
ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011



ATLANTIC INERTIAL SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTORS J Chapman (resigned 17 August 2012)
R Fulton
A Tough (appointed 1 March 2011)

COMPANY NUMBER 6208660

REGISTERED OFFICE Clifton Road
Southway
Plymouth
Devon
PL6 6DE

AUDITORS Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

BANKERS Bank of America N A
2 King Edward Street
London
EC1A 1HQ

ATLANTIC INERTIAL SYSTEMS LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Directors' responsibilities statement	4
Independent auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 22

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The company is involved in the development, manufacture, marketing and selling of gyroscopes and inertial navigation systems mainly for military applications

BUSINESS REVIEW

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

	2011 £'000	2010 £'000	Change %
Turnover	46,526	37,924	23%
Operating profit before interest and tax	8,872	5,018	77%
Profit after tax	7,862	3,890	102%
Shareholders' funds	48,999	41,137	19%
Current assets as % of current liabilities	255%	208%	23%
Average number of employees	253	240	5%

The company manages all aspects of its Environmental, Health and Safety (EH&S) responsibilities in accordance with the Goodrich EH&S corporate policy. Locally appointed staff with EH&S responsibilities carry out risk assessments, site auditing and general EH&S management, including incident reporting where applicable.

Although trading conditions in military markets continue to be difficult, the company was able to increase turnover by more than 22% in 2011. Activity in the Avionics business area stabilised during the year and turnover held at the 2010 level, whilst the growth pattern in Military Sensors continued, achieving excellent year on year growth of almost 40%, driven by demand for high performance guidance technology in a wide range of artillery, munitions and missiles, particularly with export customers. This was recognised by the achievement of a Queen's Award 2011 for International Trade.

The results of the company show a pre-tax profit for 2011 of £8,913,000 (2010 £5,005,000), on sales of £46,526,000 (2010 £37,924,000).

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 [CONTINUED]

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are grouped around Customer Exposure, Market Competition and Foreign Exchange Exposure

Dependency on a small number of large contracts

The loss, expiration, suspension, cancellation or termination of which could have a material adverse effect on the company's future results

Significant competition from multinational firms with substantial resources and capital

The company achieves competitive advantage through the effectiveness and innovation of its products, and its success in securing volume production contracts to achieve the necessary throughput efficiencies

Exposure to volatile currency exchange rate (principally the Euro and US Dollar)

Under Goodrich Treasury policy, as a non-US subsidiary the company is not required to hedge all US dollar transactional exposures, or cross-border transactional exposures, such as GBP to Euro, thereby introducing a degree of risk into the company's financial results in GBP. This is deemed to be an acceptable risk at Goodrich Group level, since its accounts are designated in US dollars

RESULTS

The profit for the year, after taxation, amounted to £7,862,000 (2010 - £3,890,000)

DIRECTORS

The Directors who served during the year were

J Chapman (resigned 17 August 2012)

R Fulton

A Tough (appointed 1 March 2011)

FUTURE DEVELOPMENTS

During the year the company invested £3,059,000 (2010 £2,832,000) in research and development of new gyroscopes and navigation products

POST BALANCE SHEET EVENT

On 26th July 2012, United Technologies Corporation, a company incorporated in the United States of America, acquired 100% of the share capital of Goodrich Corporation, the ultimate parent company of Atlantic Inertial Systems Limited, for a consideration of approximately \$18.5 billion

EMPLOYEE INVOLVEMENT

It is the policy of the company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, briefing meetings, video presentations, company newspapers and training sessions. A wide range of procedures exists for consultation with employees and their representatives, including suggestion schemes and employee communication meetings

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 [CONTINUED]

EMPLOYMENT POLICIES

Applications for employment from disabled people are given full and fair consideration bearing in mind the aptitudes and abilities of each person in relation to the requirements of the job. Employees who become disabled during service and are unable to carry out the work for which they were employed receive individual attention. Wherever possible, arrangements are made for their continued employment and they may be eligible for special training if there is a particular individual need. Disabled people have the same training, career development and promotion opportunities as all other employees.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has granted an indemnity to all of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf

A Tough
Director



ATLANTIC INERTIAL SYSTEMS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

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

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

ATLANTIC INERTIAL SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ATLANTIC INERTIAL SYSTEMS LIMITED

We have audited the financial statements of Atlantic Inertial Systems Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 28, set out on pages 7 to 22. 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).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER 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.

