

COMPANY NUMBER 1975872

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

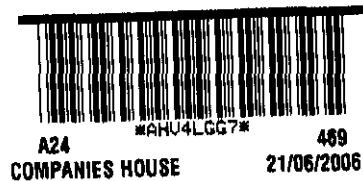
**Annual Report
for the year ended 31 December 2005**

**Directors on
22 May 2006:**

**C J Cuddington
D J Goma
S J Hollingsworth
J E Warren**

Secretary:

D J Goma



Registered Office : Moor Lane, Derby DE24 8BJ

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and audited accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of aftermarket services, in particular total care packages, to customers of Rolls-Royce plc.

RESULTS

The results of the Company for the year are set out on page 5. The directors do not recommend payment of a final dividend.

DIRECTORATE

The directors of the Company during the year were as follows:

C J Cuddington
D J Goma
S J Hollingsworth
J E Warren

DIRECTORS' SHARE INTERESTS

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Rolls-Royce Total Care Services Limited at the beginning or at the end of the financial year; neither did they have any beneficial interest in the shares of any subsidiary within the Rolls-Royce group of companies. The directors holding office at the end of the financial year who had beneficial interests, including options in the share capital of the ultimate holding company, Rolls-Royce Group plc, requiring disclosure in this report are detailed below:

	Rolls-Royce Group plc Ordinary 20p Shares		Options over Rolls-Royce Group plc Ordinary Shares				
	Ordinary shares of 20p each as at 1 January 2005	Ordinary shares of 20p each as at 31 December 2005	As at 1 January 2005	Share options granted in 2005	Share options lapsed in 2005	Share Options exercised in 2005	Total share options as at 31 December 2005
C J Cuddington	135,939*	154,449*	588,129	477	-	33,500	555,106
D J Goma	458*	-	4,811	992	-	-	5,803
S J Hollingsworth	23,228*	24,723*	242,097	4,398	-	4,398	242,097
J Warren	17,478*	12,280*	214,808	-	-	-	214,808

*The above interests under ordinary 20p shares include shares held in trust for the following directors:

	Annual Performance Related Award plan¹		Profit Sharing Share Scheme²		Share Purchase Plan³	
	As at 1 January 2005	As at 31 December 2005	As at 1 January 2005	As at 31 December 2005	As at 1 January 2005	As at 31 December 2005
C J Cuddington	38,564	26,120	1,568	-	-	-
D J Goma	-	-	-	-	458	-
S J Hollingsworth	22,429	12,654	-	-	799	1,026
J Warren	12,598	7,241	-	-	-	-

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

	Deferred Share Incentive Plan⁴		Share Bonus Scheme⁵	
	As at 1 January 2005	As at 31 December 2005	As at 1 January 2005	As at 31 December 2005
C J Cuddington	58,822	58,822	4,996	6,165

¹ Under the Annual Performance Related Award plan, shares vest after two years.

² Under the Profit Sharing Share Scheme, shares vest after three years.

³ Under the Share Purchase Plan, shares vest after five years.

⁴ Under the Deferred Share Incentive Plan, shares vest after three years.

⁵ Under the Share Bonus Scheme, shares vest after five years.

Conditional awards were granted under the Rolls-Royce Group plc Performance Share Plan (PSP) whereby shares released are dependent upon certain performance criteria being achieved over a three-year performance period.

	PSP	
	As at 1 January 2005	As at 31 December 2005
C J Cuddington	30,826	60,393
S J Hollingsworth	19,835	39,187
J Warren	10,197	20,443

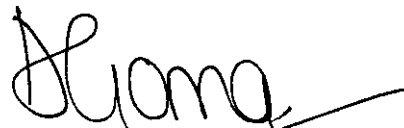
PAYMENT TO SUPPLIERS

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. Suppliers are, in this way, made aware of these terms. The Company abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions. In the event of disputes efforts are made to resolve them quickly.

AUDITORS AND ANNUAL GENERAL MEETING

Elective Resolutions are in force to dispense with the obligation of laying the Annual Report before the Company in general meeting, appointing auditors annually and holding Annual General Meetings.

By Order of the Board



DJ Goma
Secretary

22 May 2006

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

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.

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 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 company will continue in business.

The directors are responsible for keeping proper accounting records that 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

We have audited the financial statements of Rolls-Royce Total Care Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet 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

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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.

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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Nottingham

22 May 2006

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
TURNOVER	1d	201,148	138,387
Cost of sales		(180,842)	(139,486)
GROSS PROFIT / (LOSS)		<u>20,306</u>	<u>(1,099)</u>
Administrative expenses		(3,251)	(1,349)
OPERATING PROFIT / (LOSS)		<u>17,055</u>	<u>(2,448)</u>
Other interest receivable	2	4,125	420
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>21,180</u>	<u>(2,028)</u>
Taxation on profit on ordinary activities	5, 6	(6,354)	608
RETAINED PROFIT / (ACCUMULATED LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>14,826</u>	<u>(1,420)</u>
TRANSFER TO RESERVES	11	<u>14,826</u>	<u>(1,420)</u>

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

The notes on pages 7 to 11 form part of these financial statements.


ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £000	2004 Restated £000
CURRENT ASSETS			
Debtors (including £4,437,000 (2004: £3,125,000) falling due after more than one year)	7	233,226	148,067
CREDITORS – amounts falling due within one year	8	(220,869)	(150,536)
NET CURRENT ASSETS / (LIABILITIES)		12,357	(2,469)
NET ASSETS / (LIABILITIES)		12,357	(2,469)
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	12,357	(2,469)
EQUITY SHAREHOLDERS' FUNDS	12	12,357	(2,469)

These financial statements were approved by the Board of Directors on 22 May 2006, and signed on its behalf by:


S J Hollingsworth
Director

The notes on pages 7 to 11 form part of these financial statements.

