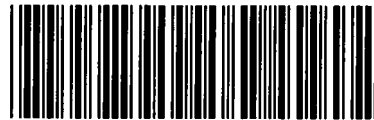


# **Rosemount Aerospace Properties Limited**

**Annual Report  
for the year ended 31 December 2017**

Registered number: 04614379

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## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

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## ROSEMOUNT AEROSPACE PROPERTIES LIMITED

### Strategic report for the year ended 31 December 2017

The directors present their strategic report for the company for the year ended 31 December 2017.

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

#### Review of business and future developments

The directors are satisfied with the results for the year. The directors expect the company to continue as a property rental company for the foreseeable future.

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

|                               | 2017<br>\$ | 2016<br>\$ | Change<br>% |
|-------------------------------|------------|------------|-------------|
| Turnover                      | 1,361,572  | 1,980,236  | (31.2%)     |
| Operating profit              | 958,767    | 1,211,035  | (20.8%)     |
| Profit for the financial year | 1,329,166  | 1,298,496  | 2.4%        |
| Total shareholders' funds     | 16,329,166 | 18,476,613 | (11.6%)     |

The directors are satisfied with the results for the year.

The Company continues to rent out its properties to sister companies on long-term, arms-length terms.

In 2013, following the sale by Goodrich Controls Holding Limited of its share in the joint venture (JV) with Rolls-Royce, the company evaluated the carrying value of its properties then rented to the JV and now to Rolls-Royce. In light of the expectation that the tenant would likely vacate the buildings in the next few years, the carrying value of these properties was impaired by \$3,275,439 to reflect their anticipated future net worth. No additional impairment was required in 2017.

In March 2017 the business sold the two investment properties previously rented by Rolls-Royce to an unrelated party. There was an \$82,986 gain on the sale.

#### Key performance indicators

The company's source of turnover is its rental income in its properties, which are let to sister companies under multi-year agreements. As a result of this, other than from the sale of any property, revenue is not subject to fluctuations, although costs may be impacted should impairment in the carrying value of any of the properties be identified.

#### Financial risk management

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's operations expose it to financial risks as set out below.

##### *Liquidity risk*

The company actively maintains intercompany finance that is designed to ensure the company has sufficient available funds for operations.

## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

### **Strategic report for the year ended 31 December 2017**

#### **Financial risk management (continued)**

##### *Foreign currency risk*

The functional currency of the company is US dollars but the company buys some services denominated in sterling. As a result, the value of the business's non-dollar denominated purchases, financial assets and liabilities and cash flows can be affected significantly by movements in the exchange rate.

The company manages its exposure to currency movements by working with the Group's Treasury department to review the impact of exchange rate fluctuations.

#### **Events after the balance sheet date**

There were no significant events since the balance sheet date which have impacted the financial statements.

#### **Approval**

Approved by the Board and signed on its behalf by:



L Powell  
Director  
Date

19/6/18

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

# **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

## **Directors' Report for the year ended 31 December 2017**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2017. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Principal activities**

The company's principal activity during the year was the rental of property.

### **Results and dividends**

The profit for the financial year is set out in the profit and loss account on page 8.

An interim dividend of \$3,476,613 was proposed, approved and paid in the year (2016: \$nil).

### **Financial risk management and future developments**

Financial risk management and future developments are currently disclosed in the strategic report on pages 1-2.

### **Going concern**

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

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

### **Modern Slavery Act**

The Company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the Company has published a statement for the Reporting period at [www.utcaerospacesystems.com](http://www.utcaerospacesystems.com).

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

D Middleton  
P Ross  
L Powell

### **Directors' indemnity**

The directors have the benefit of an indemnity (provided on a group wide basis via United Technologies Corporation) which is a qualifying third party indemnity provision. The indemnity was in force throughout the financial year and also at the date of approval of the financial statements.

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

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

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Directors' Report for the year ended 31 December 2017

### Statement of directors' responsibilities in respect of the financial statements (continued)

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

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

The directors are 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.

