

**COMPANY NUMBER 2873019**

**RRPF ENGINE LEASING (NO.2) LIMITED**

**Annual Report**  
**for the Year Ended 31 December 1999**

**Directors on**  
**14 March 2000**

W T Powers  
S P A Spalding

**Secretaries :**

M R H Arundell  
J R Ashfield



**Registered Office: 65 Buckingham Gate, London SW1E 6AT**

## **RRPF ENGINE LEASING (NO.2) LIMITED**

### **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. There were no amounts owing to trade creditors at 31 December 1999.

### **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.

### **ANNUAL GENERAL MEETINGS & AUDITORS**

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



M R H Arundell  
Secretary

14 March 2000

## REPORT OF THE DIRECTORS

The directors present their audited Annual Report for the year ended 31 December 1999.

### 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 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.

### PRINCIPAL ACTIVITY

The Company continues to lease aero engines to customers. 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 in the foreseeable future.

### FINANCIAL REVIEW

#### Results

The profit before taxation for the period was US\$ 676,000 (1998: US\$834,000).

#### Allocation of Results

The proposed transfer to reserves is US\$448,000 (1998 transfer to reserves: US\$31,000).

The directors do not recommend the payment of a dividend (1998: US\$7,000 per share). The total cost of dividends for 1999 is US\$NIL (1998: US \$700,000).

### DIRECTORATE

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

W T Powers  
S P A Spalding

## REPORT OF THE AUDITOR'S TO THE MEMBERS OF RRPF ENGINE LEASING (NO.2) LIMITED

We have audited the Financial Statements on pages 5 to 13.

### 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 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 affairs of the Company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG MOUNTAIN PLC

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
Blackfriars  
LONDON  
EC4Y 8BB

6 April, 2000

# RRPF ENGINE LEASING (NO.2) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 US\$000	1998 US\$000
Turnover	2	903	890
Cost of Sales		(219)	(231)
<b>Gross Profit</b>		684	659
General and Administrative Costs		(4)	(3)
<b>Operating Profit</b>		680	656
Net interest (payable)/receivable	3	(4)	178
<b>Profit on ordinary activities before taxation</b>	4	676	834
Taxation	5	(228)	(103)
<b>Profit on ordinary activities after taxation</b>		448	731
Dividends	6	-	(700)
Transferred to reserves		448	31

All of the 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 7 to 13 form part of these Financial Statements.

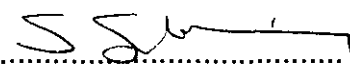
## RRPF ENGINE LEASING (NO.2) LIMITED

**BALANCE SHEET**

AT 31 DECEMBER 1999

	Notes	1999 US\$000	1998 US\$000
<b>Fixed Assets</b>			
Tangible Assets	9	2,177	4,149
<b>Current Assets</b>			
Debtors - Amounts falling due within one year	10	8,797	8,971
Debtors - Amounts falling due after one year	11	964	-
<b>Creditors - amounts falling due within one year</b>	12	(9,729)	(11,888)
<b>Net Current Assets/(Liabilities)</b>		32	(2,917)
<b>Total Assets less Current Liabilities</b>		2,209	1,232
<b>Creditors: amounts falling due after more than one year</b>	13	(1,190)	(644)
<b>Provisions for Liabilities and Charges</b>	14	(478)	(495)
<b>Net Assets</b>		541	93
<b>Capital and Reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	541	93
<b>Equity Shareholders Funds</b>		541	93

These Financial Statements were approved by the board of directors on 14 March 2000 and were signed on its behalf by:

 S P A Spalding

The notes on pages 7 to 13 form part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal 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 & Partners Finance Limited 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 & Partners Finance Group and its joint venture undertakings on the grounds that it is a wholly owned subsidiary undertaking of Rolls-Royce & Partners Finance Limited.

#### **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 profit and loss account on a straight line basis.

#### **Income from Finance Leases**

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

#### **Cost of Assets Held for Use in Operating Leases**

The Company 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.

#### **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 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.

#### **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.

# RRPF ENGINE LEASING (NO.2) LIMITED

## NOTES (continued)

### 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.

### 2. Turnover

Turnover represents the amounts due during the period from lease rentals.

The Geographical analysis was:

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Total US\$000
<b>1999</b>			
Rest of Europe	588	-	588
South America	304	11	315
	<u>892</u>	<u>11</u>	<u>903</u>

	Operating Lease Rentals US\$000	Finance Lease Rentals US\$000	Total US\$000
<b>1998</b>			
Rest of Europe	588	-	588
South America	302	-	302
	<u>890</u>	<u>-</u>	<u>890</u>

All the company's business originates in the UK. The Directors are of the opinion that the Company is engaged in a single class of business and the analysis above is provided for information purposes only.

