

Registered number: 1975872

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

Annual report and financial statements
for the year ended 31 December 2009

**Directors on
19 August 2010:**

**D J Goma
S J Hollingsworth
M King
K Waldron**

Secretary:

D J Goma



Registered Office: Moor Lane, Derby DE24 8BJ

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Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2009

Principal activities

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 66% 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 2008, reflecting changes in future utilisation assumptions, increase in TotalCare customers and new material requirements

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

Directors' report

The group expects to deliver turnover growth in 2010

Principle risks and uncertainties

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 Group plc, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Key performance indicators (KPIs)

The directors of Rolls-Royce Group plc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Rolls-Royce Total Care Services Limited. The development, performance and position of Civil Aerospace which includes the company, is discussed in the group's annual report which does not form part of this report.

Directors

The directors, who served during the year, were as follows:

D J Goma
S J Hollingsworth
M King
K Waldron

Dividends

The company paid an interim dividend of £25 million during the year. The directors are not recommending the payment of a final dividend.

Supplier payment policy

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.

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.

Directors' report

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'D J Goma', with a long horizontal line extending from the end of the signature towards the right.

D J Goma
Secretary

19 August 2010

Statement of director's responsibilities in respect of the annual report and financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' 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 2009 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.



TM Widdas (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants Dated 19/8/10
St Nicholas House
Park Row
Nottingham NG1 6FQ

Profit and loss account

For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	<u>849,647</u>	<u>511,198</u>
Cost of sales		<u>(803,433)</u>	<u>(491,385)</u>
Gross profit		46,214	19,813
Administrative expenses		<u>(8,153)</u>	<u>(6,689)</u>
Operating profit		38,061	13,124
Profit on ordinary activities before finance income		<u>38,061</u>	<u>13,124</u>
Finance income	3	<u>681</u>	<u>3,937</u>
Profit on ordinary activities before taxation	4	38,742	17,061
Tax on profit on ordinary activities	6	<u>(10,848)</u>	<u>(4,862)</u>
Profit on ordinary activities after taxation and profit for the financial year		<u>27,894</u>	<u>12,199</u>

All results have been derived from continuing activities

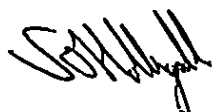
There were no recognised gains or losses in either the current year or the previous year, other than the profit for the year as shown above

Balance Sheet

31 December 2009

	Notes	2009 £'000	2008 Restated £'000
Current assets			
Debtors			
- due within one year	7	126,318	56,771
- due after more than one year	7	440,549	284,856
Cash at bank and in hand		104,283	224,525
Total assets		<u>671,150</u>	<u>566,152</u>
Creditors: Amounts falling due within one year	8	<u>(210,674)</u>	<u>(264,842)</u>
Net current assets		<u>460,476</u>	<u>301,310</u>
Total assets less current liabilities		460,476	301,310
Creditors: Amounts falling due after more than one year	9	<u>(422,282)</u>	<u>(266,010)</u>
Net assets		<u>38,194</u>	<u>35,300</u>
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account	11	<u>38,194</u>	<u>35,300</u>
Shareholders' funds	12	<u>38,194</u>	<u>35,300</u>

The financial statements on pages 6 to 13 were approved by the board of directors and signed on its behalf by



S J Hollingsworth

Director

19 August 2010

Notes to the financial statements

31 December 2009

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, on the historical cost basis except where FRS requires an alternative treatment

As permitted by Financial Reporting Standard 1 "Cash flow statements" (Revised 1996), no cash flow statement has been prepared, as a consolidated cash flow statement has been prepared by the ultimate parent company

The directors have reviewed the categorisation of the creditor and debtor balances between due within and after one year. The 2008 balances have been restated as described in the accounting policies (ii), as the directors consider that this better reflects their nature. Previously long term contract balances were classified as falling due after more than one year unless the contract was due to end in the following year. The 2008 balances have been restated such that 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. The effect of this reclassification is to increase debtors due within one year by £14,610,000, reduce debtors due after more than one year by £14,610,000, increase creditors due within one year by £50,904,000 and reduce creditors due after more than one year by £50,904,000. There is no effect on net assets as a result of this reclassification.

