
ATLANTIC INERTIAL SYSTEMS LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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ATLANTIC INERTIAL SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTORS

S Barnes
T Mephram
K Pindard

REGISTERED NUMBER

6208660

REGISTERED OFFICE

Cliffafor Road
Southway
Plymouth
Devon
PL6 6DE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Princess Court
23 Princess Street
Plymouth
PL1 2EX

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their strategic report for the year ended 31 December 2013.

INTRODUCTION

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

The Company is a subsidiary of United Technologies Corporation (UTC).

BUSINESS REVIEW

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

	2013 £'000	2012 £'000	Change %
Turnover	43,231	44,053	(1.9%)
Operating profit before interest and tax	10,323	7,620	35.5%
Profit for the financial year, after tax	9,830	7,976	23.2%
Total shareholders' funds	66,874	57,044	17.2%
Current assets as % of current liabilities*	498%	371%	
Average number of employees	267	267	-

Trading conditions in defence markets continue to be subject to uncertainty with national defence budgets under constant scrutiny and cutbacks. Although the Company has suffered a marginally 1.9% fall in turnover from 2012, the worst of these cuts has now been felt, and the Directors are optimistic about future orders and opportunities in the market for new technologies. The Company's Avionics business of servicing legacy products continues to decline as aircraft are withdrawn from service, thus reducing the Company's workload supporting on-board equipment. The Military Sensors business volumes for 2013 held firm and orders for delivery in 2014 were at an improved level. However, more importantly, the Company has maximised the return from its sales activities through improved yield, significantly reduced cost of poor quality (CPQ), and tightly controlled overhead, resulting in a group leading 35.5% increase in Operating Profit.

* The prior year comparative of this ratio has been restated following changes in accounting policy. Further information is provided in the accounting policies note.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal non-financial risks and uncertainties facing the Company are broadly grouped as competitive and legislative. The financial risks are discussed in the financial risk management section of the Directors report.

Competitive Risks

The Company is dependent 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 its products.

There is 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.

ATLANTIC INERTIAL SYSTEMS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Legislative Risks

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and within the UTC group audit function.

KEY PERFORMANCE INDICATORS

Achieving Competitive Excellence

The business continues to deploy an operational framework which drives continuous improvement in all areas across the business to ensure that financial and growth targets are met. During 2013 the business delivered on the targets set.

Employee Involvement

It is the policy of the Company to maintain and develop employee involvement as outlined in the Directors' report. We measure our progress through annual employee surveys adopting the UTC survey for the first time during 2013. The results of the survey showed good levels of engagement within the organisation.

Environmental Matters

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility. The Company will, on a continuing basis: develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this; provide a healthy and safe place of work for all its employees; develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large; and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all its employees.

During 2013 the business continued to integrate into the UTC Environment, Health & Safety (EH&S) framework achieving all the milestones targets set within the integration plan.

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


S Barnes
Director

Date: 29th September 2014

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £9,830 thousand (2012 - £7,976 thousand).

There were no ordinary dividends proposed, declared or paid in the year (2012 - £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:

S Barnes (appointed 5 June 2014)
T Mepham (appointed 9 August 2013)
K Pindard (appointed 9 August 2013)
A Tough (resigned 31 May 2014)
R Fulton (resigned 16 June 2014)

FUTURE DEVELOPMENTS

The Directors expect to see continued growth and development of the Company under UTC due to benefits derived from economies of scale.

FINANCIAL RISK MANAGEMENT

The Company's policy does not permit trading in any financial instruments. The Company's principal financial instruments comprise of cash, short term deposits and/or borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

Foreign Currency Risks

The Company buys and sells goods and services denominated in currencies other than sterling. As a result, the value of the business's non-sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in exchange rates in general and in US Dollar rates in particular.

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL RISK MANAGEMENT (continued)

The Company holds monetary assets and liabilities in which the underlying currency is a currency other than the Company's functional currency. In line with Generally Accepted Accounting Principles these monetary assets and liabilities are revalued at each month end to the closing balance sheet rate. These revaluations give rise to foreign exchange gains or losses which are taken through the profit and loss account in the month in which they arise. 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 board 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 UTC 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 UTC 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.

RESEARCH AND DEVELOPMENT ACTIVITIES

During the year the Company invested £3,180,000 (2012 - £3,549,000) in research and development of new gyroscopes and navigation products.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to treating all employees fairly, encouraging diversity and providing safe working conditions. The UTC Code of Ethics is the Company's guide to delivering on these commitments.

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.

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 2013

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 Limited and Atlantic Inertial Systems Limited.

