,800,000 pension assets and obligations, resulting in a gain of £516,000.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies

Claverham Limited ('the company') is a private company, limited by shares, and is incorporated and domiciled in England, United Kingdom. The address of the registered office is Fore 1 Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, England, B90 4SS.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are therefore prepared in accordance with the Companies Act 2006 as applicable to companies using FRS101.

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

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

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

IFRS 3 – not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

IFRS 13 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities

IAS 1 – information on management of capital

IAS 7 – statement of cash flows

IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 – disclosure of key management compensation and for related party disclosures entered into between two or more members of a group

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

IAS 16 – the requirement to present roll forward reconciliations in respect of property, plant and equipment

IFRS 15 – paragraphs 110b, 113a, 114, 115, 118, 119 a-c, 121-127, 129

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

Where required, equivalent disclosures are given in the group financial statements of Raytheon Technologies Corporation. The group financial statements of Raytheon Technologies Corporation are available to the public and can be obtained as set out in note 21.

Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2021 have had a material impact on the company.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the company; its liquidity position; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Plant and machinery	5-12 years
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Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

Impairment of tangible assets

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

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

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

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Taxation

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

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

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of the return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Sales of services

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

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

Dividend and interest income

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

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

Pension costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The company presents the first two components of defined benefit costs within administrative expenses (see note 17) in its income statement. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs or finance income respectively (see notes 9 and 10).

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Foreign currency

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

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

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

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

Leases

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

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

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

From 1 December 2018, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

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

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Leases (continued)

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

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

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

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

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

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

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

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

Interest payable and similar charges

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

Finance costs which are directly attributable to the construction of tangible assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets

Financial assets at amortised cost

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

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The following financial assets are classified at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

1. Accounting policies (continued)

Impairment of financial assets

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

Trade and other receivables

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

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

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

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

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are discounted where the impact of discounting is material.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Useful economic lives of properties, plant and equipment

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

Useful economic lives of right of use assets

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

Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

3. Revenue

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

	2021 £'000	2020 £'000
Rendering of services	3,021	3,522
	3,021	3,522

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

	2021 £'000	2020 £'000
Revenue:		
United Kingdom	2,828	2,823
Continental Europe	193	699
	3,021	3,522

4. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £28,000 (2020: £44,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services were £nil during the year (2020: £nil).

5. Staff costs

The average monthly number of employees was:

	2021 Number	2020 Number
Engineering	25	31
Sales and administration	2	2
	27	33

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	1,411	1,670
Social security costs	194	214
Other pension costs (see note 17)	145	21
	1,750	1,905

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

6. Directors' remuneration and transactions

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

There was no (2020: nil) compensation paid for loss of office.

7. Other operating income

	2021 £'000	2020 £'000
Rental	215	185
Government grant	15	30
	<u>230</u>	<u>215</u>

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

8. Operating (loss) / profit

Operating (loss) / profit is stated after (crediting)/ charging:

	2021 £'000	2020 £'000
Net foreign exchange gains	(33)	(18)
Depreciation of tangible assets:		
- owned	117	25
Depreciation of right of use asset	113	93
Impairment of right of use asset	382	-
Audit fees payable to company's auditors (see note 4)	28	44
Staff costs (see note 5)	<u>1,750</u>	<u>1,905</u>

9. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income on post-retirement benefits	-	306
Interest receivable from group companies	<u>17</u>	<u>251</u>
	<u>17</u>	<u>557</u>

10. Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest expense on post-retirement benefits	-	279
	<u>-</u>	<u>279</u>

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

11. Tax on (loss) / profit

Tax charge included in the income statement:

	2021 £'000	2020 £'000
Current tax		
- Adjustments in respect of prior years	132	-
Total current tax	132	-
Deferred tax		
- Origination and reversal of timing differences	-	-
- Change in rate of tax	-	-
Total deferred tax	-	-
Total tax charge on (loss)/ profit	-	-

Factors affecting tax charge for the year

The tax on the profit before tax for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The charge for the year can be reconciled to the profit in the income statement as follows:

	2021 £'000	2020 £'000
(Loss)/ profit before taxation	(1,085)	505
Tax on (loss) / profit at standard UK corporation tax rate of 19% (2020: 19%)	(206)	96
Effects of:		
Adjustments in respect of prior years	132	-
Group relief	213	(31)
Expenses not deductible	8	1
Amounts not recognised	(15)	(66)
Total tax charge for the year	132	-

The tax rate for the current year is the same as the prior year. There is a deferred tax asset of £406,000 (2020: £321,000) relating to losses, fixed assets and temporary differences which has not been recognised as there are no plans in the foreseeable future which would crystallise the potential asset.

Factors that may affect future tax charge

In the March 2021 Budget, the Government announced that from April 2023 the corporation tax rate would increase from 19% to 25%. The change had been substantively enacted by the balance sheet date and hence the impact of any resulting changes to the valuation of any deferred tax assets or liabilities is reflected within the financial statements.

Claverham Limited

**Notes to the financial statements
For the year ended 30 November 2021**

12. Tangible assets

	Plant and machinery £'000
Cost	
At 1 December 2020	252
At 30 November 2021	252
Accumulated depreciation	
At 1 December 2020	93
Depreciation	117
At 30 November 2021	210
Net book value	
At 30 November 2021	42
At 30 November 2020	159

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

13. Right of use assets

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

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	-	1,024
	-	1,024
Lease liabilities		
Current	145	132
Non-current	292	950
	437	1,082

Additions to the right-of-use assets during the 2021 financial year were £nil (2020, £nil).

