

COMPANY NUMBER 2159897

ROLLS-ROYCE & PARTNERS FINANCE LIMITED

**Annual Report
for the Year Ended 31 December 1997**

**Directors on
6 April 1998:**

M A Cowdry
W T Powers
M Townsend

Secretaries:

M R H Arundell
A E West



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 1997.

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

The Group's business involves the leasing of commercial jet engines and spare parts. The Group started the year with a portfolio of 56 engines. During 1997 the Group acquired 12 engines while it disposed of 10, closing the year with a portfolio of 58 engines including 10 on finance leases to airlines.

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\$20,257,000 (1996 US\$12,023,000).

Proposed Transfer from Reserves and Payment of Dividend

The proposed transfer from reserves is US\$12,066,000 (1996 transfer to reserves US\$8,087,000). In 1998 the Directors declared an interim dividend of 14.7758 cents per share (1996 nil). They do not recommend payment of any further dividend. The total cost of dividends for 1997 is US\$29 million.

DIRECTORS

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

<u>Director</u>	
M Townsend	(Chairman)
M A Cowdry	
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. The beneficial interests of directors holding office at 31 December 1997, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows.

	<u>Holdings</u>			<u>Options</u>		
	<u>1.1.97</u>	<u>31.12.97</u>	<u>1.1.97</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.97</u>
M Cowdry	-	-	59,650	2,549	-	62,199
W Powers	-	-	-	8,563	-	8,563

The share options of Messrs. M A Cowdry and W T Powers were granted in accordance with the share save scheme and the long term incentive plan respectively as described in the accounts of Rolls-Royce plc.

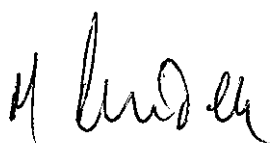
Mr W T Powers has also participated in a share price related bonus scheme. Under this scheme he held Options on 59,659 shares at 1 January and 31 December 1997.

The interests of Mr M Townsend in the share capital of other companies in the same group are contained in the report of the directors of the ultimate parent company, Rolls-Royce plc.

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. Trade creditors at 31 December 1997 represent 30 days of purchases.

Approved by the Board
Signed on its behalf by:-



M R H Arundell
Secretary
65 Buckingham Gate, London SW1E 6AT
24 April 1998

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

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

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 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 1997 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

27 April 1998

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 US\$000	1996 US\$000
Turnover	2	29,040	30,711
Cost of Sales		(11,655)	(13,692)
Gross Profit		17,385	17,019
General and administrative costs		(3,376)	(3,660)
Operating Profit		14,009	13,359
Net interest receivable / (payable)	4	101	(2,352)
Share of profits of associated undertakings		6,147	1,016
Profit on Ordinary Activities before Taxation	3	20,257	12,023
Taxation	7	(3,323)	(3,936)
Profit on Ordinary Activities after Taxation		16,934	8,087
Dividends	8	(29,000)	-
Transferred (from) / to reserves	18	(12,066)	8,087

The notes on pages 8 to 20 form part of these Financial Statements.

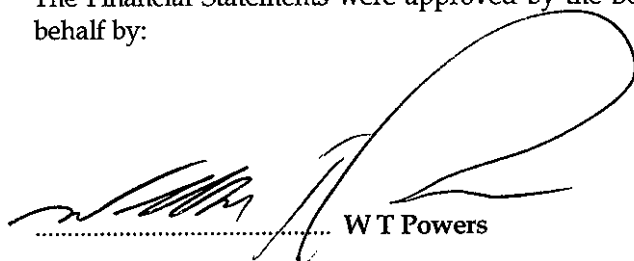
All the results have been derived from continuing activities.

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/(loss) of \$34,252,000 (1996 \$(5,461,000)) has been dealt with in the profit and loss account of the Company.

