

COMPANY NUMBER 2159897

ROLLS-ROYCE & PARTNERS FINANCE LIMITED

Annual Report
for the Year Ended 31 December 2009

**Directors on
10th June 2010:**

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

Secretaries:

D J Goma
C H Jackson

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Registered Office 65 Buckingham Gate, London SW1E 6AT

CONTENTS

Report of the Directors	1-3
Independent Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Financial Statements	8-17

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2009

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 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 group and 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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The group increased its turnover by 17% 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 125 engines, and closed with 138 engines. During the year the group acquired 15 engines and sold 2 engines. Monthly average net investment in the engine portfolio (including both fixed assets and finance lease debtors) increased by approximately \$138m 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. These risks were successfully managed during the year with an average of 6 engines off lease during the year and no material bad debts arising

The key sources of finance for the Company are two syndicated revolving credit facilities to which the Company and certain affiliates are party. The facility amounts are \$525m and \$250m, they mature in December 2012 and December 2011 respectively

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

REPORT OF THE DIRECTORS (continued)

FINANCIAL REVIEW

Results

The profit before taxation of the Group was US\$33,339,000 (2008 US\$26,829,000)

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$3,980,000 (2008 US\$7,444,000) The Directors declared interim dividends totalling 36 3 cents per share (2008 30 4 cents per share) No further dividends are recommended The total cost of dividends for 2009 is US\$15,500,000 (2008 US\$13,000,000)

DIRECTORATE

The Directors who held office through the year were as follows

Director

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

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 2009 represent 19 days of purchases (2008 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

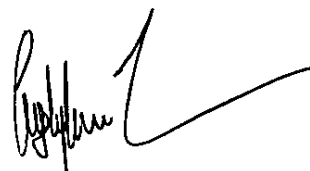
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(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

A handwritten signature in black ink, appearing to read 'C H Jackson', is written over a horizontal line.

C H Jackson
Secretary

10th June 2010

INDEPENDENT AUDITORS' 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 2009, which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related note. 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 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 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.

C N Parkin (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB
10th June 2010

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US\$000	2008 US\$000 Restated*
Turnover	2	93,969	80,449
Cost of sales		<u>(40,636)</u>	<u>(35,566)</u>
Gross profit		53,333	44,883
General and administrative costs		<u>(3,101)</u>	<u>(3,089)</u>
Operating profit		50,232	41,794
Profit on sale of fixed assets		<u>1,712</u>	<u>4,016</u>
Profit on ordinary activities before interest		51,944	45,810
Net interest payable	4	<u>(18,605)</u>	<u>(18,981)</u>
Profit on ordinary activities before taxation	3	33,339	26,829
Tax on profit on ordinary activities	7	<u>(13,859)</u>	<u>(6,385)</u>
Profit for the financial year		<u>19,480</u>	<u>20,444</u>

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\$14,290,000 (2008 US\$12,574,000) 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\$15,500,000 (2008 US\$13,000,000)

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

* 2008 figures have been restated to reflect gross up of turnover and cost of sales with a US affiliate company – See note 2

BALANCE SHEETS
AT 31 DECEMBER 2009
COMPANY NUMBER 2159897

	Notes	GROUP		COMPANY	
		2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Fixed assets					
Tangible assets	9	811,142	695,299	44	61
Investment in subsidiary undertakings	10	-	-	300	300
		<u>811,142</u>	<u>695,299</u>	<u>344</u>	<u>361</u>
Current assets					
Stock	11	55	1,426	55	55
Debtors amounts falling due within one year	12	22,598	17,127	126,623	118,455
Debtors amounts falling due after more than one year	13	-	392	984	936
Cash at bank and in hand		<u>1,135</u>	<u>837</u>	<u>1,005</u>	<u>824</u>
		<u>23,788</u>	<u>19,782</u>	<u>128,667</u>	<u>120,270</u>
Creditors amounts falling due within one year	14	<u>(39,579)</u>	<u>(38,464)</u>	<u>(24,753)</u>	<u>(26,192)</u>
Net current (liabilities)/assets		<u>(15,791)</u>	<u>(18,682)</u>	<u>103,914</u>	<u>94,078</u>
Total assets less current liabilities		795,351	676,617	104,258	94,439
Creditors amounts falling due after more than one year	15	(616,556)	(513,588)	(53,965)	(42,936)
Provisions for liabilities and charges	16	<u>(72,311)</u>	<u>(60,525)</u>	-	-
Net assets		<u>106,484</u>	<u>102,504</u>	<u>50,293</u>	<u>51,503</u>
Capital and reserves					
Called up share capital	17	42,708	42,708	42,708	42,708
Profit and loss account	18	<u>63,776</u>	<u>59,796</u>	<u>7,585</u>	<u>8,795</u>
Equity shareholder's funds		<u>106,484</u>	<u>102,504</u>	<u>50,293</u>	<u>51,503</u>

