

Registered Number 01171948

# **Moog Controls Limited**

## **Report and Financial Statements**

3<sup>rd</sup> October 2020



## **Moog Controls Ltd**

**Registered Number 01171948**

### **Directors**

P Garrad  
C Curr  
S McLachlan  
D Fijas  
M Lawton  
S Moss  
S Dasgupta

### **Secretary**

P Garrad

### **Auditors**

Azets Audit Services Limited  
5 Pullman Court  
Great Western Road  
Gloucester  
GL1 3ND

### **Bankers**

HSBC  
3 Rivergate  
Bristol  
BS1 6ER

### **Solicitors**

Willans  
28-29 Imperial Square  
Cheltenham  
Gloucestershire  
GL50 1RH

### **Registered Office**

Ashchurch  
Tewkesbury  
Gloucestershire  
GL20 8NA

## **Strategic Report**

The directors present their strategic report for the year ended 3<sup>rd</sup> October 2020.

### **Review of the business**

The principal activity of the company is that of the manufacture of electro-hydraulic servo control mechanisms for use in aerospace and industrial applications. The product lines consist of servo valves and servo actuators with related electronics and the repair and servicing of these product lines.

The company's key financial indicators during the year ended 3<sup>rd</sup> October 2020 were as follows:

	2020	2019	Change
	£000	£000	%
Turnover	58,572	66,425	(12%)
Operating profit (Loss)	(1,925)	6,364	(130%)
Profit (Loss) before taxation	(952)	7,357	(112%)
Profit (Loss) after tax	(1,826)	5,898	(130%)
Average number of employees	477	476	-

The level of trade is in line with the European Aerospace sector activity. Covid19 has impacted sales in the commercial aerospace sector. The industry expectation is that sales growth will recover gradually and will be beyond pre Covid levels by 2024. We expect to retain our market position in both the Aerospace and Industrial sectors. The company's Aerospace segment products are mainly focused on more fuel efficient aircraft reducing the risk that a market downturn will affect the company. The company's Industrial segment is increasing its product and service portfolio to maintain sales year on year.

Subsequent to the balance sheet date, the UK legal entity structure of the wider Moog Group has been reviewed by both Group Management and the Directors of the Company. Following this review, it was concluded by both parties that the entity structure should be simplified within the UK. The first step in this wider process has involved the waiver of intercompany loan notes provided to Moog Fernau Limited, being the subsidiary Company of Moog Controls Limited. This transaction was enacted and approved by both respective boards of Directors in January 2021. The waiver of these notes has given rise to a material expense of £5,400,000 within Moog Controls Limited, which has been identified as an adjusting post balance sheet event.

### **Principal risks and uncertainties**

The principal risks and uncertainties fall into the following categories:

#### **Credit Risk Exposure**

The company endeavours to minimise the risk of financial loss caused by third parties failing to discharge an obligation by only granting credit terms to customers who demonstrate an appropriate payment history and satisfy credit worthiness criteria or limiting the value of credit extended to customers who are less credit worthy.

## **Strategic Report**

### **Principal risks and uncertainties (continued)**

#### **Liquidity Risk**

The company mitigates liquidity risk by managing cash flow generation throughout its operation and by applying cash collection procedures. Cash flow risk is managed by careful negotiation of terms with customers and suppliers.

Through continual product improvement and development of new products, the company provides products that are competitive in the market.

#### **Suppliers**

The company carefully selects suppliers who demonstrate an ability to consistently supply high quality products and services at competitive prices.

#### **Currency**

The company has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency as well as the currency risk associated with inter-company transactions in various currencies. Potential exposures to foreign exchange rate movements are monitored through rolling cash flow forecasts in all currencies in which the company trades. These are reviewed monthly and appropriate actions are taken to manage net open positions.

#### **Reporting on compliance with section 172 requirements**

In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the board of directors of Moog Controls Ltd consider, both individually and together, that they have acted in good faith and in a way that would most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) a-f of the act in the decisions taken during the year ended 3<sup>rd</sup> October 2020.

