COMPANY NUMBER 2159897

ROLLS-ROYCE & PARTNERS FINANCE LIMITED

Annual Report

for the Year Ended 31 December 2010

Directors on 31 March 2011:	C F Glenn M A Garrett E Harkness R Lyons M N Morris A Shilston
Secretaries:	D J Goma C H Jackson

Registered Office 65 Buckingham Gate, London SW1E 6AT

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REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) 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 group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

PRINCIPAL ACTIVITIES

All of the Group's business involves the leasing of commercial aero engines

BUSINESS REVIEW

The group increased its turnover by 4% compared to the previous year. This was mainly due to growth in the group's lease engine portfolio

The group opened the year with an engine lease portfolio of 138 engines, and closed with 152 engines During the year the group acquired 16 engines and sold 2 engines Monthly average net investment in the engine portfolio (including both fixed assets and finance lease debtors) increased by approximately $99m year on year

The principal risks and uncertainties facing the group are the risk of engines being off lease for extended periods and the risk of customer bankruptcy and resultant bad debts Due to the downturn in the industry, the Company experienced some customer bankruptcies during the year which resulted in a bad debt write-off of $2 6m.

The key sources of finance for the Group are two syndicated revolving credit facilities to which the Group and certain affiliates are party to The facility amounts are $525m and $250m, they mature in December 2012 and December 2011 respectively The Group is in the process of refinancing both facilities with a view to completing the process by mid-year 2011

REPORT OF THE DIRECTORS (continued)

Both the level of business and the year-end financial position were satisfactory and the Directors expect that the general level of activity will be sustained for the foreseeable future

FINANCIAL REVIEW

Results

The profit before taxation of the Group was US$33,891,000 (2009 US$33,339,000)

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US$6,378,000 (2009 US$3,980,000) The Directors declared interim dividends totalling 41 9 cents per share (2009 36 3 cents per share) No further dividends are recommended The total cost of dividends for 2010 is US$18,000,000 (2009 US$15,500,000)

DIRECTORATE

The Directors who held office through the year were as follows

Director

C F Glenn
E Harkness
R C Lyons
M N Morris
A Shilston

Mr MA Cowdry resigned as a director on 26 October 2010 and replaced by Mr MA Garrett

DIRECTORS' INTERESTS

None of the Directors, or their immediate family, had any beneficial interest in the shares of the Company during the year

PAYMENT TO SUPPLIERS

The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment The Company abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions Trade Creditors (excluding creditors related to capital items) at 31 December 2010 represent 13 days of purchases (2009 19 days)

REPORT OF THE DIRECTORS (continued)

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

Approved by the Board
Signed on its behalf by

C H Jackson
Secretary

31 March 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROLLS-ROYCE & PARTNERS FINANCE LIMITED

We have audited the financial statements of Rolls-Royce & Partners Finance Limited for the year ended 31 December 2010 set out on pages 5 to 18 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 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 (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 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 group's and of the parent company's affairs as at 31 December 2010 and of the group's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

C N Parkin (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
1 April 2011

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 US$000	2009 US$000
Turnover	2	98,014	93,969
Cost of sales		(47,891)	(40,636)
Gross profit		50,123	53,333
General and administrative costs		(3,477)	(3,101)
Operating profit		46,646	50,232
Profit on sale of fixed assets		3,403	1,712
Profit on ordinary activities before interest		50,049	51,944
Net interest payable	4	(16,158)	(18,605)
Profit on ordinary activities before taxation	3	33,891	33,339
Tax on profit on ordinary activities	7	(9,513)	(13,859)
Profit for the financial year		24,378	19,480

The notes on pages 8 to 17 form part of these Financial Statements

All the results have been derived from continuing activities

As permitted by the Companies Act 2006, a separate profit and loss account for the Company has not been included in these Financial Statements. Of the Group "profit for the financial year" a profit of US$18,929,000 (2009 US$14,290,000) has been dealt with in the profit and loss account of the Company The Company profit on ordinary activities after taxation includes dividends received from subsidiaries of US$18,000,000 (2009 US$15,500,000)

