

COMPANY NUMBER 2159897

ROLLS-ROYCE & PARTNERS FINANCE LIMITED

Annual Report
for the Year Ended 31 December 2005

**Directors on
22 May 2006:**

M R H Arundell
J C Bensick
C F Glenn
J Guyette
H Haid
A Shilston
M Terrett

Secretaries:

N T Goldsworthy
D J Goma



REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

REVIEW OF THE BUSINESS

All of the Group's business involves the leasing of commercial aero engines. The group opened the year with an engine lease portfolio of 88 engines, and closed with 85 engines. During the year the group bought 11 engines, sold 5 engines and had 9 finance leases expire.

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\$20,236,000 (2004: US\$21,933,000).

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$6,915,000 (2004: US\$5,388,000). The Directors declared interim dividends totalling 18.7 cents per share (2004: 24.3 cents per share). No further dividends are recommended. The total cost of dividends for 2005 is US\$8,000,000 (2004: US\$10,359,000).

DIRECTORATE

The Directors who held office through the year were as follows:

Director

M R H Arundell
J C Bensick
A C Coe (resigned 31 January 2006)
C F Glenn
J Guyette
H Haid (appointed 31 January 2006)
A Shilston
M Terrett

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 (excluding creditors related to capital items) at 31 December 2005 represent 8 days of purchases (2004: 8 days).

Approved by the Board
Signed on its behalf by:



N T Goldsworthy
Secretary

65 Buckingham Gate, London, SW1E 6AT

22 May 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROLLS-ROYCE & PARTNERS FINANCE LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Rolls-Royce & Partners Finance Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. 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 specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

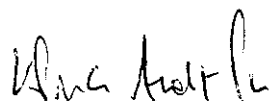
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London, EC4Y 8BB

London
22 May 2006

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 US\$000	2004 US\$000
Turnover	2	45,412	34,390
Cost of sales		(15,691)	(11,591)
Gross profit		29,721	22,799
General and administrative costs		(3,585)	(3,118)
Group Operating profit		26,136	19,681
Profit on sale of fixed assets		4,218	7,040
Profit on ordinary activities before interest		30,354	26,721
Group net interest payable	4	(10,118)	(4,788)
Profit on ordinary activities before taxation	3	20,236	21,933
Taxation	7	(5,321)	(6,186)
Profit on ordinary activities after taxation		14,915	15,747
Dividends	8	(8,000)	(10,359)
Transferred to reserves		6,915	5,388

The notes on pages 10 to 19 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 US\$10,060,000 (2004: US\$10,572,000) has been dealt with in the profit and loss account of the Company. The Company profit on ordinary activities after taxation includes dividends received from subsidiaries of US\$8,000,000 (2004: US\$10,000,000).

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

BALANCE SHEET

AT 31 DECEMBER 2005

	Notes	GROUP		COMPANY	
		2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Fixed assets					
Tangible assets	9	366,933	302,803	98	2,099
Investment in subsidiary undertakings	10	-	-	300	300
		<u>366,933</u>	<u>302,803</u>	<u>398</u>	<u>2,399</u>
Current assets					
Stock	11	55	1,258	55	1,258
Debtors: amounts falling due within one year	12	8,288	13,073	96,862	57,286
Debtors: amounts falling due after more than one year	13	25,326	23,275	-	-
Cash at bank and in hand		<u>1,538</u>	<u>29,356</u>	<u>1,513</u>	<u>29,349</u>
		<u>35,207</u>	<u>66,962</u>	<u>98,430</u>	<u>87,893</u>
Creditors: amounts falling due within one year	14	<u>(32,377)</u>	<u>(27,067)</u>	<u>(29,696)</u>	<u>(27,561)</u>
Net current assets		<u>2,830</u>	<u>39,895</u>	<u>68,734</u>	<u>60,332</u>
Total assets less current liabilities		<u>369,763</u>	<u>342,698</u>	<u>69,132</u>	<u>62,731</u>
Creditors: amounts falling due after more than one year	15	<u>(246,117)</u>	<u>(231,817)</u>	<u>(19,237)</u>	<u>(14,796)</u>
Provisions for liabilities and charges	16	<u>(41,167)</u>	<u>(35,317)</u>	<u>(56)</u>	<u>(156)</u>
Net assets		<u><u>82,479</u></u>	<u><u>75,564</u></u>	<u><u>49,839</u></u>	<u><u>47,779</u></u>
Capital and reserves					
Called up share capital	17	42,708	42,708	42,708	42,708
Profit and loss account	18	39,771	32,856	7,131	5,071
Equity shareholder's funds		<u>82,479</u>	<u>75,564</u>	<u>49,839</u>	<u>47,779</u>

