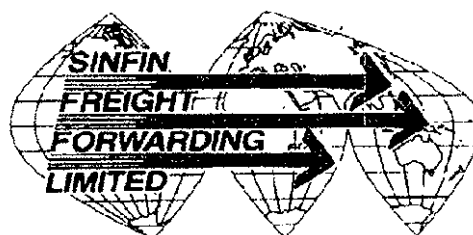


Company Number 1975872



SINFIN FREIGHT FORWARDING LIMITED

Annual Report
for the Year Ending 31 December 1997

Directors On
26 February 1998:

J F Gibbins
W S Tranmer

Secretary

J R Ashfield

Registered Office: Moor Lane, Derby, DE24 8BJ



SINFIN FREIGHT FORWARDING LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and audited accounts for the year ended 31 December 1997.

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:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
4. 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 Company continues to trade as a freight forwarding agent. Both the level of business and financial position were satisfactory and the directors expect that the present level of activity will be sustained in the foreseeable future.

RESULTS

The results of the Company for the year are set out on page 5. The directors recommend that a gross dividend of £361,231 is paid to the ordinary shareholders.

DIRECTORATE

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

J F Gibbins
W S Tranmer

SINFIN FREIGHT FORWARDING LIMITED

DIRECTORS' SHARE INTEREST

The directors at 31 December 1997 had the following beneficial, including immediate family, interests in shares of Rolls-Royce plc.

	HOLDINGS		<u>01.01.97</u>	OPTIONS		<u>31.12.97</u>
	<u>01.01.97</u>	<u>31.12.97</u>		Granted	Exercised	
J F Gibbins	126	126	-	-	-	-
W S Tranmer	379	379	-	-	-	-

PAYMENT TO SUPPLIERS

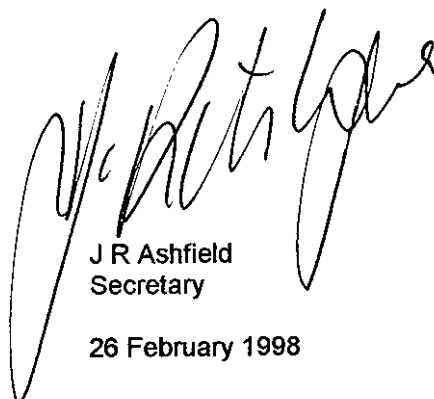
The Company seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. Suppliers are, in this way, made aware of these terms. The Company abides therewith whenever it is satisfied that suppliers 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 52 days (1996 59 days) purchases outstanding at the end of the year.

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

26 February 1998

SINFIN FREIGHT FORWARDING LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SINFIN FREIGHT FORWARDING LIMITED**

We have audited the financial statements set out on pages 5 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 1997 and of its profit 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

DERBY
26 February 1998

SINFIN FREIGHT FORWARDING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

	NOTES	1997 £	1996 £
TURNOVER	1c	8,967,083	5,419,784
Cost of sales		(8,081,613)	(4,615,089)
		<hr/>	<hr/>
GROSS PROFIT		885,470	804,695
Administrative expenses		(372,647)	(370,588)
		<hr/>	<hr/>
OPERATING PROFIT		512,823	434,107
Other interest receivable & similar income	2	11,545	11,898
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	524,368	446,005
Taxation on profit on Ordinary activities	5	-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		524,368	446,005
Proposed dividend	6	(361,231)	(292,630)
		<hr/>	<hr/>
TRANSFER TO RESERVES	13	163,137	153,375
		<hr/>	<hr/>

All results have been derived from continuing activities.

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

The notes on pages 7 to 11 form part of these financial statements.

SINFIN FREIGHT FORWARDING LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	NOTES	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	7,740	9,367
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	8	2,196,315	1,173,714
Cash at bank and in hand		-	88
		<hr/>	<hr/>
		2,196,315	1,173,802
CREDITORS - amounts falling due within one year	10	(1,887,443)	(1,029,694)
		<hr/>	<hr/>
NET CURRENT ASSETS		308,872	144,108
		<hr/>	<hr/>
NET ASSETS		316,612	153,475
		<hr/>	<hr/>
CAPITAL & RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	316,512	153,375
		<hr/>	<hr/>
EQUITY SHAREHOLDERS FUNDS	14	316,612	153,475
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 26 February 1998, and signed on its behalf by:


J F Gibbins
Finance Director

The notes on pages 7 to 11 form part of these financial statements.

SINFIN FREIGHT FORWARDING LIMITED

NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 1997

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 customers, including group companies, in respect of freight forwarding contracts.

d) Taxation

Provision is made at the rate for the year for United Kingdom Corporation Tax and for deferred taxation on all timing differences where a liability is expected to arise in the foreseeable future.

