

Turbo-Union Limited

**Directors' report and financial
statements**

Registered number 00962980

31 December 2011

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Company information

Directors

S Baldwin	Chairman	British	(resigned 01/05/12)
M Albert	Managing Director	German	
M Schreyoegg		German	
K Guenther		German	(appointed 01/01/11)
S Miglietta		Italian	(resigned 01/12/11)
M Silvano		Italian	(resigned 01/12/11)
N Massa Rolandino		Italian	(appointed 01/12/11)
C Crotti		Italian	(appointed 01/12/11)
S Spooner		British	
S Hughes		British	(appointed 01/05/12)

Secretary

D Goma

Registered office

Moor Lane
Derby
DE24 8BJ

Registered number

962980

Directors' report

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

Principal activities

Turbo-Union continues to give a high level of operational support to its engine in service with the Royal Air Force, German Air Force, German Navy, Italian Air Force and Royal Saudi Air Force

A branch of the company is located in Germany

Registered number 00962980

Business review

There has been a 13% decrease in the level of European activities compared with last year, while sales to the Royal Saudi Air Force via Rolls-Royce Plc have decreased by 4% on the previous 12 months

No further significant changes in the business of the company are expected in the near future

Result and dividends

The loss for the financial year ended 31 December 2011 amounted to €1k (2010 loss €14,000) The directors do not propose a dividend for the year (2010 €Nil)

Directors

The directors of the company during the year were

S Baldwin	Chairman	British	
M Albert	Managing Director	German	
M Schreyoegg		German	
K Guenther		German	(appointed 01/01/11)
S Miglietta		Italian	(resigned 01/12/11)
M Silvano		Italian	(resigned 01/12/11)
N Massa Rolandino		Italian	(appointed 01/12/11)
C Crotti		Italian	(appointed 01/12/11)
S Spooner		British	

No directors' fees or other emoluments are or have at any time been paid to any directors

Accounting in Euros

The company's functional currency is the Euro

Employees

The company had no employees during the year (2010 Nil) All employee costs are borne by the individual partner companies

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2010 €Nil)

Directors' report (continued)

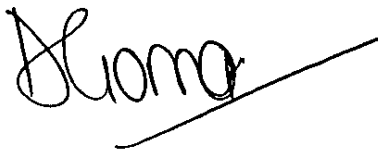
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Re-appointment of auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board



D Goma
Secretary

Moor Lane
Derby
DE24 8BJ

16/7/ 2012

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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



Independent auditor's report to the members of Turbo-Union Limited

We have audited the financial statements of Turbo-Union Limited for the year ended 31 December 2011 set out on pages 7 to 15. 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 company's affairs as at 31 December 2011 and of its loss 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.

Independent auditor's report to the members of Turbo-Union Limited (continued)

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



J Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

30 July 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 €000	2010 €000
Turnover	2	118,870	130,588
Production costs		(118,415)	(130,109)
Administration costs		(465)	(496)
		<hr/>	<hr/>
Operating loss		(10)	(17)
Interest receivable and similar income	3	8	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2)	(17)
Taxation on loss on ordinary activities	6	1	3
		<hr/>	<hr/>
Loss for the financial year		(1)	(14)
		<hr/>	<hr/>

There were no other gains or losses other than the loss for the financial year

The loss in 2010 and 2011 arose from continuing operations


The notes on pages 10 to 15 form part of these accounts

Balance sheet
at 31 December 2011

	<i>Note</i>	2011	2010
		€000	€000
Fixed assets			
Tangible assets	7	45	58
Current assets			
Debtors	8	6,890	13,332
Cash at bank and in hand		572	542
		<u>7,462</u>	<u>13,874</u>
Creditors amounts falling due within one year	9	<u>(6,940)</u>	<u>(13,366)</u>
Net current assets		<u>522</u>	<u>508</u>
Total assets less current liabilities		<u>567</u>	<u>566</u>
Creditors amounts falling due after more than one year	9	(273)	(271)
Net assets		<u>294</u>	<u>295</u>
Capital and reserves			
Called up share capital	12	1	1
Retained earnings		293	294
Equity shareholders' funds	13	<u>294</u>	<u>295</u>

These financial statements were approved by the board of directors on behalf by

2012 and were signed on its


16.7.2012

M Albert
Managing Director

The notes on pages 10 to 15 form part of these accounts

Cash flow statement
for the year ended 31 December 2011

	<i>Note</i>	2011 €000	2010 €000
Net cash inflow from operating activities	<i>10</i>	29	11
Returns on investments and servicing of finance			
Interest received		3	-
Taxation		3	4
Capital expenditure			
Payments to acquire tangible fixed assets		(5)	(41)
Proceeds on disposal of tangible fixed assets		-	16
Increase/(Decrease) in cash	<i>11</i>	30	(10)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rate of exchange ruling at the end of the financial year and the gains or losses on translation are included in the profit and loss account.

The profit and loss account has been converted into Euros using daily mid market rates obtained from the European Central Bank.

Non-monetary items expressed in foreign currencies have been converted into Euros at the historic rates of exchange.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment	-	between 10% and 33%
Motor vehicles	-	17%

Turnover

Turnover is derived from the sale of logistical support services, repair services and spare parts. Turnover comprises the gross amounts billed in respect of sales made on behalf of consortium members, on the basis that the Company bears the risk in respect of related charges.

Turnover is recognised upon delivery and is stated in the accounts exclusive of Value Added Tax.

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.

Operating leases

Rentals on equipment used in the business, which are subject to operating leases or rental agreements, are charged to the profit and loss account in the year in which they arise.

Segmental information

Turbo-Union is a UK registered company with its headquarters in Germany, receiving goods and services from its shareholders sourced in Germany, Italy and the UK. Given this, no segmental analysis by origin is provided.

