Pratt & Whitney Canada (UK) Limited

Annual Report
for the year ended 30 November 2018

Registered number: 3324641

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Pratt & Whitney Canada (UK) Limited

Contents

Pratt & Whitney Canada (UK) Limited

Strategic Report

The directors present their Strategic Report for the company for the year ended 30 November 2018.

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

Review of business

The business continues to operate from the facility in Luton focusing on quick engine repair services. The company performance in the year was above the expectations of the directors due to favourable market conditions. The company's revenue for the financial year was $23,190,000 (2017: $22,669,000) with profit for the financial year of $1,828,000 (2017: $2,339,000) lower than the prior year due to the mix of engine models repaired and work-scopes. Year-end net assets were $13,728,000 (2017: $11,900,000) higher than the prior year due to an increase in intercompany receivable following high volume of intercompany sales in 2018.

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from other engine repair businesses. The company mitigates against this risk by diversifying across all Pratt & Whitney Canada engine models.

Key performance indicators

The principal key performance indicators of the business are the availability of resources to accept work from engine operators as they arise and on time delivery. The market has remained stable and due to the high volume of work there have been 38 instances where work has been declined due to lack of available resources for specific engine models (2017: 8 instances). In house work on time delivery was 98% (2017: 70%) and the mobile repair team on time delivery was 99% (2017: 94%), both against a target of 95% (2017: 95%). The main causes for decline in on time delivery was parts shortages and available slots for engine tests.

Future Developments

The external commercial environment is expected to remain competitive in 2020. The strategy is to increase engine capabilities (PW300) and to expand capabilities in the African market. In order to take advantage of further growth opportunities a full review of technicians' skill sets will be performed to ensure the Company can meet the demands of the market.

Approval

This report was approved by the Board and signed on its behalf by:

N Nelson
Director
29 July 2019

Unit 13 Bilton Court. Bilton Way, Luton, Bedfordshire, LU1 1LX

Pratt & Whitney Canada (UK) Limited

Directors' Report

The directors present their report and audited financial statements of the company for the year ended 30 November 2018.

Future Developments

Future developments have been discussed in the Strategic Report.

Dividends

The company's profit for the financial year was $1,828,000 (2017: $2,339,000). The directors do not propose a dividend for the year (2017: $nil).

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks as detailed below.

Price risk

The company is exposed to price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

Credit risk is not considered significant as the sales of the company are either to Pratt & Whitney Canada Customer Service Centre Europe GmbH (CSC) or to other group companies, mainly Pratt & Whitney Canada Corp. CSC is a joint venture established by Pratt & Whitney Canada Corp and Motoren-und Turbinen-Union GmbH, which acts as an intermediary between the company and the engine operators. As part of the joint venture agreement, CSC take all the credit risk and pay invoices within the 30 day term.

Exchange rate risk

Movements in the US Dollars (USD)/GBP exchange rate have an impact on the financial results. Risk is mitigated by natural hedging whereby revenue and inventory purchases are in USD acting as a natural hedge.

Directors

The directors, who served throughout the year and up to the date of signing the financial statements were as follows:

M Boily	Termination of appointment on 20 February 2018
N Nelson	Appointment of Director on 20 February 2018
J Blondeau	

Pratt & Whitney Canada (UK) Limited

Directors' Report (continued)

Ms M Boily and Ms N Nelson are resident in Canada.
Mr J Blondeau is resident in USA.

Research and Development

The company's business is the repair of aircraft engines and no research and development is carried out by the company. Research and Development is carried out by the parent company, Pratt and Whitney.

Disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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:

N Nelson
Director
29 July 2019
Unit 13, Bilton Court, Bilton Way, Luton, Bedfordshire, LU1 1LX

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.

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 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.

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.

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' report to the members of Pratt & Whitney Canada (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pratt & Whitney Canada (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 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 statement of financial position as at 30 November 2018; the statement of comprehensive income, 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.

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.

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.

Independent auditors' report to the members of Pratt & Whitney Canada (UK) Limited (continued)

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 30 November 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 set out on page 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.

Pratt & Whitney Canada (UK) Limited

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. 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.