The Financial Statements were approved by the Board of Directors on 10th June 2010 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 2009**

	2009 US\$000	2008 US\$000
Reconciliation of operating profit to operating cash flows		
Operating profit	50,232	41,794
Depreciation charges	33,317	26,793
Decrease in stock	1,371	4,045
(Increase)/decrease in debtors	(9,099)	29,465
Increase in creditors	10,994	898
Net cash inflow from operating activities	86,815	102,995
Returns on investment and servicing of finance		
Interest received	30	81
Interest paid	(18,634)	(19,912)
Net cash outflow from returns on investment and servicing of finance	(18,604)	(19,831)
Taxation	945	107
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(151,882)	(182,836)
Disposal of tangible fixed assets	2,486	9,021
Net cash outflow for capital expenditure and financial investment	(149,396)	(173,815)
Equity dividends paid	(15,500)	(13,000)
Cash outflow before financing	(95,740)	(103,544)
Financing		
Increase in borrowing due after one year	93,941	102,074
Increase in loans from holding company	2,097	1,956
Net cash inflow from financing	96,038	104,030
Increase in cash in the period	298	486
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the period	298	486
Cash flow from movement in borrowings	(96,038)	(104,030)
Non cash movement in borrowings	(781)	-
Movement in net debt in the period	(96,521)	(103,544)
Net debt at 1 January	(476,851)	(373,307)
Net debt at 31 December	(573,372)	(476,851)

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	837	298	-	1,135
Loan from holding company	(16,083)	(2,097)	-	(18,180)
Debt due after one year	(461,605)	(93,941)	(781)	(556,327)
Total	(476,851)	(95,740)	(781)	(573,372)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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\$15,791,000 as at 31 December 2009

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

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

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

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

NOTES (continued)

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 anticipated 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

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other income US\$000	Spare Parts Sales US\$000	Total US\$000
2009					
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
	<u>93,640</u>	<u>254</u>	<u>-</u>	<u>75</u>	<u>93,969</u>
2008					
United Kingdom	17,680	109	648	31	18,468
Rest of Europe	8,255	383	-	-	8,638
USA	4,886	937	-	-	4,886
Canada	2,832	-	-	-	2,832
South America	7,860	-	-	-	7,860
Asia	36,828	-	-	-	36,828
	<u>78,341</u>	<u>1,429</u>	<u>648</u>	<u>31</u>	<u>80,449</u>

In the 2008 Group profit and loss account and the turnover analysis above, the turnover has been restated to reflect \$6,993,000 inter-company purchase previously netted off within the group but now shown as increases both in turnover and cost of sales. This is because the Group lease engines from a US affiliate company which is outside of the Group and then lease these engines to an external customer. There is no impact in the Gross Profit nor Operating Profit nor elsewhere in the financial statements.