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

### Statement of disclosure of information to auditors

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

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

### Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



L Powell

Director

Date

19/6/18

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

## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

### **Independent auditors' report to the members of Rosemount Aerospace Properties Limited** **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Rosemount Aerospace Properties Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

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

#### *Independence*

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

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

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

- 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.

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

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#### **Reporting on other information**

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

## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

### **Independent auditors' report to the members of Rosemount Aerospace Properties Limited**

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 3-4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

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



## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

### **Independent auditors' report to the members of Rosemount Aerospace Properties Limited**

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#### **Other required reporting**

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##### **Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.

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##### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report. We have no exceptions to report arising from this responsibility.



Ian Wall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

20 June 2018

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Profit and Loss Account

For the year ended 31 December 2017

|                                            | <i>Note</i> | 2017<br>\$       | 2016<br>\$ |
|--------------------------------------------|-------------|------------------|------------|
| <b>Turnover</b>                            | <b>3</b>    | <b>1,361,572</b> | 1,980,236  |
| Administrative expenses                    |             | (402,805)        | (769,201)  |
| <b>Operating profit</b>                    |             | <b>958,767</b>   | 1,211,035  |
| Profit on sale of investment property      |             | 82,986           | -          |
| <b>Profit before interest and taxation</b> |             | <b>1,041,753</b> | 1,211,035  |
| Interest receivable and similar income     | <b>4</b>    | <b>79,007</b>    | 6,874      |
| <b>Profit before taxation</b>              | <b>5</b>    | <b>1,120,760</b> | 1,217,909  |
| Tax on profit                              | <b>8</b>    | <b>208,406</b>   | 80,587     |
| <b>Profit for the financial year</b>       |             | <b>1,329,166</b> | 1,298,496  |

All results are derived from continuing operations.

The company has no recognised other comprehensive income/(expense) other than its profit for the financial years ended December 2017 and 2016, and hence no separate statement of comprehensive income has been presented.

**ROSEMOUNT AEROSPACE PROPERTIES LIMITED**  
**Registered number: 4614379**

**Balance sheet**  
**As at 31 December 2017**

|                                                | <b>Note</b> | <b>2017</b><br>\$  | <b>2016</b><br>\$ |
|------------------------------------------------|-------------|--------------------|-------------------|
| <b>Fixed assets</b>                            |             |                    |                   |
| Investment Properties                          | <b>9</b>    | <b>10,419,885</b>  | 14,092,034        |
|                                                |             | <b>10,419,885</b>  | 14,092,034        |
| <b>Current assets</b>                          |             |                    |                   |
| Debtors                                        | <b>10</b>   | <b>9,722,435</b>   | 4,878,710         |
| Creditors: Amounts falling due within one year | <b>11</b>   | <b>(3,571,049)</b> | (43,620)          |
| <b>Net current assets</b>                      |             | <b>6,151,386</b>   | 4,835,090         |
| <b>Total assets less current liabilities</b>   |             | <b>16,571,271</b>  | 18,927,124        |
| <b>Deferred tax liability</b>                  | <b>12</b>   | <b>(242,105)</b>   | (450,511)         |
| <b>Net assets</b>                              |             | <b>16,329,166</b>  | 18,476,613        |
| <b>Equity</b>                                  |             |                    |                   |
| Called up share capital                        | <b>13</b>   | <b>159</b>         | 159               |
| Share premium account                          |             | <b>14,999,841</b>  | 14,999,841        |
| Profit and loss account                        |             | <b>1,329,166</b>   | 3,476,613         |
| <b>Total shareholders' funds</b>               |             | <b>16,329,166</b>  | 18,476,613        |

The notes on pages 11 to 24 form part of these financial statements

The financial statements on pages 8 to 24 were approved by the board of directors on **19** June 2018 and were signed on its behalf by:



L Powell  
Director

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Statement of changes in equity For the year ended 31 December 2017

|                                                | Called up<br>share<br>capital<br>(Note 13)<br>\$ | Share<br>premium<br>account<br>\$ | Profit and<br>loss<br>account<br>\$ | Total<br>share-<br>holders'<br>funds<br>\$ |
|------------------------------------------------|--------------------------------------------------|-----------------------------------|-------------------------------------|--------------------------------------------|
| <b>Balance at 1 January 2016</b>               | <b>159</b>                                       | <b>14,999,841</b>                 | <b>2,178,117</b>                    | <b>17,178,117</b>                          |
| Profit for the financial year                  | -                                                | -                                 | 1,298,496                           | 1,298,496                                  |
| <b>Total comprehensive income for the year</b> | <b>-</b>                                         | <b>-</b>                          | <b>1,298,496</b>                    | <b>1,298,496</b>                           |
| <b>Balance at 31 December 2016</b>             | <b>159</b>                                       | <b>14,999,841</b>                 | <b>3,476,613</b>                    | <b>18,476,613</b>                          |
| Profit for the financial year                  | -                                                | -                                 | 1,329,166                           | 1,329,166                                  |
| <b>Total comprehensive income for the year</b> | <b>-</b>                                         | <b>-</b>                          | <b>1,329,166</b>                    | <b>1,329,166</b>                           |
| Dividends (see note 14)                        | -                                                | -                                 | (3,476,613)                         | (3,476,613)                                |
| <b>Balance at 31 December 2017</b>             | <b>159</b>                                       | <b>14,999,841</b>                 | <b>1,329,166</b>                    | <b>16,329,166</b>                          |

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies

Rosemount Aerospace Properties Limited's ('the company') principal activity during the year was the rental of property.

The company is a private company, limited by shares, and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Fore 1, Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, West Midlands B90 4SS.

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

#### Basis of accounting

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

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

The financial statements have been prepared on a going concern basis and also under the historical cost convention.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies (continued)

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

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

IFRS 7 – financial instrument disclosures

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

IAS 1 – Information on management of capital

IAS 7 – statement of cash flows

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

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

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

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

The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 15.

### Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the company.

### Going concern

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

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

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

### Taxation

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

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Taxation (continued)

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

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

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

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

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

#### ***Current tax and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material.

The business derives revenue from two streams and therefore uses a variety of methods for revenue recognition.

#### Turnover - Rental income

Turnover comprises of rental income from operating leases, excluding charges for service, is recognised on a straight line basis over the period of the relevant lease.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Interest income

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

#### **Foreign currency**

The financial statements are presented in US Dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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

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

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

#### **Interest payable and similar expenses**

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within interest payable and similar expenses.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Investment Properties**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to income.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Investment Properties (continued)

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

#### Included within Freehold Property

|             |                         |
|-------------|-------------------------|
| - Land      | No depreciation charged |
| - Buildings | 40 years                |

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### *Financial Assets*

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## ROSEMOUNT AEROSPACE PROPERTIES LIMITED

### Notes to the financial statements For the year ended 31 December 2017

#### 1. Accounting policies (continued)

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

## **Notes to the financial statements For the year ended 31 December 2017**

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

#### ***Financial liabilities and equity***

Debt instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### **2. Critical accounting judgements and key sources of estimation uncertainty**

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

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

#### ***Critical judgements in applying the company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### ***Key sources of estimation uncertainty***

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

## ROSEMOUNT AEROSPACE PROPERTIES LIMITED

### Notes to the financial statements For the year ended 31 December 2017

#### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Useful economic lives of investment properties

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 9 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

##### Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 10 for the net carrying amount of the receivables and the associated impairment provision.