DISCLOSURE 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 relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

Ernst & Young LLP resigned as auditors on 22 November 2013 and PricewaterhouseCoopers LLP were subsequently appointed. PricewaterhouseCoopers 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.



S Barnes
Director

Date: 29th September 2014.

ATLANTIC INERTIAL SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors are responsible for preparing the Strategic report, 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 prepared 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 judgements and accounting 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 MEMBERS OF ATLANTIC INERTIAL SYSTEMS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Atlantic Inertial Systems Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

ATLANTIC INERTIAL SYSTEMS LIMITED

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

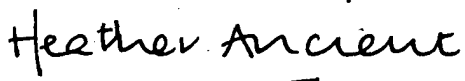
RESPONSIBILITIES FOR THE FINANCIAL STATEMENT AND AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Heather Ancient (Senior statutory auditor)

for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Princess Court
23 Princess Street
Plymouth
PL1 2EX

Date: 30 September 2014

ATLANTIC INERTIAL SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
TURNOVER	2	43,321	44,053
Cost of sales		(23,023)	(26,005)
GROSS PROFIT		20,298	18,048
Administrative expenses		(10,017)	(10,486)
Other operating income		42	58
OPERATING PROFIT	4	10,323	7,620
Interest receivable and similar income	8	184	92
Interest payable and similar charges	9	-	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,507	7,704
Tax on profit on ordinary activities	10	(677)	272
PROFIT FOR THE FINANCIAL YEAR		9,830	7,976

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 11 to 28 form part of these financial statements.

ATLANTIC INERTIAL SYSTEMS LIMITED
REGISTERED NUMBER: 6208660

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	As restated 2012 £000
FIXED ASSETS					
Intangible assets	11		13,472		14,530
Tangible assets	12		4,888		5,292
Investments	13		6,549		6,549
			<u>24,909</u>		<u>26,371</u>
CURRENT ASSETS					
Stocks	14	3,474		2,965	
Debtors	15	50,422		39,348	
Cash at bank and in hand		-		4,454	
		<u>53,896</u>		<u>46,767</u>	
CREDITORS: amounts falling due within one year	16	<u>(10,826)</u>		<u>(12,619)</u>	
NET CURRENT ASSETS			<u>43,070</u>		<u>34,148</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>67,979</u>		<u>60,519</u>
CREDITORS: amounts falling due after more than one year	17		-		(1,782)
PROVISIONS FOR LIABILITIES					
Other provisions	19		(1,105)		(1,693)
NET ASSETS			<u>66,874</u>		<u>57,044</u>
CAPITAL AND RESERVES					
Called up share capital	21		100		100
Share premium account	22		12,126		12,126
Capital contribution reserve	22		20,876		20,876
Profit and loss account	22		33,772		23,942
TOTAL SHAREHOLDERS' FUNDS	23		<u>66,874</u>		<u>57,044</u>

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

S Barnes
Director

Date: 29th September 2014.

The notes on pages 11 to 28 form part of these financial statements.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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.

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

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

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
Included within Plant, machinery & equipment		
- Plant & machinery	-	5-12 years
- Equipment	-	Up to 5 years
Construction in progress	-	No depreciation charged until transferred to appropriate class of asset upon completion

1.6 Prior year restatements

In the opinion of the Directors, the standardisation of reporting, with the changes outlined below, results a more accurate representation of the Company Balance Sheet. Balances have been reclassified in the prior year for comparative purposes only and the reclassifications do not fundamentally change the financial statements. There is no change in Net Current Assets or Shareholders Funds.

Cash balances held in bank accounts managed by the ultimate parent company or other group companies are treated as amounts owed to or owed by group undertakings. The bank interest associated with these balances is treated as inter-company interest.

Inter-company balances are reported net by legal entity, to allocate assets and liabilities in relation to the economic benefits and obligations associated with the operational activity.

Customer progress payments are reported as part of the Work in progress stock balance.

1.7 Investments

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

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.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.9 Taxation

Corporation tax payable is provided on taxable profits at the current rate.

1.10 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.

1.11 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 2012 and 31 December 2013.

1.12 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.13 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.14 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.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

1.15 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.