There are no recognised gains or losses other than those disclosed in the profit and loss account above

BALANCE SHEETS
AT 31 DECEMBER 2010
COMPANY NUMBER 2159897

		GROUP		COMPANY	
		2010	2009	2010	2009
	Notes	US$000	US$000	US$000	US$000
Fixed assets					
Tangible assets	9	933,126	811,142	31	44
Investment in subsidiary undertakings	10	-	-	300	300
		933,126	811,142	331	344
Current assets					
Stock	11	850	55	-	55
Debtors amounts falling due within one year	12	13,177	22,598	159,307	126,623
Debtors amounts falling due after more than one year	13	-	-	272	984
Cash at bank and in hand		23,983	1,135	22,651	1,005
		38,010	23,788	182,230	128,667
Creditors amounts falling due within one year	14	(244,168)	(39,579)	(56,947)	(24,753)
Net current (liabilities)/assets		(206,158)	(15,791)	125,283	103,914
Total assets less current liabilities		726,968	795,351	125,614	104,258
Creditors amounts falling due after more than one year	15	(532,282)	(616,556)	(74,392)	(53,965)
Provisions for liabilities and charges	16	(81,824)	(72,311)	-	-
Net assets		112,862	106,484	51,222	50,293
Capital and reserves					
Called up share capital	17	42,708	42,708	42,708	42,708
Profit and loss account	18	70,154	63,776	8,514	7,585
Equity shareholder's funds		112,862	106,484	51,222	50,293

The Financial Statements were approved by the Board of Directors on 31st March 2011 and were signed on its behalf by

M N Morris
Director

The notes on pages 8 to 17 form part of these Financial Statements

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US$000	2009 US$000
Reconciliation of operating profit to operating cash flows		
Operating profit	46,646	50,232
Depreciation charges	38,164	33,317
(Increase)/Decrease in stock	(795)	1,371
Decrease/(Increase) in debtors	1,126	(9,099)
Increase in creditors	25,053	10,994
Net cash inflow from operating activities	110,194	86,815
Returns on investment and servicing of finance		
Interest received	2	30
Interest paid	(15,304)	(18,634)
Net cash outflow from returns on investment and servicing of finance	(15,302)	(18,604)
Taxation	-	945
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(149,109)	(151,882)
Disposal of tangible fixed assets	-	2,486
Net cash outflow for capital expenditure and financial investment	(149,109)	(149,396)
Equity dividends paid	(18,000)	(15,500)
Cash outflow before financing	(72,217)	(95,740)
Financing		
Increase in borrowing due within one year	92,455	-
Increase in borrowing due after one year	-	93,941
Increase in loans from holding company	2,610	2,097
Net cash inflow from financing	95,065	96,038
Increase in cash in the period	22,848	298
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the period	22,848	298
Cash flow from movement in borrowings	(95,065)	(96,038)
Non cash movement in borrowings	(962)	(781)
Movement in net debt in the period	(73,179)	(96,521)
Net debt at 1 January	(573,372)	(476,851)
Net debt at 31 December	(646,551)	(573,372)

ANALYSIS OF NET DEBT

	At beginning of year US$000	Cashflow US$000	Non cash item US$000	At end of year US$000
Cash in hand, at bank	1,135	22,848		23,983
Loan from holding company	(18,180)	(2,610)	-	(20,790)
Debt due within one year	-	(92,455)	(107,528)	(199,983)
Debt due after one year	(556,327)	-	106,566	(449,761)
Total	(573,372)	(72,217)	(962)	(646,551)

Non-Cash items relate to the amortisation of loan fees capitalised in prior years and reclassification of loan between within and more than one year

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of Accounting

The Group Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

The Group Financial Statements have been prepared on a going concern basis, notwithstanding net current liabilities of US$206,158,000 as at 31 December 2010

