
ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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ATLANTIC INERTIAL SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTORS	J Chapman (resigned 17 August 2012) R Fulton T Mepham (appointed 9 August 2013) K Pindard (appointed 9 August 2013) A Tough
COMPANY SECRETARY	Edwin Coe Secretaries Limited (appointed 9 August 2013)
COMPANY NUMBER	6208660
REGISTERED OFFICE	Cliffa 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 HSBC PO Box 125 62-76 Park Street London SE1 9WP

ATLANTIC INERTIAL SYSTEMS LIMITED

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ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements for the year ended 31 December 2012

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

	2012 £'000	2011 £'000	Change %
Turnover	44,053	46,526	(5.3%)
Operating profit before interest and tax	7,620	8,872	(14.1%)
Profit after tax	7,976	7,862	1.5%
Shareholders' funds	57,044	48,999	16.4%
Current assets as % of current liabilities	380%	255%	49.0%
Average number of employees	267	253	5.5%

Trading conditions in defence markets continue to be subject to uncertainty with national defence budgets under constant scrutiny and cutbacks. Although the company suffered a small fall in total turnover from 2011, this was largely due to the expected reduction in the company's Avionics business area, where the main activity is servicing legacy products that have been in-service for many years. As aircraft are withdrawn from service the company's workload supporting on-board equipment is shrinking. However, the situation for Military Sensors, the greater part of the company's activity, continues to look healthy, with volumes in 2012 holding firm and orders for delivery in 2013 already at an improved level.

On 26th July 2012, the merger of the company's former ultimate parent company, Goodrich Corporation, with United Technologies Corporation, was completed, opening up access to a wider group of sister companies where the company's inertial measurement technology and other capabilities could potentially be applied. This includes businesses as diverse as Sikorsky helicopters and Otis elevators.

The company manages all aspects of its Environmental, Health and Safety (EH&S) responsibilities in accordance with the UTC 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. During the year there were no days lost due to accidents.

RESULTS

The profit for the year, after taxation, amounted to £7,976,000 (2011 - £7,862,000)

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS

The Directors who served during the year were

J Chapman (resigned 17 August 2012)
R Fulton
A Tough

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 company, through a continued commitment to excellence, seeks to achieve and exceed customer expectation and therefore to mitigate and reduce the risk of non-renewal and contract termination. The company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving our products.

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 UTC 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 UTC Group level, since its accounts are designated in US dollars.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

The company participates in the overall world-wide group's funding strategy managed at corporate treasury level. The company participates in a UK cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

FUTURE DEVELOPMENTS

During the year the company invested £3,549,000 (2011 £3,059,000) in research and development of new gyroscopes and navigation products.

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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

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.

In accordance with Section 236 of the Companies Act 2006, it is confirmed that a qualifying indemnity provision (as defined in that Section) has been and continues to be provided to the Directors of Goodrich Pension Trustees Limited under the Deed of Amendment dated 4 April 2008 in relation to the Goodrich (UK) Pension Scheme jointly and severally by the following companies: Goodrich Control Systems, Goodrich Actuation Systems Limited, Goodrich Controls Holding Limited, Delavan Limited, Rosemount Aerospace Properties Ltd and Atlantic Inertial Systems Limited.

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 and signed on its behalf


A Tough
Director

Date 15/8/13

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012, which comprise the Profit and Loss Account, the Balance Sheet, and related notes 1 to 27. 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 2012 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 Bishop (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP (Statutory Auditor)

G1

5 George Square

Glasgow

G2 1DY

Date

ATLANTIC INERTIAL SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £000	2011 £000
TURNOVER	1,2	44,053	46,526
Cost of sales		<u>(26,005)</u>	<u>(28,143)</u>
GROSS PROFIT		18,048	18,383
Administrative expenses		<u>(10,428)</u>	<u>(9,511)</u>
OPERATING PROFIT	3	7,620	8,872
Interest receivable and similar income	7	92	49
Interest payable and similar charges	8	<u>(8)</u>	<u>(8)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,704	8,913
Tax on profit on ordinary activities	9	<u>272</u>	<u>(1,051)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>7,976</u>	<u>7,862</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 9 to 24 form part of these financial statements