Each year, the directors undertake an in-depth review of the Company's strategy, including a business plan for subsequent years. Once approved by the directors, the plan and strategy form the basis for financial budgets, resource plans and investment decisions and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long term reputation.

Further details how the directors consider the interests of various stakeholders can be found on pages 4-6 of these financial statements.

Director: P Garrad

Date:

21st June 2021

## **Directors Report**

The directors present their report and financial statements of the company for the year ended 3<sup>rd</sup> October 2020

### **Directors**

The directors who held office during the year and subsequent to the year end were:

P Garrad

C Curr

S McLachlan

D Fijas

M Lawton

S Moss (appointed 8<sup>th</sup> July 2020)

W Opie (appointed 8<sup>th</sup> July 2020 & resigned 6<sup>th</sup> January 2021)

S Dasgupta (appointed 20<sup>th</sup> January 2021)

### **Dividends**

The company has not paid or received a dividend during the financial year. The company paid a dividend from retained earnings of £28,000,000 to Moog Inc on the 21st March and on the same day received a dividend of £18,000,000 from Moog Wolverhampton Ltd.

The company paid a dividend from retained earnings of £4,271,000 to Moog Inc on the 5<sup>th</sup> December 2018 and on the same day received a dividend of £4,271,000 from Moog Norden.

### **Research and development**

The company has continued research and development into both existing and new products in the fields of technology in which the company presently operates. Costs of £1,933,000 (2019: £2,578,000) attributable to research and development have been written off in the year.

### **Future developments**

In support of its strategic plans, Moog Controls Ltd's objective is to be recognised by customers as a competitive and world class provider of customised motion control solutions and to be renowned for innovative engineering, talented people, quality products, services and solutions. Future developments include Aerospace programs on Boeing 787 and Airbus A350 and Industrial projects providing customised solutions; both divisions offer an ever widening portfolio of products and services.

### **Political and charitable contributions**

The company did not make any political donations during the period and made £3,000 (2019: £2,000) of charitable donations in the period.

## **Directors Report (continued)**

### **Governance**

Regular Board meetings are held during which relevant strategic, governance and performance issues are discussed and addressed. All matters discussed, and decisions made, are done so with consideration to the impact on Company stakeholders in line with the requirements of Section 172 of the Companies Act.

### **Stakeholder engagement**

#### **With employees**

During the year, the policy of providing employees with information about the company has been continued through newsletters and publications in which employees have been encouraged to present their suggestions and views. Employees are regularly provided with a wide range of information concerning the performance and prospects of the business in which they are involved by means of employee meetings, which allow a free flow of information and ideas.

The company is an equal opportunities employer. Applications for employment are always fully considered irrespective of gender, ethnic origin, race, religion, sexual orientation or disability.

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

#### **With suppliers, customers, and others**

When determining the principal decisions to be taken by the company during the financial year the directors have regard to the need to foster the company's business relationships with suppliers, customers and others. This includes considerations regarding sustainability, responsible sourcing, payment terms and anti-bribery and corruption.

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### **Emissions and energy consumption**

During the year, the Company emitted 1,228 tonnes of CO<sub>2</sub>e from activities involving the purchase of electricity for its own use, the combustion of gas and consumption of fuel for the purpose of transport. In aggregate it consumed 5.4 million kWh of energy. Greenhouse gas emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting 2020. Energy usage data was gathered from a variety of sources, including utility bills for gas and electric, and mileage expenses and receipts for transport. The Company's intensity ratio, expressed as tonnes of CO<sub>2</sub>e per total £m of sales revenue, is 21.0.

To improve energy efficiency and reduce emissions a solar array has been commissioned on the Industrial facilities roof and shop floor lighting has been upgraded to LED.

## **Directors Report (continued)**

### **Going concern**

The group's business activities, together with the factors likely to affect its future development including its exposures to credit, liquidity and currency risk are described in the Strategic Report on pages 2 to 3.

