

**COMPANY NUMBER 2159897**

**ROLLS-ROYCE & PARTNERS FINANCE LIMITED**

**Annual Report**  
**for the Year Ended 31 December 1999**

**Directors on  
14 March 2000:**

M Townsend - Chairman  
J C Bensick  
J Cheffins  
A Coe  
J Crews  
W T Powers

**Secretaries:**

M R H Arundell  
J Ashfield



**Registered Office: 65 Buckingham Gate, London SW1E 6AT**

## REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 1999.

### 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 the Group and of the 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 the 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 Group 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 Group 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 grew from 91 to 93 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\$ 18,752,000 (1998: US\$24,563,000).

#### Proposed Transfer from Reserves and Payment of Dividend

The proposed transfer to reserves is US\$10,989,000 (1998 transfer from reserves US\$6,586,000). The Directors do not recommend the payment of a dividend (1998: 67.83 cents per share). The total cost of dividends for 1999 is US\$ Nil (1998 US\$ 28,967,000).

### DIRECTORS

The Directors who held office throughout the period, were as follows:

#### Director

M Townsend (Chairman)  
J C Bensick  
J Cheffins (Appointed 1 April 1999)

A Coe  
J Crews  
W T Powers

## **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 1999 represent 30 days of purchases.

## **YEAR 2000**

The Company took part in the Rolls-Royce plc group project to address Year 2000 issues. No incremental expenditure was incurred on the project. No significant errors or failures have occurred to date. The board continues to believe that the company was well prepared in respect of Year 2000 issues, although no absolute guarantee can be given that errors or failures related to the Year 2000 issue will not arise in the future. The company may also be affected by future Year 2000 related events, errors or failures at third parties with whom it deals.

Approved by the Board  
Signed on its behalf by:-



**M R H Arundell**  
Secretary  
65 Buckingham Gate, London SW1E 6AT

14 March 2000

## REPORT OF THE AUDITORS TO THE MEMBERS OF ROLLS-ROYCE & PARTNERS FINANCE LIMITED

We have audited the Financial Statements on pages 5 to 20.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report 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 the Companies Act. 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 required by law regarding directors' remuneration and transactions with the company is not disclosed.

### 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 Group'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 affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group 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  
Blackfriars  
LONDON  
EC4Y 8BB

6 April 2000

# GROUP PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 US\$000	Restated 1998 US\$000
Turnover: group and share of joint ventures		40,290	47,887
Less: share of joint ventures' turnover		-	(18,751)
<b>Group Turnover</b>	2	40,290	29,136
Cost of sales		(9,996)	(7,578)
<b>Gross Profit</b>		30,294	21,558
General and administrative costs		(3,466)	(3,373)
<b>Group Operating Profit</b>		26,828	18,185
Share of operating profits of joint ventures		-	8,866
Profit on sale of fixed assets		4,338	2,924
Profit on sale of businesses		-	3,535
<b>Profit on ordinary activities before interest</b>		31,166	33,510
Group net interest payable	4	(12,414)	(3,367)
Share of interest payable of joint ventures		-	(5,580)
<b>Profit on Ordinary Activities before Taxation</b>	3	18,752	24,563
Taxation	7	(7,763)	(2,182)
<b>Profit on Ordinary Activities after Taxation</b>		10,989	22,381
Dividends	8	-	(28,967)
<b>Transferred to/(from) reserves</b>	17	10,989	(6,586)

The comparative figures for 1998 have been restated to include profit on sale of fixed assets below operating profit.

The notes on pages 10 to 20 form part of these Financial Statements.

All the results have been derived from continuing activities.

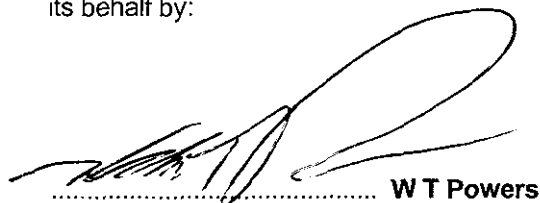
As permitted by the Companies Act 1985, a separate profit and loss account for the Company has not been included in these financial statements. Of the Group "profit on ordinary activities after taxation" a profit of \$6,619,000 (1998: \$30,431,000) has been dealt with in the profit and loss account of the Company.