Other required reporting

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.

Katherine Birch-Evans

Katherine Birch-Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
29 July 2019

Pratt & Whitney Canada (UK) Limited

Statement of comprehensive income
For the year ended 30 November 2018

	Note	2018 $'000	2017 $'000
Revenue	3	**23,190**	22,669
Cost of sales		**(20,573)**	(19,560)
Gross profit		**2,617**	3,109
Administrative expenses		**(1,213)**	(1,004)
Other operating income	4	**433**	275
Profit before interest		**1,837**	2,380
Finance income	5	**49**	31
Profit before income tax	6	**1,886**	2,411
Income tax expense	9	**(58)**	(72)
Profit for the financial year		**1,828**	2,339
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**1,828**	2,339

Pratt & Whitney Canada (UK) Limited
Registered number: 3324641

Statement of financial position
At 30 November 2018

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment	*10*	812	588
Trade and other receivables	*12*	136	141
Deferred tax asset	*14*	235	289
		1,183	1,018
Current assets			
Inventories	*11*	1,567	956
Trade and other receivables:			
- due within one year	*12*	15,895	11,266
Deferred tax asset			
- due within one year	*14*	90	94
Creditors: Amounts falling due within one year	*13*	(5,007)	(1,434)
Net current assets		12,545	10,882
Total assets less current liabilities		13,728	11,900
Net assets		13,728	11,900
Equity			
Called up share capital	*15*	2	2
Share premium account		37,334	37,334
Accumulated losses		(23,608)	(25,436)
Total Shareholders' funds		13,728	11,900

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 26 July 2019 and were signed on its behalf by:

N Nelson
Director

Pratt & Whitney Canada (UK) Limited

Statement of changes in equity
For the year ended 30 November 2018

	Ordinary shares $'000	Share premium $'000	Accumulated Losses $'000	Total $'000
Balance at 1 December 2016	2	37,334	(27,775)	9,561
Total comprehensive income for the year	-	-	2,339	2,339
Balance at 30 November 2017	**2**	**37,334**	**(25,436)**	11,900
Total comprehensive income for the year	-	-	1,828	1,828
Balance at 30 November 2018	**2**	**37,334**	**(23,608)**	13,728

1. Accounting policies

Pratt & Whitney Canada (UK) Limited provide aircraft repair services for customers in Europe, Middle East and Africa.

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Unit 13 Bilton Court, Bilton Way, Luton, Bedfordshire, LU1 1LX.

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 preparation

The financial statements of Pratt & Whitney Canada (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements have been prepared on the historical cost basis.

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:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d), (statement of cash flows),
    - 38B-D (additional comparative information),
    - 111 (cash flow statement information), and
    - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where required, equivalent disclosures are given in the group financial statements UT Holdings Limited. The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 19.

1. Accounting Policies (continued)

New standards, amendments and interpretations not yet adopted

The following pronouncements, issued by the International Accounting Standard Board ("IASB"), are not yet effective:

- IFRS 15, Revenue from contracts with customers ("IFRS 15"), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The adoption of this new standard is not expected to affect the current revenue recognition policies of the Company.

- IFRS 9, Financial Instruments ("IFRS 9") deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting. IFRS 9 replaces the multiple classification and measurement models for financial assets in IAS 39 with a single model that has three classification categories: amortised cost, fair value through OCI, and fair value through profit or loss.

  Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. The classification and measurement of financial liabilities under IFRS 9 remains the same as in IAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI.

  The impairment rules of IFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in IAS 39. Such new impairment model will generally result in earlier recognition of losses compared to IAS 39. The hedging rules of IFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in IAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company's initial assessment of the potential impact of IFRS 9 is that it is not significant. The Company will update its assessment upon adoption of the new standard.

- IFRS 16, Leases ("IFRS 16"), specifies how the Company will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Upon adoption, the Company will record in the books right-of-use asset and corresponding lease liability measured at the present value of the discounted lease payments payable over the lease term.

1. Accounting Policies (continued)

Property, plant and equipment

Leasehold buildings, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets 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:

Leasehold buildings	Over lease term
Plant and machinery	7 - 12 years
Office and computer equipment	3 - 10 years

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cash

The company participates in a cash pool arrangement with a related party and all cash balances are swept into the head cash pool account on a daily basis.