ATLANTIC INERTIAL SYSTEMS LIMITED
REGISTERED NUMBER: 6208660

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£000	2012 £000	£000	2011 £000
FIXED ASSETS					
Intangible assets	10		14,530		16,026
Tangible assets	11		5,292		5,782
Investments	12		<u>6,549</u>		<u>6,549</u>
			26,371		28,357
CURRENT ASSETS					
Stocks	13	2,965		2,319	
Debtors	14	7,656		13,456	
Cash at bank		<u>35,730</u>		<u>20,946</u>	
		46,351		36,721	
CREDITORS amounts falling due within one year	15	<u>(12,203)</u>		<u>(14,403)</u>	
NET CURRENT ASSETS			<u>34,148</u>		<u>22,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			60,519		50,675
CREDITORS , amounts falling due after more than one year	16		(1,782)		(585)
PROVISIONS FOR LIABILITIES					
Warranty provision	18		<u>(1,693)</u>		<u>(1,091)</u>
NET ASSETS			<u>57,044</u>		<u>48,999</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		<u>23,942</u>		<u>15,897</u>
SHAREHOLDERS' FUNDS	21		<u>57,044</u>		<u>48,999</u>

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

A Tough
Director
Date

 15/8/13

The notes on pages 9 to 24 form part of these financial statements

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

1.6 Investments

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

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

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 2012

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

The company also participates in the Goodrich (UK) Pension scheme which is a multi employer defined benefit scheme. The company accounts for its contributions to the Goodrich (UK) Pension Scheme as a participating member in a multi-employer scheme and under Financial Reporting Standard 17 does not bring its share of any pension liability onto the balance sheet at 31 December 2011 and 31 December 2012

1.14 Share Based Payments

Incentives in the form of shares are provided to one or more directors under share award schemes that are established by the previous ultimate parent company, Goodrich Corporation. The fair value of these options and awards at the date of their grant is determined by a valuation as described in note 25 and is charged to the profit and loss account over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the company of these share based payments

2. TURNOVER

A geographical analysis of turnover is as follows

	2012 £000	2011 £000
United Kingdom	11,874	10,825
Rest of Europe	14,657	15,804
Rest of world	2,743	2,791
USA	14,779	17,106
	<u>44,053</u>	<u>46,526</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3. OPERATING PROFIT

The operating profit is stated after charging

	2012	2011
	£000	£000
Amortisation - intangible fixed assets	1,560	1,545
Depreciation of tangible fixed assets		
- owned by the company	1,576	1,912
Operating lease rentals		
- other operating leases	124	133
Difference on foreign exchange	201	378
Research and development expenditure written off	3,549	3,059

4. AUDITORS' REMUNERATION

	2012	2011
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	38	33

5. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows

	2012	2011
	£000	£000
Wages and salaries	10,307	9,852
Social security costs	1,160	910
Other pension costs	871	805
	12,338	11,567

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

	2012	2011
	No.	No
Administration & Management	138	128
Engineering	66	62
Operations	63	63
	267	253

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. DIRECTORS' REMUNERATION

	2012 £000	2011 £000
Emoluments	<u>394</u>	<u>345</u>
Amounts receivable under long-term incentive schemes	<u>69</u>	<u>-</u>
Company pension contributions to defined contribution pension schemes	<u>29</u>	<u>36</u>

During the year retirement benefits were accruing to 2 Directors (2011 - 2) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £269 thousand (2011 - £250 thousand)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £19 thousand (2011 - £29 thousand)

7. INTEREST RECEIVABLE

	2012 £000	2011 £000
Interest receivable from group companies	<u>92</u>	<u>49</u>

8. INTEREST PAYABLE

	2012 £000	2011 £000
On external bank loans and overdrafts	<u>8</u>	<u>8</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

