

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) |
| Group Turnover | 2 | 40,290 | 29,136 |
| Cost of sales | | (9,996) | (7,578) |
| Gross Profit | | 30,294 | 21,558 |
| General and administrative costs | | (3,466) | (3,373) |
| Group Operating Profit | | 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 |
| Profit on ordinary activities before interest | | 31,166 | 33,510 |
| Group net interest payable | 4 | (12,414) | (3,367) |
| Share of interest payable of joint ventures | | - | (5,580) |
| Profit on Ordinary Activities before Taxation | 3 | 18,752 | 24,563 |
| Taxation | 7 | (7,763) | (2,182) |
| Profit on Ordinary Activities after Taxation | | 10,989 | 22,381 |
| Dividends | 8 | - | (28,967) |
| Transferred to/(from) reserves | 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.

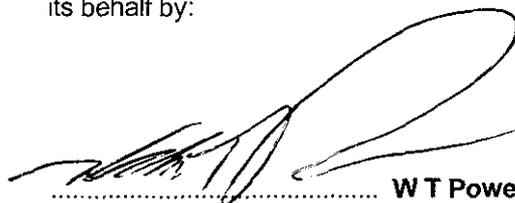
All the results have been derived from continuing activities.

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

| | Notes | GROUP | | COMPANY | |
|---|-------|------------------|------------------|-----------------|-----------------|
| | | 1999 US\$000 | 1998 US\$000 | 1999 US\$000 | 1998 US\$000 |
| Fixed Assets | | | | | |
| 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> |
| Current Assets | | | | | |
| 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> |
| Creditors: amounts falling due within one year | 13 | <u>(35,876)</u> | <u>(31,567)</u> | <u>(10,617)</u> | <u>(11,328)</u> |
| Net Current Assets | | <u>38,076</u> | <u>19,157</u> | <u>54,610</u> | <u>35,217</u> |
| Total Assets less current liabilities | | <u>276,052</u> | <u>262,440</u> | <u>61,912</u> | <u>62,364</u> |
| Creditors: amounts falling due after one year | 14 | <u>(199,544)</u> | <u>(201,560)</u> | <u>(10,677)</u> | <u>(16,579)</u> |
| Provisions for Liabilities and Charges | 15 | <u>(16,973)</u> | <u>(12,334)</u> | <u>(92)</u> | <u>(1,261)</u> |
| Net Assets | | <u>59,535</u> | <u>48,546</u> | <u>51,143</u> | <u>44,524</u> |
| Capital and Reserves | | | | | |
| 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 |
| (Decrease)/Increase in cash in the period | | <u>(2,529)</u> | <u>1,165</u> |
| Reconciliation of net cash flow to movement in net debt | | | |
| (Decrease)/Increase in cash in the period | | (2,529) | 1,165 |
| Cash inflow from (increase) in borrowings | | (1,292) | (162,224) |
| Movement in net debt in the period | | <u>(3,821)</u> | <u>(161,059)</u> |
| Net debt at 1 January | | <u>(184,856)</u> | <u>(23,797)</u> |
| Net debt at 31 December | | <u>(188,677)</u> | <u>(184,856)</u> |

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) |
| Total | <u>(184,856)</u> | <u>(3,821)</u> | <u>(188,677)</u> |

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 |
| A. Net cash inflow from operating activities | <u>5,050</u> | <u>11,583</u> |
| Returns on investment and servicing of finance | | |
| Interest received | 2,326 | 4,626 |
| Interest paid | (9,518) | (7,993) |
| B. Net cash outflow from returns on investment and servicing of finance | <u>(7,192)</u> | <u>(3,367)</u> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (29,038) | (129,919) |
| Disposal of tangible fixed assets | 28,645 | 7,459 |
| C. Net cash outflow for capital expenditure and investment | <u>(393)</u> | <u>(122,460)</u> |
| Acquisitions and disposals of businesses | | |
| Investments in joint ventures | - | (24,607) |
| Loan to Group | - | (25,477) |
| Disposals of businesses | - | 61,622 |
| D. Net cashflow for acquisitions and disposals of businesses | <u>-</u> | <u>11,538</u> |
| Financing | | |
| 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) |
| E. Net cash inflow from financing | <u>1,292</u> | <u>162,224</u> |

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999**

| | <u>1999 US\$000</u> | <u>1998 US\$000</u> |
|--|-------------------------|-------------------------|
| 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 | <u>10,989</u> | <u>(6,618)</u> |

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1999**

| | GROUP | | COMPANY | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>1999 US\$000</u> | <u>1998 US\$000</u> | <u>1999 US\$000</u> | <u>1998 US\$000</u> |
| 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 | <u>59,535</u> | <u>48,546</u> | <u>51,143</u> | <u>44,524</u> |

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 |
|----------------------|--|--|----------------------|
| 1999 | | | |
| 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 |
| | 36,344 | 3,946 | 40,290 |
| | | | |
| | Operating Lease Rentals US\$000 | Finance Lease Rentals US\$000 | Total US\$000 |
| 1998 restated | | | |
| 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 |
| | 26,794 | 2,342 | 29,136 |

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 |
|---|-----------------|-----------------|
| After Crediting | | |
| Realised exchange gains | 1 | 33 |
| After Charging | | |
| 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) |
| | <u>(14,740)</u> | <u>(7,993)</u> |
| Interest receivable on: | | |
| Loan to joint venture company | - | 1,940 |
| Loans to related parties | 1,487 | 1,906 |
| Other | 839 | 780 |
| | <u>2,326</u> | <u>4,626</u> |
| Group Net Interest payable | <u>(12,414)</u> | <u>(3,367)</u> |

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 |
| | <u>1,746</u> | <u>1,802</u> |
| Average number of employees during the year | <u>15</u> | <u>14</u> |

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 ^{1,2,3} | <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> |
| NET BOOK VALUES | | | |
| 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 | FIXTURES, FITTINGS & MOTOR VEHICLES | TOTAL |
|---|---|--|----------|
| | US\$000 | US\$000 | 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 ^{1,2,3} | 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 |
| NET BOOK VALUES | | | |
| 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 |
| Capital expenditure commitments: | | | | |
| Contracted but not provided for | 24,564 | 24,824 | 24,564 | 20,383 |

10. INVESTMENTS - Subsidiary Undertakings

| | 1999 US\$000 | 1998 US\$000 |
|----------------|-----------------|-----------------|
| Company | | |
| 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 |
| | <u>30,371</u> | <u>11,296</u> | <u>53,162</u> | <u>32,018</u> |

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 |
| | <u>43,483</u> | <u>38,180</u> | <u>11,973</u> | <u>13,505</u> |
| Investment in Finance Leases | | | | |
| Additions during the year at cost | 13,839 | 22,040 | - | - |
| Rents receivable in the year | 9,316 | 9,526 | 173 | 236 |
| | <u></u> | <u></u> | <u></u> | <u></u> |

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 |
| | <u>35,876</u> | <u>31,567</u> | <u>10,617</u> | <u>11,328</u> |

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 | <u>162,506</u> | <u>161,256</u> | <u>-</u> | <u>-</u> |
| | <u>199,544</u> | <u>201,560</u> | <u>10,677</u> | <u>16,579</u> |

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 |
| DEFERRED TAXATION | | | | |
| 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\$ |
|------------------------------|-------------------|-------------------|
| Authorised | | |
| 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> |
| Issued and fully paid | | |
| 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.