

**Rohr Aero Services Limited**

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

Registered number: SC166785



# **Rohr Aero Services Limited**

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# Rohr Aero Services Limited

## Strategic Report

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.

Rohr Aero Services Limited is engaged in the maintenance, repair and overhaul of nacelles, thrust reversers and related components.

The Company is based in the UK and its registered office is 1 Dow Avenue, Prestwick International Aerospace Park, South Ayrshire, KA9 2SA.

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

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

	2019	2018	Change
	£'000	£'000	%
Revenue	100,671	78,996	27%
Operating profit	20,679	15,981	29%
Profit for the financial year	15,722	14,134	11%
Total shareholders' funds	45,864	28,696	60%
Current assets as % of current liabilities	282%	187%	
Average number of employees	320	302	

During 2019 the business delivered growth in sales of 27% and exceeded EBIT and cash targets. The increase in sales generated from a new business stream combined with robust cost control and excellent operational performance resulted in good operating profit performance in 2019.

The global pandemic COVID-19 is expected to impact the business during 2020, expectations are that volumes will reduce compared to 2019 levels but the company is well positioned to recover from any impact.

During the forthcoming year the business will focus on recovery strategies to ensure that the business emerges stronger from this global pandemic.

### Key performance indicators

#### 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. During 2019 the business delivered growth in sales of 27% and exceeded EBIT and cash targets.

#### Customer Satisfaction

We measure our performance by using customer perception surveys. The results in 2019 showed that Rohr Aero Services Limited achieved ratings that exceed commercially acceptable levels.

# **Rohr Aero Services Limited**

## **Strategic Report (continued)**

### **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.

### **COVID19 – current impact and future outlook:**

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

Rohr Aero Services Limited is part of Raytheon Technologies which is one of the largest aerospace and defense manufacturers in the world by revenue and market capitalisation. Being part of such a large corporation gives the company the ability to access any necessary funding and investment during challenging times such as COVID-19.

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. 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.

The financial impact of the COVID-19 pandemic is difficult to accurately predict at this time but our expectation is that there will be an impact on Sales, EBIT and Cashflow for 2020 compared to 2019. The extent of the impact depends on how long the pandemic lasts and how quickly airlines begin to ramp up operations. 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.

- (i) Customer Support – our business continues to engage with our customers to understand their plans and requirements during this period.
- (ii) Cost Management – given the drop off in volume the business has taken cost initiatives to align cost base to the revised sales volumes.
- (iii) Cash Management – the business has taken some initiatives on the cash front such as inventory and CAPEX realignment.

Rohr Aero Services Limited is part of 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. The Directors believe that the actions taken in terms of cost and cash management and customer support will ensure the business has a strong future ahead and continues to operate as a going concern.

### **Competitive risks**

The Aerospace Maintenance, Repair and Overhaul (MRO) business is reliant on new and repeat business from aircraft operators and engine shops. 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 drop in 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.

# **Rohr Aero Services Limited**

## **Strategic Report (continued)**

### **Legislative risks**

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and within the UTC group audit function.

### **Future developments**

The directors expect to see continued growth and development of the company under UTC due to benefits derived from economies of scale.

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 to the financial statements.

### **Approval**

Approved by the Board and signed on its behalf by:



D Harrison  
Director  
31 August 2020

1 Dow Avenue  
Prestwick International Aerospace Park  
South Ayrshire  
KA9 2SA

# **Rohr Aero Services Limited**

## **Directors' Report**

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 £623,594 (2018: £441,067) in research and development activities which is shown in the financial statements as a net expenditure of £183,416 (2018: £218,854) after offsetting funding received from other group companies and grant income.

### **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 note in the financial statements.

### **Financial risk management objectives and policies**

The Company's policy does not permit trading in any financial instruments. The Company's principal financial instruments comprise of cash, short term deposits and/or borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

### ***Foreign Currency risk***

The Company buys and sells goods and services denominated in currencies other than sterling. As a result, the value of the business's non-sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movements in exchange rates in general and in US Dollar rates in particular.