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2005

1. Principal Accounting Policies

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and on a going concern basis and in accordance with applicable accounting standards.

b) Prior year adjustment

The prior year comparatives for cash and debtors (amounts due from parent undertaking), have been amended to reflect the legal ownership of cash balances between the Company and its parent undertaking. Consequently, the cash balance at 31 December 2004 has been reduced by £132,960,000 and debtors (amounts due from parent undertaking) has increased by the same amount, with no impact to net assets.

c) Cash Flow Statement Exemption

Under Financial Reporting Standard 1, the Company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

d) Turnover

Turnover excludes value added tax and comprises invoiced charges to Rolls-Royce customers, in respect of aftermarket services (Total Care Packages).

e) 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.

f) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the year end. Differences on exchange are charged or credited in determining profit on ordinary activities before taxation.

Foreign currency sales and purchases were converted throughout the year at group standard conversion rates. The differences between standard and actual are reflected within the profit on ordinary activities before taxation.

g) Interest

Interest payable is charged to the profit and loss account as incurred. Interest receivable is credited to the profit and loss account as earned.

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2005

1. **Principal Accounting Policies (cont'd)**

h) **Long-Term Contracts**

Provided that the outcome of long-term contracts can be assessed with reasonable certainty, the attributable profit recognised on long-term contracts is based on stage of completion and the overall contract profitability, after including an appropriate risk factor, which is progressively reduced over the life of the contract. Full provision is made for any estimated losses to completion of contracts having regard to the overall substance of the arrangements including, if appropriate, related commitments and undertakings given by customers. Progress payments received, when greater than recorded turnover, are deducted from the value of work in progress except to the extent that payments on account exceed the value of work in progress on any contract where the excess is included in creditors. The amount by which recorded turnover of long-term contracts is in excess of payments on account is classified as "amounts recoverable on contracts" and is separately disclosed within debtors.

i) **Related Party Transactions**

Under Financial Reporting Standard 8, the Company is exempt from the requirements to disclose related party transactions with Rolls-Royce Group plc and its subsidiaries and associates on the grounds that it is a wholly owned subsidiary undertaking.

2. **Other Interest Receivable and Similar Income**

	2005	2004 restated
	£000	£000
Interest receivable from parent undertaking	<u>4,125</u>	<u>420</u>

3. **Profit / (Loss) on Ordinary Activities before Taxation**

	2005 £000	2004 £000
Is stated after charging:		
Management charge	<u>3,251</u>	<u>1,349</u>

The Company's audit fee is paid by its parent.

4. **Employee/Director Information**

The Company had no employees during the year ended 31 December 2005 (2004 Nil). All necessary services were provided by Rolls-Royce plc.

None of the directors received any remuneration in respect of their services to the Company during the year.

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2005

5. **Tax on Profit / (Loss) on Ordinary Activities**

	2005	2004
	£000	£000
In respect of the year:		
Tax payable / Group relief receivable at 30%	(6,354)	608
	<hr/>	<hr/>
	(6,354)	608
	<hr/>	<hr/>

6. **Reconciliation of Tax Charge**

	2005	2004
	£000	£000
Profit / (Loss) on ordinary activities before taxation	21,180	(2,028)
	<hr/>	<hr/>
Nominal (charge) / credit at UK Corporation tax rate of 30%	(6,354)	608
	<hr/>	<hr/>
Current taxation (charge) / credit	(6,354)	608
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7. **Debtors**

	2005	2004
	£000	restated £000
Amount due from parent undertaking	214,637	132,960
Amounts recoverable on long term contracts	4,437	3,125
Trade debtors	13,531	11,374
Interest receivable	621	-
Group corporation tax relief	-	608
	<hr/>	<hr/>
	233,226	148,067
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ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2005

8. **Creditors - amounts falling due within one year**

	2005 £000	2004 £000
Amounts owed to parent undertaking	73,623	86,059
Accruals	140,892	64,477
Taxation payable	6,354	-
	<hr/>	<hr/>
	220,869	150,536
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9. **Deferred Taxation**

No potential deferred taxation liability existed as at 31 December 2005 or 31 December 2004.

10. **Share Capital**

	2005 £	2004 £
Authorised, allotted, called up and fully paid ordinary shares of £1 each	100	100
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11. **Profit and Loss Reserve**

	2005 £000	2004 £000
At 1 January 2005	(2,469)	(1,049)
Retained profit / (accumulated loss) for the year	14,826	(1,420)
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At 31 December 2005	12,357	(2,469)
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ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2005

12. Reconciliation of Movements in Shareholders' Funds

	2005 £000	2004 £000
Profit / (Loss) for the financial year	14,826	(1,420)
Net increase / (decrease) in shareholders' funds	14,826	(1,420)
Opening shareholders' funds	(2,469)	(1,049)
Closing shareholders' funds	12,357	(2,469)

13. Ultimate holding company

The Company is a subsidiary undertaking of Rolls-Royce Group plc incorporated in Great Britain. The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Group plc. The smallest group in which they are consolidated is that headed by Rolls-Royce plc, incorporated in Great Britain. The consolidated accounts of these groups are available to the public and may be obtained from 65 Buckingham Gate, London, SW1E 6AT.