

## NEI THOMPSON LIMITED

Directors Report & Accounts for the year  
ended 31st December 1995



DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 1995

The Directors have pleasure in presenting their report and Audited Accounts for the year ended 31st December 1995.

Statement of Directors Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company for that period. In preparing those accounts, 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 accounts;
- \* prepare the accounts 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 accounts 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.

Activities

The Company did not trade on its own account during the year, but acted as agent on behalf of its parent company, Rolls-Royce Power Engineering plc whose principal activities are the manufacture and supply of engineering products, equipment and services.

Directors

The Directors of the Company during the year were as follows:-

	<u>Appointed</u>	<u>Resigned</u>
G Gould		
G K Lowe		

Directors Interests

None of the Directors had any beneficial interest in the shares of the Company.

The beneficial interests of the Directors holding office on 31st December 1995, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows:-

	<u>HOLDINGS</u>			<u>OPTIONS</u>		<u>**</u>
	<u>* 1.1.95</u>	<u>31.12.95</u>	<u>* 1.1.95</u>	<u>Granted</u> <u>in 1995</u>	<u>Exercised</u> <u>in 1995</u>	<u>31.12.95</u>
G Gould	6,395	-	105,030	40,600	-	146,596
G K Lowe	499	499	9,658	7,800	-	17,546

\* or date of appointment if later

\*\* Where applicable the above share options have been adjusted in accordance with an approved Inland Revenue formula to take account of the affect of the Rolls-Royce plc Placing and Open Offer announced in March 1995 on such options.

**Employees**

NEI Thompson Limited has procedures, both formal and informal, for consulting its employees and their Trade Union Representatives and keeping them informed on a regular basis about the business in which they work.

Directors and/or Senior Management meet with representative members of the recognised Trade Unions on a regular basis to review the general business situation as it relates to the Company or where appropriate the Business Unit, under the auspices of the appropriate Committees. The Company and Business Unit, the prospective workloads, current level of orders and employment prospects are among matters of common interest which are reviewed.

Health and Safety Committees within the Company/Business Unit meet at regular intervals to ensure that health and safety at work is given a priority.

The NEI Group Pension Scheme is open to all eligible U.K. employees and is administered by a Trustee Company which has an equal number of employee and Rolls-Royce Power Engineering plc appointed directors with the Chairman being appointed by Rolls-Royce Power Engineering plc. Facilities are afforded to employee directors of the Pension Scheme to consult with members. Matters of importance are communicated through regular notices and members of the Scheme are provided with an annual report together with details of their own individual prospective benefits.

**Employment of Disabled Persons**

The Company policy for the employment of disabled persons is that full consideration is given to their applications and candidates are offered employment on the basis of their ability and aptitude. In the event of an individual becoming disabled whilst in employment, every effort is made to ensure that such employment is continued and where necessary appropriate re-training is provided. The training, career development and promotion opportunities for disabled persons are in no way different to those of other employees and the Company makes every effort to employ disabled persons.

**Directors and Officers Liability**

During the year the Company maintained insurance cover for its Officers against liabilities in relation to the Company.

**Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

.....  
Secretary

NEI House, Regent Centre  
Newcastle upon Tyne NE3 3SB

8<sup>th</sup> February 1996

Auditors Report to the Members of NEI Thompson Limited

We have audited the accounts on pages 5 to 6.

As described on page 1 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1995 and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

**KPMG**

Chartered Accountants  
Registered Auditors

KPMG  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

8<sup>th</sup> February 1996

## PROFIT AND LOSS ACCOUNT

The Company has not traded on its own account during the year but acted as agent on behalf of its parent undertaking, Rolls-Royce Power Engineering plc, and the results of the business form part of the consolidated accounts of that company for the year ended 31st December 1995.

BALANCE SHEET AS AT 31ST DECEMBER 1995

<u>CURRENT ASSETS</u>	<u>NOTE</u>	<u>1995</u> £	<u>1994</u> £
DEBTORS (Amounts owed by Group Undertakings)	2	100	100
		---	---
<u>TOTAL ASSETS</u>		100	100
		===	===
<u>CAPITAL AND RESERVES</u>			
CALLED UP SHARE CAPITAL	5	100	100
		---	---
SHAREHOLDERS FUNDS		100	100
		===	===

Approved by the Board on ..... 8<sup>th</sup> FEB. 1996 .....  
and signed on its behalf by:-

..... *[Signature]* ..... Director

NOTES 1-6 FORM PART OF THESE ACCOUNTS

NOTES:1. PRINCIPAL ACCOUNTING POLICIESBasis of accounting

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

2. DEBTORS

The amount stated represents a loan to the Company's parent undertaking, Rolls-Royce Power Engineering plc and is repayable on demand.

3. STAFF NUMBERS AND COSTS

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

	<u>1995</u>	<u>1994</u>
United Kingdom	1	3
Overseas	-	-
	-----	-----
	1	3
	=====	=====
Actual number of persons employed at 31 December 1995	-	3
	=====	=====

In line with the Company's agency status all employment costs are borne by the Parent Undertaking.

4. DIRECTORS' REMUNERATION

None of the Directors received any separate remuneration in respect of their service to the Company.

5. SHARE CAPITAL

		<u>1995</u>	<u>1994</u>
		<u>£</u>	<u>£</u>
<u>Authorised</u>	Ordinary Shares of £1	100	100
		-----	-----
		100	100
		=====	=====
<u>Issued</u>	Ordinary Shares of £1	100	100
		-----	-----
		100	100
		=====	=====

6. ULTIMATE PARENT UNDERTAKING

The Company's parent undertaking is Rolls-Royce Power Engineering plc. The Company's ultimate parent undertaking is Rolls-Royce plc. Both Companies are incorporated in England.

Copies of Rolls-Royce plc's Directors' Report and Accounts can be obtained from Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.