

COMPANY NUMBER 2159897

ROLLS-ROYCE & PARTNERS FINANCE LIMITED

Annual Report

for the Year Ended 31 December 2003

Directors on
30th March 2004: J C Bensick
A C Coe
C F Glenn
J Guyette
A Shilston
M Terrett

Secretary: A Scarrott



A23 *AE00EVBH* 0290
COMPANIES HOUSE 19/05/04

A49 *AE00EVBH* 0522
COMPANIES HOUSE 07/05/04

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2003.

DIRECTORS' RESPONSIBILITIES FOR 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 its 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 and Group will continue in business.

The Directors are responsible for maintaining 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 fraud and other irregularities.

REVIEW OF THE BUSINESS

All of the Group's business involves the leasing of commercial aero engines. The engine lease portfolio of the Group is 88 engines (2002: 86 engines).

Both the level of business and the year end financial position were satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future.

FINANCIAL REVIEW

Results

The profit before taxation of the Company and its subsidiaries was US\$25,439,000 (2002: US\$23,479,000).

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer from reserves is US\$2,098,000 (2002: US\$6,523,000 transfer to reserves). The Directors declared interim dividends totalling 46.8 cents per share (2002: 23.4 cents per share). No further dividends are recommended. The total cost of dividends for 2003 is US\$20,000,000 (2002: US\$10,000,000).

DIRECTORATE

The Directors who held office through the year were as follows:

Director

J C Bensick
J P Cheffins (resigned 3 February 2003)
A C Coe
C F Glenn (appointed 28 March 2003)
J Guyette (appointed 16 March 2004)
W T Powers (resigned 28 March 2003)
A Shilston (appointed 28 March 2003)
M Terrett (appointed 28 March 2003)

DIRECTORS' INTERESTS

None of the Directors, or their immediate family, had any beneficial interest in the shares of the Company during the year.

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. The Company abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions. Trade Creditors at 31 December 2003 represent 27 days of purchases (2002: 30 days).

Approved by the Board
Signed on its behalf by:



A Scarrott
Secretary

65 Buckingham Gate, London, SW1E 6AT

30th March 2004

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROLLS-ROYCE & PARTNERS FINANCE LIMITED

We have audited the Financial Statements on pages 5 to 18.

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 Report of the Directors 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 Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 director's remuneration and transactions with the Company is not disclosed.

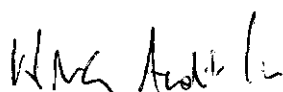
Basis of Audit Opinion

We conduct 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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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.

Audit Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 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

 London
2004

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 US\$000	2002 US\$000
Turnover	2	30,861	31,042
Cost of sales		<u>(9,798)</u>	<u>(9,510)</u>
Gross profit		21,063	21,532
General and administrative costs		<u>(2,704)</u>	<u>(3,258)</u>
Group Operating profit		18,359	18,274
Profit on sale of fixed assets		<u>10,246</u>	<u>8,786</u>
Profit on ordinary activities before interest		28,605	27,060
Group net interest payable	4	<u>(3,166)</u>	<u>(3,581)</u>
Profit on ordinary activities before tax	3	25,439	23,479
Taxation	7	<u>(7,537)</u>	<u>(6,956)</u>
Profit on ordinary activities after taxation		17,902	16,523
Dividends	8	<u>(20,000)</u>	<u>(10,000)</u>
Transferred (from)/to reserves	18	<u>(2,098)</u>	<u>6,523</u>

The notes on pages 9 to 18 form part of these Financial Statements.

All the results have been derived from continuing activities.

As permitted by the Companies Act 1985, a separate profit and loss account for the Company has not been included in these Financial Statements. Of the Group "profit on ordinary activities after taxation" a profit of US\$21,705,000 (2002: US\$12,370,000) has been dealt with in the profit and loss account of the Company. The Company profit on ordinary activities after taxation includes dividends received from subsidiaries of \$20,000,000 (2002: \$10,000,000).