1.16 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 20 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:

	2013 £000	2012 £000
United Kingdom	14,005	11,874
Rest of Europe	8,969	14,657
Rest of world	3,814	2,743
USA	16,533	14,779
	<u>43,321</u>	<u>44,053</u>

3. OTHER OPERATING INCOME

	2013 £000	2012 £000
Royalty receivable	<u>42</u>	<u>58</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2013 £000	2012 £000
Amortisation of intangible fixed assets	1,583	1,560
Depreciation of tangible fixed assets:		
- owned by the Company	821	1,576
Operating lease rentals:		
- other operating leases	108	124
Loss on foreign exchange	266	201
Research and development expenditure written off	3,180	3,549
(Profit)/loss on disposal of fixed assets	26	(28)
	<u> </u>	<u> </u>

5. AUDITORS' REMUNERATION

	2013 £000	2012 £000
Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	38	38
	<u> </u>	<u> </u>

6. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2013 £000	2012 £000
Wages and salaries	10,238	10,307
Social security costs	1,047	1,160
Other pension costs	870	871
	<u> </u>	<u> </u>
	<u>12,155</u>	<u>12,338</u>

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

	2013 No.	As restated 2012 No.
Administration & Management	105	98
Engineering	61	66
Operations	101	103
	<u> </u>	<u> </u>
	<u>267</u>	<u>267</u>

Other pensions costs relate to the defined contribution pension scheme.

The classification of engineers working on other activities has been aligned with the management accounts. These employees are now included within operations.

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

7. DIRECTORS' REMUNERATION

	2013 £000	2012 £000
Remuneration	194	394
Amounts receivable under long-term incentive schemes	-	69
Company pension contributions to defined contribution pension schemes	14	29

During the year retirement benefits were accruing to 2 Directors (2012 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £141 thousand (2012 - £269 thousand).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10 thousand (2012 - £19 thousand).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £000	2012 £000
Interest on loans to group undertakings	184	92

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £000	2012 £000
On external bank loans and overdrafts	-	8

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
Analysis of tax charge/(credit) in the year		
Current tax		
UK corporation tax charge on profit for the year	1,771	1,616
Adjustments in respect of prior years	(1,125)	(1,905)
Total current tax	<u>646</u>	<u>(289)</u>
Deferred tax		
Origination and reversal of timing differences	72	(24)
Impact of change in tax rate	55	27
Over/(under) provision in deferred tax in prior years	(96)	14
Total deferred tax (see note 18)	<u>31</u>	<u>17</u>
Tax charge/(credit) on profit on ordinary activities	<u><u>677</u></u>	<u><u>(272)</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - *lower than*) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>10,507</u>	<u>7,704</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2012 - 24.50%)	2,443	1,887
Effects of:		
Expenses not deductible for tax purposes	55	55
(Accelerated)/decelerated capital allowances	(78)	50
Adjustments in respect of prior years	(1,125)	(1,905)
Non-taxable income	(6)	-
Research and Development tax credits	-	(88)
Decrease in general provisions	(5)	(25)
Share based payments	-	(144)
Group relief received for nil payment	(638)	(119)
Current tax charge/(credit) for the year	<u><u>646</u></u>	<u><u>(289)</u></u>

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

Depreciation is running in advance of claims for capital allowances. Whether this continues to be the case depends on the level of capital allowance claims in the future and the level of future investment in fixed assets.

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been re-measured. The closing deferred tax liability at 31 December 2013 has therefore been calculated at a rate of 20%.

11. INTANGIBLE FIXED ASSETS

	Software £000	Goodwill £000	Total £000
Cost			
At 1 January 2013	343	22,326	22,669
Additions	525	-	525
Disposals	(2)	-	(2)
At 31 December 2013	866	22,326	23,192
Amortisation			
At 1 January 2013	198	7,941	8,139
Charge for the year	94	1,489	1,583
Disposals	(2)	-	(2)
At 31 December 2013	290	9,430	9,720
Net book value			
At 31 December 2013	576	12,896	13,472
At 31 December 2012	145	14,385	14,530

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant, machinery & equipment £000	Construction in Progress £000	Total £000
Cost				
At 1 January 2013	3,028	3,352	1,333	7,713
Additions	82	1,309	(840)	551
Disposals	-	(233)	-	(233)
Transfer between classes	-	2	-	2
At 31 December 2013	<u>3,110</u>	<u>4,430</u>	<u>493</u>	<u>8,033</u>
Depreciation				
At 1 January 2013	925	1,496	-	2,421
Charge for the year	205	616	-	821
Disposals	-	(99)	-	(99)
Transfer between classes	-	2	-	2
At 31 December 2013	<u>1,130</u>	<u>2,015</u>	<u>-</u>	<u>3,145</u>
Net book value				
At 31 December 2013	<u>1,980</u>	<u>2,415</u>	<u>493</u>	<u>4,888</u>
At 31 December 2012	<u>2,103</u>	<u>1,856</u>	<u>1,333</u>	<u>5,292</u>

Included within Freehold Land and Buildings is land with a cost of £1,100,000 (2012 - £1,100,000), which is not depreciated.