The Financial Statements were approved by the Board of Directors on 22 May 2006 and were signed on its behalf by:



..... M R H Arundell
Director

The notes on pages 10 to 19 form part of these Financial Statements.

GROUP CASH FLOW STATEMENT **FOR THE YEAR ENDED 31 DECEMBER 2005**

		2005 US\$000	2004 US\$000
Cash flow from operating activities	A	53,068	30,818
Returns on investments and servicing of finance	B	(8,390)	(4,286)
Taxation		(151)	(1,958)
Capital expenditure and financial investment	C	(74,177)	(49,777)
Equity dividends paid		(8,000)	(10,359)
Cash outflow before financing		(37,650)	(35,562)
Financing	D	9,832	65,148
(Decrease)/increase in cash in the period		<u>(27,818)</u>	<u>29,586</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(27,818)	29,586
Cash flow from movement in borrowings		(9,832)	(65,148)
Movement in net debt in the period		<u>(37,650)</u>	<u>(35,562)</u>
Net debt at 1 January		<u>(189,546)</u>	<u>(153,984)</u>
Net debt at 31 December		<u>(227,196)</u>	<u>(189,546)</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	29,356	(27,818)	1,538
Loan from holding company	(8,159)	(1,950)	(10,109)
Debt due after one year	(210,743)	(7,882)	(218,625)
Total	<u>(189,546)</u>	<u>(37,650)</u>	<u>(227,196)</u>

NOTES TO THE CASH FLOW STATEMENT

	2005 US\$000	2004 US\$000
Reconciliation of operating profit to operating cash flows		
Operating profit	26,136	19,681
Depreciation charges	14,265	10,994
Decrease/(increase) in stock	1,203	(39)
Decrease in debtors	2,734	7,730
Increase/(decrease) in creditors	8,730	(7,548)
A. Net cash inflow from operating activities	53,068	30,818
Returns on investment and servicing of finance		
Interest received	93	121
Interest paid	(8,483)	(4,407)
B. Net cash outflow from returns on investment and servicing of finance	(8,390)	(4,286)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(89,304)	(62,051)
Disposal of tangible fixed assets	15,127	12,274
C. Net cash outflow for capital expenditure and financial investment	(74,177)	(49,777)
Financing		
Increase in borrowing due after one year	7,882	62,706
Increase in loans from holding company	1,950	2,442
D. Net cash inflow from financing	9,832	65,148

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Profit for the financial year	14,915	15,747	10,060	10,572
Dividends	(8,000)	(10,359)	(8,000)	(10,359)
Net transfer (from)/addition to shareholders' funds	6,915	5,388	2,060	213
Opening shareholders' funds	75,564	70,176	47,779	47,566
Closing shareholders' funds	82,479	75,564	49,839	47,779

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of Accounting

The Group Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company has not adopted amendments to FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after January 1, 2006. Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee. The company does not expect the amendments to have any impact on the financial statements for the period commencing January 1, 2006

Basis of Consolidation

The Group Financial Statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rate ruling at the year end. 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 the 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.

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:

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 – 5 years.

NOTES (continued)**Stock**

Stock is stated at the lower of cost and net realisable value.

Leases Where the Company is Lessee

Assets financed by lease 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 (2004: Nil).

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

Interest

Interest payable is charged to the profit and loss account as incurred.

Taxation

Provision for taxation is made at the current rate and for deferred taxation, at the projected rate, on all timing differences, which have originated, but not reversed at the Balance Sheet date.

