

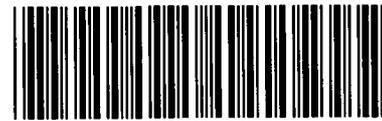
Registration number: 01975872

Rolls-Royce Total Care Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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Rolls-Royce Total Care Services Limited
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Rolls-Royce Total Care Services Limited
Company Information

Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Rolls-Royce Total Care Services Limited
Directors' Report for the Year Ended 31 December 2019

The Directors presents their report on Rolls-Royce Total Care Services Limited (the 'Company') together with the audited financial statements for the year ended 31 December 2019.

Directors of the Company

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

G J Hopkinson (resigned 30 November 2019)

M Gregory (appointed 6 December 2019)

W Morris (appointed 3 August 2020)

Qualifying third party indemnity provision

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

Principal activity

Prior to the sale of the entire trade and assets of the Company to Rolls-Royce plc on 31 December 2017, the principal activity of the Company was the provision of aftermarket services to customers of Rolls-Royce plc.

Business review

The Company has not traded in the year. The Company's net assets at the year ended 31 December 2019 and 2018 were £162,438 thousand.

Future developments

It was planned that the Company would be liquidated during 2019. However, there are outstanding operating contracts to be novated. It is expected that the Company will be liquidated in the near future once all contracts have been novated.

Results and dividends

The Company did not trade during 2019. The results for the year, after taxation, amounted to £nil (2018 - £nil).

During the year a dividend of £nil (2018: £nil) was paid.

Going Concern

The financial statements have been prepared on a basis other than a going concern as a result of the sale of the Company's trade and assets on 31 December 2017 to Rolls-Royce plc. The Directors have determined that subject to the novation of outstanding operating contracts, the Company will be liquidated in the near future. Given the nature of the assets and liabilities held as at 31 December 2019, this has not resulted in any recognition and measurement adjustments in preparing these financial statements.

Rolls-Royce Total Care Services Limited
Directors' Report for the Year Ended 31 December 2019 (continued)

Principle risks and uncertainties

The Company acts in accordance with policies set by Rolls-Royce Holdings plc. The Rolls-Royce Holdings plc group has an established, structured approach to risk management, which is detailed in the Rolls-Royce Holdings plc Annual Report which can be obtained from the address in note 10.

The Directors have determined that the principal risks and uncertainties facing the Company is as follows:

Liquidation of the Company will not be completed

The Company will be liquidated subject to the novation of outstanding operating contracts from the Company to Rolls-Royce plc which has been ongoing since 2017. To date, 78 out of 92 contracts have been successfully novated (76 out of 92 contracts as at the 31 December 2019). COVID-19 has significantly hampered the progress with operators since year end, as operators are focussing on managing the impacts of the COVID-19 pandemic and due to the current issues in the Civil Aerospace industry, novation requests are not currently a priority. The Company remains engaged with these operators and will endeavour to make further progress with novating the remaining contracts during 2020.

Brexit

Following the United Kingdom's ("UK") exit from the European Union on 31 January 2020, the Directors continue to monitor the potential outcomes from the UK's future relationship with the EU through the Rolls-Royce steering group which has remained active during 2019 and will remain active until the outcome is clear and any necessary mitigation plans are in place. It is difficult to evaluate all of the potential implications on the Company and the wider economy. However, the Directors believe the Company has limited exposure to any Brexit implications given that the Company's operations have ceased and the Company will be liquidated in the near future.

Coronavirus pandemic ("COVID-19")

The coronavirus pandemic has significantly hampered progress with operators expressing concern about incurring costs for novating such contracts and stating that, should the Company wish to proceed with the novation of contracts in 2020, then this should be at the Company's cost. Under the terms of the agreement between the Company and Rolls-Royce plc, the Company is indemnified by Rolls-Royce plc from any costs that may arise as a result of the novation of contracts and therefore the Directors have determined that there is no financial impact on the Company.

Post balance sheet events

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors of the Company are monitoring the impact of the COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

The Directors have assessed the subsequent conditions on the balance sheet as at 31 December 2019 and have determined that there is no material financial impact resulting from impairment of assets.

Directors' Report for the Year Ended 31 December 2019 (continued)

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Small company exemption

The Company has taken the small companies' exemption to prepare a Strategic Report under Section 414B of the Companies Act 2006.

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

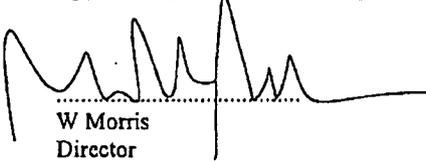
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 9 September 2020 and signed on its behalf by:



W Morris
Director

Rolls-Royce Total Care Services Limited

Independent Auditors' Report to the members of Rolls-Royce Total Care Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rolls-Royce Total Care 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 result 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 and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the Directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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 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.

