

# **Rosemount Aerospace Properties Limited**

**Annual Report  
for the year ended 31 December 2018**

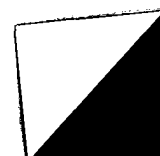
Registered number: 4614379



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

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# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Strategic report for the year ended 31 December 2018

The directors present their strategic report for the company for the year ended 31 December 2018.

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:

	2018 \$	2017 \$	Change %
Turnover	1,292,240	1,361,572	(5.1%)
Operating profit	1,016,110	958,767	6.0%
Profit for the financial year	1,139,009	1,329,166	(14.3%)
Total shareholders' funds	16,139,009	16,329,166	(1.2%)

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.

### 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 2018

### 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.

### Future developments

On November 26, 2018 the ultimate parent undertaking and controlling party, United Technologies Corporation, announced its intention to separate into three independent companies: (1) UTC, an aerospace company comprised of the Collins Aerospace Systems and Pratt & Whitney businesses, (2) Otis, and (3) Carrier.

The proposed separations are expected to be effected through spin-offs by UTC of Otis and Carrier that are intended to be tax-free for the Company's shareowners for U.S. federal income tax purposes.

The Company expects to complete the separation transaction by mid-year 2020.

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 15 to the financial statements.

### Approval

Approved by the Board and signed on its behalf by:



P Ross  
Director

Date: 19<sup>TH</sup> JUNE 2019

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 2018**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018.

### **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 \$1,329,166 was proposed, approved and paid in the year (2017: \$3,476,613).

### **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 2018

### 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:



P Ross

Director

Date: 19<sup>TH</sup> JUNE 2019

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 2018 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 2018; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

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

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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.

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 2018 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 page 3 and 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.



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

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

### *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.

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## Other required reporting

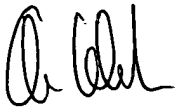
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### Companies Act 2006 exception reporting

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.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

21 June 2019

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Profit and Loss Account For the year ended 31 December 2018

	<i>Note</i>	<b>2018</b> \$	<b>2017</b> \$
<b>Turnover</b>	<b>3</b>	<b>1,292,240</b>	1,361,572
Administrative expenses		(276,130)	(402,805)
<b>Operating profit</b>		<b>1,016,110</b>	958,767
Profit on sale of investment property		-	82,986
<b>Profit before interest and taxation</b>		<b>1,016,110</b>	1,041,753
Interest receivable and similar income	<b>4</b>	<b>117,835</b>	79,007
<b>Profit before taxation</b>	<b>5</b>	<b>1,133,945</b>	1,120,760
Tax on profit	<b>8</b>	<b>5,064</b>	208,406
<b>Profit for the financial year</b>		<b>1,139,009</b>	1,329,166

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 2018 and 2017, and hence no separate statement of comprehensive income has been presented.

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

**Balance sheet**  
**As at 31 December 2018**

	<b>Note</b>	<b>2018</b> \$	<b>2017</b> \$
<b>Fixed assets</b>			
Investment Properties	<b>9</b>	<b>10,337,374</b>	10,419,885
		<b>10,337,374</b>	10,419,885
<b>Current assets</b>			
Debtors	<b>10</b>	<b>6,080,475</b>	9,722,435
Creditors: Amounts falling due within one year	<b>11</b>	<b>(41,799)</b>	(3,571,049)
<b>Net current assets</b>		<b>6,038,676</b>	6,151,386
<b>Total assets less current liabilities</b>		<b>16,376,050</b>	16,571,271
Deferred tax liability	<b>12</b>	<b>(237,041)</b>	(242,105)
<b>Net assets</b>		<b>16,139,009</b>	16,329,166
<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>1,139,009</b>	1,329,166
<b>Total shareholders' funds</b>		<b>16,139,009</b>	16,329,166

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<sup>th</sup> June 2019 and were signed on its behalf by:



P Ross  
Director

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Statement of changes in equity For the year ended 31 December 2018

	Called up share capital (Note 13) \$	Share premium account \$	Profit and loss account \$	Total share- holders' funds \$
<b>Balance at 1 January 2017</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>
Profit for the financial year	-	-	1,139,009	1,139,009
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,139,009</b>	<b>1,139,009</b>
Dividends (see note 14)	-	-	(1,329,166)	(1,329,166)
<b>Balance at 31 December 2018</b>	<b>159</b>	<b>14,999,841</b>	<b>1,139,009</b>	<b>16,139,009</b>

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 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.

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 2018**

### **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 16.

### **Adoption of new and revised Standards**

The Company has applied IFRS 15 “Revenue from Contracts with Customer” (which replaces IAS 18 “Revenue”) and IFRS 9 “Financial Instruments” (which replaces IAS 39 “Financial Instruments”) for the first time for the reporting period commencing 1 January 2018. There is no material impact to the company’s opening retained earnings balance as a result of applying these standards.

### **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; liquidity position; the Company’s objectives, policies and processes; its financial risk management; and its exposure to 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.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 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 profit and loss account 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.

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.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of the return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### Rental income

Turnover comprises of rental income from operating leases, excluding charges for service, and is recognised when the performance obligations have been satisfied over the period of the relevant lease.