The Company's transactional currency exposure arises from sales and purchases in currencies other than Sterling, principally US Dollars. It is the Company's policy to enter into forward contracts to sell US Dollars against a portion of the future net excess of US Dollar sales over US Dollar purchases. The amount to which net US Dollar sales are sold forward is established through review of any forecast future shortfall between Sterling denominated sales and purchases. This is reviewed on a monthly basis and appropriate forward contracts established to sell dollars. This is done on a declining basis depending on the time horizon with business objectives being to hedge:

Within 1 year	60% to 80%
13 months – 15 months	40% to 60%

# **Rohr Aero Services Limited**

## **Directors' Report (continued)**

### ***Credit risk***

In the normal course of business, the Company sells items on deferred terms to other parties. Any risk associated with these third parties failing to honour their obligations arising from these transactions is minimised through rigorous credit control procedures with deferred terms only being granted to customers who demonstrate an appropriate payment history and satisfy other financial requirements. Individual exposures are continuously monitored on a customer by customer basis to ensure that exposure to bad debts is minimised; as a result of this, goods may sometimes only be supplied on a cash-with-order basis or supply declined entirely.

### ***Liquidity risk***

The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to UTC board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

The Company participates in the overall world-wide UTC funding strategy managed at corporate treasury level.

### **Dividends**

No ordinary dividend was declared or paid in the year (2018: an interim ordinary dividend declared and paid in November 2018 of £21,200,000).

### **Directors**

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

S Callan  
D Harrison  
A Hodge  
D Middleton

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **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](http://www.rtx.com).

# **Rohr Aero Services Limited**

## **Directors' Report (continued)**

### **Employee Involvement**

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 newspapers and training sessions. A wide range of procedures exists for consultation with employees and their representatives, including suggestion schemes, employee communication meetings and employee surveys.

### **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.

### **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' responsibility 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 regulations.

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.



# **Rohr Aero Services Limited**

## **Directors' Report (continued)**

### **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.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



D Harrison  
Director  
31 August 2020

1 Dow Avenue  
Prestwick International Aerospace Park  
South Ayrshire  
KA9 2SA

# **Rohr Aero Services Limited**

## **Independent auditors' report to the members of Rohr Aero Services Limited**

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Rohr Aero Services 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 income statement, 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.

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#### **Basis for opinion**

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

#### *Independence*

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

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

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

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

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

# Rohr Aero Services Limited

## Independent auditors' report to the members of Rohr Aero Services 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' responsibility in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

#### *Use of this report*

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

## **Rohr Aero Services Limited**

### **Independent auditors' report to the members of Rohr Aero Services 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.



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
31 August 2020

## Rohr Aero Services Limited

### Income Statement For the year ended 31 December 2019

	<i>Note</i>	2019 £'000	2018 £'000
<b>Revenue</b>	<b>3</b>	<b>100,671</b>	<b>78,996</b>
<b>Cost of sales</b>		<b>(74,979)</b>	<b>(57,765)</b>
<b>Gross profit</b>		<b>25,692</b>	<b>21,231</b>
<b>Administrative expenses</b>		<b>(5,013)</b>	<b>(5,250)</b>
<b>Operating profit</b>		<b>20,679</b>	<b>15,981</b>
<b>Finance income</b>	<b>4</b>	<b>110</b>	<b>140</b>
<b>Profit before taxation</b>	<b>5</b>	<b>20,789</b>	<b>16,121</b>
<b>Tax on profit</b>	<b>9</b>	<b>(5,067)</b>	<b>(1,987)</b>
<b>Profit for the financial year</b>		<b>15,722</b>	<b>14,134</b>

All results are derived from continuing operations.

## Rohr Aero Services Limited

### Statement of comprehensive income For the year ended 31 December 2019

	2019 £'000	2018 £'000
<b>Profit for the financial year</b>	<b>15,722</b>	<b>14,134</b>
Items that will not be reclassified subsequently to profit or loss:		
Income tax relating to items not reclassified:		
- movement on hedge reserve relating to embedded derivatives	1,601	(2,134)
- deferred tax adjustment on hedge reserve	(272)	363
<b>Other comprehensive income/ (expense) for the year net of tax</b>	<b>1,329</b>	<b>(1,771)</b>
<b>Total comprehensive income for the year</b>	<b>17,051</b>	<b>12,363</b>

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**Rohr Aero Services Limited**  
**Registered number: SC166785**