The company has long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

Following the emergence of Covid 19 in early 2020, the operations of the company began to be negatively impacted in March 2020 and a negative impact on the financial performance is expected to continue whilst air travel is restricted. At the current date, the quantified impact on financial statements cannot be measured, given the uncertainties about the evolution of the epidemic and the measures announced by the Government to support businesses. Despite this uncertainty, the company continues to benefit from any support needed from the wider Moog group, the financial position of which remains strong.

The directors, having assessed the responses of the directors of the company's parent, Moog Inc, to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Moog Group to continue as a going concern.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Moog Inc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to prepare the annual financial statements on a going concern basis.

### **Disclosure of information to auditors**

The directors who were members of the board at the time of approving the Directors' Report are listed on page 4. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**


On 7 September 2020 Group Audit Services Limited trading as Baldwins Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

A resolution to reappoint Azets Audit Services as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Director: P Garrad

Date:

  
21st June 2021

## **Statement of directors responsibilities in respect of the financial statements**

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 for that period. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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.



# **Independent auditor's report**

**to the members of Moog Controls Ltd**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOOG CONTROLS LIMITED**

### **Opinion**

We have audited the financial statements of Moog Controls Limited (the 'company') for the year ended 3<sup>rd</sup> October 2020 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3<sup>rd</sup> October 2020 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent auditor's report**

**Registered Number 01171948**

**to the members of Moog Controls Ltd**

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

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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.

## **Responsibilities of directors**

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

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

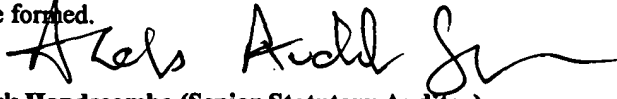
## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our Report**

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.



**Mark Handscombe (Senior Statutory Auditor)**

**for and on behalf of Azets Audit Services**

**Statutory Auditor**

21/6/2021

5 Pullman Court  
Great Western Road  
Gloucester  
GL1 3ND

## Profit and loss account

For the year ended 3<sup>rd</sup> October 2020

	Notes	2020 £000	2019 £000
<b>Turnover</b>	3	58,572	66,425
Cost of sales		(44,150)	(50,911)
<b>Gross profit</b>		14,422	15,514
Administrative expenses		(11,747)	(10,520)
Other operating expenses		(725)	(776)
Royalty income		1,525	2,146
Exceptional item		(5,400)	-
<b>Operating profit</b>	4	(1,925)	6,364
Interest and similar charges	7	963	896
Finance (expense) income	8	10	97
<b>Profit (Loss) on ordinary activities before taxation</b>		(952)	7,357
Tax on profit on ordinary activities	9	(874)	(1,459)
<b>Profit (Loss) for the financial year</b>		(1,826)	5,898

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 3<sup>rd</sup> October 2020

	Notes	2020 £000	2019 £000
<b>Profit (Loss) for the financial year</b>		(1,826)	5,898
Actuarial gain (loss) recognised on pension scheme	17	1,197	(3,165)
Movement in deferred taxation in respect of pension scheme		(227)	601
<b>Total comprehensive (loss) income for the year</b>		(856)	3,334

**Moog Controls Ltd**

**Registered Number 01171948**

## **Statement of changes in equity**

**for the year ended 3<sup>rd</sup> October 2020**

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 28 <sup>th</sup> September 2019	2,250	35,778	53,209	91,237
Profit for the year	-	-	(1,826)	(1,826)
Other comprehensive income for the year	-	-	970	970
At 3 <sup>rd</sup> October 2020	2,250	35,778	52,353	90,381


