

Rosemount Aerospace Limited

**Annual Report
for the year ended 31 December 2019**

Registered number: 02849033



Rosemount Aerospace Limited

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Rosemount Aerospace Limited

Strategic Report for the year ended 31 December 2019

The directors present their Strategic Report for the company for the year ended 31 December 2019.

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

Rosemount Aerospace Limited is a Systems Integrator with a strong track record of delivering and supporting enterprise scale secure Intelligence Surveillance and Reconnaissance (ISR) information management solutions.

The company is based in Malvern, UK and its registered office is Fore 1, Fore Business Park, Huskisson Way, Shirley, Solihull, West Midlands, England, B90 4SS.

At 31 December 2019 the Company was a subsidiary of United Technologies Corporation (UTC). Refer to note 26 and the post balance sheet event change of ownership to Raytheon Technologies Corporation (RTX).

Review of the business

Sales turnover in 2019 of £10m represented a 27.6% decline on 2018. This was driven by the completion of a key contract during the first quarter and a delay to expected follow on contracts. We are seeing continued demand demonstrated for the company's Intelligence Surveillance and Reconnaissance products and services and the company secured a number of strategic awards both in post delivery service and with new customers.

Operating Profit of £0.5m for the year was impacted by both the decline in sales and the execution of a key strategic, first of type, development programme contracted with a lower gross margin.

The digitisation of data is continuing to drive both the military and adjacent markets. Providing a new way for industries to exploit large amounts of data to change critical outcomes is a key focus of the company. The company has continued to invest in research and development and is positioned to be sensor agnostic which has strengthened the company's competitive position and ability to create value and enabled us to explore a wider customer base.

During the forthcoming year the business will continue to drive improvements focusing on growth, innovation and excellent customer service.

Key performance indicators

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

	2019	2018	Change
	£'000	£'000	%
Turnover	10,028	13,851	(27.6%)
Operating profit	537	3,028	(82.3%)
Profit for the financial year	1,015	3,494	(71.0%)
Total shareholders' funds	59,337	58,368	1.7%
Current assets as % of current liabilities	1,358%	1,353%	
Average number of employees (No.)	77	77	

Rosemount Aerospace Limited

Strategic Report for the year ended 31 December 2019

Achieving Competitive Excellence

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

Customer Satisfaction

We measure our performance by using customer perception surveys. The results in 2019 showed that Rosemount Aerospace Limited achieved ratings that exceed commercially acceptable levels. The Company received a high level of excellent customer accolades during 2019.

Principal risks and uncertainties

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

The business is reliant on new and repeat business from defence organisations. Some of this business is secured for fixed periods of time, but will be subject to periodic competitive tender. As such renewal of these contracts is uncertain and based upon financial and performance criteria. The remainder of the business is ad-hoc by nature and while there is no certainty of any future orders from this type of business, the management has a strong history of securing these orders and growing the business.

COVID19 – current impact and future outlook:

Given the impact of COVID-19 across the global economy, the Directors have taken a number of actions to ensure the business is well positioned.

People continue to be the biggest asset of the business and as such our initial focus from Day 1 of the pandemic has been to ensure the health and safety of our people.

The financial impact of the COVID-19 pandemic is difficult to accurately predict at this time but our expectation is that there will be very little impact on Sales, EBIT and Cashflow during 2020. Current expectations are that Sales for 2020 will be on plan and higher than 2019. The extent of the impact depends on how long the pandemic lasts and our ability to travel to our Customers to deliver services in the second half of the year.

The Directors have taken a number of measures to ensure that the business continues to operate during this challenging period and emerge in a strong position for the future.

- Employee Safety – Measures we have taken to protect the workforce include (i) remote working (ii) social distancing within the work place and (iii) provision of PPE equipment.
- Customer Support – our business continues to engage with our customers to understand their plans and requirements during this period.
- Cost Control – the business has continued to focus on cost.
- Cash Management - the business continues to monitor cash and will take appropriate action to ensure inventory and CAPEX investments are aligned to meet the needs of Customers.

