

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
(Registered Number: 3375746)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2002



ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

DIRECTORS' REPORT

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a holding company.

FINANCIAL REVIEW

The loss of the company was \$108,797 (2001: \$136,148). The Directors do not propose any dividend and consequently the loss has been transferred to reserves.

DIRECTORS

The Directors who held office throughout the year were as follows: -

W R Kelly (Chairman) (resigned 06 February 2002)
I C Furtado
P Brooks (resigned 29 January 2003)
J B Cheatham (Chairman) (appointed 06 February 2002)
M Mencil (appointed 11 February 2003)

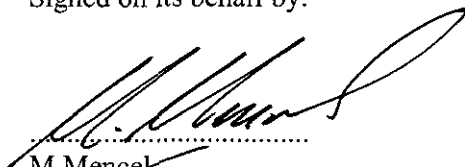
DIRECTORS' INTERESTS

None of directors, or their immediate family, had any beneficial interest in the shares of the Company during the year. The beneficial interests of directors holding office at 31 December 2002 including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows:

	Rolls-Royce plc Shares	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 in 2002	Total share options as at 31 December 2002
P Brooks	-	-	4,398	-	-	4,398

Approved by the Board

Signed on its behalf by:


.....
M Mencil
24 September 2003

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 year. 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 the going concern basis unless it is inappropriate to presume that the company 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.

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

We have audited the Financial Statements on pages 5 to 9.

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 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 accounts give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

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ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 US\$	2001 US\$
Administrative Expenses		-	-
Interest receivable and similar income		-	76
Interest payable and similar expenses	4	(155,424)	(136,224)
Loss on ordinary activities before taxation		(155,424)	(136,148)
Tax on ordinary activities	5	46,627	-
Retained loss for the year		(108,797)	(136,148)
Accumulated loss at 1 January		(295,599)	(159,451)
Accumulated loss at 31 December		(404,396)	(295,599)

The company had no recognised gains or losses during the year other than those passing through the profit and loss account.

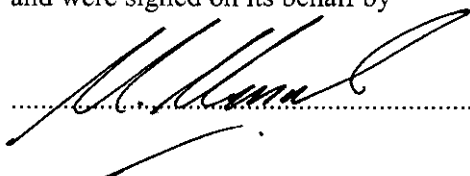
ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 US\$	2001 US\$
Fixed assets			
Investments	6	2,913,818	2,178,818
Current assets			
Debtors	7	47,630	1,003
Cash at bank in hand		(65)	(52)
Creditors			
Amounts falling due within one year	8	(3,364,776)	(2,474,365)
Net current liabilities		(3,317,211)	(2,473,414)
Net liabilities		(403,393)	(294,596)
Capital and reserves			
Called up share capital	9	1,003	1,003
Profit and loss account		(404,396)	(295,599)
Equity shareholders' funds		(403,393)	(294,596)

The notes on pages 7 to 9 form part of these financial statements.

These Financial Statements were approved by the Board of Directors on 24 September 2003 and were signed on its behalf by

.....M Mencel

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO 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 Company's Financial Statements.

(a) Basis of preparation

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

The Company is exempt from the requirement of FRS1(revised) to prepare a cash flow statement as it is a wholly-owned subsidiary of Rolls-Royce plc and its cash flows are included within the consolidated cash flow statement of that company.

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Rolls-Royce Group and its joint ventures on the grounds that it is a wholly owned subsidiary undertaking of Rolls-Royce plc.

The Company is exempt from the Companies Act requirement to prepare group accounts as it is a wholly owned subsidiary of Rolls-Royce Power Ventures Limited.

(b) Foreign Currencies

Transactions denominated in currencies other than United States Dollars are translated into dollars at the exchange rates ruling at the date of the transactions. Assets and liabilities are translated at exchange rates ruling at the year end.

(c) 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. AUDIT FEE

Audit fees have been borne by the parent company.

3. EMOLUMENTS OF DIRECTORS

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

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable is to Rolls-Royce Power Ventures Limited, the immediate holding company of Rolls-Royce Power Ventures (Capuava Cogen) Ltd.

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION (CHARGE)/ CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2002	2001
	US\$	US\$
Based on profits for the year		
UK Corporation Tax at 30%	46,627	
Group relief receivable at 30%	-	(40,844)
Group relief not paid for	-	40,844
	<hr/>	<hr/>
	46,627	-
	<hr/>	<hr/>

6. FIXED ASSET INVESTMENTS

	Subsidiary Undertaking	Subsidiary Undertaking
	2002	2001
	US\$	US\$
Shares at cost		
At beginning of year	2,178,818	1,358,818
Additions	735,000	820,000
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At end of year	2,913,818	2,178,818
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Name	Country of Incorporation	Interest in Ordinary Shares (%)	Interest in Ordinary Shares (US\$)
Capuava Cogeração Limitada	Brazil	100	2,913,818

7. DEBTORS

	2002	2001
	US\$	US\$
Called up share capital not paid	1,003	1,003
Tax Debtor	46,627	-
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	47,630	1,003
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ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CREDITORS: amounts falling due within one year

	2002 US\$	2001 US\$
Advances from group companies	(3,364,776)	(2,474,365)

9. SHARE CAPITAL

	2002 US\$	2001 US\$
Authorised		
Ordinary shares of £1 each	100	100
Ordinary shares of US\$1 each	1,000	1,000
Allotted		
Ordinary shares of £1 each	2	2
Ordinary shares of US\$1 each	1,000	1,000

10. COMMITMENTS

Commitments at the end of the financial year, for which no provision has been made, are nil.

11. ULTIMATE HOLDING COMPANIES

Rolls-Royce plc, a company registered in England & Wales, is the ultimate holding company and heads the largest group in which the results of the Company are consolidated. Rolls-Royce Power Ventures Limited, a company registered in England and Wales, is the immediate holding company and heads the smallest group in which the results of the Company are consolidated. Copies of both companies consolidated financial statements can be obtained from 65 Buckingham Gate, London SW1E 6AT.