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 profit and loss account.

f) Depreciation

Depreciation is provided on the original cost of plant and machinery, fixtures and fittings on a straight line basis over the estimated lives in the range 5 to 10 years.

f) Operating Leases

Operating lease costs are charged against profit, as they are incurred, under the tenure of the lease.

SINFIN FREIGHT FORWARDING LIMITED

2. Other Interest Receivable and Similar Income

	1997 £	1996 £
Interest received from Rolls-Royce plc	11,545	11,898

3. Profit on Ordinary Activities before Taxation

	1997 £	1996 £
Is stated after charging/(crediting)		
Depreciation	2,068	2,911
Exchange rate difference	10,469	51,184
Management charge from Rolls-Royce plc	200,000	200,000
Management charge from Sawley Packaging Company Limited	149,000	145,000

4. Employee Information

The Company had no direct employees during the year ended 31 December 1997 (1996 Nil). All necessary services are provided by Rolls-Royce plc and Sawley Packaging Company Limited.

5. Taxation Charge

	1997 £	1996 £
In respect of the year:		
Group Relief payable at 33%	163,137	153,375
Group Relief for which no payment is made	(163,137)	(153,375)
	<u>-</u>	<u>-</u>

6. Dividends - Ordinary Shares

	1997 £	1996 £
Final proposed	361,231	292,630

SINFIN FREIGHT FORWARDING LIMITED

7. Tangible Fixed Assets

	Plant and Machinery £	Fixtures and Fittings £	Total £
Cost			
At 1 January 1997	24,113	551	24,664
Additions	1,257	-	1,257
Disposals	(2,905)	-	(2,905)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	22,465	551	23,016
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1997	14,928	369	15,297
Provided during year	2,025	43	2,068
Disposals	(2,089)	-	(2,089)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	14,864	412	15,276
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1997	7,601	139	7,740
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1996	9,185	182	9,367
	<hr/>	<hr/>	<hr/>

8. Debtors

	1997 £	1996 £
Trade debtors	526,667	247,013
Amounts owed by group undertakings	1,669,353	926,659
Prepayments and accrued income	295	42
	<hr/>	<hr/>
	2,196,315	1,173,714
	<hr/>	<hr/>

SINFIN FREIGHT FORWARDING LIMITED

8. Debtors (continued)

	1997 £	1996 £
The amounts owed by group undertakings comprise:		
Parent undertaking - loan	519,924	79,458
- other	1,123,727	802,145
Fellow subsidiary undertakings		
- other	25,702	45,056
	<hr/>	<hr/>
	1,669,353	926,659
	<hr/>	<hr/>

9. Group Treasurership Agreement

The Company participates in the Rolls-Royce Group banking agreement under which cleared sterling funds are borrowed from or deposited with the Parent Company via a daily transfer. Under the agreement the Company bears or earns interest at the National Westminster plc base rate.

10. Creditors Amounts Falling Due Within One Year

	1997 £	1996 £
Bank loans and overdrafts	334,350	46,785
Trade creditors	1,079,742	526,641
Amounts owed to group undertakings	473,351	456,268
	<hr/>	<hr/>
	1,887,443	1,029,694
	<hr/>	<hr/>
	1997 £	1996 £
The amounts owed to group undertakings comprise:		
Parent Company undertaking		
- dividend	361,231	292,630
Fellow Subsidiary undertakings		
- group relief	0	90,709
- other	112,120	72,929
	<hr/>	<hr/>
	473,351	456,268
	<hr/>	<hr/>

SINFIN FREIGHT FORWARDING LIMITED

11. Deferred Taxation

No potential deferred taxation liability existed as at 31 December 1997 or 31 December 1996.

12. Share Capital

	1997 £	1996 £
Authorised, issued and fully paid ordinary shares of £1 each	100	100
	—	—

13. Reserves

Profit and Loss

	1997 £	1996 £
At 1 January	153,375	-
Retained Profit for the Year	163,137	153,375
	—	—
At 31 December	316,512	153,375
	—	—

14. Reconciliation of Movements in Shareholders Funds

	1997 £	1996 £
Profit for the Financial Year	524,368	446,005
Dividend	(361,231)	(292,630)
	—	—
Net Addition to Shareholders Funds	163,137	153,375
Opening Shareholders Funds	153,475	100
	—	—
Closing Shareholders Funds	316,612	153,475
	—	—

15. Ultimate Parent Company

The Company's immediate parent company is Sawley Packaging Company Limited incorporated in Great Britain and registered in England and Wales. The Company's ultimate parent undertaking is Rolls-Royce plc, which is incorporated in Great Britain and registered in England and Wales. Copies of Rolls-Royce plc Group accounts can be obtained from Rolls-Royce plc, 65 Buckingham Gate, London, SW1E 6AT.