BALANCE SHEETS AT 31 DECEMBER 1997

	Notes	GROUP		COMPANY	
		1997 US\$000	1996 US\$000	1997 US\$000	1996 US\$000
Fixed Assets					
Tangible Assets	9	126,079	118,906	28,266	32,776
Investments - subsidiary undertakings	10	-	-	2,770	2,770
- associated undertakings	11	17,194	13,093	13,975	13,951
		<u>143,273</u>	<u>131,999</u>	<u>45,011</u>	<u>49,497</u>
Current Assets					
Stock		55	55	55	55
Debtors - amounts falling due within one year	12	5,964	29,472	81,759	74,599
Debtors - amounts falling due after one year	13	13,206	4,031	252	434
Cash at bank and in hand		15	767	5	29
		<u>19,240</u>	<u>34,325</u>	<u>82,071</u>	<u>75,117</u>
Creditors - amounts falling due within one year	14	<u>(69,191)</u>	<u>(59,420)</u>	<u>(67,272)</u>	<u>(70,498)</u>
Net Current (Liabilities) / Assets		<u>(49,951)</u>	<u>(25,095)</u>	<u>14,799</u>	<u>4,619</u>
Total Assets less current liabilities		93,322	106,904	59,810	54,116
Creditors - amounts falling due after one year	15	(27,552)	(29,497)	(15,436)	(14,725)
Provisions for Liabilities and Charges	16	<u>(13,446)</u>	<u>(12,973)</u>	<u>(1,554)</u>	<u>(1,823)</u>
Net Assets		<u>52,324</u>	<u>64,434</u>	<u>42,820</u>	<u>37,568</u>
Capital and Reserves					
Called up share capital	17	42,708	42,708	42,708	42,708
Profit and Loss account	18	9,616	21,726	112	(5,140)
Equity Shareholders' Funds		<u>52,324</u>	<u>64,434</u>	<u>42,820</u>	<u>37,568</u>

The Financial Statements were approved by the Board of Directors on 24 April 1998 and were signed on its behalf by:


W T Powers

The notes on pages 8 to 20 form part of these Financial Statements.

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1997**

	1997 US\$000	1996 US\$000
(Loss)/Profit for the financial year	(12,066)	8,087
Exchange adjustments on foreign currency net investments	(44)	41
Total recognised (losses) / gains for the year	(12,110)	8,128

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1997**

	GROUP 1997 US\$000	1996 US\$000	COMPANY 1997 US\$000	1996 US\$000
Shareholders' funds at 1 January	64,434	56,306	37,568	43,029
Total recognised (losses) / gains for the year	(12,110)	8,128	5,252	(5,461)
Shareholders funds at 31 December	52,324	64,434	42,820	37,568

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

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.

The Company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of Rolls-Royce plc and its cash flows are included within the consolidated cash flow statement of that Company.

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Rolls-Royce Group and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of Rolls-Royce plc.

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 associated undertakings up to December 31.

Goodwill, which represents the excess of the value of the purchase consideration for shares in subsidiary and associated undertakings over the fair value to the Group of the net assets acquired, has been written off to reserves.

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

When previously used assets which are not in a fully overhauled condition are acquired, a Maintenance Reserve is created and the asset cost increased, by the amount estimated to be needed to return the asset to a fully overhauled condition. This reserve is released to match subsequent maintenance costs.

NOTES (continued)

Income from Finance Leases

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

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.

Operating Leases where the Company is Lessee

Costs in respect of operating leases are charged to the profit and loss account on an accruals basis. There are no assets under finance leases.

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	Asset Disposals US\$000	Fees US\$000	Total US\$000
1997					
United Kingdom	4,596	89	1,500	245	6,430
Rest of Europe	3,143	69	2,250	-	5,462
USA	1,587	513	2,900	-	5,000
Canada	3,712	3	23	-	3,738
South America	3,647	92	1,533	-	5,272
Australasia	282	617	-	-	899
Asia	1,182	-	1,057	-	2,239
	18,149	1,383	9,263	245	29,040
1996					
United Kingdom	2,947	144	-	-	3,091
Rest of Europe	3,980	-	6,015	-	9,995
USA	5,014	1,775	-	100	6,889
Canada	1,816	3	-	-	1,819
South America	4,710	275	-	-	4,985
Australasia	446	730	1,732	40	2,948
Asia	984	-	-	-	984
	19,897	2,927	7,747	140	30,711

The analysis above is provided for information purposes only as the Directors are of the opinion that the Group is engaged in a single trade.