# **BALANCE SHEETS**

**AT 31 DECEMBER 1999**

		<b>GROUP</b>		<b>COMPANY</b>	
	<b>Notes</b>	<b>1999 US\$000</b>	<b>1998 US\$000</b>	<b>1999 US\$000</b>	<b>1998 US\$000</b>
<b>Fixed Assets</b>					
Tangible Assets	9	237,976	243,283	7,002	26,847
Investments in subsidiary undertakings	10	-	-	300	300
		<u>237,976</u>	<u>243,283</u>	<u>7,302</u>	<u>27,147</u>
<b>Current Assets</b>					
Stock		55	55	55	55
Debtors: amounts falling due within one year	11	30,371	11,296	53,162	32,018
Debtors: amounts falling due after one year	12	43,483	38,180	11,973	13,505
Cash at bank and in hand		43	1,193	37	967
		<u>73,952</u>	<u>50,724</u>	<u>65,227</u>	<u>46,545</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(35,876)</u>	<u>(31,567)</u>	<u>(10,617)</u>	<u>(11,328)</u>
<b>Net Current Assets</b>		<u>38,076</u>	<u>19,157</u>	<u>54,610</u>	<u>35,217</u>
<b>Total Assets less current liabilities</b>		<u>276,052</u>	<u>262,440</u>	<u>61,912</u>	<u>62,364</u>
<b>Creditors: amounts falling due after one year</b>	14	<u>(199,544)</u>	<u>(201,560)</u>	<u>(10,677)</u>	<u>(16,579)</u>
<b>Provisions for Liabilities and Charges</b>	15	<u>(16,973)</u>	<u>(12,334)</u>	<u>(92)</u>	<u>(1,261)</u>
<b>Net Assets</b>		<u>59,535</u>	<u>48,546</u>	<u>51,143</u>	<u>44,524</u>
<b>Capital and Reserves</b>					
Called up share capital	16	42,708	42,708	42,708	42,708
Profit and Loss account	17	16,827	5,838	8,435	1,816
Equity Shareholders' Funds		<u>59,535</u>	<u>48,546</u>	<u>51,143</u>	<u>44,524</u>

The Financial Statements were approved by the Board of Directors on 14 March 2000 and were signed on its behalf by:



WT Powers

The notes on pages 10 to 20 form part of these Financial Statements.

# GROUP CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 1999

		1999 US\$000	1998 US\$000
Cash flow from operating activities	A	5,050	11,583
Returns on investments and servicing of finance	B	(7,192)	(3,367)
Taxation		(1,286)	(386)
Capital expenditure and financial investment	C	(393)	(122,460)
Acquisition and disposals	D	-	11,538
Equity dividends paid		-	(57,967)
Cash outflow before financing		(3,821)	(161,059)
Financing	E	1,292	162,224
<b>(Decrease)/Increase in cash in the period</b>		<b>(2,529)</b>	<b>1,165</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/Increase in cash in the period		(2,529)	1,165
Cash inflow from (increase) in borrowings		(1,292)	(162,224)
<b>Movement in net debt in the period</b>		<b>(3,821)</b>	<b>(161,059)</b>
<b>Net debt at 1 January</b>		<b>(184,856)</b>	<b>(23,797)</b>
<b>Net debt at 31 December</b>		<b>(188,677)</b>	<b>(184,856)</b>

## ANALYSIS OF NET DEBT

	At beginning of year US\$000	Cashflow US\$000	At end of year US\$000
Cash in hand, at bank	1,193	(1,150)	43
Overdrafts	(13)	(1,379)	(1,392)
Debt due within one year	(12,337)	(574)	(12,911)
Debt due after one year	(173,699)	(718)	(174,417)
<b>Total</b>	<b>(184,856)</b>	<b>(3,821)</b>	<b>(188,677)</b>

# RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1999 US\$000	1998 US\$000
Operating profit (including share of profits of joint ventures)	26,828	27,051
Joint venture - share of profits	-	(8,866)
- dividends	-	14,000
Depreciation charges	10,038	7,612
Increase in debtors	(24,378)	(30,599)
Decrease in creditors	(7,438)	(21,276)
Decrease in loans from related party included above	-	23,661
<b>A. Net cash inflow from operating activities</b>	<u>5,050</u>	<u>11,583</u>
<b>Returns on investment and servicing of finance</b>		
Interest received	2,326	4,626
Interest paid	(9,518)	(7,993)
<b>B. Net cash outflow from returns on investment and servicing of finance</b>	<u>(7,192)</u>	<u>(3,367)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(29,038)	(129,919)
Disposal of tangible fixed assets	28,645	7,459
<b>C. Net cash outflow for capital expenditure and investment</b>	<u>(393)</u>	<u>(122,460)</u>
<b>Acquisitions and disposals of businesses</b>		
Investments in joint ventures	-	(24,607)
Loan to Group	-	(25,477)
Disposals of businesses	-	61,622
<b>D. Net cashflow for acquisitions and disposals of businesses</b>	<u>-</u>	<u>11,538</u>
<b>Financing</b>		
Borrowings due within one year - new loans	574	12,337
Borrowings due after one year - new loans	718	173,699
Other loans repaid	-	(151)
Loans from related parties	-	(23,661)
<b>E. Net cash inflow from financing</b>	<u>1,292</u>	<u>162,224</u>



# GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

## FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 US\$000	1998 US\$000
Profit/(Loss) for the financial year	10,989	(6,586)
Exchange adjustments on foreign currency net investments	-	(32)
Total recognised gains/(losses) for the year	10,989	(6,618)

# RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

## FOR THE YEAR ENDED 31 DECEMBER 1999

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
Shareholders' funds at 1 January	48,546	52,324	44,524	42,820
Total recognised gains/(losses) for the year	10,989	(6,618)	6,619	1,464
Goodwill transferred to the profit and loss account in respect of disposals of businesses	-	2,840	-	240
Shareholders funds at 31 December	59,535	48,546	51,143	44,524

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 1999**

#### **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 statement of the Company and all of its subsidiary undertakings made up to December 31, together with the Group's share of the results of joint venture undertakings up to December 31.

Goodwill, which represents the excess of the value of the purchase consideration for shares in subsidiary and joint venture undertakings over the fair value to the group of the net assets acquired, has been written off to reserves. Any goodwill arising in the future will be capitalised and amortised in accordance with Financial Reporting Standard No. 10.

##### **Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year end. The trading results of overseas undertakings are translated at the average exchange rates for the year. Exchange adjustments arising from the retranslation of the opening net investment, and from the translation of the profits or losses at average rate, are taken to reserves. Other 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 Leases**

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

**NOTES (continued)**

**Depreciation**

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

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 &  
Motor Vehicles - 5 years.

**Leases where the Company is Lessee**

Assets financed by leasing 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 (1998 nil).

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

**Taxation**

Provision for taxation is made at the current rate and for deferred taxation, at the projected rate of 30%, on all timing differences where a liability is expected to crystallise in the foreseeable future.

**Pension Costs**

Contributions are charged against profit so as to spread the cost of pensions over employees' working lives with the Company.

## NOTES (continued)

## 2. ANALYSIS OF TURNOVER

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Total US\$000
<b>1999</b>			
United Kingdom	6,673	15	6,688
Rest of Europe	4,823	630	5,453
USA	6,189	1,029	7,218
Canada	5,962	-	5,962
South America	2,704	2,272	4,976
Asia	9,993	-	9,993
	<u>36,344</u>	<u>3,946</u>	<u>40,290</u>
	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Total US\$000
<b>1998 restated</b>			
United Kingdom	3,739	42	3,781
Rest of Europe	4,865	358	5,223
USA	1,711	968	2,679
Canada	6,061	-	6,061
South America	3,443	740	4,183
Asia	6,975	234	7,209
	<u>26,794</u>	<u>2,342</u>	<u>29,136</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.

