

Registered number: 01975872

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

D J Goma
S J Hollingsworth (resigned 31 December 2011)
M King
J M Shannahan (appointed 1 January 2012)
K Waldron

COMPANY SECRETARY

D J Goma

COMPANY NUMBER

01975872

REGISTERED OFFICE

Moor Lane
Derby
DE24 8BJ

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

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ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the provision of aftermarket services to customers of Rolls-Royce plc

BUSINESS REVIEW

Services

TotalCare® packages cover long-term management of the maintenance and associated logistics for Rolls-Royce plc engines and systems, monitoring the equipment in service to deliver the system availability our customers require with predictable costs. During the year, TotalCare services have been developed in accordance with customer requirements. Customers continue to seek a broad service scope. The company is well positioned to meet the challenges of increased customer demand, and committed to ensuring reliable execution of such service provisions.

Trading

Turnover grew by 28% compared to the previous period. Turnover growth is driven by an increasing fleet of Rolls-Royce powered aircraft covered by TotalCare packages. Operating profit is higher than 2010, reflecting changes in future utilisation assumptions, increase in TotalCare customers and new material requirements and costs.

Risks

Revenue growth is reliant on the growth in engine sales by Rolls-Royce plc, where competitive pressures in the market are most evident from the major American based engine manufacturers. New entrants to the aftermarket industry are a potential threat, though this is mitigated by continued growth in the company order book for long-term TotalCare agreements. The company has significant levels of transactions in US dollars, and thus has an exposure to movements in exchange rates.

Outlook

The company is focused on growing its order book, and works with Rolls-Royce plc, to ensure the offering of TotalCare solutions in support of new engine sale proposals. The group expects to deliver turnover growth in 2012.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £76,496 thousand (2010 - £31,336 thousand)

No dividend is recommended for 2011, (2010 - £Nil)

DIRECTORS

The directors who served during the year were

D J Goma

S J Hollingsworth (resigned 31 December 2011)

M King

J M Shannahan (appointed 1 January 2012)

K Waldron

PRINCIPAL RISKS AND UNCERTAINTIES

Summary

From the perspective of the company, the principal risks and uncertainties are integral to the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Rolls-Royce Holdings plc, which include those of the company, are discussed in the group's annual report which does not form part of this report.

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company seeks the best possible terms from suppliers and when entering into binding purchasing contracts, gives consideration to quality, delivery, price and terms of payment. In the event of disputes, efforts are made to resolve them quickly.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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.

PROVISION OF INFORMATION TO AUDITOR

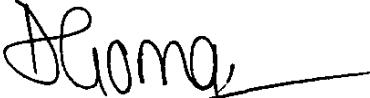
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

AUDITOR

Under section 487(2) of the Companies Act 2006, KPMG Audit Plc will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf



D J Goma

Secretary

Date 21 September 2012

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

We have audited the financial statements of Rolls-Royce Total Care Services Limited for the year ended 31 December 2011, set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



T M Widdas (Senior statutory auditor)

for and on behalf of

KPMG Audit Plc

Chartered Accountants

St Nicholas House

Park Row

Nottingham

NG1 6FQ

Date

24/9/12

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
TURNOVER	2	1,156,677	901,103
Cost of sales		(1,042,095)	(847,549)
GROSS PROFIT		114,582	53,554
Administrative expenses		(10,615)	(10,254)
OPERATING PROFIT	3	103,967	43,300
Interest receivable and similar income	6	109	222
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		104,076	43,522
Tax on profit on ordinary activities	7	(27,580)	(12,186)
PROFIT FOR THE FINANCIAL YEAR	13	76,496	31,336

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 7 to 11 form part of these financial statements

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED
REGISTERED NUMBER: 01975872

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£000	2011 £000	2010 £000
CURRENT ASSETS				
Debtors amounts falling due after more than one year	8	485,187		301,758
Debtors amounts falling due within one year	8	476,342		347,987
Cash at bank		-		94,624
		<u>961,529</u>		<u>744,369</u>
CREDITORS amounts falling due within one year	9	<u>(241,439)</u>		<u>(278,106)</u>
NET CURRENT ASSETS			<u>720,090</u>	<u>466,263</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>720,090</u>	<u>466,263</u>
CREDITORS: amounts falling due after more than one year	10		<u>(574,064)</u>	<u>(386,733)</u>
PROVISIONS FOR LIABILITIES				
Other provisions	11		<u>-</u>	<u>(10,000)</u>
NET ASSETS			<u><u>146,026</u></u>	<u><u>69,530</u></u>
CAPITAL AND RESERVES				
Called up share capital	12		<u>-</u>	<u>-</u>
Profit and loss account	13		<u>146,026</u>	<u>69,530</u>
SHAREHOLDERS' FUNDS	14		<u><u>146,026</u></u>	<u><u>69,530</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


