

COMPANY NUMBER 2581583

**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**Annual Report  
for the Year Ended 31 December 1998**

Directors on  
3 March 1999:

J R Rivers      -      Chairman  
D J Smith  
S R Stanyard

Secretary :

J R Ashfield



Registered Office : Moor Lane, Derby DE24 8BJ

**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**Directors' report and financial statements**

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# **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

## **REPORT OF THE DIRECTORS**

The directors present their audited Annual Report for the year ended 31 December 1998.

### **Directors' responsibility for financial statements**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its 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 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 to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### **Principal activity**

The principal activity of the Company during the year was the supply of staff and services to Rolls-Royce plc group and related companies. During the year the Company maintained registered offices in Austria, Australia, Hong Kong, New Zealand and Singapore.

### **Year 2000**

The Company is participating in the Year 2000 project being undertaken by its parent company, Rolls-Royce plc. Expenditure of some £25,000 will be incurred by the Company on this exercise, and is being written off as incurred.

The Company may, of course, be impacted in this matter by the actions or inaction of suppliers, partners and customers, and work to ensure that they are prepared or are taking the appropriate actions is also underway.

No absolute guarantee that the problem has been eliminated can be given, but we believe that the majority of our businesses and of our principal commercial relationships are well advanced in this area.

## **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

### **Results**

The results for the year are given on page 7 of the financial statements. The directors have declared an interim dividend of £384,000 on the ordinary share capital of the Company for the year ending 31 December 1998. They do not recommend payment of any final dividend.

The Directors consider both the level of business and the financial position of the Company to be satisfactory.

### **Directorate**

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

J R Rivers  
D A Ryding - resigned 14 December 1998  
D J Smith  
S R Stanyard - appointed 14 December 1998

### **Directors share 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 1998 including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows.

	<b><u>Holdings</u></b>		<b><u>*1.1.98</u></b>	<b><u>Options</u></b>		<b><u>31.12.98</u></b>
	<b><u>*1.1.98</u></b>	<b><u>31.12.98</u></b>		<b><u>Granted</u></b>	<b><u>Exercised</u></b>	
J R Rivers	-	-	77,998	21,276	-	99,274
D J Smith	625	625	7,308	-	-	7,308
S R Stanyard	-	-	4,476	-	-	4,476

\* or date of appointment if later.

The share options for J R Rivers include awards made under a Long Term Incentive Plan which are conditional upon performance criteria.

## **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

### **Employees**

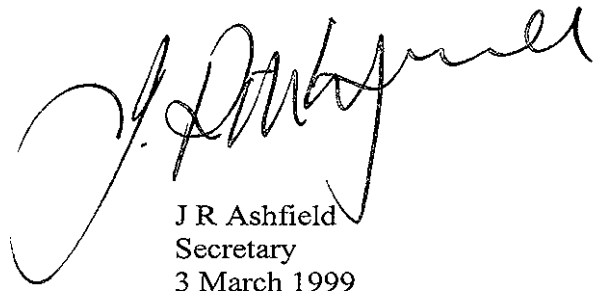
The Company is a part of the Rolls-Royce plc group. The group's policy is to provide, wherever possible, employment opportunities and training for disabled people to make the best possible use of their skills and potential. It also operates an equal opportunities policy, details of which are available to all employees.

There are various forms of communication across the group, each adapted to the particular needs of individual businesses. The group consults with employees and their elected representatives on a comprehensive range of topics which relate to its overall business objectives. Management and employee representatives hold regular meetings at every location to discuss problems and opportunities.

### **Auditors & Annual General Meeting**

Elective Resolutions are in force to dispense with the obligation of laying the Annual Report before the Company in general meeting, appointing auditors annually and holding Annual General Meetings.

By Order of the Board



J R Ashfield  
Secretary  
3 March 1999

**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**REPORT OF THE AUDITORS TO THE MEMBERS**

**OF ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

We have audited the financial statements on pages 7 to 16.

*Respective responsibilities of directors and auditors*

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

*Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

*Opinion*

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**

**London**  
**~~3 March 1999~~**

28 April 1999

**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

	<b>Note</b>	<b>1998</b> £000	<b>1997</b> £000
<b>Turnover</b>	2 & 1(h)	22,940	26,672
Cost of Sales		(21,134)	(24,696)
<b>Gross Profit</b>		1,806	1,976
Administrative Expenses		(456)	(1,127)
<b>Operating Profit</b>		1,350	849
Net interest receivable	6	24	86
<b>Profit on ordinary activities before taxation</b>	3	1,374	935
Taxation	7	(737)	(121)
<b>Profit on ordinary activities after taxation</b>		637	814
Dividends		(384)	(407)
<b>Retained profit for the year</b>		253	407

All results have been derived from continuing activities.