**Balance Sheet**At 3<sup>rd</sup> October 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Fixed assets</b>			
Tangible assets	10	8,672	9,571
Investments	11	43,357	43,357
		<u>52,029</u>	<u>52,928</u>
<b>Current assets</b>			
Cash		491	354
Stocks	12	14,614	13,016
Debtors	13	20,548	18,196
		<u>35,653</u>	<u>31,566</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(7,982)</u>	<u>(8,573)</u>
<b>Net current assets</b>		<u>27,671</u>	<u>22,993</u>
<b>Promissory notes</b>	16	11,000	16,400
<b>Total assets less current liabilities</b>		<u>90,700</u>	<u>92,321</u>
<b>Provisions for liabilities and charges</b>	15	<u>(1,797)</u>	<u>(1,274)</u>
<b>Net assets excluding pension liability</b>		<u>88,903</u>	<u>91,047</u>
<b>Pension scheme assets/(liabilities)</b>	17	1,478	190
<b>Net assets</b>		<u><u>90,381</u></u>	<u><u>91,237</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	2,250	2,250
Share premium account		35,778	35,778
Profit and loss account		52,353	53,209
<b>Equity shareholders' funds</b>		<u><u>90,381</u></u>	<u><u>91,237</u></u>

Approved by the Board

Director: P Garrad

Date

  
 21<sup>st</sup> June 2021

## **Notes to the financial statements**

**At 3<sup>rd</sup> October 2020**

### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The company's financial statements are presented in sterling and all values rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

#### **Exemptions for qualifying entities under FRS102:**

FRS102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Moog Controls Ltd is a qualifying entity as its results are consolidated into the financial statements of Moog Inc a company incorporated in the United States of America, registration number 67444, the registered office is Moog Inc, 400 Jamison Road, Elma, New York 14059, United States of America which are publicly available. The company has not prepared group accounts as its results are consolidated within these publically available financial statements.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial includes the Company's cash flows (FRS 102 paragraph 1.12(b))
- ii) not to disclose related party transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transaction are wholly owned by the ultimate controlling party (FRS 102 paragraph 33.1(a))

#### **Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Pandemics such as COVID 19 creates uncertainty which can have a detrimental effect on the business. In this situation the company works with employees, suppliers and customers to manage the situation to the greatest extent possible. The company has the benefit of supplying to different markets, commercial & military aircraft and industrial, it is not reliant on one business sector where there is a temporary slow down in demand. The company has adequate resources, net assets, a positive cash balance and support from its parent company to continue in operational existence for the foreseeable future.

## **Notes to the financial statements**

At 3<sup>rd</sup> October 2020

### **1. Accounting policies (continued)**

#### ***Fixed assets***

All fixed assets are initially recorded at cost.

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual values based on prices at the date of acquisition, of each asset over its expected useful life, as follows:

Freehold buildings	over 40 years
Short leasehold	over the length of the lease
Plant and machinery	over 8 years
Fixtures and fittings	over 10 years
Tools and computer equipment	over 2-3 years

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Stocks***

Stocks are stated at the lower of cost and net realizable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first in, first out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### ***Long term contracts***

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 to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover applicable to long term contracts represents the value of work completed during the year, calculated with reference to the total expected value of the contracts. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. A full provision is made for losses on all contracts in the year in which they are first foreseen.

#### ***Revenue and royalty income***

Revenue is recognised when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer. With the sale of goods, this occurs when the goods are despatched or made available to the customer. With royalty income, revenue is recognised in accordance with the substance of the relevant agreement

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#### ***Investments***

Fixed asset investments are shown at cost less a provision for impairment.

#### ***Goodwill***

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Goodwill is amortised over its estimated useful economic life. It is stated at cost less amortisation.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.



## **Notes to the financial statements**

**At 3<sup>rd</sup> October 2020**

### **1. Accounting policies (continued)**

#### ***Deferred taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

#### ***Research and development***

Research and development expenditure is written off as incurred.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate, all differences are taken to the profit and loss account.