Notes (continued)

2 Turnover

The geographical analysis of turnover by destination is as follows

	2011 €000	2010 €000
United Kingdom	71,214	76,610
Germany	34,254	40,175
Italy	13,402	13,803
	<u>118,870</u>	<u>130,588</u>

3 Interest receivable and similar income

	2011 €000	2010 €000
On short term bank deposits	3	3
Exchange gains/(losses)	5	(3)
	<u>8</u>	<u>-</u>

4 Profit for the financial year

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

	2011 €000	2010 €000
Auditors' remuneration - audit of these financial statements	16	15
Depreciation of tangible fixed assets	18	17
Loss on disposal of tangible fixed assets	-	3
Operating lease - property	62	61
Operating lease - other	8	9
Foreign exchange (gains)/losses	(5)	3
	<u></u>	<u></u>

Notes (continued)

5 Employee information

The company had no employees during the year (2010 Nil) All employee costs are borne by the individual partner companies

6 Taxation

	2011 €000	2010 €000
<i>Analysis of charge in the period</i>		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	(1)	(3)
	<u>(1)</u>	<u>(3)</u>
Total current tax	<u>(1)</u>	<u>(3)</u>
<i>Current tax reconciliation</i>		
(Loss) on ordinary activities before tax	(2)	(17)
	<u>(2)</u>	<u>(17)</u>
Current tax at 20.25 % (2010 21%)	-	(4)
Expenses not deductible for tax purposes		1
(Origination)/reversal of timing differences		3
Adjustment in respect of prior periods	(1)	(3)
	<u>(1)</u>	<u>(3)</u>
Total current tax charge (see above)	<u>(1)</u>	<u>(3)</u>

7 Tangible fixed assets

	Motor vehicles €000	Office Equipment €000	Total €000
<i>Cost</i>			
At 1 January 2011	44	92	136
Additions during the year	-	5	5
Disposals during the year	-	(5)	(5)
	<u>44</u>	<u>92</u>	<u>136</u>
At 31 December 2011	<u>44</u>	<u>92</u>	<u>136</u>
<i>Depreciation</i>			
At 1 January 2011	3	75	78
Charge for the year	10	8	18
Disposals during the year	-	(5)	(5)
	<u>13</u>	<u>78</u>	<u>91</u>
At 31 December 2011	<u>13</u>	<u>78</u>	<u>91</u>
<i>Net book value</i>			
At 31 December 2011	<u>31</u>	<u>14</u>	<u>45</u>
At 31 December 2010	<u>41</u>	<u>17</u>	<u>58</u>

Notes (continued)

8 Debtors: amounts falling due within one year

	2011 €000	2010 €000
Trade debtors	6,766	13,266
Other debtors	124	66
	<u>6,890</u>	<u>13,332</u>

9 Creditors

Creditors amounts falling due within one year

	2011 €000	2010 €000
Trade creditors	6,939	13,122
Other creditors including taxation and social security		
Corporation tax	-	-
Other creditors	1	244
	<u>6,940</u>	<u>13,366</u>

Creditors amounts falling due after more than one year

	2011 €000	2010 €000
Loans from partner companies	273	271

The loans from the partner companies are non-interest bearing loans which are in part denominated in Sterling. All amounts are repayable after five years. The movement in the balance represents a fluctuation in foreign exchange rate with the Euro.

10 Reconciliation of operating loss to net cash outflow from operating activities

	2011 €000	2010 €000
Operating loss	(10)	(17)
Depreciation charges	18	17
Loss on sale of fixed assets	-	3
Decrease in debtors	6,442	8,915
(Decrease) in creditors	(6,421)	(8,754)
(Decrease) in provisions	-	(153)
	<u>29</u>	<u>11</u>
Net cash inflow from operating activities		

Notes (continued)

11 Analysis of change in net funds

	At 1 January 2011	Non cash item	Cash flows	At 31 December 2011
	€000	€000	€000	€000
Cash in hand and at bank	542	-	30	572
Debt due after more than one year	(271)	(2)	-	(273)
Net funds	<u>271</u>	<u>(2)</u>	<u>30</u>	<u>299</u>

12 Called up share capital

	2011 €	2010 €
<i>Allotted, called up and fully paid shares</i>		
16 'A' shares of £1 each	23	23
992 Ordinary shares of £1 each	1,405	1,405
	<u>1,428</u>	<u>1,428</u>

In addition to the ordinary share rights, 'A' class shareholders have the right to elect directors

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	2011 €000	2010 €000
Opening shareholders' funds	295	309
(Loss) for the financial year	(1)	(14)
Closing shareholders' funds	<u>294</u>	<u>295</u>

14 Commitments

The company has commitments for the following year under non-cancellable operating leases as follows

	2011 €000	2010 €000
Operating leases which expire		
Within one year	52	6
Within two to five years	183	113
	<u>235</u>	<u>119</u>

15 Related party transactions

Turbo-Union Limited was formed as part of a joint venture between Rolls-Royce Plc, MTU GmbH and Avio SpA. In the course of normal operations, the company has contracted with the joint venture parties. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below

	2011 €000	2010 €000
Purchases of goods from joint venture parties	91,946	105,912
Receiving of services from joint venture companies	26,468	24,917
Sales of goods to joint venture parties	56,659	59,017
Creditors		
Rolls-Royce Plc	2,040	5,951
MTU GmbH	3,289	3,831
Avio SpA	1,536	3,339
	<u>6,865</u>	<u>13,121</u>
Debtors		
Rolls-Royce Plc	1,871	6,064
MTU GmbH	3,290	3,818
Avio SpA	1,538	3,375
	<u>6,699</u>	<u>13,257</u>