Rosemount Aerospace Limited is part of Raytheon Technologies, one of the largest aerospace and defense manufacturers in the world, and therefore is well positioned to navigate its way through the current COVID-19 pandemic.

Rosemount Aerospace Limited

Strategic Report for the year ended 31 December 2019

Future developments

The directors expect the business to grow during the forthcoming year. This is as a result of a growth in post-delivery support programmes and a key programme award in December 2019.

On 9 June 2019, UTC entered into a merger agreement with the Raytheon Company to combine its aerospace businesses with Raytheon to form a merged company Raytheon Technologies Corporation ("RTX").

The merger was completed 3 April 2020, shortly after the completion of the separation of Otis and Carrier. As a result of this merger, the Company is now a member of RTX. Further details are contained in note 26 to the financial statements.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 26 of the financial statements.

Approval

Approved by the Board and signed on its behalf by:



S Quinney
Director
10 September 2020

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

Rosemount Aerospace Limited

Directors' Report for the year ended 31 December 2019

The directors present their Report and audited financial statements of the company for the year ended 31 December 2019.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Research and development

During 2019 the company invested £595,851 (2018: £556,373) in research and development of Analytics, Task Management and Intelligence tools.

Going concern

The company has received a letter of support from Raytheon Technologies Corporation and, therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Interest bearing assets and liabilities are held at variable rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are trade and other debtors, and investments.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Rosemount Aerospace Limited

Directors' Report for the year ended 31 December 2019

Financial risk management objectives and policies (continued)

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Dividends

There were no dividends proposed, declared and paid in the year (2018: £nil).

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.rtx.com.

Employee Involvement

It is the policy of the Company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the Group. It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, briefing meetings, video presentations, company newsletters and training sessions.

Environmental Matters

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

During 2019 the business continued to integrate into the UTC Environment, Health & Safety (EH&S) framework achieving all the milestones targets set within the integration plan.

Directors

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

S Quinney
J Pawson
G Baker (resigned 21 October 2019)
K Raftery (appointed 21 October 2019)

Rosemount Aerospace Limited

Directors' Report for the year ended 31 December 2019

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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.

Directors' confirmations

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.

Rosemount Aerospace Limited

Directors' Report for the year ended 31 December 2019

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:



S Quinney
Director
10 September 2020

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

Rosemount Aerospace Limited

Independent auditors' report to the members of Rosemount Aerospace Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 2019; the profit and loss account, 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

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

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

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.

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 Limited

Independent auditors' report to the members of Rosemount Aerospace 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 2019 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 6, 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. 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 Limited

Independent auditors' report to the members of Rosemount Aerospace Limited

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.



Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
11 September 2020

Rosemount Aerospace Limited

Profit and Loss Account For the year ended 31 December 2019

	<i>Note</i>	2019 £'000	2018 £'000
Turnover	3	10,028	13,851
Cost of sales		(7,103)	(8,288)
Gross profit		2,925	5,563
Administrative expenses		(2,388)	(2,535)
Operating profit	7	537	3,028
Income from shares in group undertakings	4	-	1,048
Profit before interest and taxation		537	4,076
Other interest receivable and similar income	5	546	466
Interest payable and similar expenses	6	(149)	(127)
Profit before taxation		934	4,415
Tax on profit	11	81	(921)
Profit for the financial year		1,015	3,494

All results are derived from continuing operations.