3. Profit On Ordinary Activities Before Taxation

	1997 US\$000	1996 US\$000
After Crediting		
Realised exchange gains	33	55
After Charging		
Depreciation of Owned tangible fixed assets	5,370	5,668
Depreciation of Leased tangible fixed assets	26	-
Operating lease rentals payable - hire of plant and equipment	10	57
Auditors remuneration:		
Audit	48	29
Non-Audit	61	23

NOTES (continued)

4. Net Interest Payable

	1997 US\$000	1996 US\$000
Interest payable on:		
Borrowings repayable within five years	358	174
Loans from parent company:		
- repayable within five years	401	3,391
- repayable after more than five years	1,366	402
	<u>2,125</u>	<u>3,967</u>
Interest receivable on:		
Loan to associate company	1,244	1,215
Loans to parent company	728	-
Other	254	400
	<u>2,226</u>	<u>1,615</u>
Net Interest receivable / (payable)	<u>101</u>	<u>(2,352)</u>

5. Emoluments Of Directors

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

	1997 US\$000	1996 US\$000
Directors' emoluments	225	308
Company contribution to money purchase schemes	13	28
	<u>238</u>	<u>336</u>
Total emoluments	<u>238</u>	<u>336</u>
	<u>1997</u>	<u>1996</u>
The number of directors in respect of whose service shares were conditionally awarded under long term incentive schemes were:	2	-

NOTES (continued)

6. Employee Information

	1997 US\$000	1996 US\$000
Employment Costs:		
Salaries	1,034	1,253
Social security costs	92	121
Other pension costs	104	113
	<u>1,230</u>	<u>1,487</u>
Average number of employees during the year	<u>13</u>	<u>15</u>

For the purposes of this note, employees are taken as being those people with contracts of employment with a fellow subsidiary but whose time is dedicated to the business of the Company and Group and whose costs of employment are charged to the Company.

7. Taxation

	1997 US\$000	1996 US\$000
United Kingdom:		
Group Relief payable at 31.5% / 33%	2,522	1,212
Group Relief not paid for	(2,522)	(1,212)
Transfer to deferred tax	473	2,738
Prior year tax charge at 33%	18	-
	<u>491</u>	<u>2,738</u>
Overseas taxation	838	3
Share of associated undertaking's taxation	1,994	1,195
	<u>3,323</u>	<u>3,936</u>

8. Dividends - Ordinary Shares

	1997 US\$000	1996 US\$000
1997 Interim dividend	<u>29,000</u>	<u>-</u>

NOTES (continued)

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 1997	134,052	341	134,393
Additions	21,053	-	21,053
Disposals	(11,463)	(30)	(11,493)
Cost at 31 December 1997 ^{1, 2, 3}	143,642	311	143,953
DEPRECIATION at 1 January 1997	15,183	304	15,487
Provided during the year	5,367	29	5,396
Released on disposals	(2,985)	(24)	(3,009)
Depreciation at 31 December 1997	17,565	309	17,874
NET BOOK VALUES			
at 31 December 1997	126,077	2	126,079
at 31 December 1996	118,869	37	118,906
COMPANY	ASSETS HELD FOR USE IN OPERATING LEASES US\$000	FIXTURES, FITTINGS & MOTOR VEHICLES US\$000	TOTAL US\$000
COST at 1 January 1997	34,777	341	35,118
Additions	-	-	-
Disposals	(3,139)	(30)	(3,169)
Cost at 31 December 1997 ^{1, 2, 3}	31,638	311	31,949
DEPRECIATION at 1 January 1997	2,038	304	2,342
Provided during the year	1,439	29	1,468
Released on disposals	(103)	(24)	(127)
Depreciation at 31 December 1997	3,374	309	3,683
NET BOOK VALUES			
at 31 December 1997	28,264	2	28,266
at 31 December 1996	32,739	37	32,776

¹ The cost of assets held for use in operating leases includes maintenance reserves of US\$10,130,000 (1996 8,192,000) (Group) and US\$1,995,000 (1996 US\$ 2,169,000) (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\$5,338,000 (Group), (Company - nil), (1996 Group - US\$3,968,000 and Company - US\$2,030,000).

