

**COMPANY NUMBER 1975872**

**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

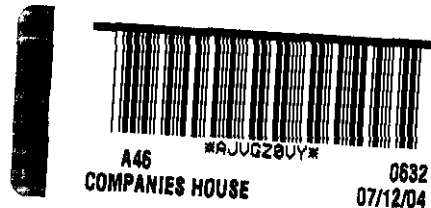
**Annual Report  
for the year ended 31 December 2003**

**Directors on  
30 November 2004:**

**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 2003.

#### **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 the Rolls-Royce group.

#### **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:

J R Ashfield (resigned 03 June 2004)  
C J Cuddington  
D J Goma  
S J Hollingsworth  
J Paul (resigned 27 March 2003)  
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:

	<b>Rolls-Royce Group plc Ordinary 20p Shares</b>		<b>Options over Rolls-Royce Group plc Ordinary Shares</b>			
	Ordinary shares of 20p each as at 1 January 2003 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2003	As at 1 January 2003 or date of appointment if later	Share options granted in 2003	Share options exercised/ lapsed/cancelled in 2003	Total share options as at 31 December 2003
J R Ashfield	484	528	3,386	-	-	3,386
C J Cuddington	33,260	125,599*	356,869	231,260	-	588,129
D J Goma	61	380*	4,560	1,747	1,496	4,811
S J Hollingsworth	13,666	24,757*	97,493	144,604	-	242,097
J Warren	6,977	15,770*	90,974	126,089	2,255	214,808

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

	<b>Annual Performance Related Award Plan<sup>1</sup></b>		<b>Profit Sharing Share Scheme<sup>2</sup></b>		<b>Share Purchase Plan<sup>3</sup></b>	
	As at 1 January 2003 or date of appointment if later	As at 31 December 2003	As at 1 January 2003 or date of appointment if later	As at 31 December 2003	As at 1 January 2003 or date of appointment if later	As at 31 December 2003
C J Cuddington	19,684	38,464	3,854	2,766	-	-
D J Goma	-	-	-	-	61	380
S J Hollingsworth	13,627	24,235	-	-	39	522
J Warren	6,459	14,237	-	-	-	-

## **ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

	<b>Deferred Share Incentive Plan<sup>4</sup></b>		<b>Share Bonus Scheme<sup>5</sup></b>	
	As at 1 January 2003 or date of appointment if later	As at 31 December 2003	As at 1 January 2003 or date of appointment if later	As at 31 December 2003
C J Cuddington	-	58,822	-	3,614

<sup>1</sup> Under the Annual Performance Related Award Plan, shares vest after two years.

<sup>2</sup> Under the Profit Sharing Share Scheme, shares vest after three years

<sup>3</sup> Under the Share Purchase Plan, shares vest after five years

<sup>4</sup> Under the Deferred Share Incentive Plan, shares vest after three years.

<sup>5</sup> Under the Share Bonus Scheme, shares vest after five years.

### **PAYMENT TO SUPPLIERS**

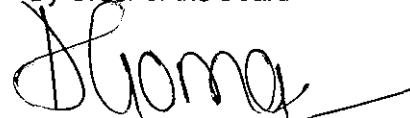
The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. Suppliers are, in this way, made aware of these terms. The Company abides therewith whenever it is satisfied that suppliers 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.

The Company had 20 days purchases outstanding at the end of the year (2002: 20 days).

### **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

30 November 2004

## **ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 to enable them to ensure that the 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.

**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

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

We have audited the financial statements set out on pages 5 to 11.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

*30 November 2004*

KPMG Audit Plc  
Chartered Accountants,  
Registered Auditor  
Nottingham

**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £000	2002 £000
<b>TURNOVER</b>	1c	29,949	6,277
Cost of sales		(30,794)	(5,307)
<b>GROSS (LOSS) / PROFIT</b>		<u>(845)</u>	<u>970</u>
Administrative expenses		(1,678)	(3)
<b>OPERATING (LOSS) / PROFIT</b>		<u>(2,523)</u>	<u>967</u>
Other interest receivable/(payable)	2	55	3
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<u>(2,468)</u>	<u>970</u>
Taxation on profit on ordinary activities	5, 6	740	(291)
<b>RETAINED (LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(1,728)</u>	<u>679</u>
<b>TRANSFER TO RESERVES</b>	13	<u>(1,728)</u>	<u>679</u>