Rosemount Aerospace Limited

Statement of comprehensive income For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the financial year	1,015	3,494
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on pension scheme	(55)	(123)
Income tax relating to items not reclassified:		
- movement on deferred tax relating to pension surplus	9	21
Other comprehensive expense for the year net of tax	(46)	(102)
Total comprehensive income for the year	969	3,392

Rosemount Aerospace Limited
Registered number: 02849033

Balance sheet
As at 31 December 2019

	<i>Note</i>	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	12	1,874	1,737
Right of use assets	13	3,272	-
Investments	14	9,543	9,543
		14,689	11,280
Current assets			
Stocks	15	510	635
Debtors	16	50,791	50,478
Creditors: Amounts falling due within one year	17	(3,778)	(3,778)
Net current assets		47,523	47,335
Total assets less current liabilities		62,212	58,615
Creditors: amounts falling due after more than one year	18	(2,945)	-
Pension and similar obligations	22	609	648
Provisions for liabilities	19	(539)	(895)
Net assets		59,337	58,368
Equity			
Called up share capital	21	4,551	4,551
Share premium account		767	767
Profit and loss account		54,019	53,050
Total Shareholders' funds		59,337	58,368

The notes on pages 15 to 47 form part of these financial statements.

The financial statements on pages 11 to 47 were approved by the board of directors on 10 September 2020 and were signed on its behalf by:



S Quinney
 Director

Rosemount Aerospace Limited

Statement of changes in equity For the year ended 31 December 2019

	Called up share capital (Note 21) £'000	Share premium account £'000	Profit and loss account £'000	Total share- holders funds £'000
Balance at 1 January 2018	4,551	767	49,657	54,975
Profit for the financial year	-	-	3,494	3,494
Other comprehensive expense for the year:				
- Actuarial loss on pension scheme (note 22)	-	-	(123)	(123)
- Deferred tax on pension scheme (note 20)	-	-	21	21
Total comprehensive income for the year	-	-	3,392	3,392
Share based payments (note 23)	-	-	1	1
Balance at 31 December 2018	4,551	767	53,050	58,368
Profit for the financial year	-	-	1,015	1,015
Other comprehensive expense for the year:				
- Actuarial loss on pension scheme (note 22)	-	-	(55)	(55)
- Deferred tax on pension scheme (note 20)	-	-	9	9
Total comprehensive income for the year	-	-	969	969
Balance at 31 December 2019	4,551	767	54,019	59,337

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

Rosemount Aerospace Limited ('the company') is engaged in the supply and support of surveillance and reconnaissance systems.

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, Shirley, Solihull, West Midlands, England, 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, 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 IFRS 16, 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 Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

The financial statements contain information about Rosemount Aerospace Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, United Technologies Corporation, a company incorporated in the United States of America.

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

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

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

IFRS 15 – paragraphs 110b, 113a, 114, 115, 118, 119 a-c, 121-127, 129

IAS 36 - impairment of assets - paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e)

The group financial statements of United Technologies Corporation are available to the public and can be obtained as set out in note 27.

Adoption of new and revised Standards

The company has applied IFRS 16 "Leases" (which replaces IAS 17 "Leases") for the first time for the reporting period commencing 1 January 2019.

The company has adopted the modified retrospective approach for IFRS 16 which has had a material impact on the company's financial statements – see note 25.

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 parent, Raytheon Technologies Corporation, has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Tangible assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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:

Furniture and fixtures	2-7 years
Software	2-7 years
Leasehold improvements	over the remaining life of the lease

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

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Impairment reviews are carried out by the directors on an annual basis, or when there is indication that impairment may have occurred.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Stocks

Stocks 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.

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 profit and loss account, 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 Limited

Notes to the financial statements For the year ended 31 December 2019

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.

Sale of goods

The company delivers and supports enterprise scale secure Intelligence Surveillance and Reconnaissance (ISR) information management solutions. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Sales of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of equipment and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceeds the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Pension costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The company presents the first two components of defined benefit costs within administrative expenses (see note 22) in its profit and loss account. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs and interest receivable (see note 5 and 6).

As in previous years, the liability and asset figures, as well as benefit payments and administration expenses have been allocated to each employer within the Goodrich Section of the UTC (UK) Pension Scheme by the percentage of liability as at the most recent funding valuation of the Goodrich Section.

Foreign currency

The financial statements are presented in pounds sterling, 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 the profit or loss account in the period in which they arise.