**Balance sheet**  
**As at 31 December 2019**

	<i>Note</i>	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Property, plant and equipment	<b>10</b>	<b>15,513</b>	16,317
Right-of-use asset	<b>11</b>	<b>22</b>	-
		<b>15,535</b>	<b>16,317</b>
<b>Current assets</b>			
Inventories	<b>12</b>	<b>13,272</b>	8,537
Debtors	<b>13</b>	<b>34,070</b>	19,053
Deferred tax asset	<b>16</b>	-	17
Cash and cash equivalents		-	2
		<b>47,342</b>	<b>27,609</b>
Creditors: Amounts falling due within one year	<b>14</b>	<b>(16,772)</b>	(14,788)
<b>Net current assets</b>		<b>30,570</b>	<b>12,821</b>
<b>Total assets less current liabilities</b>		<b>46,105</b>	<b>29,138</b>
Provisions for liabilities	<b>15</b>	-	(442)
Deferred tax liability	<b>16</b>	<b>(241)</b>	-
<b>Net assets</b>		<b>45,864</b>	<b>28,696</b>
<b>Equity</b>			
Called up share capital	<b>17</b>	<b>6,049</b>	6,049
Share premium account		<b>999</b>	999
Profit and loss account		<b>38,712</b>	22,873
Hedge Reserve		<b>104</b>	(1,225)
<b>Total Shareholders' funds</b>		<b>45,864</b>	<b>28,696</b>

The notes on pages 15 to 38 form part of these financial statements

The financial statements on pages 11 to 38 were approved by the board of directors on 31 August 2020 and were signed on its behalf by:



D Harrison  
 Director

## Rohr Aero Services Limited

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

	Called up share capital (Note 17) £'000	Share premium account £'000	Profit and loss account £'000	Hedge Reserve £'000	Total Share- holders' funds £'000
<b>Balance at 1 January 2018</b>	<b>6,049</b>	<b>999</b>	<b>29,440</b>	<b>909</b>	<b>37,397</b>
Profit for the financial year	-	-	14,134	-	14,134
- Deferred tax adjustment on hedge reserve	-	-	363	-	363
- Hedge reserve movement	-	-	-	(2,134)	(2,134)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>14,497</b>	<b>(2,134)</b>	<b>12,363</b>
Dividends (note 18)	-	-	(21,200)	-	(21,200)
Share based payments	-	-	136	-	136
<b>Balance at 31 December 2018</b>	<b>6,049</b>	<b>999</b>	<b>22,873</b>	<b>(1,225)</b>	<b>28,696</b>
Profit for the financial year	-	-	15,722	-	15,722
- Deferred tax adjustment on hedge reserve	-	-	(272)	-	(272)
- Hedge reserve movement	-	-	-	1,601	1,601
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>15,450</b>	<b>1,601</b>	<b>17,051</b>
Share based payments	-	-	117	-	117
<b>Balance at 31 December 2019</b>	<b>6,049</b>	<b>999</b>	<b>38,440</b>	<b>376</b>	<b>45,864</b>



# **Rohr Aero Services Limited**

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

### **1. Accounting policies**

Rohr Aero Services Limited (the 'Company') is engaged in the maintenance, repair and overhaul of nacelles, thrust reversers and related components.

The Company is a private company, limited by shares, and is incorporated and domiciled in Scotland, United Kingdom. The address of its registered office is 1 Dow Avenue, Prestwick International Aerospace Park, South Ayrshire, KA9 2SA.

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.' 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 under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

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.

# **Rohr Aero Services Limited**

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

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

#### **Basis of accounting (continued)**

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

Where required, equivalent disclosures are given in the group financial statements of United Technology Corporation.

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. The Directors' report describes the company's 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.

# Rohr Aero Services Limited

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

### 1. Accounting policies (continued)

#### Property, plant and equipment

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

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

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:

#### Included within Freehold Property

- Land No depreciation charged
- Buildings 40 years

#### Included within Plant and Machinery

- Plant and machinery 10-15 years
- Tooling 2-10 years
- Computer Equipment 2-5 years

Fixtures & Fittings 2-10 years

Motor Vehicles 3 years

Construction in progress No depreciation charged until transferred to appropriate class of asset upon completion

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

#### Inventories

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.

# Rohr Aero Services Limited

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

### 1. Accounting policies (continued)

#### Taxation

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

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.

# **Rohr Aero Services 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**

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.