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 US\$000	1998 US\$000
<b>After Crediting</b>		
Realised exchange gains	1	33
<b>After Charging</b>		
Depreciation of owned tangible fixed assets	10,000	7,574
Depreciation of leased tangible fixed assets	38	38
Operating lease rentals payable – hire of plant and equipment	10	10
Auditors' remuneration:		
Audit	42	33
Non-Audit	19	10

**NOTES (continued)**
**4. GROUP NET INTEREST PAYABLE**

	1999 US\$000	1998 US\$000
Interest payable on:		
Borrowings repayable within five years	(14,740)	(453)
Loans from related parties:		
- repayable within five years	-	(7,540)
	(14,740)	(7,993)
Interest receivable on:		
Loan to joint venture company	-	1,940
Loans to related parties	1,487	1,906
Other	839	780
	2,326	4,626
Group Net Interest payable	(12,414)	(3,367)

**5. EMOLUMENTS OF DIRECTORS**

Total emoluments of the directors in relation to their duties as directors of the Company, were as follows:

	1999 US\$000	1998 US\$000
Directors' emoluments	124	103

**6. EMPLOYEE INFORMATION**

	1999 US\$000	1998 US\$000
Employment Costs:		
Salaries	1,438	1,535
Social security costs	174	144
Other pension costs	134	123
	1,746	1,802
Average number of employees during the year	15	14

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 dedicated to the business of the Company and Group and whose costs of employment are charged to the Company.

**NOTES (continued)**
**7. TAXATION**

	1999 US\$000	1998 US\$000
United Kingdom:		
Corporation tax at 30.25% (1998: 31%)	3,795	2,057
Over provision of corporation tax in prior period	(671)	
Transfer to/(from) deferred tax	2,815	(1,112)
Under provision of deferred tax in prior period	1,824	-
	<u>7,763</u>	<u>945</u>
Overseas taxation	-	455
Share of joint venture taxation	-	782
	<u>7,763</u>	<u>2,182</u>

**8. DIVIDENDS - ORDINARY SHARES**

	1999 US\$000	1998 US\$000
1999 Nil (1998: 67.83 cents per share)	-	28,967

**9. TANGIBLE FIXED ASSETS**

GROUP	ASSETS HELD FOR USE IN OPERATING LEASES US\$000	FIXTURES, FITTINGS & MOTOR VEHICLES US\$000	TOTAL US\$000
COST at 1 January 1999	266,811	287	267,098
Additions	28,923	115	29,038
Disposals	(30,658)	-	(30,658)
Cost at 31 December 1999 <sup>1,2,3</sup>	<u>265,076</u>	<u>402</u>	<u>265,478</u>
DEPRECIATION at 1 January 1999	23,534	281	23,815
Provided during the year	10,025	13	10,038
Released on disposals	(6,351)	-	(6,351)
Depreciation at 31 December 1999	<u>27,208</u>	<u>294</u>	<u>27,502</u>
<b>NET BOOK VALUES</b>			
at 31 December 1999	237,868	108	237,976
at 31 December 1998	243,277	6	243,283

## NOTES (continued)

COMPANY	ASSETS HELD FOR USE IN OPERATING LEASES US\$000	FIXTURES, FITTINGS & MOTOR VEHICLES US\$000	TOTAL US\$000
COST at 1 January 1999	31,638	285	31,923
Additions	-	115	115
Disposals	(23,272)	-	(23,272)
Cost at 31 December 1999 <sup>1, 2, 3</sup>	8,366	400	8,766
DEPRECIATION at 1 January 1999	4,795	281	5,076
Provided during the year	789	13	802
Released on disposals	(4,114)	-	(4,114)
Depreciation at 31 December 1999	1,470	294	1,764
<b>NET BOOK VALUES</b>			
at 31 December 1999	6,896	106	7002
at 31 December 1998	26,843	4	26,847