2. ANALYSIS OF TURNOVER

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other income US\$000	Spare Parts Sales US\$000	Total US\$000
2005					
United Kingdom	11,318	600	507	589	13,014
Rest of Europe	11,994	589	-	-	12,583
USA	1,946	1,567	-	1,203	4,716
Canada	3,449	-	-	17	3,466
South America	3,546	26	-	-	3,572
Asia	8,061	-	-	-	8,061
	<u>40,314</u>	<u>2,782</u>	<u>507</u>	<u>1,809</u>	<u>45,412</u>
	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Fees and other income US\$000	Spare Parts Sales US\$000	Total US\$000
2004					
United Kingdom	8,894	682	432	402	10,410
Rest of Europe	6,852	112	-	-	6,964
USA	1,479	1,457	-	219	3,155
Canada	3,554	8	-	-	3,562
South America	3,601	103	-	-	3,704
Asia	6,270	-	-	325	6,595
	<u>30,650</u>	<u>2,362</u>	<u>432</u>	<u>946</u>	<u>34,390</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.

NOTES (continued)**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2005 US\$000	2004 US\$000
After charging/(crediting):		
Depreciation of owned tangible fixed assets	14,232	10,949
Depreciation of leased tangible fixed assets	33	45
Realised exchange losses/(gains)	3	(627)
Operating lease rentals payable – hire of plant and equipment	8	30
Auditors' remuneration	78	81

4. GROUP NET INTEREST PAYABLE

	2005 US\$000	2004 US\$000
Interest payable on:		
Bank loans and overdrafts	9,358	4,240
Other borrowings	166	7
Interest on loans from related parties	687	662
	<u>10,211</u>	<u>4,909</u>
Interest receivable	(93)	(121)
Group net interest payable	<u>10,118</u>	<u>4,788</u>

5. EMOLUMENTS OF DIRECTORS

The Company paid no emoluments to the Directors in respect of their services during the year.

6. EMPLOYEE INFORMATION

	2005 US\$000	2004 US\$000
Employment costs		
Salaries	2,625	2,742
Social security costs	289	129
Other pension costs	102	152
	<u>3,016</u>	<u>3,023</u>
Average number of employees during the year	<u>21</u>	<u>22</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 partly dedicated to the business of the Company and Group and whose costs of employment are therefore proportionately charged to the Group.

NOTES (continued)

7. TAXATION

	2005 US\$000	2004 US\$000
Current tax:		
UK corporation tax at 30%	-	481
Adjustment in respect of prior year	(529)	(117)
	<u>(529)</u>	<u>364</u>
Deferred tax: origination and reversal of timing differences	5,850	5,822
	<u>5,321</u>	<u>6,186</u>
Reconciliation of tax charge:		
Profit on ordinary activities before tax	20,236	21,933
Nominal charge at UK corporate tax rate of 30%	6,071	6,580
Expenses not deductible for tax purposes	471	82
Income not taxable	(692)	(121)
Capital allowances in excess of depreciation	(6,300)	(6,060)
Other timing differences	450	
Adjustments to prior years	(529)	(117)
Current tax	<u>(529)</u>	<u>364</u>

8. DIVIDENDS – Ordinary Shares

	2005 US\$000	2004 US\$000
18.7 cents per share	8,000	-
(2004: 24.3 cents per share)	-	10,359
	<u>8,000</u>	<u>10,359</u>

9. TANGIBLE FIXED ASSETS

GROUP	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2005	343,636	485	344,121
Additions	89,265	39	89,304
Disposals	(14,419)	-	(14,419)
Cost at 31 December 2005 ¹	<u>418,482</u>	<u>524</u>	<u>419,006</u>
Depreciation at 1 January 2005	40,905	413	41,318
Provided during the year	14,252	13	14,265
Released on disposals	(3,510)	-	(3,510)
Depreciation at 31 December 2005	<u>51,647</u>	<u>426</u>	<u>52,073</u>
Net book values			
at 31 December 2005 ²	<u>366,835</u>	<u>98</u>	<u>366,933</u>
at 31 December 2004	<u>302,731</u>	<u>72</u>	<u>302,803</u>