#### 3. Turnover

An analysis of turnover by class of business is as follows:

|                               | 2017<br>\$ | 2016<br>\$ |
|-------------------------------|------------|------------|
| Operating lease rental income | 1,361,572  | 1,980,236  |

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

|                 | 2017<br>\$ | 2016<br>\$ |
|-----------------|------------|------------|
| <b>Revenue:</b> |            |            |
| United Kingdom  | 1,361,572  | 1,980,236  |

#### 4. Interest receivable and similar income

|                                         | 2017<br>\$ | 2016<br>\$ |
|-----------------------------------------|------------|------------|
| Interest on loans to group undertakings | 79,007     | 6,874      |

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 5. Profit before taxation

Profit before taxation is stated after charging:

|                                        | 2017<br>\$ | 2016<br>\$ |
|----------------------------------------|------------|------------|
| Net foreign exchange losses            | 31,355     | 330,344    |
| Audit fees                             | 10,255     | 10,004     |
| Depreciation of investment properties: |            |            |
| - owned                                | 170,874    | 435,964    |
| Profit on sale of investment property  | 82,986     | -          |

### 6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's financial statements were \$10,255 (2016: \$10,004).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company are not required to be disclosed because small or medium-sized companies have exemption from disclosing such fees.

### 7. Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2016: \$nil). The directors' roles within the company are deemed to be incidental to their roles as directors within the Goodrich Limited Group and therefore the company bears no cost in relation to these directors.

### 8. Tax on profit

Tax expense included in profit or loss:

|                                                | 2017<br>\$ | 2016<br>\$ |
|------------------------------------------------|------------|------------|
| <b>Current tax</b>                             |            |            |
| UK corporation tax on profits for the year     | -          | -          |
| <b>Total current tax</b>                       | -          | -          |
| <b>Deferred tax</b>                            |            |            |
| Origination and reversal of timing differences | (208,406)  | (51,082)   |
| Impact of change in tax rate                   | -          | (29,505)   |
| <b>Total deferred tax (see note 12)</b>        | (208,406)  | (80,587)   |
| <b>Total tax credit on profit</b>              | (208,406)  | (80,587)   |

## ROSEMOUNT AEROSPACE PROPERTIES LIMITED

### Notes to the financial statements For the year ended 31 December 2017

#### 8. Tax on profit (continued)

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

|                                                                            | 2017<br>\$       | 2016<br>\$       |
|----------------------------------------------------------------------------|------------------|------------------|
| <b>Profit before taxation</b>                                              | <b>1,120,760</b> | <b>1,217,909</b> |
| Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20.00%) | <b>215,746</b>   | 243,582          |
| Effects of:                                                                |                  |                  |
| Expenses not deductible for tax purposes                                   | -                | 16,893           |
| Income not taxable                                                         | <b>(227,124)</b> | -                |
| Group relief received for no payment                                       | <b>(224,611)</b> | (320,571)        |
| Impact of change in tax rate                                               | -                | (29,505)         |
| Rate differential on temporary differences                                 | <b>27,583</b>    | 9,014            |
| <b>Total tax credit for the year</b>                                       | <b>(208,406)</b> | <b>(80,587)</b>  |

The tax charge in future years may be affected by:

Capital allowances are running in advance of depreciation. 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.

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 9. Investment Properties

|                                 | Total<br>\$ |
|---------------------------------|-------------|
| <b>Cost</b>                     |             |
| At 1 January 2016               | 25,943,000  |
| At 31 December 2016             | 25,943,000  |
| Disposals                       | (9,790,000) |
| At 31 December 2017             | 16,153,000  |
| <b>Accumulated depreciation</b> |             |
| At 1 January 2016               | 11,415,002  |
| Depreciation                    | 435,964     |
| At 31 December 2016             | 11,850,966  |
| Depreciation                    | 170,874     |
| Disposals                       | (6,288,725) |
| At 31 December 2017             | 5,733,115   |
| <b>Net book value</b>           |             |
| At 31 December 2017             | 10,419,885  |
| At 31 December 2016             | 14,092,034  |

Included in investment properties is land with a cost of \$8,849,510 which is not depreciated (2016: \$12,093,490).

In 2015, as a result of the adoption of FRS101, the Land and Buildings have been reclassified as Investment Properties. In relation to its Investment Properties, the entity has taken the decision to apply the cost model to such assets. The book value is not materially different to the fair value of the investment properties.

