

COMPANY NUMBER 2830522

ROLLS-ROYCE AERO ENGINE SERVICES LIMITED

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

**Directors On
3 March 1998**

:

**C H Green – Chairman
R Dinsdale
I A Lloyd
W C Madison
J M Munn
J P Williams
M J Wilson**

Secretary :

A E West

Registered Office : Moor Lane, Derby DE24 8BJ



REPORT OF THE DIRECTORS

The directors present their Annual Report for the year ended 31 December 1997.

DIRECTORS RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 for that year. 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 a 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.

ACTIVITY

The Company did not trade on its own account during the year but acted as agent on behalf of Rolls-Royce plc in the repair and overhaul of aerospace power systems.

DIRECTORATE

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

R Dinsdale	
C H Green	
I S Kinnear	- resigned 16 June 1997
I A Lloyd	
W C Madison	- appointed 16 June 1997
J M Munn	
J P Williams	
M J Wilson	

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DIRECTORS' SHARE INTERESTS

None of 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>
R Dinsdale	-	-	38,250	5,902	-	44,152
C H Green	3,007	81,538	262,078	56,018	183,403	134,693
I A Lloyd	-	-	62,843	16,310	-	79,153
W C Madison	-	-	-	-	-	-
J M Munn	-	-	-	-	-	-
J P Williams	600	600	5,800	-	-	5,800
M J Wilson	392	405	34,158	1,674	-	35,832

* or date of appointment if later

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 care for employees who become disabled and 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 issues of common interest and opportunities.

PENSION FUND

The Group's pension schemes are mainly of the defined benefit type. The schemes are administered by trustees and the assets of the schemes are invested by them independently of the finances of the Group. The schemes are funded by annual contributions from :

- a) the Company's ultimate parent, fellow subsidiary undertakings ; and
- b) scheme members.

Further details of the Group's pension schemes are given in the annual report of the ultimate parent, Rolls-Royce plc.

ROLLS-ROYCE AERO ENGINE SERVICES LIMITED

PAYMENT TO SUPPLIERS

The Company seeks the best possible terms from suppliers and, in entering into binding purchase contracts, gives consideration to quality, delivery, price and 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.

ANNUAL GENERAL MEETINGS

Elective Resolutions are in force to dispense with the obligation of laying the Annual Report before the Company in general meeting and holding Annual General meetings.

By Order of the Board

A handwritten signature in black ink, appearing to read 'A E West', with a stylized flourish at the end.

A E West
Secretary
3 March 1998

ROLLS-ROYCE AERO ENGINE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

The Company did not trade on its own account during the year and all expenses have been borne by the ultimate parent company. The Company did not receive any income or incur any expenditure during the year and consequently has made neither profit nor loss.

BALANCE SHEET AS AT 31 DECEMBER 1997

	<u>note</u>	<u>1997</u> <u>(£)</u>	<u>1996</u> <u>(£)</u>
Current Assets			
Debtors – amounts falling due within one year	4	1	1
Total Assets		<u>1</u>	<u>1</u>
		===	===
Capital and Reserves			
Called up share capital	5	1	1
Equity Shareholders Funds		<u>1</u>	<u>1</u>
		===	===

The Company was dormant, within the meaning of section 250 of the Companies Act 1985, throughout the year ended 31 December 1997.

These Financial Statements were approved by the Board of Directors on 3 March 1998 and are signed on its behalf by:


C H Green
Director

The notes on pages 6 and 7 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of Accounting

These financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

2. Staff Numbers and Costs

The average number of employees, including directors, employed by the Company during the year was as follows:

		<u>1997</u>	<u>1996</u>
United Kingdom	:	2,332	2,216
Overseas	:	—	—
The actual number employed at 31 December	:	2,332	2,216

In keeping with the Company's agency status all employment costs are borne by the ultimate parent company.

3. Directors Remuneration

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

4. Debtors

Amount owed by parent undertaking.

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NOTES TO THE FINANCIAL STATEMENTS

5. Share Capital

	<u>1997</u> (£)	<u>1996</u> (£)
Ordinary Shares of £1 each		
Authorised :	<u>100</u>	<u>100</u>
Issued and Fully Paid :	<u>1</u>	<u>1</u>

6. 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 the annual report of Rolls-Royce plc can be obtained from Rolls-Royce plc, Moor Lane, Derby, DE24 8BJ