

COMPANY NUMBER 345727

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

**Annual Report
for the year ended 31 December 1998**



Directors on
3 March 1999 :

B J Finan
P Heiden
J Kempster

Secretaries :

B J Finan
J Warren

Registered Office : Moor Lane, Derby DE24 8BJ

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

REPORT OF THE DIRECTORS

The directors present their Annual Report for the year ended 31 December 1998.

DIRECTORS RESPONSIBILITY FOR FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its results for that period. In preparing those financial statements, the directors are required to:

- o select suitable accounting policies and then apply them consistently;
- o make judgements and estimates that are reasonable and prudent;
- o state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- o 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.

ACTIVITY

The Company did not trade on its own account during the year but acted as agent on behalf of Rolls-Royce Power Engineering plc.

DIRECTORATE __

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

B J Finan
P Heiden
J Kempster

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

DIRECTORS' SHARE 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 1998, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows :

	<u>HOLDINGS</u>		<u>OPTIONS</u>			
	<u>1.1.98</u>	<u>31.12.98</u>	<u>1. 1. 98</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.98</u>
B J Finan	-	-	5,825	6,723	-	12,548
J Kempster	-	-	-	21,276	-	21,276

Mr Heiden is a member of Rolls-Royce plc Board of Directors; his Directors' interests are disclosed in that Company's Annual Report and Financial Statement.

EMPLOYEES

The Company is a part of the Rolls-Royce plc Group. The Group's policy is to provide, wherever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential. It also operates an equal opportunities policy details of which are available to all employees.

There are various forms of communication across the Group, each adapted to the particular needs of individual businesses. The Group consults with employees and their elected representatives on a comprehensive range of topics which relate to its overall business objectives. Management and employee representatives hold regular meetings at every location to discuss opportunities and issues of common interest.

PENSION FUND

The Group's pension schemes are mainly of the defined benefit type. The schemes are administered by trustees and the assets of the schemes are invested by them independently of the finances of the Group. The schemes are funded by annual contributions from:

- a) the Company's ultimate parent, fellow subsidiary undertakings; and
- b) scheme members.

Further details of the Group's pension schemes are given in the annual report of the ultimate parent, Rolls-Royce plc.

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

AUDITORS AND ANNUAL GENERAL MEETING

The Company is dormant within the meaning of s.250 Companies Act 1985. In addition Elective Resolutions are in force to dispense with the obligations of laying the Annual Report before the Company in general meeting and holding Annual General Meetings.

By Order of the Board

A handwritten signature in black ink, appearing to read 'B.J. Finan', is written over the printed name and title.

B.J. Finan
Secretary

24 August 1999

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

The Company did not trade on its own account during the year and all expenses have been borne by the ultimate parent company. The Company did not receive any income or incur any expenditure during the year and consequently has made neither profit nor loss.

BALANCE SHEET AT 31 DECEMBER 1998

	<u>note</u>	<u>1998</u> <u>(£)</u>	<u>1997</u> <u>(£)</u>
Current Assets			
Debtors - amounts owed by Group undertakings	3	<u>3,484,451</u>	<u>3,484,451</u>
Net Assets		<u>3,484,451</u>	<u>3,484,451</u>
Capital And Reserves			
Called up share capital	4	926,100	926,100
Profit and Loss Account		<u>2,558,351</u>	<u>2,558,351</u>
Total Equity Shareholders' Funds		<u>3,484,451</u>	<u>3,484,451</u>

The Company was dormant within the meaning of Section 250, Companies Act 1985 throughout the accounting period ending at the date of this balance sheet.

These financial statements were approved by the Board of Directors on 24 August 1999, and signed on its behalf by :


B.J. Finan
Director

The notes on page 6 form part of these financial statements.

ROLLS-ROYCE INDUSTRIAL & MARINE POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of Accounting

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

2. Directors Remuneration

None of the directors received any separate remuneration from the Company in respect of their services to the Company.

3. Debtors - amounts falling due within one year

Amount owed by parent undertaking.

4. <u>Share Capital</u>	<u>1998</u> (£)	<u>1997</u> (£)
Authorised		
6,400,000 Ordinary shares of 0.25 each	<u>1,600,000</u>	<u>1,600,000</u>
Issued and Fully Paid		
3,704,000 Ordinary shares of 0.25p each	<u>926,000</u>	<u>926,000</u>

5. Staff Number and Costs

The average number of employees (including directors) employed by the Company during the year was as follows:

	<u>1998</u>	<u>1997</u>
United Kingdom	36	24
Overseas	—	—
Actual number of persons employed at 31 December	33	24

In keeping with the Company's agency status all employment costs are borne by the parent company.

6. Ultimate Parent Company

The Company's ultimate parent company is Rolls-Royce plc which is incorporated in Great Britain and registered in England and Wales. Copies of the annual report of Rolls-Royce plc can be obtained from Rolls-Royce plc, PO Box 31, Moor Lane, Derby DE24 8BJ.