#### **Over time revenue recognition**

Performance obligations are satisfied over-time if the customers receive the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

#### **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.

# **Rohr Aero Services Limited**

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

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

#### **Pension costs**

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

#### **Foreign currency**

The financial statements are presented in 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 profit or loss in the period in which they arise except for:

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

#### **Leases**

The company leases buildings and equipment. 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.

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:

# Rohr Aero Services Limited

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

### 1. Accounting policies (continued)

#### Leases (continued)

- 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.

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.

# Rohr Aero Services Limited

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

### 1. Accounting policies (continued)

#### Finance costs

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 income statement in the period in which they are incurred.

#### Financial instruments

##### *Embedded derivatives*

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### *Derivative financial instruments*

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 21.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.



# **Rohr Aero Services 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 as described in note 22 and is charged to the income statement 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.

#### **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.

#### **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.

# **Rohr Aero Services 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 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

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

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

#### **Useful economic lives of 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 10 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**

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 12 for the net carrying value of inventory and associated provision.

#### **Provisions**

The company makes a provision for warranties. 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.

# Rohr Aero Services Limited

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

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

#### Impairment of Trade Receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 13 for the net carrying amount of the receivables and the associated impairment provision.

### 3. Revenue

An analysis of the Company's revenue by class of business is set out below:

	2019 £'000	2018 £'000
<b>Revenue:</b>		
On-going Service	100,671	78,996
	<b>100,671</b>	<b>78,996</b>

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

	2019 £'000	2018 £'000
<b>Revenue:</b>		
United Kingdom	18,526	21,030
Rest of Europe	43,293	24,971
North America	27,731	28,207
Rest of World	11,121	4,788
	<b>100,671</b>	<b>78,996</b>

### 4. Finance income

	2019 £'000	2018 £'000
Interest receivable:		
Other loans and receivables	110	140
	<b>110</b>	<b>140</b>

## Rohr Aero Services Limited

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

#### 5. Profit before taxation

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

	2019 £'000	2018 £'000
Net foreign exchange (gain)/ losses	(237)	258
Depreciation of tangible fixed assets:		
- owned	1,523	1,637
Depreciation of right of use assets	23	-
Loss on disposal of Plant, property and equipment	10	29
Research and development	183	219
Operating lease charges	180	165
Staff costs (see note 7)	17,955	16,119

#### 6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £36,405 (2018: £41,405).

No non-audit services have been provided to the company during the year (2018: £nil).

#### 7. Staff costs

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

	2019 Number	2018 Number
Production	291	270
Administration	29	32
	320	302

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	15,241	13,692
Social security costs	1,640	1,413
Other pension costs (see note 20)	1,074	1,014
	17,955	16,119

## Rohr Aero Services Limited

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

#### 8. Directors' remuneration and transactions

	2019 £'000	2018 £'000
<b>Directors' remuneration</b>		
Emoluments	586	533
Stock options	150	-
Company contributions to money purchase pension schemes	37	35
	<b>773</b>	<b>568</b>

	2019 Number	2018 Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	3	3

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

One director is a non-executive director and also a director of a number of other group undertakings for which he carries on work. He is paid by Goodrich Actuation Systems limited that makes no recharge to the company.

	2019 £'000	2018 £'000
<b>Remuneration of the highest paid director:</b>		
Emoluments and amounts (excluding shares) under long term incentive schemes	290	249
Company contributions to money purchase pension schemes	15	15

The highest paid director exercised share options in the year of £150,000 (2018: £nil).

## Rohr Aero Services Limited

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

#### 9. Tax on Profit

Tax expense included in the income statement:

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	4,031	-
Adjustments in respect of prior years		
UK corporation tax	1,050	2,255
<b>Total current tax</b>	<b>5,081</b>	<b>2,255</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	2	(254)
Under provision in deferred tax in prior years	(16)	(14)
<b>Total deferred tax (see note 16)</b>	<b>(14)</b>	<b>(268)</b>
<b>Total tax on profit</b>	<b>5,067</b>	<b>1,987</b>

The charge for the year can be reconciled to the profit in the income statement as follows:

	2019 £'000	2018 £'000
<b>Profit before taxation</b>	<b>20,789</b>	<b>16,121</b>
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	3,950	3,063
Effects of:		
Expenses not deductible for tax purposes	84	93
Adjustments to tax charge in respect of prior years	1,033	2,241
Group Relief receivable for nil payment	-	(3,408)
Rate differential on temporary differences	-	(2)
<b>Total tax charge for year</b>	<b>5,067</b>	<b>1,987</b>

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

The tax rate for the current year is 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 increase the tax expense for the period and increase the deferred tax liability by £28,000.