The Directors have considered the application of the going concern basis of accounting, and believe that for the foreseeable future the Company will have adequate resources to meet its liabilities as they fall due In making this assessment the Directors have considered the cash generation arising from future lease income receivable against the creditors and loan repayments necessary within one year, which includes a loan owed to the immediate holding company that has no formal agreement and is not expected to be re-paid in the foreseeable future

The Group is in the process of renewing its revolving credit facility and, based on their discussions with the finance providers, and their experience of recent refinancing elsewhere in the group, the directors expect this to be completed before mid year 2011

Functional and Presentational Currency

The Financial Statements are presented in US Dollars as the Company conducts its principal activities in US Dollars and therefore recognises US Dollars as its functional currency

Basis of Consolidation

The Group Financial Statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2010

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year-end Exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation

Turnover

Net income from operating leases is credited to the profit and loss account on a straight-line basis over the term of the lease

Cost of Assets Held for Use in Operating Leases

The Group accrues for obligations to reimburse either existing or prospective lessees for the costs of future maintenance Where the accruals have arisen from the acquisition of previously used assets, the asset cost is increased by the amount estimated to return the asset to a fully overhauled condition

Income from Finance Leases

Income is credited to the profit and loss account in proportion to the funds invested

NOTES (continued)

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end

Depreciation

Fixed assets are depreciated on a straight-line basis from the time that they are first brought into use so as to write off their cost, less estimated residual value, over

Engines – the lesser of

(i) the period up to the 25th anniversary of the engine being first delivered to an airline, or purchased for lease by the Company, and
(ii) the estimated remaining useful life of the airframe for which the engine is designed

Fixtures & Fittings – 5 years

Stock

Stock is stated at the lower of cost and net realisable value

Interest

Interest payable is charged to the profit and loss account as incurred

Taxation

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

2. ANALYSIS OF TURNOVER

2010	Operating Lease Rentals US$000	Finance Lease Rentals US$000	Spare Parts Sales US$000	Total US$000
United Kingdom	18,931	26	26	18,983
Rest of Europe	7,010	-	-	7,010
USA	21,354	-	-	21,354
Canada	2,629	-	-	2,629
South America	8,772	-	-	8,772
Asia	39,265	1	-	39,266
	97,961	27	26	98,014

2009	Operating Lease Rentals US$000	Finance Lease Rentals US$000	Spare Parts Sales US$000	Total US$000
United Kingdom	19,795	83	75	19,953
Rest of Europe	10,339	171	-	10,510
USA	17,356	-	-	17,356
Canada	2,518	-	-	2,518
South America	7,990	-	-	7,990
Asia	35,642	-	-	35,642
	93,640	254	75	93,969

All the Group's business originates from the United Kingdom The Directors are of the opinion that the Group is engaged in a single class of business and the analysis above is provided for information purposes only

NOTES (continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 US$000	2009 US$000
After charging		
Depreciation of owned tangible fixed assets	38,164	33,317
Realised exchange (gains)/ losses	(38)	83
Operating lease rentals payable – hire of plant and equipment	14	13
- hire of other assets	6,014	6,350
Auditors' remuneration – Parent company	22	21
- Subsidiary companies	54	54

4. NET INTEREST PAYABLE

	2010 US$000	2009 US$000
Interest payable on		
Bank loans and overdrafts	15,062	17,283
Other borrowings	56	121
Interest on loans from holding company	1,042	1,231
	16,160	18,635
Interest receivable	(2)	(30)
Net interest payable	16,158	18,605

5. EMOLUMENTS OF DIRECTORS

The Group paid no emoluments to the Directors in respect of their services during the year

6. EMPLOYEE INFORMATION

	2010 US$000	2009 US$000
Employment costs		
Salaries	1,806	1,567
Social security costs	226	142
Other pension costs	145	132
	2,177	1,841
Average number of employees during the year	16	16