9 TAXATION

	2012 £000	2011 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	1,616	2,318
Adjustments in respect of prior periods	(1,905)	(1,331)
Total current tax	(289)	987
Deferred tax		
Origination and reversal of timing differences	(24)	(133)
Effect of decreased tax rate on opening liability	27	17
Under provision in deferred tax in prior years	14	180
Total deferred tax (see note 17)	17	64
Tax on profit on ordinary activities	(272)	1,051
Factors affecting tax charge for the year		
The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below		
	2012 £000	2011 £000
Profit on ordinary activities before tax	7,704	8,913
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	1,887	2,362
Effects of:		
Expenses not deductible for tax purposes	55	82
Capital allowances for year in excess of depreciation	50	149
Share based payments	(144)	-
Adjustments to tax charge in respect of prior periods	(1,905)	(1,331)
Research and Development tax credits	(88)	(103)
Decrease in general provisions	(25)	(7)
Group relief received for nil payment	(119)	(165)
Current tax (credit)/charge for the year (see note above)	(289)	987

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

9. TAXATION (continued)

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. During the year, as a result of the changes in the UK corporation tax rate to 24% which was substantively enacted on 26 March 2012 and was effective from 1 April 2012, and to 23% which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate have been announced. The changes propose to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. It is not expected that these further reductions will materially impact the deferred tax balance.

10. INTANGIBLE FIXED ASSETS

	Software £000	Goodwill £000	Total £000
Cost			
At 1 January 2012	345	22,326	22,671
Additions	64	-	64
Disposals	(66)	-	(66)
At 31 December 2012	<u>343</u>	<u>22,326</u>	<u>22,669</u>
Amortisation			
At 1 January 2012	192	6,453	6,645
Charge for the year	72	1,488	1,560
On disposals	(66)	-	(66)
At 31 December 2012	<u>198</u>	<u>7,941</u>	<u>8,139</u>
Net book value			
At 31 December 2012	<u>145</u>	<u>14,385</u>	<u>14,530</u>
At 31 December 2011	<u>153</u>	<u>15,873</u>	<u>16,026</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant, machinery & equipment £000	Assets under construction £000	Total £000
Cost				
At 1 January 2012	3,028	9,357	741	13,126
Additions	-	508	592	1,100
Disposals	-	(6,513)	-	(6,513)
At 31 December 2012	<u>3,028</u>	<u>3,352</u>	<u>1,333</u>	<u>7,713</u>
Depreciation				
At 1 January 2012	769	6,575	-	7,344
Charge for the year	156	1,420	-	1,576
On disposals	-	(6,499)	-	(6,499)
At 31 December 2012	<u>925</u>	<u>1,496</u>	<u>-</u>	<u>2,421</u>
Net book value				
At 31 December 2012	<u>2,103</u>	<u>1,856</u>	<u>1,333</u>	<u>5,292</u>
At 31 December 2011	<u>2,259</u>	<u>2,782</u>	<u>741</u>	<u>5,782</u>

Included within Freehold Land and Buildings is land with a cost of £1,100,000 (2011 - £1,100,000), which is not depreciated

12. FIXED ASSET INVESTMENTS

	Investment in joint ventures £000
Cost or valuation	
At 1 January 2012 and 31 December 2012	<u>6,549</u>
Net book value	
At 31 December 2012	<u>6,549</u>
At 31 December 2011	<u>6,549</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

12. FIXED ASSET INVESTMENTS (continued)

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

Name	Aggregate of share capital and reserves £000	Loss for the year £000
Silicon Sensing Systems Limited	<u>12,593</u>	<u>(22)</u>

	2012 £000	2011 £000
Share of turnover	<u>8,295</u>	<u>7,133</u>
Share of profit/(loss) before tax	506	80
Share of taxation	<u>(517)</u>	<u>(323)</u>
Share of loss after tax	<u>(11)</u>	<u>(243)</u>
Share of assets		
Fixed assets	3,588	3,336
Current assets	<u>5,836</u>	<u>6,492</u>
	9,424	9,828
Share of liabilities		
Due within one year or less	(3,031)	(2,784)
Due after more than one year	<u>(97)</u>	<u>(103)</u>
	(3,128)	(2,887)
Share of net assets	<u>6,296</u>	<u>6,941</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