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

BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	GROUP		COMPANY	
		2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Fixed assets					
Tangible assets	9	256,980	185,383	7,117	2,426
Investment in subsidiary undertakings	10	-	-	300	300
		<u>256,980</u>	<u>185,383</u>	<u>7,417</u>	<u>2,726</u>
Current assets					
Stock	11	1,219	55	1,219	55
Debtors: amounts falling due within one year	12	14,858	20,936	75,233	63,564
Debtors: amounts falling due after one year	13	29,220	41,609	2,527	7,446
Cash at bank and in hand		94	5,770	79	5,756
		<u>45,391</u>	<u>68,370</u>	<u>79,058</u>	<u>76,821</u>
Creditors: amounts falling due within one year	14	<u>(28,695)</u>	<u>(31,370)</u>	<u>(21,761)</u>	<u>(17,912)</u>
Net current assets		<u>16,696</u>	<u>37,000</u>	<u>57,297</u>	<u>58,909</u>
Total assets less current liabilities		273,676	222,383	64,714	61,635
Creditors: amounts falling due after more than one year	15	(174,005)	(126,134)	(16,414)	(15,360)
Provisions for liabilities and charges	16	<u>(29,495)</u>	<u>(23,975)</u>	<u>(734)</u>	<u>(414)</u>
Net assets		<u>70,176</u>	<u>72,274</u>	<u>47,566</u>	<u>45,861</u>
Capital and reserves					
Called up share capital	17	42,708	42,708	42,708	42,708
Profit and loss account	18	27,468	29,566	4,858	3,153
Equity shareholder's funds		<u>70,176</u>	<u>72,274</u>	<u>47,566</u>	<u>45,861</u>

The Financial Statements were approved by the Board of Directors on 19th March 2004 and were signed on its behalf by:

.....  **A Shilston**
Director

The notes on pages 9 to 18 form part of these Financial Statements.

GROUP CASH FLOW STATEMENT **FOR THE YEAR ENDED 31 DECEMBER 2003**

		2003 US\$000	2002 US\$000
Cash flow from operating activities	A	30,204	46,927
Returns on investments and servicing of finance	B	(2,850)	(4,532)
Taxation		314	(7,713)
Capital expenditure and financial investments	C	(70,103)	10,025
Equity dividends paid		(20,000)	(10,000)
Cash (outflow)/inflow before financing		(62,435)	34,707
Financing	D	56,448	(30,308)
(Decrease)/Increase in cash in the period		(5,987)	4,399
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the period		(5,987)	4,399
Cash flow from movement in borrowings		(56,448)	30,308
Movement in net debt in the period		(62,435)	34,707
Net debt at 1 January		(91,548)	(126,255)
Net debt at 31 December		(153,983)	(91,548)

ANAYLSIS OF NET DEBT

	At beginning of year US\$000	Cashflow US\$000	At end of year US\$000
Cash in hand, at bank	5,770	(5,676)	94
Overdrafts	(13)	(311)	(324)
Loan from holding company	(1,612)	(4,105)	(5,717)
Debt due after one year	(95,693)	(52,343)	(148,036)
Total	(91,548)	(62,435)	(153,983)

NOTES TO THE CASH FLOW STATEMENT

	2003 US\$000	2002 US\$000
Reconciliation of operation profit to operating cash flows		
Operating profit	18,359	18,274
Depreciation charges	8,752	8,552
Increase in stock	(1,164)	
Decrease in debtors	18,089	12,427
(Decrease)/increase in creditors	(13,832)	7,674
A. Net cash inflow from operating activities	30,204	46,927
Returns on investment and servicing of finance		
Interest received	226	630
Interest paid	(3,076)	(5,162)
B. Net cash outflow from returns on investment and servicing of finance	(2,850)	(4,532)
Capital expenditure		
Purchase of tangible fixed assets	(120,008)	(20,969)
Disposal of tangible fixed assets	49,905	30,994
C. Net cash (outflow)/inflow for capital expenditure and investment	(70,103)	10,025
Financing		
Increase/(Decrease) in borrowing due after one year	52,343	(30,015)
Increase/(Decrease) in loans from related parties	4,105	(293)
D. Net cash inflow/(outflow) from financing	56,448	(30,308)

RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2003

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Profit for the financial year	17,902	16,523	21,705	12,370
Dividends	(20,000)	(10,000)	(20,000)	(10,000)
Net transfer (from)/addition to shareholders' funds	(2,098)	6,523	1,705	2,370
Opening shareholders' funds	72,274	65,751	45,861	43,491
Closing shareholders' funds	70,176	72,274	47,566	45,861

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of Consolidation

The Group Financial Statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year end. Exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation.

Income from Operating Leases

Net income from operating leases, after charging depreciation and interest, is credited to profit and loss account on a straight line basis.

Cost of Assets Held for Use in Operating Leases

The Group accrues for obligations to reimburse either existing or prospective lessees for the costs of future maintenance. Where the accruals have arisen from the acquisition of previously used assets, the asset cost is increased by the amount estimated to return the asset to a fully overhauled condition.