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 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.

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 offset 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 measured at the fair value of the consideration received or receivable from third parties, including group companies, net of value added tax. Revenue is recognised on shipment of goods, or in the case of work performed on the customer's site, when a work completion document is signed by the customer. A joint venture company operates as an intermediary between the Company and its ultimate customers as detailed within note 18.

1. Accounting Policies (continued)

Finance income

Finance 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.

Pension costs

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables, including amounts owed from group undertakings and joint ventures. They are initially recognised at fair value and subsequently at amortised cost.

Trade and other creditors

Trade creditors and other creditors that have fixed or determinable payments that are not quoted in an active market are classified as payables, including amounts owed to group undertakings and joint ventures. They are initially recognised at fair value and subsequently at amortised cost.

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.

Inventory provision

The only significant estimate made by the directors is in relation to the inventory provision. When calculating the inventory provision, management considers the condition of inventory as well as applying assumptions around future usage based on previous historical usage.

3. Revenue

All revenue is attributable to the Company's principal activity, the repair and maintenance of aircraft engines.

The geographical location of customers is set out below.

	2018	2017
	$'000	$'000
Revenue:		
Continental Europe	**11,184**	12,513
North America	**11,837**	9,971
Rest of the World	**169**	185
	23,190	22,669

4. Other operating income

	2018	2017
	$'000	$'000
Other operating income	**433**	275

Other operating income includes amounts charged to other group companies for administration services provided & depreciation

5. Finance income

	2018 **$'000**	2017 $'000
Bank interest income	**49**	31

6. Profit before income tax

Profit before tax is stated after charging:

	2018 **$'000**	2017 $'000
Net foreign exchange losses	**148**	105
Depreciation of property, plant and equipment	**227**	245
Operating lease charges	**181**	171
Staff costs (see note 7)	**1,901**	1,794
Value of inventory recognised as an expense during the year	**16,797**	16,892
Audit fees payable to the Company's auditors	**36**	32

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 **Number**	2017 Number
Engineers	**13**	13
Administration	**10**	10
	23	23

Their aggregate remuneration comprised:

	2018 **$'000**	2017 $'000
Wages and salaries	**1,637**	1,546
Social security costs	**190**	180
Other pension costs (see note 17)	**74**	68
	1,901	1,794

8. Directors' remuneration and transactions

	2018 $'000	2017 $'000
Directors' remuneration		
Emoluments	-	-

During the year three (2017: four) of the directors were employees of another group company and their emoluments and contributions to pension schemes on their behalf are paid by another group company. Their service to the company is of a non-executive nature and their remuneration, including pension benefits, is deemed to be wholly attributable to their service to the other group company. Accordingly, they received no remuneration for their service as a director of the company during the year.

	2018 Number	2017 Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	-	-

9. Income tax expense

Income tax expense included in profit or loss:

	2018 $'000	2017 $'000
Current tax		
UK corporation tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**69**	69
Impact of change in tax rate	**(11)**	3
Total deferred tax (see note 14)	**58**	72
Total income tax expense	**58**	72

9. Income tax expense (continued)

Tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 30 November 2018 of 19% (2017: 19.3%). The differences are explained below.

	2018 $'000	2017 $'000
Profit before income tax	**1,886**	2,411
Income tax on profit at standard UK corporation tax rate of 19%	**358**	465
Remeasurement of deferred tax –change in tax rate	**(11)**	3
Expenses not deductible for tax purposes	-	-
Utilisation of previously unrecognised tax losses	-	-
Adjustments in respect of prior years	-	-
Group relief received for nil payment	**(289)**	(396)
Total income tax expense	**58**	72

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 26 October 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2018 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these statements.