ATLANTIC INERTIAL SYSTEMS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ATLANTIC INERTIAL SYSTEMS
LIMITED [CONTINUED]**

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

Ernst & Young LLP

James Andrew Bishop (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP (Statutory Auditor)

Date

ATLANTIC INERTIAL SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
TURNOVER	1,2	46,526	37,924
Cost of sales		<u>(28,143)</u>	<u>(23,896)</u>
GROSS PROFIT		18,383	14,028
Administrative expenses		<u>(9,511)</u>	<u>(9,010)</u>
OPERATING PROFIT	3	8,872	5,018
Interest receivable and similar income	7	49	21
Interest payable and similar charges	8	<u>(8)</u>	<u>(34)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,913	5,005
Tax on profit on ordinary activities	9	<u>(1,051)</u>	<u>(1,115)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>7,862</u>	<u>3,890</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 9 to 22 form part of these financial statements

ATLANTIC INERTIAL SYSTEMS LIMITED
REGISTERED NUMBER. 6208660

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£000	2011 £000	2010 £000
FIXED ASSETS				
Intangible assets	10		16,026	17,547
Tangible assets	11		5,782	6,521
Investments	12		6,549	6,549
			<u>28,357</u>	<u>30,617</u>
CURRENT ASSETS				
Stocks	13	2,319		5,644
Debtors	14	13,456		9,681
Cash at bank		20,946		8,706
		<u>36,721</u>		<u>24,031</u>
CREDITORS amounts falling due within one year	15	(14,403)		(11,526)
NET CURRENT ASSETS			<u>22,318</u>	<u>12,505</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>50,675</u>	<u>43,122</u>
CREDITORS amounts falling due after more than one year	16		(585)	(725)
PROVISIONS FOR LIABILITIES				
Warranty provision	18		(1,091)	(1,260)
NET ASSETS			<u>48,999</u>	<u>41,137</u>
CAPITAL AND RESERVES				
Called up share capital	19		100	100
Share premium account	20		12,126	12,126
Capital contributions	20		20,876	20,876
Profit and loss account	20		15,897	8,035
SHAREHOLDERS' FUNDS	21		<u>48,999</u>	<u>41,137</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


A Tough
Director

Date 27/09/12

The notes on pages 9 to 22 form part of these financial statements

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

For long term contracts, turnover is recognised at various stages based on an assessment of the earned value of work completed. For development contracts, turnover is recognised in line with progress to completion based on costs incurred. All contracts which are not long term recognise turnover on the passing of legal title. Profit is recognised at the time of sale in accordance with the above principles. The profit level is calculated with reference to the estimated overall profitability of the contract, with appropriate provision for outstanding risk and any losses in the year in which they are first foreseen.

1.4 Intangible fixed assets and amortisation

The cost of all intangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Amortisation is calculated so as to write off the cost of intangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned.

Amortisation is provided at the following rates:

Goodwill	-	15 years
Software	-	5 years

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	10 years
Plant & machinery	-	5 years
Equipment	-	Up to 5 years
Assets under construction	-	Not depreciated

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.6 Investments

Investments held as fixed assets are shown at cost less any provision for impairment

1.7 Operating leases

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

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.11 Research and development

Research and development costs are expensed as incurred through the profit and loss account

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES (continued)

1.12 Government grants

Government grants received are recognised on the company balance sheet and released to the profit and loss account on a straight-line basis over the life of the grant