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

	2009 US\$000	2008 restated US\$000
After charging		
Depreciation of owned tangible fixed assets	33,317	26,793
Realised exchange losses / (gains)	83	(184)
Operating lease rentals payable – hire of plant and equipment	13	8
- hire of other assets	6,350	6,993
Auditors' remuneration – Parent company	21	26
- Subsidiary companies	54	50

4. NET INTEREST PAYABLE

	2009 US\$000	2008 US\$000
Interest payable on		
Bank loans and overdrafts	17,283	17,513
Other borrowings	121	457
Interest on loans from holding company	1,231	1,092
	<u>18,635</u>	<u>19,062</u>
Interest receivable	(30)	(81)
Net interest payable	<u>18,605</u>	<u>18,981</u>

5. EMOLUMENTS OF DIRECTORS

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

6. EMPLOYEE INFORMATION

	2009 US\$000	2008 US\$000
Employment costs		
Salaries	1,567	2,128
Social security costs	142	169
Other pension costs	132	173
	<u>1,841</u>	<u>2,470</u>
Average number of employees during the year	<u>16</u>	<u>17</u>

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

	2009 US\$000	2008 US\$000
Current tax		
Group relief receivable at 28% (2008 28 5%)	(3,033)	(3,018)
Group relief not paid for	3,033	1
Adjustment in respect of prior years	2,073	(118)
	2,073	(3,135)
Deferred tax origination and reversal of timing differences at 28%	12,422	10,528
In respect of prior year	(636)	(1,008)
	13,859	6,385
Reconciliation of tax charge		
Profit on ordinary activities before tax	33,339	26,829
Nominal charge at UK corporate tax rate of 28% (2008 28 5%)	9,335	7,646
Expenses not deductible for tax purposes	55	53
Income not taxable	-	(1)
Capital allowances in excess of depreciation	(15,933)	(13,860)
Utilisation of brought forward losses	3,510	3,332
Adjustments in respect of prior years	2,073	(118)
Tax Rate differential on timing differences in period	-	(188)
Group relief not paid for	3,033	1
Current tax charge/(credit)	2,073	(3,135)

The adjustments in respect of prior periods in 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.

8. DIVIDENDS – Ordinary Shares

	2009 US\$000	2008 US\$000
36.3 cents per share (2008 30 4 cents per share)	15,500	13,000
	15,500	13,000

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 2009	804,199	538	804,737
Additions	152,882	-	152,882
Disposals	(6,038)	-	(6,038)
Cost at 31 December 2009	951,043	538	951,581
Depreciation at 1 January 2009	108,961	477	109,438
Provided during the year	33,300	17	33,317
Released on disposals	(2,316)	-	(2,316)
Depreciation at 31 December 2009	139,945	494	140,439
Net book values			
at 31 December 2009	811,098	44	811,142
at 31 December 2008	695,238	61	695,299

COMPANY	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2009	311	535	846
Additions	-	-	-
Disposals	-	-	-
Cost at 31 December 2009	311	535	846
Depreciation at 1 January 2009	311	474	785
Provided during the year	-	17	17
Released on disposals	-	-	-
Depreciation at 31 December 2009	311	491	802
Net book values			
at 31 December 2009	-	44	44
at 31 December 2008	-	61	61

The cost of assets held for use in operating leases includes maintenance reserves of US\$1,497,133 (2008 US\$1,171,208) (Group) and nil (2008 Nil) (Company) as explained in Note 1

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Capital expenditure commitments				
Contracted but not provided for	99,347	108,616	-	-

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

NOTES (continued)
10. INVESTMENTS – Subsidiary Undertakings

Company	2009 US\$000	2008 US\$000
Shares at cost	300	300

11. STOCK

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Spare parts	55	1,426	55	55

12. DEBTORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Finance lease receivables	309	2,778	-	-
Engine pre-delivery payments	12,652	2,989	-	-
Trade debtors	2,822	3,021	11	15
Other debtors	47	15	47	15
Prepayments and accrued income	129	444	77	389
Group Tax Receivable	-	3,018	-	-
Amounts owed by				
subsidiary undertakings	-	-	122,760	114,282
related parties	6,607	4,830	3,696	3,722
holding company	32	32	32	32
	<u>22,598</u>	<u>17,127</u>	<u>126,623</u>	<u>118,455</u>

NOTES (continued)

