

COMPANY NUMBER 1975872

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

**Annual Report
for the year ended 31 December 2002**

**Directors on
10 October 2003:**

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

Secretary :

J R Ashfield

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 2002.

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.

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. The results for the year ended 31 December 2001 relate only to Freight Forwarding activities which were transferred to Rolls-Royce plc during 2001.

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
C J Cuddington (appointed 5 September 2002)
J F Gibbins (resigned 31 December 2002)
D J Goma
S J Hollingsworth (appointed 5 September 2002)
J Paul (appointed 5 September 2002, resigned 27 March 2003)
J E Warren

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

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 plc, requiring disclosure in this report are detailed below:

	Rolls-Royce plc Ordinary 20p Shares		Options over Rolls-Royce plc Ordinary Shares			
	Ordinary shares of 20p each as at 1 January 2002 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2002	as at 1 January 2002 or date of appointment if later	Share options granted in 2002	Share options exercised or cancelled in 2002	Total share options as at 31 December 2002
J R Ashfield	461	484	3,386	-	-	3,386
C J Cuddington	33,260	33,260	356,869	-	-	356,869
D J Goma	-	61	4,560	-	-	4,560
S J Hollingsworth	15,656	13,666	97,493	-	-	97,493
J Paul	-	-	149,232	-	-	149,232
J Warren	2,341	6,977	42,436	48,538	-	90,974

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

	Annual Performance Related Award Scheme¹		Profit Sharing Share Scheme²		Share Purchase Plan³	
	As at 1.1.2002 or date of appointment if later	31.12.2002	As at 1.1.2002 or date of appointment if later	31.12.2002	As at 1.1.2002 or date of appointment if later	31.12.2002
C J Cuddington	19,684	19,684	3,854	3,854	-	-
D J Goma	-	-	-	-	-	61
S J Hollingsworth	13,627	13,627	-	-	-	39
J Warren	2,341	6,459	-	-	-	-

¹ Under the Annual Performance Related Award Scheme, 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

PAYMENT TO SUPPLIERS

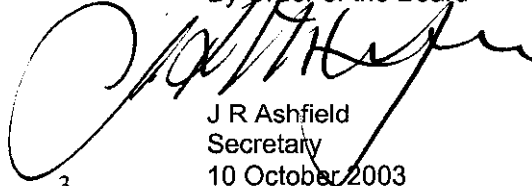
The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. Suppliers are, in this way, made aware of these terms. The Company abides therewith whenever it is satisfied that suppliers 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 (2001 nil 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


J R Ashfield
Secretary
10 October 2003

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 2, 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

10 October 2003

KPMG Audit Plc
Chartered Accountants,
Registered Auditor

Nottingham

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTES	2002	2001 Discontinued Activities
		£000	£000
TURNOVER	1c	6,277	3,947
Cost of sales		(5,307)	(3,690)
GROSS PROFIT		<u>970</u>	<u>257</u>
Administrative expenses		(3)	(50)
OPERATING PROFIT		<u>967</u>	<u>207</u>
Other interest receivable/(payable)	2	3	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>970</u>	<u>204</u>
Taxation on profit on ordinary activities	5	(291)	(59)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>679</u>	<u>145</u>
Dividends	6	-	(462)
TRANSFER TO RESERVES	13	<u>679</u>	<u>(317)</u>

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

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

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 2002

	NOTES	2002 £000	2001 £000
CURRENT ASSETS			
Debtors	7	2,864	429
Cash at bank	8	61	-
		<hr/> 2,925	<hr/> 429
CREDITORS – amounts falling due within one year	10	(2,246)	(429)
		<hr/>	<hr/>
NET CURRENT ASSETS		679	-
		<hr/>	<hr/>
NET ASSETS		679	-
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	679	-
		<hr/>	<hr/>
EQUITY SHAREHOLDERS FUNDS	14	679	-
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 10 October 2003, 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 2002

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 2002

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

	2002	2001
		Discontinued
	£000	Activities
		£000
Interest receivable/(payable) on bank balances	3	(3)

3. Profit on Ordinary Activities before Taxation

	2002	2001
		Discontinued
	£000	Activities
		£000
Is stated after charging/(crediting):		
Exchange rate difference	-	(29)
Management charge	-	40

4. Employee/Director Information

The Company had no employees during the year ended 31 December 2002 (2001 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. Taxation Charge

	2002	2001
		Discontinued
	£000	Activities
		£000
Current tax reconciliation:		
Profit on ordinary activities before taxation	970	204
Current taxation at 30% (2001: 30%)	291	61
Effect of:		
Timing differences	-	(2)
Current taxation charge	291	59

ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2002

6. **Dividends - Ordinary Shares**

	2002	2001
	£000	Discontinued Activities £000
Interim dividend paid	-	462
	<hr/>	<hr/>

7. **Debtors**

	2002	2001
	£000	£000
Amounts owed by parent undertaking	-	412
Amounts recoverable on long term contracts	2,864	-
Trade debtors	-	17
	<hr/>	<hr/>
	2,864	429
	<hr/>	<hr/>

The amounts owed by the parent undertaking comprise of loans repayable upon demand

8. **Cash**

Cash at bank	61	-
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9. **Pooling Arrangement**

In September 2002 the Group Treasurership Agreement ceased to exist and was replaced by a Pooling Arrangement. Under the Pooling Arrangement, the Company would benefit from more favourable interest rates than would be available outside the 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 2002

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

	2002 £000	2001 £000
Bank loans and overdrafts	-	364
Amounts owed to parent undertaking	283	-
Accruals	1,613	-
Amounts owed to fellow subsidiary undertakings	-	6
Corporation tax	350	59
	<hr/>	<hr/>
	2,246	429
	<hr/>	<hr/>

11. **Deferred Taxation**

No potential deferred taxation liability existed as at 31 December 2002 or 31 December 2001.

12. **Share Capital**

	2002 £	2001 £
Authorised, allotted, called up and fully paid ordinary shares of £1 each	100	100
	<hr/>	<hr/>

13. **Profit and Loss Reserve**

	2002 £000	2001 £000
At 1 January 2002	-	317
Retained profit/(loss) for the year	679	(317)
	<hr/>	<hr/>
At 31 December 2002	679	-
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ROLLS-ROYCE TOTAL CARE SERVICES LIMITED

NOTES TO THE ACCOUNTS (cont'd)

YEAR ENDED 31 DECEMBER 2002

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

	2002 £000	2001 £000
Profit for the financial year	679	145
Dividend	-	(462)
	<hr/>	<hr/>
Net reduction to shareholders funds	679	(317)
Opening shareholders funds	-	317
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Closing shareholders funds	679	-
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15. **Ultimate Parent Company**

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.