Income from Finance Lease

Income is credited to the profit and loss account in proportion to the funds invested.

Depreciation

Fixed assets are depreciated on a straight line basis from the time that they are first bought into use so as to write off their cost, less estimated residual value, over the lesser of:

Engines – the lesser of:

- (i) the period up to the 25th anniversary of the engine being first delivered to an airline, or purchased for lease by the Company; and
- (ii) the anticipated remaining useful life of the airframe for which the engine is designed.

Fixtures & Fittings – 5-20 years.

Stock

Stock is stated at the lower of cost and net realisable value.

NOTES (continued)**Leases Where the Company is Lessee**

Assets financed by lease agreements which give rights approximating to ownership (finance leases) have been capitalised at amounts equal to the value of the assets to the lessor and depreciation provided on the basis of the Group depreciation policy. There are no future obligations under finance leases (2002: Nil).

Costs in respect of operating leases are charged to the profit and loss accounts on an accruals basis.

Interest

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

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.

2. ANALYSIS OF TURNOVER

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other US\$000	Spare Parts Sales US\$000	Total US\$000
2003					
United Kingdom	7,363	742	336	1,783	10,224
Rest of Europe	3,823	706	2,397	-	6,926
USA	783	1,258	-	-	2,041
Canada	2,922	80	-	-	3,002
South America	3,092	325	-	-	3,417
Asia	5,198	53	-	-	5,251
	<u>23,181</u>	<u>3,164</u>	<u>2,733</u>	<u>1,783</u>	<u>30,861</u>
	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other US\$000	Spare Parts Sales US\$000	Total US\$000
2002					
United Kingdom	6,530	800	326	2	7,658
Rest of Europe	3,585	738	-	-	4,323
USA	1,990	951	-	3,142	6,083
Canada	3,739	162	-	-	3,901
South America	2,085	1,178	-	-	3,263
Asia	5,176	638	-	-	5,814
	<u>23,105</u>	<u>4,467</u>	<u>326</u>	<u>3,144</u>	<u>31,042</u>

All the Group's business originates from the United Kingdom. The Directors are of the opinion that the Group is engaged in a single class of business and the analysis above is provided for information purposes only.

NOTES (continued)**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2003 US\$000	2002 US\$000
After charging		
Depreciation of owned tangible fixed assets	8,707	8,507
Depreciation of leased tangible fixed assets	45	45
Realised exchange (gains)/losses	(13)	129
Operating lease rentals payable – hire of plant and equipment	33	46
Auditors' remuneration	73	71

4. GROUP NET INTEREST PAYABLE

	2003 US\$000	2002 US\$000
Interest payable on:		
Bank loans and overdrafts	2,959	3,709
Other borrowings	28	134
Interest on loans from related parties	405	368
	<u>3,392</u>	<u>4,211</u>
Interest receivable on:		
Loans to related parties	(128)	(189)
Other	(98)	(441)
	<u>(226)</u>	<u>(630)</u>
Group net interest payable	<u>3,166</u>	<u>3,581</u>

5. EMOLUMENTS OF DIRECTORS

The Company paid no emoluments to the Directors in respect of their services during the year.

6. EMPLOYEE INFORMATION

	2003 US\$000	2002 US\$000
Employment costs		
Salaries	2,869	2,735
Social security costs	311	293
Other pension costs	99	571
	<u>3,279</u>	<u>3,599</u>
Average number of employees during the year	<u>21</u>	<u>20</u>

For the purposes of this note, employees are taken as being those people with contracts of employment with a related party but whose time is partly dedicated to the business of the Company and Group and whose costs of employment are therefore proportionately charged to the Group.

NOTES (continued)

7. TAXATION

	2003 US\$000	2002 US\$000
Current tax:		
UK corporation tax at 30%	2,640	5,526
Adjustment in respect of prior year	(623)	565
	<u>2,017</u>	<u>6,091</u>
Deferred tax: origination and reversal of timing differences	5,520	865
	<u>7,537</u>	<u>6,956</u>
Reconciliation of tax charge:		
Profit on ordinary activities before tax	25,439	23,479
Nominal charge at UK corporate tax rate of 30%	7,632	7,044
Expenses not deductible for tax purposes	546	299
Income not taxable	(18)	(352)
Capital allowances in excess of depreciation	(5,520)	(1,465)
Adjustments to prior years	(623)	565
Current tax	<u>2,017</u>	<u>6,091</u>