13. STOCKS

	2012	2011
	£000	£000
Raw materials	1,678	1,310
Work in progress	529	210
Finished goods and goods for resale	758	799
	2,965	2,319

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

14. DEBTORS

	2012	2011
	£000	£000
Trade debtors	5,528	6,644
Amounts owed by group undertakings	401	5,376
Amounts owed by joint venture undertaking	30	11
VAT receivable	759	846
Prepayments and accrued income	609	233
Deferred tax asset (see note 17)	329	346
	7,656	13,456

**15. CREDITORS:
Amounts falling due within one year**

	2012	2011
	£000	£000
Bank loans and overdrafts	1	-
Payments received on account	3,487	6,191
Trade creditors	3,176	1,673
Amounts owed to group undertakings	842	368
Corporation tax	1,562	2,509
Other creditors	-	2,475
Accruals and deferred income	3,110	1,162
Deferred grant income	25	25
	12,203	14,403

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

16. CREDITORS:

Amounts falling due after more than one year

	2012 £000	2011 £000
Payments received on account	1,757	535
Deferred grant income	25	50
	<u>1,782</u>	<u>585</u>

17. DEFERRED TAX ASSET

	2012 £000	2011 £000
At beginning of year	346	410
Credited/(charged) to the profit and loss account	10	(47)
Effect of decreased tax rate on opening asset	(27)	(17)
	<u>329</u>	<u>346</u>
At end of year	<u>329</u>	<u>346</u>

The deferred tax asset is made up as follows

	2012 £000	2011 £000
Decelerated capital allowances	334	327
Other timing differences	(5)	19
	<u>329</u>	<u>346</u>

18. PROVISIONS

	Warranty £000
At 1 January 2012	1,091
Additions	1,062
Amounts used	(299)
Released to Profit and Loss	<u>(161)</u>
At 31 December 2012	<u>1,693</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.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

19 SHARE CAPITAL

	2012 £000	2011 £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>

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 2012	12,126	20,876	15,897
Profit for the year	-	-	7,976
Share-based payment	-	-	69
	<u>12,126</u>	<u>20,876</u>	<u>23,942</u>
At 31 December 2012			

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Opening shareholders' funds	48,999	41,137
Profit for the year	7,976	7,862
Shares redeemed/cancelled during the year	69	-
	<u>57,044</u>	<u>48,999</u>
Closing shareholders' funds		

22. PENSION BENEFITS

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.

The company also participates in the Goodrich (UK) Pension Scheme which is a multi-employer defined benefit scheme. The company accounts for its contributions to the Goodrich (UK) Pension Scheme as a participating member in a multi-employer scheme.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

22. PENSION BENEFITS (continued)

FRS 17 Disclosures

The company does not bring its share of any pension liability at 31 December 2012 or 31 December 2011 on to the balance sheet as it is treated as a participating member in a multi-employer scheme under FRS 17

The following valuation for FRS 17 disclosure purposes relates to the Goodrich (UK) Pension Scheme as a whole. The major assumptions used by the actuary were as follows

Change in Projected Benefit Obligation (PBO)

	2012 £'000	2011 £'000
Plan liabilities at prior period end	549,429	503,416
Employer service cost	12,644	11,512
Interest cost	27,874	28,570
Plan participants' contributions	211	216
Actuarial loss	53,132	14,482
Benefits paid from plan assets	(9,395)	(9,206)
Curtailments	-	439
	633,895	549,429
Benefit obligation, end of year		
Benefit obligations		
Benefit obligation - funded plans	633,895	549,429
Total	<u>633,895</u>	<u>549,429</u>