Leases

The company leases buildings and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. A lessee may elect an accounting policy, by asset class, to include both the lease and non-lease components as a single component and account for it as a lease (thus eliminating the pricing allocation). The company has adopted this accounting policy election for equipment leases only.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measure on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Interest payable and similar charges

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 the income statement within finance costs.

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 the profit and loss account in the period in which they are incurred.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortised cost. 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

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Financial Assets (continued)

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 (FVTPL):

- 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.

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.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or 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.

Trade 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 trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

Share-based payments

Incentives in the form of shares are provided to one or more Directors under share option and share award schemes that are established by the ultimate parent company, United Technologies Corporation. The fair value of these options and awards at the date of their grant is determined by a valuation and is charged to the profit and loss account over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the Company of these share based payments.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are discounted where the impact of discounting is material.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

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, 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 properties, plant and equipment

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 12 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Useful economic lives of right of use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Inventory provisioning

It is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management considers the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 15 for the net carrying value of inventory and associated provision.

Provisions

The provision is made for product warranties and restructurings. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

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

Revenue

Revenue recognised is based on the actual costs incurred and estimated profit on the contract. The profit on the contract is based on the stage of completion and therefore management judgement is required in the estimates of the forecast costs to complete and the percentage of completion.

Defined Benefit Pension Scheme

The Company participates in a group defined benefit scheme for qualifying employees (the UTC (UK) Pension Scheme). Under the scheme, the employees are entitled to retirement benefits varying between 1% and 67% per cent of final salary on attainment of a retirement age of 65.

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures of the defined benefit scheme.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The values in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

3. Turnover

An analysis of the company's turnover is as follows:

	2019 £'000	2018 £'000
Continuing operations		
Sales of goods	8,061	10,759
Rendering of services	1,967	3,092
	10,028	13,851

An analysis of the company's turnover by class of business is set out below:

	2019 £'000	2018 £'000
Turnover:		
Surveillance & Reconnaissance	10,028	13,851
	10,028	13,851

An analysis of the company's turnover by geographical market is set out below.

	2019 £'000	2018 £'000
Turnover:		
United Kingdom	835	2,454
Rest of Europe	543	-
North America	8,505	11,352
Rest of World	145	45
	10,028	13,851

4. Income from shares in group undertakings

	2019 £'000	2018 £'000
Dividends receivable from group companies	-	1,048

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

5. Other Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from group companies	381	322
Pension interest income - return on assets (see note 22)	165	144
	546	466

6. Interest payable and similar expenses

	2019 £'000	2018 £'000
Pension interest expense – defined benefit obligation (see note 22)	149	127
	149	127

7. Operating Profit

Operating profit is stated after charging / (crediting):

	2019 £'000	2018 £'000
Net foreign exchange (gains)/ losses	(16)	30
Depreciation of tangible fixed assets:		
- owned	351	272
Depreciation of right-of-use assets	176	-
Research and development expensed	596	556
Lease expense		
- plant and machinery	81	106
- land and buildings	-	530
Warranty costs	356	281
Audit fees payable to company's auditors (see note 8)	29	29
Amount of stock recognised as an expense	1,133	2,610
Staff costs (see note 9)	4,929	4,854

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

8. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £29,000 (2018: £29,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services to the company were £nil (2018: £nil).

9. Staff costs

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

	2019	2018
	Number	Number
Sales	2	2
Engineering	66	59
Administration	9	16
	77	77

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	4,061	4,013
Social security costs	425	443
Share based payments	-	1
Other pension costs (note 22)	443	397
	4,929	4,854

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

10. Directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	273	264
Company contributions to money purchase pension schemes	20	19
	<u>293</u>	<u>283</u>

	2019 Number	2018 Number
The number of directors who are:		
Members of a defined contribution pension scheme	2	2

	2019 £'000	2018 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	144	142
Company contributions to money purchase pension schemes	10	10
	<u>154</u>	<u>152</u>

Two directors are executives of the company and their remuneration is disclosed.