#### ***Pensions and other post-retirement benefits***

The company operates a defined benefit and a defined contribution pension scheme, both of which require contributions to be made to separately administered funds

#### ***Defined benefits scheme***

The defined benefits scheme provides benefits based on each employee's final pensionable pay. Contributions to the defined benefits scheme are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amount charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

## **Notes to the financial statements**

**At 3<sup>rd</sup> October 2020**

### **1. Accounting policies (continued)**

#### ***Defined contributions scheme***

Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### ***Lease and hire purchase commitments***

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

#### ***Related parties***

The company is exempt from the requirement to disclose transactions between group companies as all subsidiaries have 100% of their voting rights controlled within the group and the consolidated financial statements of the group are publicly available.

#### ***Cash flow statement***

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Moog Inc, within whose consolidated cash flow statement the cash flows of the company are included.

### **2. Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Pensions and other post-retirement benefits***

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumption and the long term nature of these plans, such estimates are subject to significant uncertainty. The company engages suitably qualified actuaries to compile this information and engages investment managers to manage the assets of the scheme in the most effective manner.

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 3. Turnover

Turnover is attributable to one continuing activity, as stated in the directors' report.

An analysis of turnover by geographical market is given below:

Turnover by geographical market	2020 £000	2019 £000
United Kingdom	21,999	23,503
Rest of Europe	23,764	28,936
USA	5,930	6,816
Other	6,879	7,170
	<u>58,572</u>	<u>66,425</u>

## 4. Operating profit

This is stated after charging:

	2020 £000	2019 £000
Auditors' remuneration for audit services	42	44
Research and development expenditure written off	2,096	2,736
Research and development expenditure credit	(163)	(158)
Operating lease rentals land & buildings	847	837
Operating lease rentals plant & machinery	156	123
(Profit)/Loss on disposal of fixed asset	-	123
Depreciation of owned asset (note 10)	1,841	1,788
Foreign exchange loss/(gain)	226	(37)

## 5. Directors' Remuneration

Directors' emoluments	2020 £000	2019 £000
Emoluments	783	770
Company contributions paid to money purchase pension schemes	<u>56</u>	<u>48</u>

Five directors are remunerated by the company and are members of the defined contribution scheme (2019: 4). The other directors are remunerated by other group companies for any services to the company.

The amounts in respect of the highest paid director are as follows:	2020 £000	2019 £000
Emoluments	316	373
Company contributions paid to money purchase pension schemes	<u>22</u>	<u>20</u>

### Key management personnel

The parent company consider the directors of the company to be the key management personnel who have authority and responsibility for planning, directing and controlling the activities of the company.

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 6. Staff Costs

	2020	2019
	£000	£000
Employment Costs		
Wages and salaries	20,957	19,692
Social security costs	2,226	2,090
Other pension costs	1,626	1,561
	<u>24,810</u>	<u>23,343</u>

Monthly average number of employees (including directors)	2020	2019
	No	No
Administration and management	176	167
Production	301	309
	<u>477</u>	<u>476</u>

## 7. Interest and similar charges

	2020	2019
	£000	£000
Interest (receivable) payable	(963)	(896)
	<u></u>	<u></u>

## 8. Finance income

	2020	2019
	£000	£000
Interest (payable) receivable from defined benefit pension plan	10	97
	<u></u>	<u></u>

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 9. Tax

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020	2019
	£000	£000
Current tax:		
UK corporation tax	1,105	1,395
UK corporation tax prior year adjustment	9	-
Total current tax	1,114	1,395
Deferred tax excluding pension scheme	(320)	(63)
Deferred tax pension scheme	80	127
Deferred tax rate change adjustment	-	-
Tax on profit on ordinary activities	874	1,459

### (b) Factors affecting tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.0%. The differences are reconciled below:

	2020	2019
	£000	£000
Profit on ordinary activities before tax	(952)	7,357
Profit on ordinary activities multiplied by standard rate of tax in the UK of 19.0% (2019:19.0%)	(181)	1,398
Effects of:		
Non-deductible expenses	1,046	61
Prior year adjustment	9	-
Total tax (note 9a)	874	1,459

### (c) Factors affecting future tax charges

In the 2020 budget the Chancellor scrapped the planned 2% cut in corporation tax to 17%. Corporation tax will be pegged at 19% for at least the next two years. As these tax rates were substantively enacted the relevant rate reductions are reflected in these financial statements.