Change in plan assets

	2012 £'000	2011 £'000
Fair value, beginning of year	478,073	450,350
Actual return on assets	47,079	14,548
Employer contribution	34,507	22,165
Plan participants' contributions	211	216
Gross benefits paid	(9,395)	(9,206)
Total	<u>550,475</u>	<u>478,073</u>

Plan asset allocation at 31 December 2012

	2012 £'000	Actual Allocation	2011 £'000
Equities	293,403	53.3%	240,431
Debt securities	186,061	33.8%	174,578
Property	52,295	9.5%	48,628
Other	18,716	3.4%	14,437
Total	<u>550,475</u>	<u>100.0%</u>	<u>478,073</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

22. PENSION BENEFITS (continued)

Experience adjustments	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of assets	550,475	478,073	450,350	392,351	314,395
PBO	(633,895)	(549,429)	(503,416)	(471,962)	(383,696)
Funded status	(83,420)	(71,356)	(53,066)	(79,611)	(69,301)
Experience gain/(loss) adjustment on PBO	3,110	12,797	1,718	(11,887)	(2,125)
Experience gain/(loss) adjustment on plan assets	6,593	(23,698)	13,105	37,081	(135,740)

Weighted-average assumptions used to determine the PBO at end of year:

	2012	2011
Discount rate	4.50%	5.00%
Retail price inflation assumption	2.75%	3.00%
Consumer price inflation assumption	2.00%	2.00%
Expected rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	3.50%	3.75%
Pension increase assumption	2.75%	3.00%
Life expectancy of a male aged 65 at end of year	21.17	19.9
Life expectancy of a female aged 65 at end of year	24.08	22.5

23. OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	2012 £000	2011 £000
Expiry date:		
Between 2 and 5 years	<u>124</u>	<u>115</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

24. 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 2012 there was a cash pool surplus of £3,505,547 (2011 - surplus £7,489,062) representing the bank balances of all the group companies.

25. SHARE BASED PAYMENTS

The company's former ultimate parent company, Goodrich Corporation, administered the Goodrich Equity Compensation Plan as part of its long-term incentive compensation program. Under the Plan, which terminated during 2012 following the acquisition of Goodrich Corporation by United Technologies Corporation, Goodrich Corporation had issued restricted stock units to one or more directors of the company's subsidiaries.

Full details of the Goodrich Equity Compensation Plan are available in the published accounts of the ultimate parent company. A summary of the transactions relevant to Atlantic Inertial Systems Limited follows.

Restricted stock units

Generally, 50% of the restricted stock units vested and were converted to stock at the end of the third year, an additional 25% at the end of the fourth year and the remaining 25% at the end of the fifth year. In certain circumstances, the vesting term was three years. Cash dividend equivalents were paid to participants each quarter.

The fair value of the restricted stock units was determined based upon the average of the high and low grant date fair value.

The expense recognised for share based payments in respect of directors' services received during the year to 31 December 2012 is £68,662 (2011 - £nil) arising from restricted stock units. There is no committed future charge to profit in respect of restricted stock units as at 31st December 2012 as the scheme is closed (2011 - £nil).

Save As You Earn Scheme (SAYE)

Prior to 26 July 2012 employees in the company participated in the Goodrich Corporation Save As You Earn Scheme, an HM Revenue and Customs approved scheme. This scheme was wound up after the acquisition of Goodrich Corporation by United Technologies Corporation with early vesting costs of £2.5m.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

26. RELATED PARTY TRANSACTIONS

	2012 Silicon Sensing Systems Limited £000	2011 Silicon Sensing Systems Limited £000
Product sales	250	211
Product purchases	3,152	1,335
Service charges to related parties	1,526	1,697
Royalty charges to related parties	58	56
Amounts owed to related parties	1,310	10
Amounts owed by related parties	<u>426</u>	<u>532</u>

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

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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 company's previous ultimate parent undertaking. The only group of which the company is a member and for which group financial statements are prepared for the year ended 31st December 2012 is that headed by United Technologies Corporation. Copies of the 2012 Annual Report of United Technologies Corporation can be obtained from United Technologies Building, Hartford, Connecticut, 06101, USA