For the purposes of this note, employees are taken as being those people with contracts of employment with a related party but whose time is partly dedicated to the business of the Company and Group and whose costs of employment are therefore proportionately charged to the Group

NOTES (continued)

7. TAXATION

	2010 US$000	2009 US$000
Current tax		
Group relief receivable at 28% (2009 28%)	(2,732)	(3,033)
Group relief not charged for	2,732	3,033
Adjustment in respect of prior years	-	2,073
	-	2,073
Deferred tax origination and reversal of timing differences at 28%	12,282	12,422
In respect of prior year	262	(636)
In respect of reduction in tax rate	(3,031)	-
	9,513	13,859
Reconciliation of tax charge:		
Profit on ordinary activities before tax	33,891	33,339
Nominal charge at UK corporate tax rate of 28% (2009 28%)	9,490	9,335
Expenses not deductible for tax purposes	60	55
Capital allowances in excess of depreciation	(18,894)	(15,933)
Adjustments in respect of prior years	-	2,073
Other timing differences for the period	6,612	3,510
Group relief not charged for	2,732	3,033
Current tax charge/(credit)	-	2,073

In 2009, the adjustments in respect of prior periods current tax relates to group relief surrendered in prior periods The Company has agreed that no charge will be made for this The deferred tax movement in respect of prior periods arises from the transitional provisions in Schedule 18, FA 2009 This legislation was enacted in July 2009 and had the effect of increasing the trading losses being carried forward

The 2010 and 2011 Chancellor's Budgets announced measures to reduce the UK corporation tax rate from 28% to 23% by 2014 The first reduction in the rate to 27% was substantively enacted in July 2010 and was effective from 1 April 2011, as this was the only rate change to be substantively enacted prior to the year end, the closing deferred tax liability has been restated accordingly and the resulting credit has been recognised in the P&L A subsequent reduction in the rate to 26% was announced in March 2011 and is also effective from 1 April 2011 Had this and the other tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax liability as at 31 December 2010 by $12,122,000

8. DIVIDENDS – Ordinary Shares

	2010 US$000	2009 US$000
41 9 cents per share (2009 36 3 cents per share)	18,000	15,500
	18,000	15,500

NOTES (continued)

9. TANGIBLE FIXED ASSETS

GROUP	Assets Held for Use in Operating Leases US$000	Fixtures & Fittings US$000	Total US$000
Cost at 1 January 2010	951,043	538	951,581
Additions	165,051	-	165,051
Disposals	(6,550)	-	(6,550)
Cost at 31 December 2010	1,109,544	538	1,110,082
Depreciation at 1 January 2010	139,945	494	140,439
Provided during the year	38,151	13	38,164
Released on disposals	(1,647)	-	(1,647)
Depreciation at 31 December 2010	176,449	507	176,956
Net book values			
at 31 December 2010	933,095	31	933,126
at 31 December 2009	811,098	44	811,142

COMPANY	Assets Held for Use in Operating Leases US$000	Fixtures & Fittings US$000	Total US$000
Cost at 1 January 2010	311	535	846
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2010	311	535	846
Depreciation at 1 January 2010	311	491	802
Provided during the year	-	13	13
Released on disposals	-	-	-
Depreciation at 31 December 2010	311	504	815
Net book values			
at 31 December 2010	-	31	31
at 31 December 2009	-	44	44

The cost of assets held for use in operating leases includes maintenance reserves of US$714,324 (2009 US$1,497,133) (Group) and nil (2009 Nil) (Company) as explained in Note 1

	GROUP 2010 US$000	GROUP 2009 US$000	COMPANY 2010 US$000	COMPANY 2009 US$000
Capital expenditure commitments				
Contracted but not provided for	52,036	99,347	-	-

Capital commitments will be funded from the Group's two revolving credit facilities

NOTES (continued)

