

Turbo-Union Limited

**Directors' report and financial
statements**

Registered number 00962980

31 December 2008



Contents

Company information	1
Directors' report	2
Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements	4
Independent auditors' report to the members of Turbo-Union Ltd	5
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes	10

Company information

Directors

F Kearney	Chairman	British	
M Fausset	Chairman	British	resigned 29 May 2008
M Albert	Managing Director	German	appointed 1 December 2008
K Koch	Managing Director	German	resigned 1 December 2008
C Awde		British	appointed 23 June 2008
S Baldwin		British	appointed 29 May 2008
Dr. R Martens		German	
M Schreyogg		German	appointed 1 February 2008
K-J Bader		German	
M Mattioli		Italian	
S Miglietta		Italian	appointed 1 January 2008
M Silvano		Italian	appointed 1 January 2008

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 2008.

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.

Business review

There has been a 21% increase 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 35% 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 profit for the financial year ended 31 December 2008 amounted to €12,000 (2007: €22,000). The directors do not propose a dividend for the year (2007: €Nil).

Directors

The directors of the company during the year were:

F Kearney	Chairman	British	
M Fausset	Chairman	British	(resigned 29 May 2008)
M Albert	Managing Director	German	(appointed 1 December 2008)
K Koch	Managing Director	German	(resigned 1 December 2008)
C Awde		British	(appointed 23 June 2008)
S Baldwin		British	(appointed 29 May 2008)
Dr. R Martens		German	
M Schreyogg		German	(appointed 1 February 2008)
K-J Bader		German	
M Mattioli		Italian	
S Miglietta		Italian	(appointed 1 January 2008)
M Silvano		Italian	(appointed 1 January 2008)

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

Policy and practice on payment of creditors

The company's payment policy in respect of paying the shareholders is to settle agreed outstanding accounts immediately after receipt of payments from NETMA for corresponding outgoing invoices. Liabilities from the Royal Saudi Air Force business are controlled by Rolls-Royce Plc and paid directly to the remaining two shareholders, MTU Aero Engines GmbH and Avio SpA. Outsourcing accounts of other suppliers are settled in accordance with terms and conditions agreed when placing orders. The number of days' billing outstanding at the end of the financial year was 32 (2007: 70).

Accounting in Euros

The company's functional currency is the Euro.

Employees

The company employed no employees in either year.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

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

25/6/ 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Turbo-Union Ltd

We have audited the financial statements of Turbo-Union Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Turbo-Union Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

25th June 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 €000	2007 €000
Turnover	2	174,491	203,958
Production costs		(174,001)	(203,422)
Administration costs		(495)	(541)
		<hr/>	<hr/>
Operating loss		(5)	(5)
Interest receivable and similar income	3	22	33
		<hr/>	<hr/>
Profit on ordinary activities before taxation		17	28
Taxation on profit on ordinary activities	6	(5)	(6)
		<hr/>	<hr/>
Profit for the financial year		12	22
		<hr/> <hr/>	<hr/> <hr/>

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

The profit in both 2008 and 2007 arose from continuing operations.


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

Balance sheet
at 31 December 2008

	Note	2008	2007
		€000	€000
Fixed assets			
Tangible assets	7	52	57
Current assets			
Debtors	8	15,194	39,128
Cash at bank and in hand		648	601
		<u>15,842</u>	<u>39,729</u>
Creditors: amounts falling due within one year	9	<u>(14,529)</u>	<u>(39,190)</u>
Net current assets		<u>1,313</u>	<u>539</u>
Total assets less current liabilities		<u>1,365</u>	<u>596</u>
Creditors: amounts falling due after more than one year	9	(263)	(286)
Provisions for liabilities and charges	12	(780)	-
Net assets		<u>322</u>	<u>310</u>
Capital and reserves			
Called up share capital	13	1	1
Retained earnings		321	309
Equity shareholders' funds	14	<u>322</u>	<u>310</u>

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

2009 and were signed on its

 25. June 2009

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 2008

	<i>Note</i>	2008 €000	2007 €000
Net cash inflow/(outflow) from operating activities	<i>10</i>	41	(1,934)
Returns on investments and servicing of finance			
Interest received and similar income		22	33
Taxation		(6)	(28)
Capital expenditure			
Payments to acquire tangible fixed assets		(10)	(47)
Proceeds on disposal of tangible fixed assets		-	14
Increase/(decrease) in cash	<i>11</i>	47	(1,962)

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 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 operates 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.

Warranty provision

Warranty provisions are recognised on a line by line basis for expected warranty claims. The warranty provision represents management's best estimate of the Company's future obligation, based on known events.