During the year, as part of a restructuring project, a site closure was planned for the leased property. The lease had an original term of 10 years, terminating in October 2029. The original terms of the lease allow for early termination of the lease, and on 30 November 2021, the early termination option was exercised. As shortening the lease term is a reduction in the scope of the lease, the modification was accounted for on the effective date of the modification. As a result, the right of use asset and lease liability were reduced by £529,000 and £525,000 respectively, in proportion to the reduction in lease term. The difference was recognised in the income statement. On vacating the leased property, the directors considered the carrying value of the right of use asset to be £nil, recognising an impairment of £382,000.

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation charge on right-of-use assets		
Buildings	113	93
Impairment charge on right-of-use assets		
Buildings	382	-
	495	93
Interest expense	23	25

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

13. Right of use assets (continued)

	2021 £'000	2020 £'000
Future minimum lease payments as at 30 November are as follows:		
Not later than one year	138	142
Later than one year and not later than five years	412	550
Later than five years	-	511
Total gross payments	550	1,203
Impact of finance expenses	(113)	(121)
Carrying amount of liability	437	1,082

The total cash outflow for leases was £143,000 (2020: £66,000).

14. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	41,910	50,060
Other receivables	373	423
Prepayments and accrued income	212	5
	42,495	50,488

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

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	316	209
Amounts owed to group undertakings	556	412
Accruals and deferred income	136	201
Lease liability (note 13)	145	132
Corporation tax	42	-
	1,195	954

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

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

	2021 £'000	2020 £'000
Lease liability (note 13)	292	950
	292	950

17. Pension and similar obligations

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of £145,000 (2020: £122,000) represents contributions payable to these schemes by the company at rates specified in the rules of the plans.

Defined benefit schemes

Until 31 March 2020, the company had a defined benefit scheme, Claverham section of the UTC (UK) Pension Scheme, which is closed to future new entrants, and was closed to accrual with effect from 31 March 2020. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

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

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

17. Pension and similar obligations (continued)

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

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

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

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

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

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

17. Pension and similar obligations (continued)

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

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

A full accounting valuation for FRS 101 purposes of the Claverham Section of the UTC (UK) Pension Scheme as at 31 March 2020 was carried out by Willis Towers Watson using the projected unit method.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

17. Pension and similar obligations (continued)

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

	As at 30 November 2021 %	As at 31 March 2020 %
Key assumptions used:		
Discount rate(s)	n/a	2.40
Expected rate(s) of salary increase	n/a	n/a
Rate of inflation	n/a	2.50
Expected rate of increase of pensions in payment	n/a	2.50
Average longevity at age 65 for current pensioners (years)*		
- Male	n/a	22.0
- Female	n/a	23.6
Average longevity at age 65 for current employees (future pensioners) (years)*		
- Male	n/a	23.4
- Female	n/a	25.0

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

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

	2021 £'000	2020 £'000
Service cost:		
- Current service cost	-	41
- Past service cost – curtailment	-	(158)
Administrative Costs	-	16
Net Interest income	-	(27)
	-	(128)

Of the expense (service cost) for the year, £nil (2020: credit of £101,000) has been included in the income statement as administrative expenses. The interest income and expense has been included within finance income and expense respectively (see notes 9 and 10). The remeasurement of the net defined benefit asset is included in the statement of comprehensive income.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

17. Pension and similar obligations (continued)

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

	2021 £'000	2020 £'000
Opening defined benefit obligation	-	43,417
Current service cost	-	41
Past service cost – curtailments	-	(158)
Interest cost	-	279
Remeasurement (gains:		
- Actuarial gains arising from changes in financial assumptions	-	(5,501)
Transfer payments	-	(37,912)
Benefits paid	-	(166)
Closing defined benefit obligation	-	-

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

	2021 £'000	2020 £'000
Opening fair value of scheme assets	-	47,428
Interest income	-	306
Remeasurement gains:		
- The gain on scheme assets (excluding amounts included in net interest expense)	-	(3,865)
Contributions from the employer	-	25
Transfer payments	-	(43,712)
Benefits paid	-	(166)
Other Administration expenses	-	(16)
Closing fair value of scheme assets	-	-

The actual return on scheme assets was £nil (2020: £306,000).

As the Company no longer has pension liabilities or assets as at 30 November 2020 there is no sensitivity to the key assumptions on this date.

The Company no longer has any obligation in respect of the Scheme, so no further contributions are payable.

Claverham Limited

Notes to the financial statements For the year ended 30 November 2021

18. Called up share capital

	2021 £	2020 £
Allotted and fully-paid		
4 (2020:4) ordinary shares of £1 each	4	4

19. Related party transactions

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

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

20. Subsequent events

An interim dividend of £10,000,000 was paid after the year end on 16 December 2021.

In response to the Russian military's invasion of Ukraine on 24 February 2022, the UK government has imposed broad economic sanctions and export controls targeting key industries, entities and individuals in Russia. These UK government measures, among other items, restrict transactions involving various Russian banks and financial institutions and impose enhanced export controls limiting transfers of various goods, software and technologies to Russia, including broadened export controls specifically targeting Russia's aerospace sector. Governments of various other jurisdictions in which RTX operates, including Canada, the U.S., the European Union and others, have implemented similar measures. RTX will continue to monitor the changes in sanctions and other developments, which may result in financial impacts on the Company and/or our supply chain, business partners or customers in future periods. Based on information available to date, we currently do not expect these incremental impacts to have a material effect on the Company's financial condition, results of operations or liquidity.

21. Controlling party

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

The company's ultimate parent undertaking and controlling party is Raytheon Technologies Corporation, a company incorporated in the United States of America.

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

The registered office of Raytheon Technologies Corporation is located at 870 Winter Street, Waltham, MA 02451, United States of America. Copies of the Raytheon Technologies Corporation financial statements are publicly available and can be obtained from www.rtx.com.