J M Shannahan

Director

Date

21/9/12

The notes on pages 7 to 11 form part of these financial statements

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards

1.2 Cash flow statement

The company is a wholly owned subsidiary of Rolls-Royce plc and is included in the consolidated financial statements of Rolls-Royce plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1

1.3 Related party transactions

The company has taken advantage of the exemption in FRS8 not to disclose related party transactions with other group companies

1.4 Revenue recognition

Revenue comprises charges to external customers in respect of aftermarket services (TotalCare® Packages) and excludes value added tax

Sales of services are recognised by reference to the stage of completion based on services performed to date. The assessment of the stage of completion for long-term aftermarket services is dependent on the flying hours

1.5 Long term contracts

The company has long-term contracts that fall into different accounting periods. In assessing the allocation of revenues and costs to individual accounting periods, and the consequential assets and liabilities, the company estimates the total revenues and costs forecast to arise in respect of the contract and the stage of completion based on an appropriate measure of performance as described under revenue recognition above

Long-term contract balances are classified as falling due within one year or after more than one year according to the projections of when individual contract assets and liabilities are expected to be realised

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. TURNOVER

A geographical analysis of turnover is as follows

	2011 £000	2010 £000
United Kingdom	56,035	64,285
Rest of European Union	178,314	157,677
United States of America	142,083	106,339
Asia	707,828	509,413
Africa	44,685	46,465
Australasia	25,785	17,413
South and Central America	1,947	(489)
	1,156,677	901,103

3 OPERATING PROFIT

The operating profit is stated after charging

	2011 £000	2010 £000
Difference on foreign exchange	-	1,207

4 AUDITORS' REMUNERATION

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	7	7

5. STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration (2010 - £NIL)

All services were provided by Rolls-Royce plc

6. INTEREST RECEIVABLE

	2011 £000	2010 £000
Other interest receivable	109	222

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

7 TAXATION

	2011	2010
	£000	£000
UK corporation tax charge on profit for the year	27,580	12,186

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)

Factors that may affect future tax charges

The 2012 Budget on March 21, 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from April 1, 2012) was substantively enacted on July 5, 2011, and a further reduction to 24% (effective from April 1, 2012) was substantively enacted on March 26, 2012.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge accordingly.

8. DEBTORS

	2011	2010
	£000	£000
Due after more than one year		
Trade debtors	3,400	5,539
Amounts owed by group undertakings	-	100,000
Amounts recoverable on long term contracts	481,787	196,219
	485,187	301,758

	2011	2010
	£000	£000
Due within one year		
Trade debtors	93,899	43,288
Amounts owed by group undertakings	336,884	201,161
Amounts recoverable on long term contracts	45,559	103,538
	476,342	347,987

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

9. CREDITORS:

Amounts falling due within one year

	2011	2010
	£000	£000
Amounts owed to group undertakings	27,580	164,551
Other creditors	11,812	2,802
Accruals and deferred income	202,047	110,753
	<u>241,439</u>	<u>278,106</u>

10. CREDITORS.

Amounts falling due after more than one year

	2011	2010
	£000	£000
Accruals and deferred income	574,064	386,733
	<u>574,064</u>	<u>386,733</u>

11 PROVISIONS

	Contract loss £000
At 1 January 2011	10,000
Amounts used	(10,000)
At 31 December 2011	<u>-</u>

Contract loss

Provisions for contract loss are expected to be utilised within 1 year

12. SHARE CAPITAL

	2011	2010
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

13. RESERVES

	Profit and loss account £000
At 1 January 2011	69,530
Profit for the year	76,496
	<hr/>
At 31 December 2011	146,026
	<hr/>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	69,530	38,194
Profit for the year	76,496	31,336
	<hr/>	<hr/>
Closing shareholders' funds	146,026	69,530
	<hr/>	<hr/>

15. CONTROLLING PARTY

The immediate parent undertaking is Rolls-Royce plc

The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, which is the parent undertaking of the largest group to consolidate these financial statements. Rolls-Royce plc is the parent undertaking of the smallest group to consolidate these financial statements.

The consolidated financial statements of these groups are available to the public and may be obtained from 65 Buckingham Gate, London, SW1E 6AT