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

The notes on pages 10 to 16 form part of these financial statements.

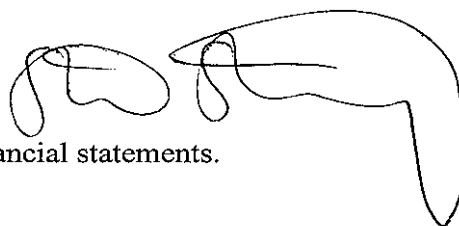
**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**BALANCE SHEETS AT 31 DECEMBER 1998**

	Note	1998 £000	1997 £000
<b>Fixed assets</b>			
Tangible assets	8	144	177
<b>Current assets</b>			
Debtors	9	4,582	5,972
Cash at Bank		765	1,258
		5,347	7,230
<b>Creditors - amounts falling due within one year</b>	10	(3,306)	(5,475)
<b>Net current assets</b>		2,041	1,755
<b>Net Assets</b>		2,185	1,932
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		2,185	1,932
<b>Equity Shareholders Funds</b>		2,185	1,932

These accounts were approved by the board of directors on 3 March 1999, and signed on its behalf by:

S R Stanyard  
Director



The notes on pages 10 to 16 form part of these financial statements.



**ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
<b>Profit after taxation</b>	637	814
Dividends	(384)	(407)
	—	—
<b>Net addition to shareholders' funds</b>	253	407
Opening shareholders' funds	1,932	1,525
	—	—
<b>Closing shareholders' funds</b>	2,185	1,932
	—	—

# **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 1998**

#### **1. Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Cash flow statement*

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly-owned subsidiary undertaking.

c) *Depreciation*

Depreciation is provided on the original cost of plant and equipment and is calculated on the straight line basis over estimated lives in the range 5 to 10 years.

d) *Foreign currencies*

Foreign currency is translated into sterling on the following basis:

- (i) Assets and liabilities at the exchange rates ruling at the year end.
- (ii) Trading results at the average exchange rate for the year.

Differences on exchange are charged or credited in determining profit on ordinary activities before taxation.

e) *Leases*

There are no assets held under finance leases or hire purchase contracts. All leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

## **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

f) *Pensions*

The Company participates in The Rolls-Royce Pension Fund which is a defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

g) *Taxation*

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

h) *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

i) *Related Party Transactions*

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with the Rolls-Royce group and its associates on the grounds that it is a wholly owned subsidiary undertaking.

## **2. Analysis of turnover**

The following is an analysis of turnover by geographic area:

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	21,177	24,699
USA	1,108	1,235
Europe	290	391
Others	365	347
Total	<u>22,940</u>	<u>26,672</u>

# ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED

## 3. Profit on ordinary activities before taxation

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditor's remuneration :		
Audit	3	3
Other services	32	44
Depreciation on owned assets	49	52
Operating lease rentals	2	2
	<hr/>	<hr/>

## 4. Emoluments of Directors

None of the directors received any remuneration in respect of their services to the Company.

## 5. Staff numbers and costs

Number of Employees

	1998	1997
The average number of persons employed by the Company during the year was:	248	247

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	9,108	8,976
Social security costs	332	554
Other pension costs	512	766
	<hr/>	<hr/>
	9,952	10,296
	<hr/>	<hr/>

# ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED

<b>6.</b>	<b>Net Interest receivable</b>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
	Receivable from group undertakings	24	86
		<hr/>	<hr/>
<b>7.</b>	<b>Taxation</b>	<b>1998</b>	<b>1997</b>
		<b>£000</b>	<b>£000</b>
	In respect of the year :		
	UK corporation tax at 31% (1997 31.49%)	486	103
	Group relief payable at 31% (1997 31.49%)	-	280
	Group relief for which no payment is made	-	(280)
	Relief for overseas taxation	(136)	(43)
		<hr/>	<hr/>
		350	60
	Overseas taxation payable	<u>136</u>	<u>44</u>
		<hr/>	<hr/>
		486	104
	Adjustment in respect of prior years	251	17
		<hr/>	<hr/>
		737	121
		<hr/>	<hr/>
<b>8.</b>	<b>Tangible fixed assets</b>		
		<b>Plant and</b>	
		<b>Equipment</b>	
		<b>£000</b>	
	<i>Cost</i>		
	At beginning of year	294	
	Additions	16	
	Disposals		
		<hr/>	
	At end of year	310	
		<hr/>	
	<i>Depreciation</i>		
	At beginning of year	117	
	Charge for year	49	
		<hr/>	
	At end of year	166	
		<hr/>	
	<i>Net book value</i>		
	At 31 December 1997	177	
		<hr/>	
	At 31 December 1998	144	
		<hr/>	

# ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED

## 9. Debtors - amounts falling due within one year

	1998	1997
	£000	£000
Trade debtors	1,396	1,372
Amounts owed by group undertakings	2,431	3,690
Other debtors	24	23
Prepayments and accrued income	<u>731</u>	<u>887</u>
	<u>4,582</u>	<u>5,972</u>
<i>The amounts owed by group undertakings comprise</i>		
Parent Undertaking	644	2,855
Fellow subsidiary undertakings	1,716	770
Joint ventures	<u>71</u>	<u>65</u>
	<u>2,431</u>	<u>3,690</u>

## 10. Creditors - amounts falling due within one year

	1998	1997
	£000	£000
Trade creditors	87	246
Amounts owed to group undertakings	2,319	3,868
Overseas Corporation Tax	10	27
Other creditors	730	1,191
Accrued pension costs	160	143
	<u>3,306</u>	<u>5,475</u>
<i>The amounts owed to group undertakings comprise</i>		
Parent undertaking - Dividends	791	407
- ACT	658	222
- Corporation Tax	186	-
- Other	651	-
Fellow subsidiary undertakings		
- Group relief	-	102
- Other	33	3,137
	<u>2,319</u>	<u>3,868</u>

## ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED

### 11. Group Treasuryship Agreement

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

### 12. Called up share capital

	1998	1997
	£	£
<i>Authorised, issued and fully paid</i>		
100 ordinary shares of £1 each	100	100

### 13. Deferred taxation

No potential deferred taxation liability existed at 31 December 1998 or 31 December 1997

### 14. Commitments

The Company has no capital commitments at the end of the financial year.

Annual commitments under cancellable operating leases for plant and equipment are as follows :

	1998	1997
	£000	£000
Operating leases which expire :		
Within one year	2	2
In the second to fifth years inclusive	-	2
	<hr/>	<hr/>
	2	4
	<hr/>	<hr/>

## **ROLLS-ROYCE INTERNATIONAL SUPPORT SERVICES LIMITED**

### **15. Pension scheme**

The Group's pension schemes are mainly of the defined benefit type and the assets of the schemes are held in separate trustee administered funds.

The pension cost relating to the UK schemes is assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the principal schemes were as at 31 March 1997 (for the Rolls-Royce Pension Fund) and 5 April 1998 (for the Rolls-Royce Group Pension Scheme, formerly the NEI Group Pension Scheme). The principal assumptions used were that in the long-term, the average return on investments would be between 2.0% and 2.5% per annum higher than the average increase in pay and between 4.25% and 5.5% per annum higher than the average increase in pensions. The Rolls-Royce Pension Fund assets have been valued using the discounted income method assuming that UK equity dividends increase at a rate of 3.7% less than the return on investments. For the Rolls-Royce Group Pension Scheme assets were taken at a smoothed market value. The difference in asset valuation assumptions reflects a change in actuarial approach following taxation changes in the July 1997 Budget.

The pension charge for the year of £512,000 (1997: £765,000) included a provision of £17,000 (1996: £55,000) also included in creditors being the excess of accumulated pension cost over the amount funded

Further details of the schemes are given in the Annual Report of Rolls-Royce plc.

### **16. Contingent Liabilities**

In the opinion of the Directors, the Company had no Contingent Liabilities at 31 December 1998.

### **17. Ultimate parent company**

The Company's ultimate parent company is Rolls-Royce plc which is incorporated in Great Britain and registered in England and Wales. Copies of Rolls-Royce plc's Annual Report can be obtained from Rolls-Royce plc, PO Box 31, Moor Lane, Derby DE24 8BJ.