³ The net book value of assets held under finance leases at 31 December 1997 was \$774,000 (Group), (Company - Nil), (1996 Group and Company : Nil).

NOTES (continued)

GROUP & COMPANY

	1997 US\$000	1996 US\$000
Capital expenditure commitments: Contracted but not provided for	21,562	2,000

10. INVESTMENTS - Subsidiary Undertakings

	1997 US\$000	1996 US\$000
Company Shares at cost	2,770	2,770

11. INVESTMENTS - Associated Undertakings

	Shares at Cost US\$000	Share of Post Acquisitions Reserves US\$000	Loans US\$000	Total US\$000
Group				
At 1 January, 1997	1,050	(1,908)	13,951	13,093
Exchange adjustments		(76)		
Additions			24	
Share of Retained Profits		4,153		
At 31 December 1997	1,050	2,169	13,975	17,194
Company:				
At 1 January 1997	-	-	13,951	13,951
Additions	-	-	24	24
At 31 December 1997	-	-	13,975	13,975

The subsidiary and associated undertakings are listed on page 20.

NOTES (continued)

12. DEBTORS - Amounts Falling Due Within One Year

	GROUP		COMPANY	
	1997 US\$000	1996 US\$000	1997 US\$000	1996 US\$000
Finance lease receivables	2,626	24,929	181	600
Trade Debtors	708	1,350	17	287
Other Debtors	373	153	17	15
Prepayments and accrued income	451	426	174	151
Amounts owed by:				
- subsidiary undertakings	-	-	79,746	72,314
- associated undertakings	-	1,000	-	-
- other group undertakings	1,298	327	1,230	24
- holding company	508	1,287	394	1,208
	5,964	29,472	81,759	74,599

13. DEBTORS - Amounts Falling Due After One Year

	GROUP		COMPANY	
	1997 US\$000	1996 US\$000	1997 US\$000	1996 US\$000
Finance lease receivables	13,206	4,031	252	434
Investment in Finance Leases				
Additions during the year at cost	13,016	23,034	-	-
Rents receivable in the year	27,481	3,642	731	726

NOTES (continued)

14. CREDITORS - Amounts Falling Due Within One Year

	GROUP		COMPANY	
	1997 US\$000	1996 US\$000	1997 US\$000	1996 US\$000
Trade Creditors	689	80	405	80
Other loans	151	301	151	301
Tax Payable	386	-	-	-
Accruals and deferred income	2,471	2,370	1,272	1,764
Deposits from lessees	897	631	300	231
Maintenance Reserves	16,050	10,847	6,800	2,600
Dividend payable	29,000	-	29,000	-
Amounts owed to:				
- subsidiary undertakings	-	-	10,926	12,386
- other group undertakings	1,886	6	537	6
- holding company	17,661	45,185	17,881	53,130
	69,191	59,420	67,272	70,498

15. CREDITORS - Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	1997 US\$000	1996 US\$000	1997 US\$000	1996 US\$000
Accruals and deferred income	1,203	166	1,203	166
Deposits from lessees	3,029	2,047	863	933
Maintenance Reserves	17,320	21,284	7,370	7,626
Amounts owed to holding company	6,000	6,000	6,000	6,000
	27,552	29,497	15,436	14,725

NOTES (continued)

MAINTENANCE RESERVES included above comprise:

	GROUP		COMPANY	
	1997	1996	1997	1996
	US\$000	US\$000	US\$000	US\$000
At 1 January	32,131	19,379	10,226	4,288
Provided or received during the year	12,695	15,945	4,547	7,045
Paid out during the year	(8,277)	(1,405)	(438)	(1,107)
Release on disposal	(3,179)	(1,788)	(165)	-
At 31 December	33,370	32,131	14,170	10,226