- 1 The cost of assets held for use in operating leases includes maintenance reserves of US\$5,942,847 (1998: US\$6,403,640) (Group) and US\$875,000 (1998: US\$1,990,000) (Company) as explained in Note 1.
- 2 The value of assets held for use in operating leases which have not yet been brought into use and for which no depreciation has yet been charged, in accordance with note 1, is US\$ Nil (Group), (Company - US\$ Nil), (1998: Group - US\$ 6,028,218 and Company - US\$ Nil).
- 3 The net book value of assets held under finance leases at 31 December 1999 was \$683,019 (Group), (Company - Nil), (1998: Group \$728,302 and Company - Nil).

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
<b>Capital expenditure commitments:</b>				
Contracted but not provided for	24,564	24,824	24,564	20,383

## 10. INVESTMENTS - Subsidiary Undertakings

	1999 US\$000	1998 US\$000
<b>Company</b>		
Shares at cost	300	300

## NOTES (continued)

## 11. DEBTORS - Amounts Falling Due Within One Year

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
Finance lease receivables	6,849	5,581	105	113
Engine Pre Delivery Payments	19,855	2,140	19,636	-
Trade Debtors	672	2,421	2	229
Other Debtors	139	18	139	18
Prepayments and accrued income	440	648	102	208
Amounts owed by:				
- subsidiary undertakings	-	-	31,339	31,214
- related parties	2,416	488	1,839	236
	30,371	11,296	53,162	32,018

## 12. DEBTORS - Amounts Falling Due After One Year

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
Finance lease receivables	31,510	24,815	-	140
Amounts owed by related parties	11,973	13,365	11,973	13,365
	43,483	38,180	11,973	13,505
<b>Investment in Finance Leases</b>				
Additions during the year at cost	13,839	22,040	-	-
Rents receivable in the year	9,316	9,526	173	236



## NOTES (continued)

## 13. CREDITORS - Amounts Falling Due Within One Year

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
Trade Creditors	50	1,114	37	154
Bank loans and overdrafts	14,303	12,350	1,392	13
Tax Payable	3,895	2,057	798	-
Accruals and deferred income	9,834	4,426	2,259	2,354
Deposits from lessees	1,552	1,366	100	509
Maintenance Reserves	5,640	9,600	5,640	7,500
Amounts owed to:				
- subsidiary undertakings	-	-	294	239
- related parties	602	654	97	559
	35,876	31,567	10,617	11,328

## 14. CREDITORS - Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
Accruals and deferred income	-	729	-	729
Deposits from lessees	3,668	3,627	933	838
Maintenance Reserves	21,459	23,505	9,744	15,012
Bank loans and overdrafts falling due:				
- between one and two years	11,911	12,443	-	-
- between two and five years	162,506	161,256	-	-
	199,544	201,560	10,677	16,579

## NOTES (continued)

## MAINTENANCE RESERVES included above comprise:

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
At 1 January	33,105	33,370	22,512	14,170
Provided or received during the year	9,625	10,636	5,381	6,351
Paid out during the year	(10,541)	(10,333)	(8,659)	(3,417)
Transfer (to)/from subsidiaries	-	-	(21)	5,408
Released on disposal	(5,090)	(568)	(3,829)	-
At 31 December	<u>27,099</u>	<u>33,105</u>	<u>15,384</u>	<u>22,512</u>

(Maintenance reserves are amounts provided by the Company, or paid by lessees, towards the future maintenance costs of lease assets.)