8. DIVIDENDS – Ordinary Shares

	2003 US\$000	2002 US\$000
46.8 cents per share	20,000	-
(2002: 23.4 cents per share)	-	10,000
	<u>20,000</u>	<u>10,000</u>

9. TANGIBLE FIXED ASSETS

GROUP	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2003	220,368	402	220,770
Additions	119,925	83	120,008
Disposals	(50,079)	-	(50,079)
Cost at 31 December 2003	<u>290,214</u>	<u>485</u>	<u>290,699</u>
Depreciation at 1 January 2003	35,017	370	35,387
Provided during the year	8,728	24	8,752
Released on disposals	(10,420)	-	(10,420)
Depreciation at 31 December 2003	<u>33,325</u>	<u>394</u>	<u>33,719</u>
Net book values			
at 31 December 2003	<u>256,889</u>	<u>91</u>	<u>256,980</u>
at 31 December 2002	<u>185,351</u>	<u>32</u>	<u>185,383</u>

NOTES (continued)

COMPANY	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2003	2,906	399	3,305
Additions	4,825	83	4,908
Cost at 31 December 2003 ^{1,2}	7,731	482	8,213
Depreciation at 1 January 2003	511	368	879
Provided during the year	194	23	217
Depreciation at 31 December 2003	705	391	1,096
Net book values			
at 31 December 2003	7,026	91	7,117
at 31 December 2002	2,395	31	2,426

- 1 The cost of assets held for use in operating leases includes maintenance reserves of US\$2,516,962 (2002: US\$3,204,812) (Group) and Nil (2002: Nil) (Company) as explained in Note 1.
- 2 The net book value of assets held under finance leases at 31 December 2003 was \$502,000 (Group), (Company - Nil), (2002: Group \$547,000 and Company - Nil).

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Capital expenditure commitments:				
Contracted but not provided for	25,971	22,300	-	13,100

10. INVESTMENTS – Subsidiary Undertakings

	2003 US\$000	2002 US\$000
Company		
Shares at cost	300	300

11. STOCK

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Spare parts held for engine repairs	1,219	55	1,219	55

NOTES (continued)**12. DEBTORS – Amounts Falling Due Within One Year**

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Finance lease receivables	6,992	7,781	112	302
Engine pre-delivery payments	1,729	3,327	-	3,327
Trade debtors	2,457	1,640	319	8
Tax receivable	-	378	-	-
Other debtors	52	183	52	182
Prepayments and accrued income	648	697	415	399
Amounts owed by:				
subsidiary undertakings	-	-	69,872	51,392
related parties	2,968	6,930	4,451	7,954
holding company	12	-	12	-
	<u>14,858</u>	<u>20,936</u>	<u>75,233</u>	<u>63,564</u>

13. DEBTORS – Amounts Falling Due After One Year

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Finance lease receivables	28,505	40,790	2,527	7,446
Trade debtors	715	819	-	-
	<u>29,220</u>	<u>41,609</u>	<u>2,527</u>	<u>7,446</u>

Investment in Finance Leases

Additions during the year at cost	5,507	5,424	-	-
Rents receivable in the year	<u>21,744</u>	<u>21,030</u>	<u>5,942</u>	<u>1,031</u>

NOTES (continued)

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Trade creditors	135	374	122	359
Group relief	121	5,745	12	1,001
Tax payable	2,274	322	589	322
Accruals and deferred income	6,998	5,072	4,772	3,399
Deposits from lessees	1,678	1,595	75	111
Maintenance reserves	8,245	10,938	4,877	8,952
Other creditors	1,026	973	34	33
Bank loans and overdrafts	324	13	324	13
Amounts owed to:				
subsidiary undertakings	-	-	4,643	305
related parties	2,177	4,726	596	1,805
holding company	5,717	1,612	5,717	1,612
	<u>28,695</u>	<u>31,370</u>	<u>21,761</u>	<u>17,912</u>

15. CREDITORS – Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
Deposits from lessees	3,378	4,139	230	194
Maintenance reserves	22,590	26,302	16,184	15,166
Bank loans and overdrafts falling due:				
between one and two years	148,037	-	-	-
between two and five years	-	95,693	-	-
	<u>174,005</u>	<u>126,134</u>	<u>16,414</u>	<u>15,360</u>

Maintenance reserves included above comprise:

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
At 1 January	37,240	36,516	24,118	23,821
Provided/received during the year	9,304	12,368	6,433	6,786
Transferred to group companies	-	-	-	(5,091)
Paid out during the year	(2,972)	(2,438)	(2,742)	(1,398)
Released on disposal	(12,737)	(9,206)	(6,748)	-
At 31 December	<u>30,835</u>	<u>37,240</u>	<u>21,061</u>	<u>24,118</u>

NOTES (continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

	GROUP		COMPANY	
	2003 US\$000	2002 US\$000	2003 US\$000	2002 US\$000
At 1 January	23,975	23,110	414	224
Amount charged to the profit and loss account	5,520	865	320	190
At 31 December	<u>29,495</u>	<u>23,975</u>	<u>734</u>	<u>414</u>

All of the provision for deferred tax arises from accelerated capital allowances.