13. FIXED ASSET INVESTMENTS

	Investment in joint ventures £000
Cost or valuation	
At 1 January 2013 and 31 December 2013	<u>6,549</u>
Net book value	
At 31 December 2013	<u>6,549</u>
At 31 December 2012	<u>6,549</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

13. 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

Joint ventures

Name	Aggregate of share capital and reserves £000	Profit for the year £000
Silicon Sensing Systems Limited	11,487	239

Silicon Sensing Systems Limited

	£000	2013 £000	£000	<i>As restated 2012 £000</i>
Share of turnover		7,769		8,295
Share of profit/(loss) before tax		167		506
Share of taxation		(48)		(517)
Share of loss after tax		119		(11)
Share of assets				
Fixed assets	2,348		3,588	
Current assets	5,209		5,927	
		7,557		9,515
Share of liabilities				
Due within one year or less	(1,466)		(3,122)	
Due after more than one year	(347)		(97)	
		(1,813)		(3,219)
Share of net assets		5,744		6,296

Inter-company balances have been reported net by legal entity. There is a restatement of the prior year comparative on an equivalent basis.

The Directors believe that the carrying value of the investments is supported by their underlying net assets

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

14. STOCKS

	2013	<i>2012</i>
	£000	<i>£000</i>
Raw materials	1,390	<i>1,678</i>
Work in progress	1,844	<i>529</i>
Finished goods and goods for resale	240	<i>758</i>
	<u>3,474</u>	<u><i>2,965</i></u>

The work in progress (WIP) balance is shown net of customer progress payments of £3,343 thousand (2012 - £663 thousand).

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.

The increase in stock was in accordance with the operations production plan for increased shipments due in the early part of 2014.

15. DEBTORS

	2013	<i>As restated 2012</i>
	£000	<i>£000</i>
Trade debtors	4,472	<i>5,528</i>
Amounts owed by group undertakings	43,638	<i>32,093</i>
VAT repayable	636	<i>759</i>
Corporation tax repayable	558	<i>-</i>
Other debtors	-	<i>30</i>
Prepayments and accrued income	820	<i>609</i>
Deferred tax asset (see note 18)	298	<i>329</i>
	<u>50,422</u>	<u><i>39,348</i></u>

Loans to other group companies mature on a monthly basis and are renewable at a variable interest rate. No interest is charged on inter-company trading balances.

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

	2013 £000	<i>As restated</i> 2012 £000
Bank loans and overdrafts	-	1
Payments received on account	-	3,487
Trade creditors	2,720	3,176
Amounts owed to group undertakings	1,981	1,258
Corporation tax	646	1,562
Other creditors	11	-
Accruals and deferred income	5,443	3,110
Deferred grant income	25	25
	<u>10,826</u>	<u>12,619</u>

No interest is charged on inter-company trading balances.

Customer progress payments are reported as part of the WIP stock balance.

	2013 £'000	2012 £'000
Customer progress payments		
- amounts falling due within one year	2,298	663
- amounts falling due after one year	843	-
	<u>3,141</u>	<u>663</u>

**17. CREDITORS:
Amounts falling due after more than one year**

	2013 £000	2012 £000
Payments received on account	-	1,757
Deferred grant income	-	25
	<u>-</u>	<u>1,782</u>

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

18. DEFERRED TAX ASSET

	2013	2012
	£000	£000
At 1 January	329	346
Released during year	24	10
Other movement	(55)	(27)
	<hr/>	<hr/>
At 31 December	298	329
	<hr/>	<hr/>

The deferred tax asset is made up as follows:

	2013	2012
	£000	£000
Decelerated capital allowances	288	334
Other timing differences	10	(5)
	<hr/>	<hr/>
	298	329
	<hr/>	<hr/>

19. OTHER PROVISIONS

	Warranty
	£000
At 1 January 2013	1,693
Additions	214
Amounts used	(301)
Released to Profit and Loss	(501)
	<hr/>
At 31 December 2013	1,105
	<hr/>

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 2013

20. 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 financial statements 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 £nil (2012 - £69 thousand) arising from restricted stock units. There is no committed future charge to profit in respect of restricted stock units as at 31st December 2013 as the scheme is closed (2012 - £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 £2,500 thousand.