1.13 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2 TURNOVER

A geographical analysis of turnover is as follows

	2011 £000	2010 £000
United Kingdom	10,825	12,461
Rest of Europe	15,804	15,096
Rest of world	2,791	1,033
USA	17,106	9,334
	<u>46,526</u>	<u>37,924</u>

3. OPERATING PROFIT

The operating profit is stated after charging

	2011 £000	2010 £000
Amortisation - intangible fixed assets	1,545	1,541
Depreciation of tangible fixed assets		
- owned by the company	1,912	1,749
Operating lease rentals		
- other operating leases	133	93
Difference on foreign exchange	378	916
Research and development expenditure written off	3,059	2,832
	<u></u>	<u></u>

4. AUDITORS' REMUNERATION

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	33	35
	<u></u>	<u></u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

5. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2011 £000	2010 £000
Wages and salaries	9,852	9,364
Social security costs	910	931
Other pension costs	805	792
	<u>11,567</u>	<u>11,087</u>

The average monthly number of employees, including the Directors, during the year was as follows

	2011 No.	2010 No
Administration & Management	128	114
Engineering	62	62
Operations	63	64
	<u>253</u>	<u>240</u>

6. DIRECTORS' REMUNERATION

	2011 £000	2010 £000
Emoluments	<u>345</u>	<u>335</u>
Company pension contributions to defined contribution pension schemes	<u>36</u>	<u>36</u>

During the year retirement benefits were accruing to 2 Directors (2010 - 2) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £250,000 (2010 - £248,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £29,000 (2010 - £28,000)

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

7. INTEREST RECEIVABLE

	2011	2010
	£000	£000
Interest receivable from group companies	49	16
External interest receivable	-	5
	<u>49</u>	<u>21</u>

8. INTEREST PAYABLE

	2011	2010
	£000	£000
On external bank loans and overdrafts	<u>8</u>	<u>34</u>

9 TAXATION

	2011	2010
	£000	£000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	2,318	1,339
Adjustments in respect of prior periods	(1,331)	112
Total current tax	<u>987</u>	<u>1,451</u>
Deferred tax		
Reversal of timing differences (current year)	(133)	(113)
Effect of decreased tax rate on opening liability	17	11
Under/ (over) provision in deferred tax in prior years	180	(234)
Total deferred tax (see note 17)	<u>64</u>	<u>(336)</u>
Tax on profit on ordinary activities	<u>1,051</u>	<u>1,115</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

9. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011	2010
	£000	£000
Profit on ordinary activities before tax	8,913	5,005
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	2,362	1,401
Effects of.		
Expenses not deductible for tax purposes	82	44
Capital allowances for year in excess of depreciation	149	159
Utilisation of tax losses	-	(146)
Adjustments to tax charge in respect of prior periods	(1,331)	112
Research and Development tax credits	(103)	(224)
(Decrease)/increase in general provisions	(7)	105
Group relief received for nil payment	(165)	-
Current tax charge for the year (see note above)	987	1,451

Factors that may affect future tax charges

Deferred tax has been calculated at the rate expected to apply at the time at which timing differences are forecast to reverse, based on tax rates which have been substantively enacted at the balance sheet date. The Government announced on 23 March 2011 that it instead intended to introduce legislation to reduce the mainstream rate of UK corporation tax to 26% with effect from 1 April 2011 with further reductions to 23% over three years, beginning in April 2012. The first of these changes to 26% and the second to 25% from 1 April 2012 were enacted on 19 July 2011. The Government subsequently announced on 21 March 2012 that it intended to introduce legislation to reduce the mainstream rate of corporation tax to 22% by April 2014. Neither these changes nor the previously announced changes to 24% and 23% had been substantively enacted by 31 December 2011 and so the calculation of deferred tax balances does not reflect the potential impact of these proposed rate reductions.