One director is an executive of the company and also non-executive director of a large number of fellow companies for which they carry on work. They are paid by overseas other group undertakings which makes no recharge to the company.

The highest paid director did participate in a defined benefit pension scheme but did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

There was no (2018: £nil) compensation paid for loss of office.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

11. Tax on profit

Tax expense included in profit or loss:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the year	194	575
Adjustments in respect of prior years	(276)	342
Total current tax	(82)	917
Deferred tax		
Origination and reversal of timing differences	2	16
Adjustments in respect of prior years	(1)	(12)
Total deferred tax (see note 20)	1	4
Total tax on profit	(81)	921

Factors affecting tax charge for the year

Tax expense for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	934	4,415
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	177	839
Effects of:		
Expenses not deductible for tax purposes	19	18
Rate differential on temporary differences	-	(2)
Income not subject to tax	-	(199)
Adjustments in respect of prior years	(277)	330
Group relief not paid for	-	(65)
Total tax charge for the year	(81)	921

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

11. Tax on profit (continued)

Factors that may affect future tax charge

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

The tax rate for the current year is the same as the prior year.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the period and increase the deferred tax asset by £15,000.

12. Tangible assets

	Furniture and fixtures £'000	Software £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 January 2018	1,050	76	1,605	2,731
Additions	203	41	20	264
Disposals	-	-	-	-
At 31 December 2018	1,253	117	1,625	2,995
Additions	337	151	-	488
Disposals	(381)	(51)	-	(432)
At 31 December 2019	1,209	217	1,625	3,051
Accumulated depreciation				
At 1 January 2018	756	61	169	986
Depreciation	145	19	108	272
Disposals	-	-	-	-
At 31 December 2018	901	80	277	1,258
Depreciation	182	60	109	351
Disposals	(381)	(51)	-	(432)
At 31 December 2019	702	89	386	1,177
Net book value				
At 31 December 2019	507	128	1,239	1,874
At 31 December 2018	352	37	1,348	1,737

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

13. Right of use assets

The company has a lease contract for buildings and vehicles used in the operations. The amounts recognised in the financial statements in relation to the lease are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	31 December 2019 £'000	1 January* 2019 £'000
Right-of-use assets		
Buildings	3,262	3,430
Vehicles	10	19
	3,272	3,449
Lease liabilities		
Current	324	324
Non-current	2,945	3,125
	3,269	3,449

Additions to the right-of-use assets during the 2019 financial year were £nil*

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 £'000	2018* £'000
Depreciation charge of right-of-use assets		
Buildings	168	-
Vehicles	8	-
	176	-
Interest expense	96	-
	2019 £'000	2018* £'000
Future minimum lease payments as at 31 December 2019 are as follows:		
Not later than one year	324	436
Later than one year and not later than five years	2,945	1,470
Later than five years	-	2,581
Total gross payments	3,269	4,487
Impact of finance expenses	-	-
Carrying amount of liability	3,269	4,487

* The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparatives presented are based on IAS 17 while the current year amounts are based on IFRS 16. For adjustments recognised on adoption of IFRS 16, please refer to note 25.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

14. Investments

	£'000
Cost	
At 1 January 2018	9,543
At 31 December 2018	9,543
At 31 December 2019	9,543
Provisions for impairment	
At 1 January 2018	-
At 31 December 2018	-
At 31 December 2019	-
Net book value at 1 January 2018, 31 December 2018 and 31 December 2019	9,543

Each subsidiary listed has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

Details of the Company's subsidiaries at 31 December 2019 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name & Registered Address	Principal Activity	Proportion of ownership interest %	Proportion of voting power held %
<i>Rosemount Aerospace Properties Limited</i> Fore 1, Fore Business Park, Huskisson Way, Shirley, Solihull, West Midlands, B90 4SS.	Property rental	100	100

The investments in subsidiaries are all stated at cost less provision for impairment.

15. Stocks

	2019 £'000	2018 £'000
Raw materials	21	21
Work in progress	489	614
	510	635

In the opinion of the directors the difference between the carrying value of inventory and its replacement value is not material. The directors do not believe a provision is required over stock held (2018: £nil).