Notes (continued)

2 Turnover

The geographical analysis of turnover by destination is as follows:

	2008 €000	2007 €000
United Kingdom	107,889	150,273
Germany	48,727	39,005
Italy	17,875	14,680
	<u>174,491</u>	<u>203,958</u>

3 Interest receivable and similar income

	2008 €000	2007 €000
On short term bank deposits	15	32
Exchange gains	7	1
	<u>22</u>	<u>33</u>

4 Profit for the financial year

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

	2008 €000	2007 €000
Auditors' remuneration - audit of these financial statements	20	20
Depreciation of tangible fixed assets	15	18
Operating lease – property	60	65
Operating lease - other	13	12
Foreign exchange (gains)	(7)	(1)
	<u></u>	<u></u>

Notes (continued)

5 Employee information

The company had no employees during the year (2007: Nil). All employee costs are borne by the individual partner companies.

6 Taxation

	2008 €000	2007 €000
Current tax		
UK corporation tax at 21% (2007: 19.75%)	5	6
	<hr/>	<hr/>
Total current tax	5	6
	<hr/>	<hr/>
Reconciliation of tax charge		
Profit on ordinary activities before tax	17	28
	<hr/>	<hr/>
Nominal charge at UK corporation tax rate of 21% (2007: 19.75%)	4	6
Expenses not deductible for tax purposes	1	-
	<hr/>	<hr/>
Current tax	5	6
	<hr/>	<hr/>

7 Tangible fixed assets

	Motor vehicles €000	Office equipment €000	Total €000
Cost			
At 1 January 2008	41	81	122
Additions during the year	-	10	10
Disposals during the year	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	41	89	130
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2008	4	61	65
Charge for the year	10	5	15
Disposals during the year	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	14	64	78
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2008	27	25	52
	<hr/>	<hr/>	<hr/>
At 31 December 2007	37	20	57
	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Debtors: amounts falling due within one year

	2008 €000	2007 €000
Trade debtors	15,090	39,011
Other debtors	104	117
	<u>15,194</u>	<u>39,128</u>

9 Creditors

Creditors: amounts falling due within one year

	2008 €000	2007 €000
Trade creditors	14,406	39,101
Other creditors including taxation and social security		
Corporation tax	5	6
Other creditors	118	83
	<u>14,529</u>	<u>39,190</u>

Creditors: amounts falling due after more than one year

	2008 €000	2007 €000
Loans from partner companies		
Amounts falling due in more than five years	263	286

The loans from the partner companies are non-interest bearing loans which are in part denominated in Sterling. 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

	2008 €000	2007 €000
Operating loss	(5)	(5)
Depreciation charges	15	18
Foreign exchange gain	(23)	(9)
Loss on disposal of fixed assets	-	-
Decrease/(increase) in debtors	23,935	(12,356)
(Decrease)/increase in creditors	(24,661)	11,525
Increase/ (decrease)/in provisions	780	(1,107)
	<u>41</u>	<u>(1,934)</u>

Net cash inflow/(outflow) from operating activities

Notes (continued)

11 Analysis of change in net funds

	At 1 January 2008	Non cash item	Cash flows	At 31 December 2008
	€000	€000	€000	€000
Cash in hand and at bank	601	-	47	648
Debt due after more than one year	(286)	23	-	(263)
Net funds	315	23	47	385

12 Provisions for liabilities and charges

	2008 €000
Warranty provision at 1 January 2008	-
Amounts used during the year	-
Additional provision made	780
Warranty provision at 31 December 2008	780

These are provisions to cover warranty claims during the warranty period and are likely to be settled within 12 months of the balance sheet date.

Deferred tax has not been recognised on the basis that it would not be material to the accounts.

13 Called up share capital

	2008 €	2007 €
<i>Authorised shares</i>		
16 'A' shares of £1 each	23	23
992 Ordinary shares of £1 each	1,405	1,405
	1,428	1,428
<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
	1,428	1,428

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

Notes (continued)

14 Reconciliation of movements in shareholders' funds

	2008 €000	2007 €000
Opening shareholders' funds	310	288
Profit for the financial year	12	22
Closing shareholders' funds	<u>322</u>	<u>310</u>

15 Commitments

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

	2008 €000	2007 €000
Operating leases which expire:		
Within one year	8	-
Within two to five years	61	73
	<u>69</u>	<u>73</u>

16 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:

	2008 €000	2007 €000
Purchases of goods from joint venture parties	150,130	179,391
Receiving of services from joint venture companies	23,871	24,031
Sales of goods to joint venture parties	84,329	129,021
Creditors:		
Rolls-Royce Plc	3,802	14,288
MTU GmbH	7,050	15,644
Avio SpA	4,188	9,454
	<u>15,282</u>	<u>39,386</u>
Debtors:		
Rolls-Royce Plc	8,885	30,786