NOTES (continued)

COMPANY	Assets Held for Use in Operating Leases US\$000	Fixtures & Fittings US\$000	Total US\$000
Cost at 1 January 2005	2,906	482	3,388
Additions	-	39	39
Disposals	(2,595)	-	(2,595)
Cost at 31 December 2005 ¹	311	521	832
Depreciation at 1 January 2005	879	410	1,289
Provided during the year	7	13	20
Released on disposals	(575)	-	(575)
Depreciation at 31 December 2005	311	423	734
Net book values			
at 31 December 2005 ²	-	98	98
at 31 December 2004	2,027	72	2,099

- 1 The cost of assets held for use in operating leases includes maintenance reserves of US\$2,381,964 (2004: US\$2,381,964) (Group) and Nil (2004: Nil) (Company) as explained in Note 1.
- 2 The net book value of assets held under finance leases at 31 December 2005 was nil for the Group and Company, (2004: Group US\$457,000 and Company - Nil).

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Capital expenditure commitments:				
Contracted but not provided for	66,633	46,014	-	-

10. INVESTMENTS – Subsidiary Undertakings

Company	2005 US\$000	2004 US\$000
Shares at cost	300	300

11. STOCK

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Spare parts held for engine repairs	55	1,258	55	1,258

NOTES (continued)

12. DEBTORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Finance lease receivables	3,397	5,989	-	2,527
Engine pre-delivery payments	643	3,236	-	-
Trade debtors	1,506	734	128	4
Group relief receivable	-	70	-	-
Other debtors	37	68	37	68
Prepayments and accrued income	509	470	270	236
Amounts owed by:				
subsidiary undertakings	-	-	94,545	51,095
related parties	2,164	2,486	1,850	3,336
holding company	32	20	32	20
	<u>8,288</u>	<u>13,073</u>	<u>96,862</u>	<u>57,286</u>

13. DEBTORS – Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Finance lease receivables	24,720	22,517	-	-
Trade debtors	606	758	-	-
	<u>25,326</u>	<u>23,275</u>	<u>-</u>	<u>-</u>

Investment in Finance Leases

Additions during the year at cost	6,239	-	-	-
Rents receivable in the year	<u>9,410</u>	<u>9,355</u>	<u>2,721</u>	<u>391</u>

NOTES (continued)

14. CREDITORS – Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Trade creditors	1,392	33	108	28
Group relief payable	30	191	521	82
Tax payable	-	680	-	616
Accruals and deferred income	7,514	6,165	2,309	2,662
Deposits from lessees	1,054	1,241	75	185
Maintenance reserves	11,871	10,016	11,871	10,016
Other creditors	168	421	52	34
Bank loans and overdrafts	-	-	-	-
Amounts owed to:				
subsidiary undertakings	-	-	4,331	4,326
related parties	239	161	320	1,453
holding company	10,109	8,159	10,109	8,159
	<u>32,377</u>	<u>27,067</u>	<u>29,696</u>	<u>27,561</u>

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

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
Deposits from lessees	7,143	4,005	96	78
Maintenance reserves	20,349	17,069	19,141	14,718
Bank loans and overdrafts falling due: between two and five years	218,625	210,743	-	-
	<u>246,117</u>	<u>231,817</u>	<u>19,237</u>	<u>14,796</u>

Maintenance reserves included above comprise:

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
At 1 January	27,085	30,835	24,734	21,061
Provided/received during the year	10,395	8,193	10,395	8,132
Transferred from group companies	-	-	-	4,729
Paid out during the year	(2,815)	(5,786)	(2,815)	(5,516)
Released on disposals	(2,445)	(6,157)	(1,302)	(3,672)
At 31 December	<u>32,220</u>	<u>27,085</u>	<u>31,012</u>	<u>24,734</u>