## 15. PROVISIONS For Liabilities and Charges

	GROUP		COMPANY	
	1999 US\$000	1998 US\$000	1999 US\$000	1998 US\$000
<b>DEFERRED TAXATION</b>				
At 1 January	12,334	13,446	1,261	1,554
Charge/(credit) for the year	2,815	(1,112)	119	(293)
Charge for the prior year	1,824	-	114	-
Transferred to subsidiary company	-	-	(1,402)	-
At 31 December	<u>16,973</u>	<u>12,334</u>	<u>92</u>	<u>1,261</u>
The full provision for deferred taxation arises from:				
The difference between accumulated depreciation and capital allowances	17,033	12,654	92	1,521
Other timing differences	<u>(60)</u>	<u>(320)</u>	<u>-</u>	<u>(260)</u>
	<u>16,973</u>	<u>12,334</u>	<u>92</u>	<u>1,261</u>

The projected rate of deferred tax is 30% (1998: 30%).

## NOTES (continued)

## 16. SHARE CAPITAL

	1999 US\$	1998 US\$
<b>Authorised</b>		
US\$1'A' Ordinary shares	22,228,805	22,228,805
US\$1'B' Ordinary shares	22,228,805	22,228,805
	<u>44,457,610</u>	<u>44,457,610</u>
<b>Issued and fully paid</b>		
US\$1'A' Ordinary shares	21,354,055	21,354,055
US\$1'B' Ordinary shares	21,354,055	21,354,055
	<u>42,708,110</u>	<u>42,708,110</u>

## 17. PROFIT AND LOSS ACCOUNT

	GROUP US\$000	COMPANY US\$000
Balance at 1 January 1999	<u>5,838</u>	<u>1,816</u>
Results for the year:		
Company	-	6,619
Group	<u>10,989</u>	<u>-</u>
Balance at 31 December 1999	<u><u>16,827</u></u>	<u><u>8,435</u></u>

## 18. OPERATING LEASE ANNUAL COMMITMENTS

	1999 US\$000	1998 US\$000
Leases which expire between one and five years	<u>5</u>	<u>10</u>

None of the commitments relate to land and buildings.

## NOTES (continued)

## 19. RELATED PARTY TRANSACTIONS

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

	1999 US\$'000	1998 US\$'000
Sales of goods to	15,028	4,896
Purchase of goods and services from	29,379	46,734

## 20. PENSION FUNDING

- i) The Company is a member of The Rolls-Royce Pension Fund, which is a defined benefit scheme. Trustees administer the scheme and they invest the assets of the fund independently of the finances of the Rolls-Royce plc group. The scheme is funded by annual contributions from:

- a) The Company, Rolls-Royce plc, and its UK subsidiary undertakings
- b) Scheme members

The pension cost is assessed across the group as a whole in accordance with the advice of qualified actuaries.

Particulars of the actuarial valuation of the scheme are shown in the Annual Report of Rolls-Royce plc. The most recent valuation was at 31 March 1998.

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

The total pension cost charged to the accounts is \$118,000 (1998: \$119,000).

## 21. ULTIMATE HOLDING COMPANIES

Rolls-Royce 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 plc's consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT and those of GATX from 500 West Monroe, Chicago, IL60661-3676, Illinois, USA.

## 22. SUBSIDIARY UNDERTAKINGS as at 31 December 1999

NAME	COUNTRY OF INCORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
RRPF Engine Leasing Limited	England	Leasing of engines	100
RRPF Engine Leasing (No.2) 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 1999

	1999 US\$000	1998 US\$000
Turnover	10,312	4,879
Cost of Sales	(6,304)	(1,419)
Gross Profit	4,008	3,460
Administrative Expenses	(3,453)	(3,322)
Profit on disposal of businesses	-	20,283
Write back of expenses from reserves	-	(240)
Interest from Joint Venture Undertaking	-	1,940
Interest Receivable/(Payable)	2,095	(5,586)
Dividends receivable	5,000	12,700
Profit/(Loss) on Ordinary Activities before Taxation	7,650	29,235
Tax on Ordinary Activities	(1,031)	1,196
Profit/(Loss) after Taxation	6,619	30,431
Dividends payable	-	(28,967)
Transfer to reserves	6,619	1,464

**This is unaudited and for information only.**