## Rohr Aero Services Limited

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

#### 9. Tax on Profit (continued)

##### Tax expense/ (Income) included in other comprehensive income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2019 £'000	2018 £'000
<b>Deferred tax</b>		
Arising on income and expenses recognised in other comprehensive income:		
Derivative financial instruments	272	(363)
Reclassifications from other comprehensive income to profit or loss:		
<b>Total expense/ (income) tax recognised in other comprehensive income</b>	<b>272</b>	<b>(363)</b>

## Rohr Aero Services Limited

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

#### 10. Property, plant and equipment

	Freehold Property £'000	Plant and machinery £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Construction in progress £'000	Total £'000
<b>Cost</b>						
At 1 January 2018	12,716	17,998	1,367	45	384	32,510
Additions	274	675	53	-	311	1,313
Disposals	-	(266)	-	-	-	(266)
Transfer between classes	379	-	5	-	(384)	-
At 31 December 2018	13,369	18,407	1,425	45	311	33,557
Additions	-	633	-	-	96	729
Disposals	(2)	(329)	(1)	-	-	(332)
Transfer between classes	-	287	-	-	(287)	-
At 31 December 2019	13,367	18,998	1,424	45	120	33,954
<b>Accumulated depreciation</b>						
At 1 January 2018	3,352	11,178	1,269	41	-	15,840
Depreciation	286	1,317	30	4	-	1,637
Disposals	-	(237)	-	-	-	(237)
At 31 December 2018	3,638	12,258	1,299	45	-	17,240
Depreciation	296	1,193	34	-	-	1,523
Disposals	(1)	(320)	(1)	-	-	(322)
At 31 December 2019	3,933	13,131	1,332	45	-	18,441
<b>Net book value</b>						
At 31 December 2019	9,434	5,867	92	-	120	15,513
At 31 December 2018	9,731	6,149	126	-	311	16,317



# Rohr Aero Services Limited

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

### 11. Leases

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

#### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 £'000	1 January* 2019 £'000
<b>Right-of-use assets</b>		
Buildings	22	45
	<b>22</b>	<b>45</b>
<b>Lease liabilities</b>		
Current	19	37
Non-current	-	8
	<b>19</b>	<b>45</b>

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
<b>Depreciation charge of right-of-use assets</b>		
Buildings	23	-
	<b>23</b>	<b>-</b>
Interest expense	1	-
Expense relating to leases of low value assets that are not shown above as short-term leases	24	-
	<b>2019 £'000</b>	<b>2018* £'000</b>
Future minimum lease payments as at 31 December 2019 are as follows:		
Not later than one year	19	145
Later than one year and not later than five years	-	31
Total gross payments	<b>19</b>	<b>176</b>
Impact of finance expenses	-	-
Carrying amount of liability	<b>19</b>	<b>176</b>

\* 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.

## Rohr Aero Services Limited

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

#### 12. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	12,650	7,409
Work in progress	622	1,128
	<b>13,272</b>	<b>8,537</b>

In the opinion of the Directors the difference between the purchase price or production cost of stocks and their replacement cost is not material. There is a provision of £5,141,997 (2018: £4,382,771) over stock held.

#### 13. Debtors

##### Amounts falling due within one year:

	2019 £'000	2018 £'000
Trade receivables	11,977	11,866
Amounts owed by group undertakings	21,183	6,621
VAT	614	319
Prepayments and accrued income	76	230
Derivative financial instruments	220	-
Other receivables	-	17
	<b>34,070</b>	<b>19,053</b>

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.

Trade receivables are stated after provision for impairment of £919,625 (2018: £609,167).

#### 14. Creditors Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Trade creditors	3,047	2,821
Amounts owed to group undertakings	5,798	8,157
Corporation tax	5,080	435
Derivative financial instruments (note 21)	-	1,505
Accruals and deferred income	2,828	1,870
Lease liability (note 11)	19	-
	<b>16,772</b>	<b>14,788</b>

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.