### 3. Net interest (payable)/receivable

	1999 US\$000	1998 US\$000
Interest payable on borrowings repayable within five years	(4)	(5)
Interest receivable from group undertakings	-	183
Net interest (payable)/receivable	<u>(4)</u>	<u>178</u>



# RRPF ENGINE LEASING (NO.2) LIMITED

## NOTES (continued)

### 4. Profit on ordinary activities before taxation

The Profit before taxation is stated after taking into account:

	1999 US\$000	1998 US\$000
Depreciation of tangible fixed assets	219	231

Auditors' remuneration is paid by the immediate holding Company.

### 5. Taxation charge / (credit)

	1999 US\$000	1998 US\$000
In respect of the year :		
Corporation Tax at 30.25%	245	-
Group relief payable at 31%	-	237
Group relief not paid for	-	(237)
Transfer to/(from) deferred tax	(41)	103
Under provision of deferred tax in prior period	24	-
	228	103

### 6. Dividends - ordinary shares

	1999 US\$000	1998 US\$000
1999: US\$NIL (1998: US\$7,000) per share	-	700

### 7. Directors emoluments

No emoluments were paid to the directors by the company in respect of their services during the year.

### 8. Employee information

The Company did not have any employees during the year.

## NOTES (continued)

# RRPF ENGINE LEASING (NO.2) LIMITED

## 9. Tangible fixed assets

	Assets held for use In operating leases US\$000
Cost at 1 January 1999	5,125
Disposals	<u>(2,125)</u>
Cost at 31 December 1999	3,000
Depreciation at 1 January 1999	976
Provided during the year	219
Released on disposals	<u>(372)</u>
Depreciation at 31 December 1999	<u>823</u>
NET BOOK VALUE	
at 31 December 1999	2,177
at 31 December 1998	4,149

The cost of Operating Lease Assets includes Maintenance Reserves of \$295,736 (1998: US\$ 295,736) (as explained in Note 1)

# RRPF ENGINE LEASING (NO.2) LIMITED

## NOTES (continued)

### 10. Debtors: Amounts falling due within one year

	1999 US\$000	1998 US\$000
Trade debtors	132	74
Prepayments and accrued income	19	27
Finance Lease Receivable	71	-
Amounts owed by:-		
- Other group undertakings	8,575	8,870
	8,797	8,971

### 11. Debtors: Amounts falling due after one year

	1999 US\$000	1998 US\$000
Finance Lease Receivable	964	-
	964	-
<b>Investments in Finance Leases:</b>		
Additions during the year at cost	1,065	-
Rents receivable in the year	50	-

### 12. Creditors: Amounts falling due within one year

	1999 US\$000	1998 US\$000
Amounts owing to holding Company	9,464	11,730
Deposits from Lessees	-	99
Tax Payable	245	-
Accruals & Deferred Income	20	59
	9,729	11,888

# RRPF ENGINE LEASING (NO.2) LIMITED

## NOTES (continued)

### 13. Creditors - Amounts falling due after more than one year

	1999 US\$000	1998 US\$000
Deposits from lessees	227	-
Maintenance Reserves	963	644
	<u>1,190</u>	<u>644</u>
The movement on maintenance reserves comprises :		
1 January 1999	644	432
Provided or received during the period	319	222
Paid out during the year	<u>-</u>	<u>(10)</u>
At 31 December 1999	<u>963</u>	<u>644</u>

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

### 14. Provisions for Liabilities & Charges

	1999 US\$000	1998 US\$000
Deferred Taxation		
At 1 January	495	392
(Credit)/(charge) for the period	(41)	103
Charge for the prior period	<u>24</u>	<u>-</u>
At 31 December	<u>478</u>	<u>495</u>

The projected deferred tax rate at 31 December 1999 is 30% (1998 30%).

The full provision for deferred taxation arises from the difference between accumulated depreciation and capital allowances.

# RRPF ENGINE LEASING (NO.2) LIMITED

## NOTES (continued)

### 15. Share capital

	1999 £	1998 £
Authorised £1 ordinary shares	100	100
Issued and fully paid	100	100

### 16. Profit and Loss Account

	US\$000	US\$000
Profit at 1 January 1999	93	62
Result for the Year	448	31
Profit at 31 December 1999	541	93

### 17. Ultimate Holding Company

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 Corporation from 500 West Monroe, Chicago, IL60661-3676, Illinois, USA.

Rolls-Royce & Partners Finance Limited, a company registered in England and Wales, is the immediate holding company and heads the smallest and 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.