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

16. PROVISIONS For Liabilities And Charges

	GROUP		COMPANY	
	1997	1996	1997	1996
	US\$000	US\$000	US\$000	US\$000
DEFERRED TAXATION				
At 1 January	12,973	10,235	1,823	340
Charge/(credit) for the year	473	2,738	(269)	1,483
At 31 December	13,446	12,973	1,554	1,823
The full provision for deferred taxation arises from:				
The difference between accumulated depreciation and capital allowances	11,232	10,759	1,554	1,823
Other timing differences	2,214	2,214	-	-
	13,446	12,973	1,554	1,823

The projected rate of deferred tax is 30% (1996 33%) .

NOTES (continued)

17. Share Capital

	Authorised US\$000	Allotted US\$000	Paid US\$000
US\$1 Ordinary Shares ¹	200,000	196,268	40,726
US\$1 Preferred Shares	1,982	1,982	1,982
	201,982	198,250	42,708

¹ The amount paid represents 196,267,500 Ordinary Shares of US\$1 each, at 20.75 cents per share.

18. Profit And Loss Account

	GROUP US\$000	COMPANY US\$000
Profit/(Loss) at 1 January 1997	21,726	(5,140)
Exchange adjustments	(44)	-
Results for the year:		
Company	-	5,252
Group	(12,066)	-
Profit at 31 December 1997	9,616	112

19. Operating Lease Annual Commitments

	1997 US\$000	1996 US\$000
Leases which expire between one and five years	10	-

None of the commitments relates to land and buildings.

NOTES (continued)

20. Contingent Liabilities

	GROUP and COMPANY	
	1997 US\$000	1996 US\$000
Net guarantees in respect of the obligations of an associated undertaking	7,300	6,700

In the opinion of the Directors, no losses are likely to arise in respect of the above.

No valuable security has been provided by the Company or Group in respect of the above guarantees.

21. Pension Funding

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

- a) the Company, its Parent, and fellow 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 1997.

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

The total pension cost charged to the accounts is \$96,000 (1996 \$113,000).

22. Holding Company

Rolls-Royce plc, a company registered in England and Wales, is the ultimate holding Company and heads the largest and smallest group in which the results of the Company are consolidated. Copies of its consolidated Financial Statements can be obtained from 65 Buckingham Gate, London SW1E 6AT.

SUBSIDIARY UNDERTAKINGS as at 31 December 1997

NAME	COUNTRY OF CORPORATION	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 & Partners Finance (Netherlands) B.V.	Netherlands	Holding Company	100
Rolls-Royce & Partners Finance (Ireland) ¹	Ireland	Holding Company	100

ASSOCIATED UNDERTAKINGS as at 31 December 1997

NAME	COUNTRY OF CORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
Aircraft Financing and Trading Holdings B.V. ^{1 and 2}	Netherlands	Aircraft leasing and financial services	50
Sama Leasing Company Limited	Cayman Islands	Aircraft leasing	50

The Loans to Associated Undertakings comprises subordinated loan capital in Aircraft Financing and Trading Holdings BV. The loans have been provided equally with the other shareholder.

¹ The shareholdings in Rolls-Royce & Partners Finance (Ireland) and Aircraft Financing and Trading Holdings B.V. are held by Rolls-Royce & Partners Finance (Netherlands) B.V.

² Aircraft Financing and Trading BV has 14 wholly owned subsidiaries which are engaged in aircraft operating leasing.

COMPANY PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	1997 US\$000	1996 US\$000
Turnover	5,672	4,760
Cost of Sales	(2,395)	(2,050)
Gross Profit	3,277	2,710
Administrative Expenses	(3,138)	(3,610)
Interest from Associated Undertaking	1,244	1,215
Interest Payable	(2,022)	(4,293)
Dividends receivable	34,460	-
Profit/(Loss) on Ordinary Activities before Taxation	33,821	(3,978)
Tax on Ordinary Activities	431	(1,483)
Profit/(Loss) for the Financial Year after Taxation	34,252	(5,461)

This is unaudited and for information only.