## Rohr Aero Services Limited

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

#### 15. Provisions for liabilities

	<b>Product warranties £'000</b>
At 1 January 2018	793
Additions to the income statement	296
Unused amounts reversed to the income statement	(416)
Amounts utilised	(231)
<b>At 31 December 2018</b>	<b>442</b>
Additions to the income statement	328
Unused amounts reversed to the income statement	(622)
Amounts utilised	(148)
<b>At 31 December 2019</b>	<b>-</b>

#### **Product warranties**

The provision for product warranties relates to expected warranty claims on sales in the last five years. It is expected that these costs will be incurred over the next five years.

#### 16. Deferred tax

The analysis of deferred tax (liabilities)/ assets is as follows:

	<b>2019 £'000</b>	<b>2018 £'000</b>
Deferred tax assets due within 12 months	13	280
Deferred tax liabilities due after more than 12 months	(254)	(263)
<b>Net deferred tax (liability)/ asset</b>	<b>(241)</b>	<b>17</b>

## Rohr Aero Services Limited

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

#### 16. Deferred tax (continued)

The movement in deferred tax is as follows:

Deferred tax (liabilities)/ assets:

	Accelerated tax depreciation £'000	Other timing differences £'000	Total £'000
At 1 January 2018	(273)	(341)	(614)
(Charged)/ Credited to profit and loss	10	258	268
Credited to other comprehensive income	-	363	363
At 31 December 2018	(263)	280	17
(Charged)/ Credited to profit and loss	9	5	14
Charged to other comprehensive income	-	(272)	(272)
At 31 December 2019	(254)	13	(241)

#### 17. Called up Share capital

Ordinary shares	2019 £'000	2018 £'000
Allotted and fully-paid 6,049,463 (2018: 6,049,463) ordinary shares of £1 each	6,049	6,049

#### 18. Dividends on equity shares

Amounts recognised as distributions to equity holders in the year:

	2019 £'000	2018 £'000
Final dividend for the year ended 31 December 2019 of £3.504 (2018: £3.504) per £1 share	-	21,200
	-	21,200

# Rohr Aero Services Limited

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

### 19. Financial commitments

Capital commitments are as follows:

	2019 £'000	2018 £'000
Contracts for future capital expenditure not provided in the financial statements	100	342
	<b>100</b>	<b>342</b>

### 20. Retirement benefit schemes

#### 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 income of £1,073,657 (2018: £1,014,006) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. There were no contributions outstanding at the year end.

### 21. Financial instruments

#### Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. The fair value of the derivatives held at 31 December 2019, determined by reference to their market values, and was an asset £219,767 (2018: liability of £1,505,213).

### 22. 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 £31,000 and £40,000 in 2019 and 2018, respectively. The total intrinsic value at 31 December 2019 and 2018 was £2,000 and £12,000 respectively.

The company issues to certain employees performance share units (PSUs), 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 £86,000 and £96,000 in 2019 and 2018, respectively. The total intrinsic value at 31 December 2019 and 2018 was £8,000 and £16,000 respectively.

## **Rohr Aero Services Limited**

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

#### **23. Contingent liabilities**

As part of a multilateral group guarantee, the Company has entered into 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 specific accounts, limited to the credit balance standing within a group-wide cash pooling facility.

#### **24. Related party transactions**

The Company's ultimate parent is United Technologies Corporation, whose group financial statements are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS101 from disclosing transactions with fellow wholly owned members or investees of United Technologies Corporation Group.

#### **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.

## Rohr Aero Services Limited

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

#### 25. Changes in accounting policies (continued)

	£'000
<b>Measurement of lease liabilities</b>	
Operating lease commitments disclosed as at 31 December 2018	176
(Less): short-term leases not recognised as a liability	(100)
(Less): low-value leases not recognised as a liability	(31)
<b>Lease liability recognised as at 1 January 2019</b>	<b>45</b>
Of which are:	
Current lease liabilities	37
Non-current lease liabilities	8
	<b>45</b>

#### 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

Rohr Aero Services 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 operations.

## **Rohr Aero Services Limited**

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

#### **26. Subsequent events (continued)**

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 Rohr Aero Services Limited 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.

#### **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](http://www.rtx.com).