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 10. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Short leasehold £000</i>	<i>Plant and equipment £000</i>	<i>Fixtures, fittings, tools and equipment £000</i>	<i>Assets in the course of construction £000</i>	<i>Total £000</i>
<i>Cost:</i>						
At beginning of the year	671	2,857	16,144	1,418	1,344	22,434
Additions	-	363	1,013	5	(439)	942
Disposals	-	-	-	-	-	-
At end of the year	671	3,220	17,157	1,423	905	23,376
<i>Depreciation:</i>						
At beginning of the year	229	887	10,814	933	-	12,863
Charged in the year	17	230	1,463	131	-	1,841
Disposals	-	-	-	-	-	-
At end of the year	246	1,117	12,277	1,064	-	14,704
<i>Net book value:</i>						
At end of the year	425	2,103	4,880	359	905	8,672
At beginning of the year	442	1,970	5,330	485	1,344	9,571

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 11. Investments

Investment in subsidiary undertakings, being cost and net book value:

	2020 £000	2019 £000
Moog Norden AB	20	20
Moog Reading Limited	9,446	9,446
Moog Fernau Limited	5,681	5,681
Moog Wolverhampton Limited	28,210	28,210
	<u>43,357</u>	<u>43,357</u>

The company has the following wholly owned subsidiaries incorporated in Sweden, Finland and the UK respectively:

<i>Name of company &amp; Registered Office</i>	<i>Called up share capital (ordinary shares)</i>	<i>Country</i>	<i>Nature of business</i>
Moog Norden AB Stora Ävägen 19B, 436 34 Askim, Sweden	200,000 Sw Kr	Sweden	Sales and repair facility for Industrial products on the Nordic territories
Moog Reading Limited 30 Sutton Ind Est, Reading RG6 1AW	135,137 GBP	UK	Precision engineering and manufacture of electro mechanical devices
Moog Fernau Limited Unit C Airport Executive Park President Way Luton Bedfordshire LU2 9NY	2,590,000 GBP	UK	Sales and manufacture of air traffic management equipment and navigational aids
Moog Wolverhampton Limited Alexandra Way, Ashchurch, Tewkesbury GL20 8NA	101 GBP	UK	Sales and manufacture of flight control actuation products

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 12. Stocks

	2020 £000	2019 £000
Raw materials and Work In Progress	4,782	4,401
Finished goods	9,832	8,615
	<u>14,614</u>	<u>13,016</u>

## 13. Debtors

	2020 £000	2019 £000
Trade debtors	8,597	12,876
Parent company and fellow subsidiaries	11,016	4,786
Deferred taxation	277	-
Other receivables	22	332
Prepayments and accrued income	636	202
	<u>20,548</u>	<u>18,196</u>



# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 14. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	929	4,133
Amounts owed to parent company and fellow subsidiary undertakings	961	1,470
Corporation tax	804	813
Deferred tax	-	44
Other taxation and social security	541	560
Accruals and deferred income	4,522	1,553
Other payables	225	-
	<u>7,982</u>	<u>8,573</u>

A deferred tax liability/ (asset) is recognised at 19% in the financial statements as follows:

	2020	2019
	£000	£000
Difference between accumulated depreciation and capital allowances	5	70
Other timing differences	(282)	(26)
Deferred tax (asset)/liability	<u>(277)</u>	<u>44</u>

## 15. Provisions for liabilities and charges

	Contract loss and warranty	Onerous contracts	Total
	£000	£000	£000
At beginning of the year	765	509	1,274
Charged to the profit and loss account in the year	1,336	259	1,595
Utilised in the year	(924)	(148)	(1,072)
At end of the year	<u>1,177</u>	<u>620</u>	<u>1,797</u>

The contract loss and warranty provision is for product integrity rework and contract loss provisions. The figure includes £76,000 for warranty returns in the forthcoming year based on current year actual experience. The balance comprises customer-specific product integrity issues provisioned at factory cost.