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. INTANGIBLE FIXED ASSETS

	Software £000	Goodwill £000	Total £000
Cost			
At 1 January 2011	321	22,326	22,647
Additions	24	-	24
At 31 December 2011	345	22,326	22,671
Amortisation			
At 1 January 2011	125	4,975	5,100
Charge for the year	67	1,478	1,545
At 31 December 2011	192	6,453	6,645
Net book value			
At 31 December 2011	153	15,873	16,026
At 31 December 2010	196	17,351	17,547

11. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant & machinery £000	Assets under construction £000	Total £000
Cost				
At 1 January 2011	3,028	8,165	762	11,955
Additions	-	1,173	-	1,173
Disposals	-	(2)	-	(2)
Transfer between classes	-	21	(21)	-
At 31 December 2011	3,028	9,357	741	13,126
Depreciation				
At 1 January 2011	614	4,820	-	5,434
Charge for the year	155	1,757	-	1,912
On disposals	-	(2)	-	(2)
At 31 December 2011	769	6,575	-	7,344
Net book value				
At 31 December 2011	2,259	2,782	741	5,782
At 31 December 2010	2,414	3,345	762	6,521

Included within Freehold Land and Buildings is land with a cost of £1,100,000 (2010 - £1,100,000), which is not depreciated

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

12. FIXED ASSET INVESTMENTS

	Investment in joint ventures £000
Cost or valuation	
At 1 January 2011 and 31 December 2011	6,549
Net book value	
At 31 December 2011	6,549
<i>At 31 December 2010</i>	6,549

Joint ventures

Name	Country of incorporation	Class of shares	Holding	Principal activity
Silicon Sensing Systems Limited	England & Wales	Ordinary Shares	50%	Design, manufacture and sale of silicon gyroscopes

Joint ventures

Name	Aggregate of share capital and reserves £000	Loss for the year £000
Silicon Sensing Systems Limited	13,881	(486)

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

12. FIXED ASSET INVESTMENTS (continued)

Silicon Sensing Systems Limited

	2011 £000	2011 £000	2010 £000	2010 £000
Share of turnover		7,133		7,392
Share of profit/(loss) before tax		80		(913)
Share of taxation		(323)		(170)
Share of loss after tax		(243)		(1,083)
Share of assets				
Fixed assets	3,336		3,308	
Current assets	6,492		6,020	
		9,828		9,328
Share of liabilities				
Due within one year or less	(2,784)		(2,230)	
Due after more than one year	(103)		(95)	
		(2,887)		(2,325)
Share of net assets		6,941		7,003

13 STOCKS

	2011 £000	2010 £000
Raw materials	1,310	3,774
Work in progress	210	868
Finished goods and goods for resale	799	1,002
	2,319	5,644

In the opinion of the directors the difference between the stated value of stock and work in progress and its replacement value is not material

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

14. DEBTORS

	2011 £000	2010 £000
Trade debtors	6,644	5,385
Amounts owed by group undertakings	5,376	3,656
Amounts owed by joint venture undertaking	11	13
VAT receivable	846	118
Prepayments and accrued income	233	99
Deferred tax asset (see note 17)	346	410
	<u>13,456</u>	<u>9,681</u>

15. CREDITORS

Amounts falling due within one year

	2011 £000	2010 £000
Payments received on account	6,191	4,967
Trade creditors	1,673	2,231
Amounts owed to group undertakings	368	52
Corporation tax	2,509	1,265
Other creditors	2,475	1,748
Accruals and deferred income	1,162	852
Deferred grant income	25	25
Amounts owed to former owners	-	386
	<u>14,403</u>	<u>11,526</u>

16 CREDITORS.

Amounts falling due after more than one year

	2011 £000	2010 £000
Payments received on account	535	650
Deferred grant income	50	75
	<u>585</u>	<u>725</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

17. DEFERRED TAX ASSET

	2011 £000	2010 £000
At beginning of year	410	74
(Charged)/ credited to the profit and loss account	(47)	347
Effect of decreased tax rate on opening asset	(17)	(11)
	<u>346</u>	<u>410</u>
At end of year	<u>346</u>	<u>410</u>