21. CALLED UP SHARE CAPITAL

	2013 £000	2012 £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
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

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

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

22. RESERVES

	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000
At 1 January 2013	12,126	20,876	23,942
Profit for the financial year	-	-	9,830
	<u>12,126</u>	<u>20,876</u>	<u>33,772</u>
At 31 December 2013	<u>12,126</u>	<u>20,876</u>	<u>33,772</u>

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholders' funds	57,044	48,999
Profit for the financial year	9,830	7,976
Reserves adjustment for Directors' Share Based Payment	-	69
	<u>66,874</u>	<u>57,044</u>
Closing shareholders' funds	<u>66,874</u>	<u>57,044</u>

24. 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. Contributions to the scheme in the year were £870 thousand (2012 - £871 thousand). There were no unpaid contributions outstanding at the year end. (2012 - £nil)

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

FRS 17 Disclosures

The Company does not bring its share of any pension liability at 31 December 2012 or 31 December 2013 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:

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

24. PENSION BENEFITS (continued)

Change in Projected Benefit Obligation (PBO)

	2013 £'000	2012 £'000
Plan liabilities at prior year end	633,895	549,429
Current service cost	12,179	12,644
Interest cost	28,661	27,874
Plan participants' contributions	157	211
Actuarial loss	68,570	53,132
Gross benefits paid	(18,514)	(9,395)
Curtailment loss	5,960	-
	<u>730,908</u>	<u>633,895</u>
Benefit obligation, end of year	730,908	633,895
Benefit obligations		
Benefit obligation - funded plans	730,908	633,895
	<u>730,908</u>	<u>633,895</u>
Total	<u>730,908</u>	<u>633,895</u>

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

	2013	2012
Discount rate	4.50%	4.50%
Retail price inflation assumption	3.25%	2.75%
Consumer price inflation assumption	2.25%	2.00%
Expected rate of return on plan assets	6.70%	8.25%
Rate of compensation increase	4.00%	3.00%
Pension increase assumption - pre 1 January 2008	3.30%	2.75%
Pension increase assumption - post 1 January 2008	2.70%	2.40%
Life expectancy of a male aged 65 at end of year	21.24	21.17
Life expectancy of a female aged 65 at end of year	24.18	24.08

ATLANTIC INERTIAL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

24. PENSION BENEFITS (continued)

Change in plan assets

	2013	2012
	£'000	£'000
Fair value, beginning of year	550,475	478,073
Expected return on assets	37,221	40,496
Actuarial loss	16,518	1,333
Employer contribution	28,468	39,757
Plan participants' contributions	157	211
Gross benefits paid	(18,514)	(9,395)
	614,325	550,475
Total	614,325	550,475

The categories of plan assets as a percentage of total plan assets at the end of the year were:

	2013	2012
	47.30%	53.30%
Equities	47.30%	53.30%
Debt securities	7.30%	33.80%
Property	4.80%	9.50%
Other	10.60%	3.40%

Experience adjustments

	2013	2012	2011	2010	2009
	£m	£m	£m	£m	£m
Fair value of assets	614,325	550,475	478,073	450,350	392,351
PBO	(730,908)	(633,895)	(549,429)	(503,416)	(471,962)
Funded status	(116,583)	(83,420)	(71,356)	(53,066)	(79,611)
Experience gain/(loss) adjustment on PBO	-	3,110	12,797	1,718	(11,887)
Experience gain/(loss) adjustment on plan assets	16,518	1,333	(23,698)	13,105	37,081

25. OPERATING LEASE COMMITMENTS

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£000	£000
Expiry date:		
Within 1 year	82	-
Between 2 and 5 years	21	124

ATLANTIC INERTIAL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

26. CONTINGENT LIABILITIES

The Company participation in a cash pooling arrangement with several UK group companies ended in the year.

27. RELATED PARTY TRANSACTIONS

	2013	2012
	Silicon	Silicon
	Sensing	Sensing
	Systems	Systems
	Limited	Limited
	£000	£000
Product sales	112	250
Product purchases	1,447	3,152
Service charges to related parties	1,629	1,526
Royalty charges to related parties	42	58
Amounts owed to related parties	35	1,310
Amounts owed by related parties	6	426

The Company's ultimate parent is United Technologies Corporation, whose group financial statements are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with fellow wholly owned members or investees of the United Technologies Corporation Group, with the exception of related party transactions with the Company's joint venture partner Silicon Sensing Systems Limited

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

The ultimate parent undertaking and controlling party is United Technologies Corporation, a company incorporated in Delaware in the USA. United Technologies Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements of United Technologies Corporation are available to the public and may be obtained from the Company Secretary at United Technologies Building, 755 Main Street, Hartford, Connecticut, USA 06103.