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

16. Debtors

	2019 £'000	2018 £'000
Trade receivables	1,847	749
Amounts owed by group undertakings	48,535	49,280
Prepayments and accrued income	196	326
Corporation tax	82	-
Deferred tax asset (note 20)	131	123
	50,791	50,478

Loans to other group companies mature on a monthly basis and are renewable at a variable interest rate. No interest is charged on inter-company trading balances. The directors do not believe a provision is required for trade receivables held (2018: £nil).

17. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	73	382
Amounts owed to group undertakings	1,802	1,845
VAT	-	10
Corporation Tax	-	917
Accruals and deferred income	1,579	624
Lease liability (note 13)	324	-
	3,778	3,778

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

18. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Lease liability (note 13)	2,945	-
	2,945	-

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

19. Provisions for liabilities

	Product warranties £'000	Dilapidation £'000	Total £'000
At 1 January 2018	389	225	614
Additions	838	-	838
Amounts utilised	(557)	-	(557)
At 31 December 2018	670	225	895
Additions	293	-	293
Amounts utilised	(649)	-	(649)
At 31 December 2019	314	225	539

Product warranties

The provision for product warranties relates to expected warranty claims on repairs carried out within a 12 month period from the original date of sale.

Dilapidation

The provision has been raised to cover the costs expected to remove all of the tenant variations to the building in accordance with the obligation under the lease.

20. Deferred tax

The analysis of deferred tax assets is as follows:

	2019 £'000	2018 £'000
Deferred tax assets due after more than 12 months	131	123
Total provision due after more than 12 months	131	123
Net deferred tax asset	131	123

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

20. Deferred tax (continued)

The movement in deferred tax is as follows:

Deferred tax assets:

	Accelerated tax depreciation £'000	Other timing differences £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2018	94	7	5	106
(Charged) / credited to profit and loss account	(3)	5	(6)	(4)
Credited to other comprehensive income	-	-	21	21
At 31 December 2018	91	12	20	123
(Charged) / credited to profit and loss account	(2)	4	(3)	(1)
(Charged) / credited to other comprehensive income	-	-	9	9
At 31 December 2019	89	16	26	131

21. Called up share capital

	2019 £'000	2018 £'000
Allotted and fully-paid		
4,550,776 (2018: 4,550,776) ordinary shares of £1 each	4,551	4,551

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to the profit and loss account of £307,000 (2018: £272,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2019, contributions of £nil (2018: £nil) were due in respect of the current reporting year had not been paid over to the schemes.

Defined benefit schemes

The company has a defined benefit scheme "UTC (UK) Pension Scheme" for qualifying employees. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Under the Goodrich Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1.25% of final pensionable pay for each complete month and year of pensionable employment plus any flat pension to which they are entitled on attainment of a normal retirement age of 65 (although some benefits may be taken at an earlier age). The pensionable salary is based on annual rate of a member's basic pay.

The scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

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Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations (continued)

Asset volatility	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, this could lead to deterioration in the Scheme's funding level, all other things being equal. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and in real estate to leverage the expected return generated by the fund.
Change in bond yields	A decrease in the bond interest rate will increase the scheme liability but this could be expected to be partially offset by an increase in the return on the scheme's debt investments.
Life expectancy	The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.
Salary risk	The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liability.
Inflation risk	The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). Elements of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation could also lead to deterioration in the funding position.

No other post-retirement benefits are provided to these employees.

A full accounting valuation of the Goodrich Section of the UTC (UK) Pension Scheme as at 31 December 2017 was carried out by Willis Towers Watson, an Independent firm of actuaries, using the projected unit method. This valuation was approximately updated as at 31 December 2019 by Willis Towers Watson.