Significant accounting policies and judgements applied

(i) 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.

(ii) Assessment of Long-Term Contractual arrangements

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.

(iii) Interest

Interest receivable is credited to the profit and loss account using the effective interest method.

(iv) Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax.

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date.

Notes to the financial statements

31 December 2009

(v) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year-end. Transactions in overseas currencies are translated into local currency at the exchange rates ruling on the date of the transaction. Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into sterling at the rate ruling at the year-end are taken into account in determining profit before taxation.

2 Segment information

Turnover is analysed as follows

Geographical Market	2009 £'000	2008 £'000
United Kingdom	56,289	45,589
Rest of Europe	147,883	106,326
USA	100,395	47,205
Canada	-	-
Asia	484,961	278,837
Africa	47,337	27,048
Australasia	9,766	6,193
Other	3,016	-
	<u>849,647</u>	<u>511,198</u>

3 Finance Income

	2009 £'000	2008 £'000
Interest receivable and similar income	871	2,500
Foreign exchange	(190)	1,437
Finance income	<u>681</u>	<u>3,937</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (charging) / crediting

	2009 £'000	2008 £'000
Foreign exchange	(190)	1,437
Management charge	(8,146)	(6,681)
Audit fee	<u>(7)</u>	<u>(7)</u>

Notes to the financial statements

31 December 2009

5 Staff costs and directors' remuneration

The company had no employees during the year ended 31 December 2009 (2008 nil)

All necessary services were provided by Rolls-Royce plc

No remuneration has been received by the directors in respect of their services to the Company (2008 £nil)

6 Tax on profit on ordinary activities

The tax charge comprises

	2009 £'000	2008 £'000
Current tax		
UK corporation tax on profits of the period	10,848	4,862
Total current tax	<u>10,848</u>	<u>4,862</u>
Total tax on profit on ordinary activities	<u>10,848</u>	<u>4,862</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>38,742</u>	<u>17,061</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28.0% (2008 28.5%)	10,848	4,862
Current tax charge for period	<u>10,848</u>	<u>4,862</u>

Notes to the financial statements

31 December 2009

7 Debtors

	2009 £'000	2008 Restated £'000
Amounts falling due within one year		
Trade debtors	52,466	41,964
Amounts owed by group undertakings	1,505	197
Amounts recoverable on contracts	72,347	14,610
	<u>126,318</u>	<u>56,771</u>
Amounts falling due after more than one year		
Trade debtors	7,205	10,789
Amounts owed by group undertakings	300,000	200,000
Amounts recoverable on contracts	133,344	74,067
	<u>440,549</u>	<u>284,856</u>
	<u>566,867</u>	<u>341,627</u>

8 Creditors: Amounts falling due within one year

	2009 £'000	2008 Restated £'000
Amounts owed to group undertakings	169,908	192,845
Other creditors	2,932	21,093
Payments on account	37,834	50,904
	<u>210,674</u>	<u>264,842</u>

Notes to the financial statements

31 December 2009

9 Creditors: Amounts falling due after more than one year

	2009 £'000	2008 Restated £'000
Payments on account	422,282	266,010
	<u>422,282</u>	<u>266,010</u>

10 Share capital

	2009 £	2008 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully-paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 Profit and loss account

	£'000
At 1 January 2009	35,300
Profit for the financial year	27,894
Dividend	(25,000)
At 31 December 2009	<u>38,194</u>

12 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Opening shareholders' funds	35,300	23,101
Profit for the financial year	27,894	12,199
Dividend	(25,000)	-
Closing shareholders' funds	<u>38,194</u>	<u>35,300</u>

Notes to the financial statements

31 December 2009

13 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group companies

14 Ultimate Parent Company

The Company is a subsidiary undertaking of Rolls-Royce Group plc, incorporated in Great Britain. The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Group plc. The smallest group in which the results of the Company are consolidated is that headed by Rolls-Royce plc, incorporated in Great Britain.

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