The amounts recognised in the profit or loss statement concerning such properties were as follows:

|                               | 2017<br>\$ | 2016<br>\$ |
|-------------------------------|------------|------------|
| Operating lease rental income | 1,361,572  | 1,980,236  |

There were no direct operating expenses (including repairs and maintenance) arising from investment property during the year.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 10. Debtors

#### Amounts falling due within one year:

|                                    | 2017<br>\$       | 2016<br>\$       |
|------------------------------------|------------------|------------------|
| Trade debtors                      | -                | 68,799           |
| Amounts owed by group undertakings | 9,714,109        | 4,809,911        |
| VAT                                | 8,326            | -                |
|                                    | <b>9,722,435</b> | <b>4,878,710</b> |

A loan to the ultimate parent company matures on a monthly basis and is renewable at a variable interest rate.

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

|                                    | 2017<br>\$       | 2016<br>\$    |
|------------------------------------|------------------|---------------|
| VAT                                | -                | 11,466        |
| Amounts owed to group undertakings | 3,554,869        | 21,137        |
| Accruals and deferred income       | 16,180           | 11,017        |
|                                    | <b>3,571,049</b> | <b>43,620</b> |

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

### 12. Deferred tax liability

The analysis of deferred tax liabilities is as follows:

|                                                        | 2017<br>\$       | 2016<br>\$       |
|--------------------------------------------------------|------------------|------------------|
| Deferred tax assets due within 12 months               | -                | -                |
| Deferred tax liabilities due within 12 months          | -                | -                |
| Total provision due within 12 months                   | -                | -                |
| Deferred tax assets due after more than 12 months      | -                | -                |
| Deferred tax liabilities due after more than 12 months | (242,105)        | (450,511)        |
| Total provision due after more than 12 months          | <b>(242,105)</b> | <b>(450,511)</b> |
| Net deferred tax liability                             | <b>(242,105)</b> | <b>(450,511)</b> |



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2017

### 12. Deferred tax liability (continued)

The movement in deferred tax is as follows:

Deferred tax liabilities:

|                                        | Accelerated tax<br>depreciation<br>\$ | Total<br>\$      |
|----------------------------------------|---------------------------------------|------------------|
| At 1 January 2016                      | (531,098)                             | (531,098)        |
| Credited/ (charged) to profit and loss | 80,587                                | 80,587           |
| At 1 January 2017                      | (450,511)                             | (450,511)        |
| Credited/ (charged) to profit and loss | 208,406                               | 208,406          |
| At 31 December 2017                    | <b>(242,105)</b>                      | <b>(242,105)</b> |

### 13. Called up share capital

|                                            | 2017<br>\$ | 2016<br>\$ |
|--------------------------------------------|------------|------------|
| <b>Allotted, called up and fully-paid</b>  |            |            |
| 101 (2016: 101) ordinary shares of £1 each | <b>159</b> | <b>159</b> |

### 14. Dividends

Amounts recognised as distributions to equity holders in the year:

|                                                                                                                                                 | 2017<br>\$       | 2016<br>\$ |
|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------|
| Interim dividend was distributed for the year ended 31 December 2017 of \$34,421.91 (No dividend for the year ended 31 December 2016) per share | <b>3,476,613</b> | -          |
|                                                                                                                                                 | <b>3,476,613</b> | -          |

In December 2017, the company paid an interim dividend to its immediate parent company, Rosemount Aerospace Limited, paid out of reserves.

## **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

### **Notes to the financial statements For the year ended 31 December 2017**

#### **15. Controlling party**

The company's immediate parent undertaking is Rosemount Aerospace Limited.

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

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

Copies of the United Technologies group financial statements are publicly available and can be obtained from [www.utc.com](http://www.utc.com) or by writing to Investor Relations, United Technologies Corporation, 10 Farm Springs Road, Farmington, CT 06032, Connecticut, USA.