The next full accounting valuation of the Goodrich Section is due as at 31 December 2020. A separate valuation is performed for cash funding.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019 %	2018 %
Key assumptions used:		
Discount rate(s)	2.01	2.81
Expected rate(s) of salary increase	3.00	3.00
Rate of inflation	3.00	3.25
Expected rate of increase of pensions in payment	3.05	3.30
Average longevity at age 65 for current pensioners (years)*		
Male	22.0	21.2
Female	23.5	23.7
Average longevity at age 65 for current employees (future pensioners) (years)*		
Male	23.3	22.6
Female	25.0	25.2

* Based on standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in profit and loss in respect of these defined benefit schemes are as follows:

	2019 £'000	2018 £'000
Service cost:		
Current service cost	87	107
Past service costs – plan amendments	-	5
Past service costs – curtailments	33	-
Administration cost	16	13
Interest income	(16)	(17)
	120	108

Of the expense for the year, £136,000 (2018: £125,000) has been included in the profit and loss account as administrative expenses. The net interest expense has been included within interest payable and receivable (see notes 5 and 6). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations (continued)

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2019 £'000	2018 £'000
Present value of defined benefit obligations	(6,081)	(5,321)
Fair value of scheme assets	6,690	5,969
Net surplus	609	648

Movements in the present value of defined benefit obligations in the year were as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	5,321	4,914
Current service cost	87	107
Past service cost – plan amendments	-	5
Past service cost – curtailments	33	-
Interest cost	149	127
Re-measurement losses/ (gains):		
Actuarial gains and losses arising from changes in experience	-	618
Actuarial gains and losses arising from changes in demographic assumptions	53	(65)
Actuarial gains and losses arising from changes in financial assumptions	640	(280)
Benefits paid	(202)	(105)
Closing defined benefit obligation	6,081	5,321

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations (continued)

Movements in the fair value of scheme assets in the year were as follows:

	2019 £'000	2018 £'000
Opening fair value of scheme assets	5,969	5,652
Interest income	165	144
Return on plan assets less than discount rate	638	150
Contributions from the employer	136	141
Benefits paid	(202)	(105)
Administrative costs paid	(16)	(13)
Closing fair value of scheme assets	6,690	5,969

The major categories and fair values of scheme assets at the end of the reporting year for each category are as follows:

	2019 % Quoted	2018 % Quoted
Cash and cash equivalents	5.1	4.8
Equity instruments	45.4	45.5
Debt instruments	1.8	1.9
Property	0.6	1.5
Other	12.5	12.2
Total	65.4	65.9

	2019 % Unquoted	2018 % Unquoted
Cash and cash equivalents	17.8	16.2
Equity instruments	0.3	0.4
Debt instruments	-	1.1
Property	1.0	1.2
Other	15.5	15.2
Total	34.6	34.1

	2019 £'000	2018 £'000
Quoted	4,375	3,934
Unquoted	2,315	2,035
Fair value of plan assets	6,690	5,969

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

22. Pension and similar obligations (continued)

The actual return on scheme assets was £165,000 (2018: £144,000).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease 2%	Increase 2%
Salary growth rate	1%	Increase 3%	Decrease 3%
Pension growth rate	0.1%	Increase 1%	Decrease 1%
Life expectancy	1 year	Increase by 4%	Decrease by 4%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Goodrich Section of the UTC (UK) Pension Scheme expects to make a contribution of £3,947,000 (2018: £9,000,000) to the defined benefit scheme during the next financial year.

The UTC UK Pension Scheme ("the Scheme") was closed to all future service benefit accruals with effect from 31 March 2020.

The required 60-day consultation period commenced in tranches between September and October 2019 to the Scheme participants separately, followed by a 30-day reflection period to conclude on any differences. UTC communicated the final offer in December 2019 to the participants and it was agreed that the Scheme would close to future benefit accrual with effect from 31 March 2020.

As a result of this decision a curtailment event occurred with a Scheme re-measurement as of 31 December 2019.