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

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Finance lease receivables	-	309	-	-
Trade debtors	-	83	-	-
Deferred tax asset	-	-	984	936
	<u>-</u>	<u>392</u>	<u>984</u>	<u>936</u>
Investment in Finance Leases				
Rents receivable in the year	<u>2,033</u>	<u>5,197</u>	<u>-</u>	<u>-</u>

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

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Trade creditors	156	110	151	106
Accruals and deferred income	13,566	13,212	2,992	3,377
Deposits from lessees	4,684	2,502	75	153
Maintenance reserves	2,537	5,717	2,537	5,717
Other creditors	456	840	399	399
Amounts owed to				
subsidiary undertakings	-	-	419	357
related parties	-	-	-	-
holding company	18,180	16,083	18,180	16,083
	<u>39,579</u>	<u>38,464</u>	<u>24,753</u>	<u>26,192</u>

NOTES (continued)
15. CREDITORS – Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Deposits from lessees	6,264	8,217	-	-
Maintenance reserves	53,965	43,766	53,965	42,936
Bank loans and overdrafts falling due between two and five years	556,327	461,605	-	-
	<u>616,556</u>	<u>513,588</u>	<u>53,965</u>	<u>42,936</u>

Maintenance reserves included above comprise:

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
At 1 January	49,483	53,187	48,653	52,971
Provided/received during the year	27,532	17,132	27,532	16,354
Paid out during the year	(17,669)	(13,551)	(17,669)	(13,387)
Released on disposals	(2,843)	(7,285)	(2,843)	(7,285)
Transfer between group companies	-	-	830	-
At 31 December	<u>56,503</u>	<u>49,483</u>	<u>56,503</u>	<u>48,653</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
At 1 January	60,525	51,005	(936)	(656)
Amount charged/(credited) to the profit and loss account	11,786	9,520	(48)	(280)
At 31 December – Provisions for liabilities and charges	<u>72,311</u>	<u>60,525</u>		
At 31 December – Debtors amounts falling due after more than one year			<u>(984)</u>	<u>(936)</u>

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

Accelerated capital allowances	94,538	78,603	7	11
Accumulated losses carried forward	(22,227)	(18,078)	(991)	(947)
Provision	<u>72,311</u>	<u>60,525</u>		
Asset			<u>(984)</u>	<u>(936)</u>

NOTES (continued)

17. SHARE CAPITAL

	2009 US\$	2008 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 2009	59,796	8,795
Transfer to reserves for the year		
Group	3,980	-
Company	-	(1,210)
Balance at 31 December 2009	63,776	7,585

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:

	2009 US\$000	2008 US\$000 Restated
Sale of goods, services and fixed assets	15,315	12,325
Purchase of goods, services and fixed assets	129,227	150,731

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Profit for the financial year	19,480	20,444	14,290	12,574
Dividends	(15,500)	(13,000)	(15,500)	(13,000)
Net addition to shareholders' funds	3,980	7,444	(1,210)	(426)
Opening shareholders' funds	102,504	95,060	51,503	51,929
Closing shareholders' funds	106,484	102,504	50,293	51,503

NOTES (continued)**21. 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\$558m (2008 US\$464m). The Company and Group provide guarantees in respect of related parties of US\$91m (2008 US\$107m). The related parties guarantee the obligations of the Company and Group under the loan facility on a reciprocal basis.

22. 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 2009 were US\$132,000 (2008 US\$173,000).

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

23. 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.

24. SUBSIDIARY UNDERTAKINGS as at 31 December 2009

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 2009

	2009 US\$000	2008 US\$000
Turnover	75	679
Cost of sales	-	-
Gross profit	75	679
Administrative expenses		
Net costs	(104)	(263)
Foreign exchange gain / (loss)	83	184
Profit margin on re-charge to RRPf US	32	42
	11	(37)
Net interest payable	(1,344)	(1,494)
Dividends receivable	15,500	13,000
Profit on ordinary activities before taxation	14,242	12,148
Taxation	48	426
Profit for the financial year	14,290	12,574
Dividends	(15,500)	(13,000)
Transferred to reserves	(1,210)	(426)

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