The deferred tax asset is made up as follows

	2011 £000	2010 £000
Decelerated capital allowances	327	194
Other timing differences	19	216
	<u>346</u>	<u>410</u>

18. PROVISIONS

	Warranty £000
At 1 January 2011	1,260
Additions	747
Amounts used	(738)
Released to Profit and Loss	(178)
	<u>1,091</u>
At 31 December 2011	<u>1,091</u>

Warranty

A provision is recognised for expected warranty claims against identified contracts and products. It is expected that these costs will be incurred over the life of the warranty term ranging from 12 months to 3 years.

19. SHARE CAPITAL

	2011 £000	2010 £000
Allotted, called up and fully paid		
10,000 Ordinary Shares shares of £1 each	10	10
90,000 Preference Shares shares of £1 each	90	90
	<u>100</u>	<u>100</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

19. SHARE CAPITAL (continued)

As the preference shares carry no right to dividends and are not redeemable, they are considered to constitute equity rather than debt

20. RESERVES

	Share premium account £000	Capital contributions £000	Profit and loss account £000
At 1 January 2011	12,126	20,876	8,035
Profit for the year	-	-	7,862
At 31 December 2011	<u>12,126</u>	<u>20,876</u>	<u>15,897</u>

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	41,137	37,247
Profit for the year	<u>7,862</u>	<u>3,890</u>
Closing shareholders' funds	<u>48,999</u>	<u>41,137</u>

22. FAIR VALUE OF ASSETS AND LIABILITIES

The company purchases forward foreign currency contracts to hedge against currency exposure. The fair values of the derivatives held at 31 December 2011, determined by reference to their market values was an asset of £nil (2010 - asset of £303,230)

23 PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

24 OPERATING LEASE COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	2011 £000	2010 £000
Expiry date		
Between 2 and 5 years	115	-

25. CONTINGENT LIABILITIES

As part of a multilateral group guarantee, the company has entered into an agreement with the bank, its parent undertaking, fellow subsidiaries and other related companies. Under this agreement, the company is party to a cross-undertaking on a limited number of specific accounts, limited to the credit balance standing within a group-wide cash pooling facility.

The company participates in a cash pooling arrangement with a group of UK Goodrich companies. At 31 December 2011 there was a cash pool surplus of £7,489,062 (2010 - surplus £11,929,608) representing the bank balances of all the group companies.

26 RELATED PARTY TRANSACTIONS

	2011 Silicon Sensing Systems Limited £000	2010 <i>Silicon Sensing Systems Limited</i> £000
Product sales	211	175
Product purchases	1,335	1,213
Service charges to related parties	1,697	2,052
Royalty charges to related parties	56	64
Amounts owed to related parties	10	234
Amounts owed by related parties	532	127

With the exception of related party transactions with the company's joint venture partner Silicon Sensing Systems Limited, the company has taken advantage of the exemptions of Financial Reporting Standard 8, not to disclose transactions with other group entities, as it is a wholly owned subsidiary undertaking of a company that is to prepare consolidated financial statements.

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Goodrich Limited, a company registered in England and Wales

The company's ultimate parent undertaking during the year ending 31st December 2011 was Goodrich Corporation which is incorporated in the United States of America. On 26th July 2012, United Technologies, a company incorporated in the United States of America, acquired 100% of the share capital of Goodrich Corporation. The only group of which the company is a member and for which group financial statements are prepared is that previously headed by Goodrich Corporation. Copies of the 2011 Annual Report of Goodrich Corporation can be obtained from 2730 West Tyvola Road, Charlotte, North Carolina, 28217, USA.

28. POST BALANCE SHEET EVENTS

On 26th July 2012, United Technologies Corporation, a company incorporated in the United States of America, acquired 100% of the share capital of Goodrich Corporation, the ultimate parent company of Atlantic Inertial Systems Limited, for a consideration of approximately \$18.5 billion.