10. INVESTMENTS – Subsidiary Undertakings

Company	2010 US$000	2009 US$000
Shares at cost	300	300

11. STOCK

	GROUP		COMPANY	
	2010 US$000	2009 US$000	2010 US$000	2009 US$000
Spare parts	850	55	-	55

12. DEBTORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2010 US$000	2009 US$000	2010 US$000	2009 US$000
Finance lease receivables	190	309	-	-
Engine pre-delivery payments	950	12,652	-	-
Trade debtors	2,358	2,822	4	11
Other debtors	88	47	88	47
Prepayments and accrued income	181	129	133	77
Group Tax Receivable	-	-	-	-
Amounts owed by				
subsidiary undertakings	-	-	158,210	122,760
related parties	9,378	6,607	840	3,696
holding company	32	32	32	32
	13,177	22,598	159,307	126,623

NOTES (continued)

13. DEBTORS – Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2010 US$000	2009 US$000	2010 US$000	2009 US$000
Deferred tax asset	-	-	272	984
	-	-	272	984
Investment in Finance Leases				
Rents receivable in the year	388	2,033	-	-

Refer to note 16 for the analysis of the deferred tax asset

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2010 US$000	2009 US$000	2010 US$000	2009 US$000
Trade creditors	132	156	129	151
Accruals and deferred income	14,789	13,566	917	2,992
Deposits from lessees	1,534	4,684	75	75
Maintenance reserves	4,980	2,537	4,979	2,537
Other creditors	1,960	456	397	399
Borrowings	199,983	-	-	-
Amounts owed to				
subsidiary undertakings	-	-	29,661	419
related parties	338	-	337	-
holding company	20,452	18,180	20,452	18,180
	244,168	39,579	56,947	24,753

NOTES (continued)

15. CREDITORS – Amounts Falling Due After More Than One Year

	GROUP 2010 US$000	GROUP 2009 US$000	COMPANY 2010 US$000	COMPANY 2009 US$000
Deposits from lessees	8,129	6,264	-	-
Maintenance reserves	74,392	53,965	74,392	53,965
Bank loans and overdrafts falling due				
between one and two years	449,761	-	-	-
Between two and five years		556,327		
	532,282	616,556	74,392	53,965

Maintenance reserves included above comprise:

	GROUP 2010 US$000	GROUP 2009 US$000	COMPANY 2010 US$000	COMPANY 2009 US$000
At 1 January	56,503	49,483	56,503	48,653
Provided/received during the year	29,617	27,532	29,617	27,532
Paid out during the year	(5,619)	(17,669)	(5,619)	(17,669)
Released on disposals	(1,130)	(2,843)	(1,130)	(2,843)
Transfer between group companies	-	-	-	830
At 31 December	79,371	56,503	79,371	56,503

16. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION	GROUP 2010 US$000	GROUP 2009 US$000	COMPANY 2010 US$000	COMPANY 2009 US$000
At 1 January	72,311	60,525	(984)	(936)
Amount charged/(credited) to the profit and loss account	9,513	11,786	712	(48)
At 31 December – Provisions for liabilities and charges	81,824	72,311	-	-
At 31 December – Debtors amounts falling due after more than one year			(272)	(984)

The analysis of the deferred tax provision/asset is as follows

	GROUP 2010 US$000	GROUP 2009 US$000	COMPANY 2010 US$000	COMPANY 2009 US$000
Accelerated capital allowances	109,382	94,538	5	7
Accumulated losses carried forward	(27,558)	(22,227)	(277)	(991)
Provision	81,824	72,311	-	-
Asset			(272)	(984)

NOTES (continued)

17. SHARE CAPITAL

	20010 US$	2009 US$
Authorised		
US$1 ordinary shares	44,457,610	44,457,610
Issued and fully paid		
US$1 ordinary shares	42,708,110	42,708,110