Rosemount Aerospace Limited

Notes to the financial statements For the year ended 31 December 2019

23. Share based payments

The company issues to certain employees share appreciation rights (SARs), determined by reference to the company's parent's shares, that require the company to pay the intrinsic value of the SAR to the employee at the date of exercise. The company recorded total expenses of £nil and £1,200 in 2019 and 2018, respectively. The total intrinsic value at 31 December 2019, 2018 and 2017 was £nil, £nil, and £1,000 respectively.

24. Contingent Liabilities

As part of a multilateral guarantee, the company has entered an agreement with the bank, its parent undertaking, fellow subsidiaries and other related companies. Under this agreement, the company is party to a cross-undertaking on a limited number of specified accounts, limited to the credit balance standing within a group wide cash pooling facility.

The company participates in a cash pooling arrangement with several UK group companies. At 31 December 2019 there was a cash pool surplus of £532,993 (2018: surplus £242,463) representing the bank balances of all the group companies within the cash pool.

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Notes to the financial statements For the year ended 31 December 2019

25. Changes in accounting policies

The company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.82%.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date on initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

	£'000
Measurement of lease liabilities	
Operating lease commitments disclosed as at 31 December 2018	4,487
Discounted using the lessee's incremental borrowing rate of 3.82% at the date of initial application	(996)
(Less): low-value leases not recognised as a liability	(42)
Lease liability recognised as at 1 January 2019	3,449
Of which are:	
Current lease liabilities	324
Non-current lease liabilities	3,125
	3,449

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Notes to the financial statements For the year ended 31 December 2019

26. Subsequent events

United Technologies Corporation ("UTC"), the ultimate parent company of a multinational group of which the Company was a member during the year ended 31 December 2019, separated into three independent companies via spin-off transactions on 3 April 2020: (1) Otis Worldwide Corporation ("Otis"), (2) Carrier Global Corporation ("Carrier"), and (3) UTC, an aerospace company comprised of the Collins Aerospace Systems and Pratt & Whitney businesses.

On 9 June 2019, UTC entered into a merger agreement with the Raytheon Company to combine its aerospace businesses with Raytheon to form a merged company Raytheon Technologies Corporation ("RTX"). The merger was completed 3 April 2020, shortly after the completion of the separation of Otis and Carrier. As a result of this merger, the Company is now a member of RTX.

COVID-19

Rosemount Aerospace Limited is impacted by public health crises such as the global pandemic associated with COVID-19. The COVID-19 pandemic has significantly increased global economic and demand uncertainty. Public and private sector policies and initiatives in the U.S. and worldwide to reduce the transmission of COVID-19, such as the imposition of travel restrictions and the adoption of remote working, have impacted the Company's business, operations and the aerospace sector as a whole.

The Company, and its ultimate parent company, Raytheon Technologies Corporation (RTX) (formerly United Technologies Corporation) are working to protect its employees, maintain business continuity and sustain its operations, including ensuring the safety and protection of its employees working in our offices, manufacturing and service facilities worldwide. The COVID-19 pandemic may also impact RTX's supply chains, including the ability of suppliers and vendors to provide their products and services to RTX, including the Company's subsidiary operations.

COVID-19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, and creating volatility and unpredictability in financial and capital markets, foreign currency exchange rates, and interest rates. The financial impact of the COVID-19 pandemic cannot be reasonably estimated at this time but may materially affect Rosemount Aerospace Systems Limited and its subsidiary businesses, financial condition, results of operations and cash flows. The extent of such impact depends on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the scope, severity and duration of the COVID-19 pandemic and actions to contain its spread or treat its impact, among others.

Closure of the Defined Benefit Pension Scheme

The UTC UK Pension Scheme ("the Scheme") was closed to all future service benefit accruals with effect from 31 March 2020 (refer to pension note).

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Notes to the financial statements For the year ended 31 December 2019

27. Controlling party

The company's immediate parent undertaking is Goodrich Holding UK Limited.

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

On 3 April 2020 the company's ultimate parent undertaking and controlling party became Raytheon 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 financial statements are publicly available and can be obtained from www.rtx.com.