17. SHARE CAPITAL

	2003 US\$	2002 US\$
Authorised		
US\$1 ordinary shares	44,457,610	44,457,610
Issued and fully paid		
US\$1 ordinary shares	42,708,110	42,708,110

18. PROFIT AND LOSS ACCOUNT

	GROUP US\$000	COMPANY US\$000
Balance at 1 January 2003	29,566	3,153
Transfer (from)/to reserves for the year		
Company	-	1,705
Group	(2,098)	-
Balance at 31 December 2003	<u>27,468</u>	<u>4,858</u>

19. OPERATING LEASE ANNUAL COMMITMENTS

	2003 US\$000	2002 US\$000
Lease which expire between two and four years	<u>33</u>	<u>46</u>

None of the commitments relate to land and buildings

NOTES (continued)

20. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Group has contracted on an arms length basis with subsidiary and joint venture undertakings of the Rolls-Royce Group plc and GATX group. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the Financial Statements are summarised below:

	2003 US\$000	2002 US\$000
Sale of fixed assets and goods to	36,415	24,650
Purchase of goods, services and fixed assets from	48,560	7,824

21. CONTINGENT LIABILITIES

The Group, Company and certain affiliates are party to a loan facility. The Company provides guarantees in respect of the obligations of its subsidiary undertakings of US\$149m (2002: US\$97m). The Company and Group provide guarantees in respect of related parties of US\$125m (2002: US\$134m). The related parties guarantee the obligations of the Company and Group under the loan facility on a reciprocal basis.

22. PENSION FUNDING

- i) The Company's employees, as disclosed in note 6, are members of one of two multi-employer defined benefits pension schemes; the Rolls-Royce Pension Fund or the Rolls-Royce Group Pension Scheme. As it is not possible to identify the share of underlying assets and liabilities relating to Rolls-Royce & Partners Finance Limited, in accordance with FRS17 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts.

The FRS 17 disclosure relating to the Rolls-Royce Pension Fund and the Rolls-Royce Group Pension Scheme is shown in note 30 in the 2003 Rolls-Royce Group plc accounts.

- ii) The Company also operates a group personal pension plan funded by the Company on a defined contribution basis.

On this basis, the amounts of employer contributions for 2003 were US\$99,000 (2002: US\$571,000).

23. ULTIMATE HOLDING COMPANIES

Rolls-Royce Group plc, a company registered in England and Wales, and GATX Corporation, a company registered in the United States, are the joint ultimate holding companies. Copies of Rolls-Royce Group plc's consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT and those of GATX Corporation from 500 West Monroe, Chicago, IL60661-3676, Illinois, USA.

Alpha Partners Leasing Limited, a company registered in England and Wales, is the immediate holding company and heads the largest group in which the results of the Company are consolidated. Copies of its consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT.

NOTES (continued)

24. SUBSIDIARY UNDERTAKINGS as at 31 December 2003

NAME	COUNTY OF INCORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
RRPF Engine Leasing Limited	England	Leasing of engines	100
RRPF Engine Leasing (No2) Limited	England	Leasing of engines	100
Rolls-Royce Engine Leasing (Labuan) Limited	Labuan, Malaysia	Leasing of engines	100

**COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 US\$000	2002 US\$000
Turnover	2,969	4,229
Cost of sales	(413)	(649)
Gross profit	2,556	3,580
Administrative expenses		
Net costs	(242)	(502)
Foreign exchange gain/(loss)	10	(128)
Profit margin on re-charge to US	91	66
	(141)	(564)
Profit on disposal of fixed assets	-	264
Interest (payable)/receivable	(298)	129
Dividends receivable	20,000	10,000
Profit on ordinary activities before taxation	22,117	13,409
Tax on ordinary activities	(412)	(1,039)
Profit after taxation	21,705	12,370
Dividends payable	(20,000)	(10,000)
Transferred to reserves	1,705	2,370

This is unaudited and for information only