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

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

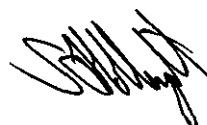
**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**BALANCE SHEET**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £000	2002 £000
<b>CURRENT ASSETS</b>			
Debtors	7	5,728	2,864
Cash at bank	8	76,477	61
		<u>82,205</u>	<u>2,925</u>
<b>CREDITORS</b> – amounts falling due within one year	10	(83,254)	(2,246)
		<u>(1,049)</u>	<u>679</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(1,049)</u>	<u>679</u>
<b>NET (LIABILITIES) / ASSETS</b>		<u>(1,049)</u>	<u>679</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	-	-
Profit and loss account	13	(1,049)	679
<b>EQUITY SHAREHOLDERS FUNDS</b>	14	<u>(1,049)</u>	<u>679</u>

These financial statements were approved by the Board of Directors on 30 November 2004, 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 2003**

### **1. Principal Accounting Policies**

#### **a) Basis of Accounting**

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

#### **b) 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.

#### **c) Turnover**

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

#### **d) 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.

#### **e) 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 overall exchange rate difference account as charged to the Rolls-Royce group profit and loss account.

#### **f) 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.

#### **g) Long-Term Contracts**

Stock and work in progress are valued at the lower of cost and net realisable value. 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. Provided that the outcome of long-term contracts can be assessed with reasonable certainty, such contracts are valued at cost plus attributable profit earned to date.

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.



**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (cont'd)**

**YEAR ENDED 31 DECEMBER 2003**

**h) Related Party Transactions**

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

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on bank balances	<u>55</u>	<u>3</u>

**3. Profit on Ordinary Activities before Taxation**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Is stated after charging:		
Management charge	<u>1,678</u>	-

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

**4. Employee/Director Information**

The Company had no employees during the year ended 31 December 2003 (2002 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.

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

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
In respect of the year:		
Group relief (receivable) / payable at 30%	(740)	291
	<u>(740)</u>	<u>291</u>

**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (cont'd)**

**YEAR ENDED 31 DECEMBER 2003**

**6. Reconciliation of Tax Charge**

	<b>2003</b> £000	<b>2002</b> £000
(Loss) / Profit on ordinary activities before taxation	(2,468)	970
Nominal (credit) / charge at UK Corporation tax rate of 30%	(740)	291
Current taxation (credit) / charge	(740)	291

**7. Debtors**

	<b>2003</b> £000	<b>2002</b> £000
Amounts recoverable on long term contracts	2,778	2,864
Trade debtors	2,210	-
Group corporation tax relief	740	-
	5,728	2,864

**8. Cash**

	<b>2003</b> £000	<b>2002</b> £000
Cash at bank	<u>76,477</u>	<u>61</u>

**9. Cash Pooling Arrangement**

Under the Cash Pooling Arrangement the Company benefits from more favourable interest rates than would be available outside the Cash Pooling Arrangement as well as more streamlined treasury functions.

**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (cont'd)**

**YEAR ENDED 31 DECEMBER 2003**

**10. Creditors Amounts Falling Due Within One Year**

	<b>2003</b> £000	<b>2002</b> £000
Amounts owed to parent undertaking	68,272	283
Accruals	14,982	1,613
Corporation tax	-	350
	<hr/>	<hr/>
	83,254	2,246
	<hr/>	<hr/>

**11. Deferred Taxation**

No potential deferred taxation liability existed as at 31 December 2003 or 31 December 2002.

**12. Share Capital**

	<b>2003</b> £	<b>2002</b> £
Authorised, allotted, called up and fully paid ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**13. Profit and Loss Reserve**

	<b>2003</b> £000	<b>2002</b> £000
At 1 January 2003	679	-
Retained (loss) / profit for the year	(1,728)	679
	<hr/>	<hr/>
At 31 December 2003	(1,049)	679
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**ROLLS-ROYCE TOTAL CARE SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (cont'd)**

**YEAR ENDED 31 DECEMBER 2003**

**14. Reconciliation of Movements in Shareholders Funds**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
(Loss) / Profit for the financial year	(1,728)	679
Net (decrease) / increase in shareholders funds	(1,728)	679
Opening shareholders funds	679	-
Closing shareholders funds	(1,049)	679

**15. Ultimate Parent 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. The Company's immediate parent company is Rolls-Royce plc. The Company's ultimate parent is Rolls-Royce Group plc. Both companies are registered in England and copies of their accounts can be obtained by writing to PO Box 31, Moor Lane, Derby, DE24 8BJ.