The onerous contract provision relates to expected losses on future orders to be incurred in a future period

## Notes to the financial statements

At 3<sup>rd</sup> October 2020

### 16. Debtors: amounts falling due after one year

	2020	2019
	£000	£000
Promissory note	11,000	16,400

The company has two promissory notes with its subsidiaries, interest accruing on an actual days and interest payable annually. Moog Fernau Limited was loaned £7m on 15<sup>th</sup> December 2016 with a maturity date of 14<sup>th</sup> December 2022 at an interest rate of 8.23%. A waiver of the promissory note with Moog Fernau Limited was enacted and approved by both respective boards of Directors in January 2021. The waiver of these notes has given rise to a material expense of £5,400,000 within Moog Controls Limited, which has been identified as an adjusting post balance sheet event.

Moog Reading Limited was loaned £11m on 15<sup>th</sup> December 2016 with a maturity date of 14<sup>th</sup> December 2022 at an interest rate of 5.46%. During 2018 Moog Fernau Limited paid down £1.6m.

### 17. Pension arrangements

The company operates a defined benefit and defined contribution pension scheme, both of which require contributions to be made to separately administered funds.

#### *Defined contributions scheme*

The pension costs are charged to the profit and loss as they become payable. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,449,000 (2019: £1,341,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### *Defined benefit scheme*

##### *a) Information about the scheme*

#### **General description of the type of scheme:**

Defined benefit scheme providing benefits linked to salary at retirement or earlier date of leaving service. The plan has been closed to new entrants since 1992.

#### **Description of funding policy:**

Following the 1<sup>st</sup> December 2013 triennial valuation, the company agreed that it would pay £10,000 per month. Following the 1<sup>st</sup> December 2016 triennial valuation the company agreed that it would pay a one off deficit reduction contribution of £1,000,000 in September 2017, and £25,000 per month over the period from October 2017 to May 2024. Funding levels are monitored on an annual basis, and the current agreed employer future service contribution rate is 54.3% of contribution salaries. The next triennial valuation is due 1<sup>st</sup> December 2022.

#### **Date of the most recent actuarial valuation:**

1<sup>st</sup> December 2019

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 17. Pension arrangements (continued)

### b) Reconciliation of value of liabilities

	2020	2019
	£000	£000
Value of liabilities at start of year	32,920	28,145
Current service cost	187	217
Interest cost	583	796
Contributions by plan participants	23	24
Recognised actuarial (gain) loss on liabilities	(1,568)	5,021
Benefits paid	(1,089)	(1,383)
Past service cost	-	100
Value of liabilities at end of year	31,056	32,920

### c) Reconciliation of fair value of assets

	2020	2019
	£000	£000
Value of assets at start of year	33,149	31,203
Expected return on assets	592	893
Actuarial loss/(gain)	(371)	1,856
Contributions by the employer	577	555
Contributions by scheme participants	23	24
Benefits paid	(1,089)	(1,382)
Value of assets at end of year	32,881	33,149

### d) Profit and loss

	2020	2019
	£000	£000
Administration Current service cost	187	217
Finance interest payable (receivable)	(10)	(97)

### e) Amounts recognised in other comprehensive income (OCI)

	2020	2019
	£000	£000
Actual return less expected return on assets	(371)	1,856
Experience (loss)/gain arising on scheme liabilities	1,865	(21)
Changes in assumptions	(297)	(5,000)
Total (losses) recognised in OCI	1,197	(3,165)