#### 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.

#### 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.

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 Investment Properties

- Land	No depreciation charged
- Buildings	40 years

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



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Financial Assets

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL); and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### ***Financial assets at fair value through profit or loss or at fair value through other comprehensive Income***

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets

#### ***Financial assets at amortised cost***

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### ***Financial assets at fair value through profit and loss***

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Investments in subsidiaries are held at cost less accumulated impairment losses.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Impairment of financial assets

##### *Assets carried at amortised cost*

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### Debtors and other receivables

Debtors and other receivables are amounts due from services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all debtors and other receivables.

#### 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.

# **ROSEMOUNT AEROSPACE PROPERTIES LIMITED**

## **Notes to the financial statements For the year ended 31 December 2018**

### **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.

#### ***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.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 3. Turnover

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

	2018 \$	2017 \$
Operating lease rental income	1,292,240	1,361,572

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

	2018 \$	2017 \$
<b>Revenue:</b>		
United Kingdom	1,292,240	1,361,572

### 4. Interest receivable and similar income

	2018 \$	2017 \$
Interest on loans to group undertakings	117,835	79,007

### 5. Profit before taxation

Profit before taxation is stated after charging / (crediting):

	2018 \$	2017 \$
Net foreign exchange losses	1,745	31,355
Audit fees	11,076	10,255
Depreciation of investment properties:		
- owned	82,511	170,874
Profit on sale of investment property	-	(82,986)

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's financial statements were \$11,076 (2017: \$10,255).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company were £nil (2017: £nil).

### 7. Staff costs

All of the directors of the company are also directors of other group undertakings, and their remuneration for the year was paid by other undertakings.

### 8. Tax on profit

**Tax expense included in profit or loss:**

	2018 \$	2017 \$
<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	(5,064)	(208,406)
<b>Total deferred tax (see note 12)</b>	(5,064)	(208,406)
<b>Total tax credit on profit</b>	(5,064)	(208,406)

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 8. Tax on profit (continued)

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

	2018 \$	2017 \$
<b>Profit before taxation</b>	<b>1,133,945</b>	<b>1,120,760</b>
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.25%)	<b>215,449</b>	215,746
Effects of:		
Expenses not deductible for tax purposes	<b>3,500</b>	-
Income not taxable	-	(227,124)
Group relief received for no payment	<b>(224,609)</b>	(224,611)
Rate differential on temporary differences	<b>596</b>	27,583
<b>Total tax credit for the year</b>	<b>(5,064)</b>	(208,406)

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.

# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 9. Investment Properties

	Total \$
<b>Cost</b>	
At 1 January 2017	25,943,000
Disposals	(9,790,000)
At 31 December 2017	16,153,000
At 31 December 2018	16,153,000
<b>Accumulated depreciation</b>	
At 1 January 2017	11,850,966
Depreciation	170,874
Disposals	(6,288,725)
At 31 December 2017	5,733,115
Depreciation	82,511
At 31 December 2018	5,815,626
<b>Net book value</b>	
At 31 December 2018	10,337,374
At 31 December 2017	10,419,885

Included in investment properties is land with a cost of \$8,849,510 which is not depreciated (2017: \$8,849,510).

In relation to its Investment Properties, the entity has taken the decision to apply the cost model to such assets. The last independent valuation was performed in May 2016 by a professional valuer. The valuation of the investment properties at that date was \$11,200,000.

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

	2018 \$	2017 \$
Operating lease rental income	1,292,240	1,361,572

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 2018

### 10. Debtors

Amounts falling due within one year:

	2018 \$	2017 \$
Amounts owed by group undertakings	6,080,475	9,714,109
VAT	-	8,326
	<b>6,080,475</b>	<b>9,722,435</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

	2018 \$	2017 \$
Amounts owed to group undertakings	26,491	3,554,869
Accruals and deferred income	15,308	16,180
	<b>41,799</b>	<b>3,571,049</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:

	2018 \$	2017 \$
Deferred tax liabilities due after more than 12 months	(237,041)	(242,105)
Total provision due after more than 12 months	<b>(237,041)</b>	<b>(242,105)</b>
Net deferred tax liability	<b>(237,041)</b>	<b>(242,105)</b>



# ROSEMOUNT AEROSPACE PROPERTIES LIMITED

## Notes to the financial statements For the year ended 31 December 2018

### 12. Deferred tax liability (continued)

The movement in deferred tax is as follows:

Deferred tax liabilities:

	Accelerated tax depreciation \$	Total \$
At 1 January 2017	(450,511)	(450,511)
Credited to profit and loss	208,406	208,406
At 31 December 2017	(242,105)	(242,105)
Credited to profit and loss	5,064	5,064
At 31 December 2018	(237,041)	(237,041)

### 13. Called up share capital

	2018 \$	2017 \$
<b>Allotted, called up and fully-paid</b>		
101 (2017: 101) ordinary shares of £1 each	159	159

### 14. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 \$	2017 \$
Interim dividend was distributed for the year ended 31 December 2018 of \$13,160.06-(2017: \$34,421.91) per share	1,329,166	3,476,613
	<b>1,329,166</b>	<b>3,476,613</b>

In December 2018, 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 2018**

### **15. Subsequent events**

On 10 June 2019, United Technologies Corporation announced its intention to merge with Raytheon. This is expected to be complete by mid-year 2020.

### **16. 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).