10. Property, plant and equipment

	Leasehold Improvements $'000	Plant and machinery $'000	Office and Computer Equipment $'000	Total $'000
Cost				
At 1 December 2016	424	3,174	37	3,635
Additions	-	20	-	20
Disposals	-	-	-	-
At 30 November 2017	424	3,194	37	3,655
Additions	-	451	-	451
Disposals	-	(126)	-	(126)
At 30 November 2018	424	3,519	37	3,980
Accumulated depreciation				
At 1 December 2016	311	2,477	34	2,822
Depreciation	40	204	1	245
Disposals	-	-	-	-
At 30 November 2017	351	2,681	35	3,067
Depreciation	25	202	-	227
Disposals	-	(126)	-	(126)
At 30 November 2018	376	2,757	35	3,168
Net book amount				
At 30 November 2018	48	762	2	812
At 30 November 2017	73	513	2	588

11. Inventories

	2018 $'000	2017 $'000
Work in progress	**764**	436
Finished goods and goods for resale	**803**	520
	1,567	956

Inventories are stated after provisions for impairment of stock $243,000 (2017: $198,000).

12. Trade and other receivables

Amounts falling due within one year:

	2018 $'000	2017 $'000
Amounts owed by group undertakings	**10,601**	9,085
Amounts owed by joint ventures of the Pratt & Whitney Canada group (see note 18)	**5,124**	2,095
Other receivables	**102**	22
Prepayments and accrued income	**68**	64
	15,895	11,266

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

Amounts falling due after more than one year:

	2018 $'000	2017 $'000
Other receivables	**136**	141
	136	141

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13. Creditors – amounts falling due within one year

	2018 $'000	2017 $'000
Trade creditors	**55**	198
Amounts owed to group undertakings	**3,842**	498
Amounts owed to joint ventures of the Pratt & Whitney Canada group (note 18)	**642**	-
Taxation and social security	**130**	131
VAT	**-**	113
Accruals and deferred income	**338**	494
	5,007	1,434

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

14. Deferred tax asset

The analysis of deferred tax assets is as follows:

	2018 $'000	2017 $'000
Deferred tax assets due within 12 months	**90**	94
Deferred tax assets due after 12 months	**235**	289
Deferred tax asset	**325**	383

	Tax losses **$'000**	**Accelerated capital allowances** **$'000**	**Total** **$'000**
At 1 December 2016	-	**455**	**455**
Charged to profit or loss	-	**(72)**	**(72)**
At 30 November 2017	-	**383**	**383**
Charged to profit or loss	-	**(58)**	**(72)**
At 30 November 2018	-	**325**	**383**

15. Called up share capital

Ordinary shares

	2018 $'000	2017 $'000
Authorised		
10,000,000 ordinary shares of £1 each (2017: 10,000,000)	**16,161**	16,161

	2018 $'000	2017 $'000
Allotted and fully-paid		
1,002 ordinary shares of £1 each (2016: 1,002)	**2**	2

16. Financial commitments

Capital commitments are as follows:

	2018 $'000	2017 $'000
Contracts for future capital expenditure not provided in the financial statements	**162**	316

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 $'000	2017 $'000
Not later than one year	**258**	61
Later than one year and not later than five years	**247**	226
	505	287

There are no outstanding commitments for future lease payments later than five years.

17. Retirement benefit schemes

Defined contribution schemes

The total cost charged to the statement of comprehensive income of $74,000 (2017: $68,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. Pension contributions outstanding at 30 November 2018 are nil (2017: nil).

18. Related party transactions

Other related party transactions

Trading transactions

During the year, the company entered into the following trading transactions with related parties:

	Sale of goods		Purchase of goods	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Pratt & Whitney Canada Customer Service Centre Europe GmbH	**11,332**	12,513	**5**	10

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
CSC	**1,338**	**2,095**	**-**	-

The majority of the sales of the company are to Pratt & Whitney Canada Customer Service Centre Europe GmbH (CSC), a joint venture established by Pratt & Whitney Canada Corp and Motoren-und Turbinen-Union GmbH, which acts as an intermediary between the company and its ultimate customers.

19. Controlling party

The company's immediate parent undertaking is UT Holdings Ltd as the balance sheet date.

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 Corporation group financial statements are publicly available and can be obtained from www.utc.com

20. Events after the end of the reporting period

The company's immediate parent undertaking was changed to Goodrich Aftermarket Services Ltd on 7 May 2019.