## **Notes to the financial statements**

**At 3<sup>rd</sup> October 2020**

### **Pension arrangements (continued)**

*f) Analysis of value of assets and reconciliation of funded status*

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Equities	8,260	11,513	11,296	11,103	9,789
Bonds	24,507	21,536	19,734	19,272	18,508
Cash	114	100	173	272	128
<b>Total market value of assets</b>	<b>32,881</b>	<b>33,149</b>	<b>31,203</b>	<b>30,647</b>	<b>28,425</b>
<b>Present value of scheme liabilities</b>	<b>(31,056)</b>	<b>(32,920)</b>	<b>(28,145)</b>	<b>(31,176)</b>	<b>(32,492)</b>
<b>Pension (liability)/asset before deferred tax</b>	<b>1,825</b>	<b>229</b>	<b>3,058</b>	<b>(529)</b>	<b>(4,067)</b>
<b>Related deferred tax (liability)/asset at 19%</b>	<b>(347)</b>	<b>(39)</b>	<b>(520)</b>	<b>90</b>	<b>691</b>
<b>Net Pension (Liability)/Asset</b>	<b>1,478</b>	<b>190</b>	<b>2,538</b>	<b>(439)</b>	<b>(3,376)</b>

*g) Actual return on assets*

	2020	2019
	£000	£000
<b>Actual return on assets</b>	<b>221</b>	<b>2,750</b>

*h) Actuarial assumptions at end of year*

	2020	2019	2018	2017	2016
	%	%	%	%	%
Rate of salary increases	3.00	3.00	3.00	3.00	3.00
Rate of increase in pensions in payment (inflation subject to a maximum of 5% per annum)	2.95	3.20	3.20	3.20	2.95
Discount rate	1.55	1.80	2.90	2.60	2.29
Inflation assumption RPI	3.00	3.35	3.35	3.35	3.00
Inflation assumption CPI	2.50	2.35	2.35	2.35	2.00

**Mortality assumption:**

93% of S3PMA for males and 104% of S3PFA for females with the CMI 2019 core projection with a minimum improvement of 1.50% pa for males and 1.25% pa for females. S Kappa of 7 and Parameter A of 0.25%.

# Notes to the financial statements

At 3<sup>rd</sup> October 2020

## 18. Called up share capital

	2020 £000	2019 £000
<b>Allotted, called up and fully paid</b>		
Equity shares: 2,250,001 (2019: 2,250,001) ordinary shares of £1 each	2,250	2,250

## 19. Capital commitments

	2020 £000	2019 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	512	1,011

### Financial commitments

At 3<sup>rd</sup> October 2020 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2020 Land and buildings £000	2020 Other £000	2019 Land and buildings £000	2019 Other £000
Not later than one year	850	134	850	133
Later than one year and not later than five years	3,007	227	3,243	342
Later than five years	5,401	-	6,015	-
	9,258	361	10,108	475

## 20. Contingent liabilities

There is a contingent liability in respect of a counter indemnity up to a maximum of £100,000 (2019: £100,000) in respect of deferment of duty allowable by HM Revenue and Customs.

## 21. Events after the reporting date

Subsequent to the balance sheet date, the UK legal entity structure of the wider Moog Group has been reviewed by both Group Management and the Directors of the Company. Following this review, it was concluded by both parties that the entity structure should be simplified within the UK. The first step in this wider process has involved the waiver of intercompany loan notes provided by Moog Controls Limited, being the parent Company of Moog Fernau Limited. This transaction was enacted and approved by both respective boards of Directors in January 2021. The waiver of these notes has given rise to material expense of £5,400,000 within Moog Controls Limited, which has been identified as an adjusting post balance sheet event. This cost has accordingly been classified as an exceptional item within the Statement of Comprehensive Income.

## **21. Ultimate parent company**

The ultimate holding company, immediate parent and ultimate controlling party undertaking is Moog Inc., a company incorporated in the United States of America.

The largest and smallest group in which the results of the company are consolidated is that headed by Moog Inc.

Copies of the Moog Inc. financial statements may be obtained from Shareholder Relations, Moog Inc., East Aurora, New York, 14052-0018, USA.