Rolls-Royce Total Care Services Limited
Independent Auditors' Report to the members of Rolls-Royce Total Care Services Limited (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Rolls-Royce Total Care Services Limited

Independent Auditors' Report to the members of Rolls-Royce Total Care Services Limited (continued)

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



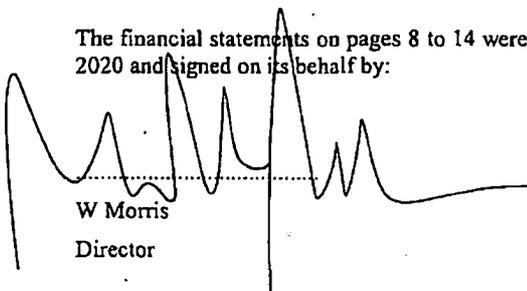
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Rachel Cletheroe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

10 September 2020

(Registration number: 01975872)
Balance Sheet as at 31 December 2019

	2019 £ 000	2018 £ 000
Assets		
Current Assets		
Trade and other receivables	162,438	162,438
Net assets	<u>162,438</u>	<u>162,438</u>
Equity		
Retained Earnings	<u>162,438</u>	<u>162,438</u>
Total Equity	<u>162,438</u>	<u>162,438</u>

The financial statements on pages 8 to 14 were approved and authorised for issue by the Board on 9 September 2020 and signed on its behalf by:



W Morris
Director

The notes on page 10 to 14 form an integral part of these financial statements.

Rolls-Royce Total Care Services Limited
Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained Earnings £ 000	Total equity £ 000
At 1 January 2019	-	162,438	162,438
At 31 December 2019	-	162,438	162,438

	Share capital £ 000	Retained Earnings £ 000	Total equity £ 000
At 1 January 2018	-	162,438	162,438
At 31 December 2018	-	162,438	162,438

Rolls-Royce Total Care Services Limited
Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The Company is a private company limited by shares, incorporated and domiciled in England.

Prior to the sale of the entire trade and assets of the Company to Rolls-Royce plc on 31 December 2017, the principal activity of the Company was the provision of aftermarket services to customers of Rolls-Royce plc.

The address of its registered office is:

Moor Lane
Derby
Derbyshire
DE24 8BJ

2 Significant accounting policies

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- The requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries; and
- Disclosures in respect of the compensation of Key Management Personnel.

Going Concern

The financial statements have been prepared on a basis other than a going concern as a result of the sale of the Company's trade and assets on 31 December 2017 to Rolls-Royce plc. The Directors have determined that subject to the novation of outstanding operating contracts, the Company will be liquidated in the near future. Given the nature of the assets and liabilities held as at 31 December 2019, this has not resulted in any recognition and measurement adjustments in preparing these financial statements.

New standards, amendments and IFRIC interpretations

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019 but due to the Company having no lease agreements during either the current or prior financial year there has been no impact on the financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The financial statements are not considered to contain any area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements for the year ended 31 December 2019 and 31 December 2018, therefore no further consideration is required.

Rolls-Royce Total Care Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Significant accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Basic financial instruments

Trade and other receivables

Trade and other receivables relate to amounts owed by group undertakings and are classified as financial assets and are subject to IFRS 9's expected credit loss model. Trade receivables are originally recognised at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Functional and presentational currency

The functional and presentational currency of the Company is Pound Sterling.

Rounding of amounts

All amounts in the financial statements and notes have been rounded to the nearer thousand Pounds Sterling unless otherwise stated.

Dividends

Interim dividends are recognised in the financial statements in the period in which they are paid to the Company's shareholders. Final dividends are recognised as a liability in the financial statements at the point at which they are declared.

3 Auditors' remuneration

The fees for the audit of the Company financial statements were £6,000 (2018: £2,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged.

£Nil (2018: £Nil) amounts were paid to the auditors for non-audit services.

Rolls-Royce Total Care Services Limited
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Staff and Directors' costs

The Company has no employees (2018: Nil).

The Directors' fees or emoluments were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated. No charge has been made in the current or prior years for the services of the Directors.

5 Taxation

Tax charged to the income statement

	2019	2018
	£ 000	£ 000
Current taxation		
UK Corporation tax		
Adjustments in respect of prior periods	-	(6,582)
Group relief payable		
Adjustments in respect of prior periods	-	6,582
Tax expense in the income statement	-	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019	2018
	£ 000	£ 000
Profit on ordinary activities before tax	-	-
Corporation tax at standard rate	-	-
Total tax charge	-	-

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.

Rolls-Royce Total Care Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Trade and other receivables

	2019 £ 000	2018 £ 000
Due within one year		
Amount owed by group undertakings	<u>162,438</u>	<u>162,438</u>
	<u>162,438</u>	<u>162,438</u>

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

7 Called-up share capital

Allotted and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

8 Dividends

The aggregate amount of dividends proposed and not recognised as a liability in 2019 was £nil (2018: £nil).

9 Contingent liabilities

In January 2017, after full cooperation, other companies within the Rolls-Royce plc group concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following the expiry of its term the DPA and the US DoJ was dismissed by the US District Court on the 19 May 2020. Other authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities relating against those other companies within the Rolls-Royce plc group or individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matter that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

Rolls-Royce Total Care Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Parent and ultimate parent undertaking

The Company's immediate parent 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.

Both sets of financial statements are available upon request from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.

11 Post balance sheet events

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors of the Company are monitoring the impact of the COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

The Directors have assessed the subsequent conditions on the balance sheet as at 31 December 2019 and have determined that there is no material financial impact resulting from impairment of assets.