18. PROFIT AND LOSS ACCOUNT

	GROUP US$000	COMPANY US$000
Balance at 1 January 2010	63,776	7,585
Transfer to reserves for the year		
Group	6,378	-
Company	-	929
Balance at 31 December 2010	70,154	8,514

19. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Group has contracted on an arm's length basis with subsidiary and joint venture undertakings of Rolls-Royce Group plc The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the Financial Statements are summarised below

	2010 US$000	2009 US$000
Sale of goods, services and fixed assets	17,301	15,315
Purchase of goods, services and fixed assets	150,667	129,227

20. LEASE COMMITMENTS

Operating lease expense

The Group has entered into fixed term operating leases with a related party company. The operating lease expense is payable on a monthly basis and is calculated based on a pre-determined formula with reference to LIBOR

Annual commitments under non-cancellable operating leases are as follows

	2010 $'000
Operating leases which expire:	
Over five years	6,209

NOTES (continued)

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2010 US$000	2009 US$000	2010 US$000	2009 US$000
Profit for the financial year	24,378	19,480	18,929	14,290
Dividends	(18,000)	(15,500)	(18,000)	(15,500)
Net addition to shareholders' funds	6,378	3,980	929	(1,210)
Opening shareholders' funds	106,484	102,504	50,293	51,503
Closing shareholders' funds	112,862	106,484	51,222	50,293

22. CONTINGENT LIABILITIES

The Group, Company and certain affiliates are party to a loan facility The Company provides guarantees in respect of the obligations of its subsidiary undertakings of US$650 9m (2009 US$558m) The Company and Group provide guarantees in respect of related parties of US$79 5m (2009 US$91m) The related parties guarantee the obligations of the Company and Group under the loan facility on a reciprocal basis

23. PENSION FUNDING

The Company's employees, as disclosed in note 6, are members of one of two multi-employer defined benefits pension schemes, The Rolls-Royce Pension Fund or the Rolls-Royce Group Pension Scheme The assets of the schemes are held in separate funds administered by trustees and invested in them independently of the finances of the Group The schemes are funded by annual contributions from

a) the company
b) scheme members

As it is not possible to identify the share of underlying assets and liabilities relating to Rolls-Royce & Partners Finance Limited, in accordance with FRS17 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts

On this basis, the amounts of employer contributions for 2010 were US$145,000 (2009 US$132,000)

The FRS17 disclosure related to the schemes is given in the group financial statements of Rolls-Royce Group plc

24. ULTIMATE HOLDING COMPANIES

Rolls-Royce Group plc, a company registered in England and Wales, and GATX Corporation, a company registered in the United States, are the joint ultimate holding companies Copies of Rolls-Royce Group plc's consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT and those of GATX Corporation from 222 West Adams Street, Chicago, IL60606-5314, Illinois, USA

Alpha Partners Leasing Limited, a company registered in England and Wales, is the immediate holding company and heads the largest group in which the results of the Company are consolidated Copies of its consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT

NOTES (continued)

25. SUBSIDIARY UNDERTAKINGS as at 31 December 2010

NAME	COUNTY OF INCORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
RRPF Engine Leasing Limited	England	Leasing of engines	100
RRPF Engine Leasing (No 2) Limited	England	Leasing of engines	100
Rolls-Royce Engine Leasing (Labuan) Limited	Labuan, Malaysia	Leasing of engines	100

COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US$000	2009 US$000
Turnover	6	75
Cost of sales	475	-
Gross profit	481	75
Administrative expenses		
Net costs	(136)	(104)
Foreign exchange (loss)/gain	(36)	83
Profit margin on re-charge to RRPF US	27	32
	(145)	11
Profit on Disposal	2,400	-
Net interest payable	(1,095)	(1,344)
Dividends receivable	18,000	15,500
Profit on ordinary activities before taxation	19,641	14,242
Taxation	(712)	48
Profit for the financial year	18,929	14,290
Dividends	(18,000)	(15,500)
Transferred to reserves	929	(1,210)

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