NOTES (continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

	GROUP		COMPANY	
	2005 US\$000	2004 US\$000	2005 US\$000	2004 US\$000
At 1 January	35,317	29,495	156	734
Amount charged/(credited) to the profit and loss account	5,850	5,822	(100)	(578)
At 31 December	<u>41,167</u>	<u>35,317</u>	<u>56</u>	<u>156</u>

The analysis of the deferred tax provision is as follows:

Accelerated capital allowances	41,617	35,317	56	156
Other timing differences	(450)	-	-	-
Potential liability	<u>41,167</u>	<u>35,317</u>	<u>56</u>	<u>156</u>

17. SHARE CAPITAL

	2005 US\$	2004 US\$
Authorised		
US\$1 ordinary shares	44,457,610	44,457,610
Issued and fully paid		
US\$1 ordinary shares	42,708,110	42,708,110

18. PROFIT AND LOSS ACCOUNT

	GROUP US\$000	COMPANY US\$000
Balance at 1 January 2005	32,856	5,071
Transfer to reserves for the year		
Group	6,915	-
Company	-	2,060
Balance at 31 December 2005	<u>39,771</u>	<u>7,131</u>

19. OPERATING LEASE ANNUAL COMMITMENTS

	2005 US\$000	2004 US\$000
Leases which expire between two and four years	<u>-</u>	<u>30</u>

None of the commitments relate to land and buildings.

NOTES (continued)**20. RELATED PARTY TRANSACTIONS**

In the course of normal operations, the Group has contracted on an arm's length basis with subsidiary and joint venture undertakings of the Rolls-Royce Group and GATX group. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the Financial Statements are summarised below:

	2005 US\$000	2004 US\$000
Sale of goods, services and fixed assets to	7,805	13,094
Purchase of goods, services and fixed assets from	31,869	24,541

21. CONTINGENT LIABILITIES

The Group, Company and certain affiliates are party to a loan facility. The Company provides guarantees in respect of the obligations of its subsidiary undertakings of US\$220m (2004: US\$212m). The Company and Group provide guarantees in respect of related parties of US\$151m (2004: US\$123m). The related parties guarantee the obligations of the Company and Group under the loan facility on a reciprocal basis.

22. PENSION FUNDING

The Company's employees, as disclosed in note 6, are members of one of two multi-employer defined benefits pension schemes; the Rolls-Royce Pension Fund or the Rolls-Royce Group Pension Scheme. As it is not possible to identify the share of underlying assets and liabilities relating to Rolls-Royce & Partners Finance Limited, in accordance with FRS17 Retirement Benefits, the scheme has been accounted for as a defined contribution scheme in these accounts.

The disclosure relating to the Rolls-Royce Pension Fund and the Rolls-Royce Group Pension Scheme is shown in note 23 in the 2005 Rolls-Royce Group plc accounts.

On this basis, the amounts of employer contributions for 2005 were US\$102,000 (2004: US\$152,000).

23. ULTIMATE HOLDING COMPANIES

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

Alpha Partners Leasing Limited, a company registered in England and Wales, is the immediate holding company and heads the largest 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.

NOTES (continued)

24. SUBSIDIARY UNDERTAKINGS as at 31 December 2005

NAME	COUNTY 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 2005**

	2005	2004
	US\$000	US\$000
Turnover	2,512	1,894
Cost of sales	<u>(1,275)</u>	<u>(466)</u>
Gross profit	<u>1,237</u>	<u>1,428</u>
Administrative expenses		
Net costs	(100)	(805)
Foreign exchange (loss)/gain	(3)	626
Profit margin on re-charge to RRPf US	71	71
	<u>(32)</u>	<u>(108)</u>
Profit on sale of fixed assets	1,910	-
Net interest payable	(784)	(661)
Dividends receivable	<u>8,000</u>	<u>10,000</u>
Profit on ordinary activities before taxation	10,331	10,659
Taxation	<u>(271)</u>	<u>(87)</u>
Profit on ordinary activities after taxation	10,060	10,572
Dividends	<u>(8,000)</u>	<u>(10,359)</u>
Transferred to reserves	<u>2,060</u>	<u>213</u>

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