

**COMPANY NUMBER 3780079**

**ALPHA LEASING LIMITED**

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

**Directors on  
2 October 2000:**

C Bensick  
J P Cheffins  
A Coe  
P Heiden  
J Johnson  
W T Powers

**Secretaries:**

M R H Arundell  
J R Ashfield



**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 period from commencement of trading on 15 June 1999 to 31 December 1999.

### DIRECTORS' RESPONSIBILITIES 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 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 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

All of the Group's business involves the leasing of commercial aero engines. At the end of the year the Group had an engine lease portfolio of 51 engines.

*Both the level of business and the period end financial position were satisfactory. As described in note 15, the Group's portfolio of engines at 31 December 1999 has been sold. The Company will continue to acquire engines as suitable opportunities arise.*

### FINANCIAL REVIEW

#### Results

The profit before taxation of the Group was US\$1,240,118.

#### Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$1,648,907. The Directors do not recommend payment of a dividend.

**DIRECTORATE**

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

	<b>Appointed</b>	<b>Resigned</b>
Business Information Research & Reporting Limited	25 May 1999	25 May 1999
M R H Arundell	25 May 1999	15 June 1999
C Bensick	15 June 1999	
J P Cheffins	15 June 1999	
A Coe	15 June 1999	
J Crews	15 June 1999	
N J Miller	7 June 1999	15 June 1999
A Scarrott	7 June 1999	15 June 1999
S P A Spalding	25 May 1999	15 June 1999
M Townsend	15 June 1999	
W T Powers	25 May 1999	

Mr J Crews and Mr M Townsend retired and Mr P Heiden and Mr J Johnson were appointed to the Board with effect from July 27, 2000.

**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 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.

By Order of the Board



M R H Arundell  
Secretary  
2 October 2000

## REPORT OF THE AUDITORS TO THE MEMBERS OF ALPHA LEASING LIMITED

We have audited the Financial Statements on pages 5 to 14.

### 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 specified 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 and the Group as at 31 December 1999 and of the profit of the Group for the period 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

30 October 2000

# GROUP PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1999

	Notes	1999 US\$
Turnover: group	2	11,928,525
Cost of Sales		(4,176,398)
<b>Gross Profit</b>		<b>7,752,127</b>
General and administrative costs		(210,222)
<b>Group Operating Profit</b>		<b>7,541,905</b>
Group net interest payable	4	(6,301,787)
<b>Profit on Ordinary Activities before Taxation</b>	3	<b>1,240,118</b>
Taxation	7	408,789
<b>Profit on Ordinary Activities after Taxation transferred to reserves</b>		<b>1,648,907</b>

The notes on pages 10 to 14 form part of these Financial Statements.

The company had no recognised gains and losses during the period other than those passing through to the profit and loss account.

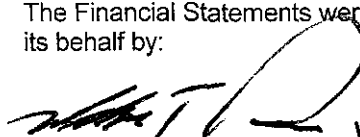
All the results have been derived from continuing activities.

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 loss of US\$80 has been dealt with in the profit and loss account of the Company.

**BALANCE SHEETS**  
**AT 31 DECEMBER 1999**

		<b>GROUP</b>	<b>COMPANY</b>
	<b>Notes</b>	<b>1999 US\$</b>	<b>1999 US\$</b>
<b>Fixed Assets</b>			
Tangible Assets	8	281,063,929	-
Investments in subsidiary undertakings	9	-	100
		<u>281,063,929</u>	<u>100</u>
<b>Current Assets</b>			
Debtors - amounts falling due within one year	10	2,535,466	161,000
Cash at bank and in hand		177,621	-
		<u>2,713,087</u>	<u>161,000</u>
<b>Creditors - amounts falling due within one year</b>	11	(280,001,432)	(161,080)
		<u>(277,288,345)</u>	<u>(80)</u>
<b>Net Current Liabilities</b>			
		(277,288,345)	(80)
<b>Total Assets less current liabilities</b>		3,775,584	20
<b>Provisions for Liabilities and Charges</b>	12	(2,126,577)	-
<b>Net Assets</b>		<u>1,649,007</u>	<u>20</u>
<b>Capital and Reserves</b>			
Called up share capital	13	100	100
Profit and Loss account		1,648,907	(80)
Equity Shareholders' Funds		<u>1,649,007</u>	<u>20</u>

The Financial Statements were approved by the Board of Directors on 2 October 2000 and were signed on its behalf by:

 **W T Powers**

The notes on pages 10 to 14 form part of these Financial Statements.

# GROUP CASH FLOW STATEMENT

## FOR THE PERIOD ENDED 31 DECEMBER 1999

		1999 US\$
Cash flow operating activities	A	12,803,074
Returns on investments and servicing of finance	B	(1,519,840)
Capital expenditure and financial investment	C	(285,240,327)
<b>Cash outflow before financing</b>		<b>(273,957,093)</b>
Financing	D	274,134,634
<b>Increase in cash in the period</b>		<b>177,541</b>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in the period		177,541
Cash inflow from (increase) in borrowings		(274,134,534)
<b>Movement in net debt in the period</b>		<b>(273,956,993)</b>
<b>Net debt at 31 December</b>		<b>(273,956,993)</b>

### ANALYSIS OF NET DEBT

	Cash Flow	At end of Period
	US\$	US\$
Cash in hand, at bank	177,621	177,621
Overdrafts	(80)	(80)
Debt due within one year	(274,134,534)	(274,134,534)
<b>Total</b>	<b>(273,956,993)</b>	<b>(273,956,993)</b>

# RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1999 US\$
Operating profit	7,541,905
Depreciation charges	4,176,398
(Increase) in debtors	(100)
Increase in creditors	1,084,871
<b>A. Net cash inflow from operating activities</b>	<b>17,585,021</b>
<b>Returns on investment and servicing of finance</b>	
Interest received	19,552
Interest paid	(1,539,392)
<b>B. Net cash (outflow)/inflow from returns on investment and servicing of finance</b>	<b>(1,519,840)</b>
<b>Capital expenditure and financial investment</b>	
Purchase of tangible fixed assets	(285,240,327)
<b>C. Net cash outflow for capital expenditure and investment</b>	<b>(285,240,327)</b>
<b>Financing</b>	
Borrowings due within one year - new loans	274,134,534
Issue of Share Capital	100
<b>D. Net cash inflow from financing</b>	<b>274,134,634</b>



# **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 DECEMBER 1999**

	GROUP 1999 US\$	COMPANY 1999 US\$
New ordinary share capital issued	100	100
Total recognised gains/(losses) for the year	1,648,907	(80)
Shareholders funds at 31 December	1,649,007	20

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1999**

### **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.

#### **Basis of Consolidation**

The Group financial statements include the financial statement of the Company and its subsidiary undertaking made up to December 31.

#### **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.

#### **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.

#### **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.

**NOTES (continued)****2. ANALYSIS OF TURNOVER**

	<b>Operating Lease Rentals US\$</b>
<b>1999</b>	
United Kingdom	11,651,940
Rest of Europe	276,585
	<u>11,928,525</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.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>1999 US\$</b>
<b>After Charging</b>	
Depreciation of Owned tangible fixed assets	4,176,398
Auditors' remuneration (all in respect of audit)	6,440
	<u>4,182,838</u>

**4. GROUP NET INTEREST PAYABLE**

	<b>1999 US\$</b>
Interest payable on:	
Borrowings repayable within five years	(6,321,339)
Bank Interest receivable	19,552
Group Net Interest payable	<u>(6,301,787)</u>

**5. EMOLUMENTS OF DIRECTORS**

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

**6. EMPLOYEE INFORMATION**

The Company did not have any employees during the year.

## NOTES (continued)

## 7. TAXATION

	1999 US\$
United Kingdom:	
Group Relief receivable at 30.25%	2,535,366
Transfer to deferred tax	(2,126,577)
	<u>408,789</u>

## 8. TANGIBLE FIXED ASSETS

GROUP	ASSETS HELD FOR USE IN OPERATING LEASES US\$
Additions	285,240,327
Cost at 31 December 1999	<u>285,240,327</u>
Provided during the year	(4,176,398)
Depreciation at 31 December 1999	<u>(4,176,398)</u>
<b>NET BOOK VALUES</b> at 31 December 1999	<u>281,063,929</u>

At 31 December 1999, the Group had no contracted expenditure commitments.

## 9. INVESTMENTS – Subsidiary Undertakings

	1999 US\$
Company Shares at Cost:	<u>100</u>

## 10. DEBTORS - Amounts Falling Due Within One Year

	GROUP 1999 US\$	COMPANY 1999 US\$
Amounts owed by:		
- Related Parties	2,535,466	100
- Subsidiary undertaking	-	160,900
	<u>2,535,466</u>	<u>161,000</u>

## NOTES (continued)

## 11. CREDITORS - Amounts Falling Due Within One Year

	GROUP 1999 US\$	COMPANY 1999 US\$
Bank loans and overdrafts	274,134,614	80
Accruals and deferred income	5,866,818	161,000
	<u>280,001,432</u>	<u>161,080</u>

## 12. PROVISIONS For Liabilities and Charges

	GROUP 1999 US\$	COMPANY 1999 US\$
<b>DEFERRED TAXATION</b>		
The full potential liability for deferred taxation which represents the provision made is:		
Accelerated capital allowances	4,640,989	-
Losses	(2,514,412)	-
Full potential liability and provision	<u>2,126,577</u>	<u>-</u>

## 13. SHARE CAPITAL

	US\$1 'A' Ordinary Shares	US\$1 'B' Ordinary Shares	TOTAL US\$
<b>Authorised</b>			
At Incorporation	10,000,000	10,000,000	20,000,000
<b>At 31 December 1999</b>	<u>10,000,000</u>	<u>10,000,000</u>	<u>20,000,000</u>
<b>Issued and Fully Paid</b>			
At Incorporation	50	50	100
<b>At 31 December 1999</b>	<u>50</u>	<u>50</u>	<u>100</u>

## NOTES (continued)

## 14. PROFIT AND LOSS ACCOUNT

	GROUP US\$	COMPANY US\$
Results for the year:		
Company	-	(80)
Group	1,648,907	-
Profit/(loss) at 31 December 1999	1,648,907	(80)

## 15. SUBSEQUENT EVENTS

During July 2000, the Group sold its entire portfolio of engines owned at 31 December 1999 to a related party at a price approximating to original cost, giving rise to a profit on disposal of approximately \$9 million. The Group's loan facility has also been extended to June 2002.

## 16. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Group has contracted on an arms length basis with subsidiary and joint venture companies of the Rolls-Royce plc group. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

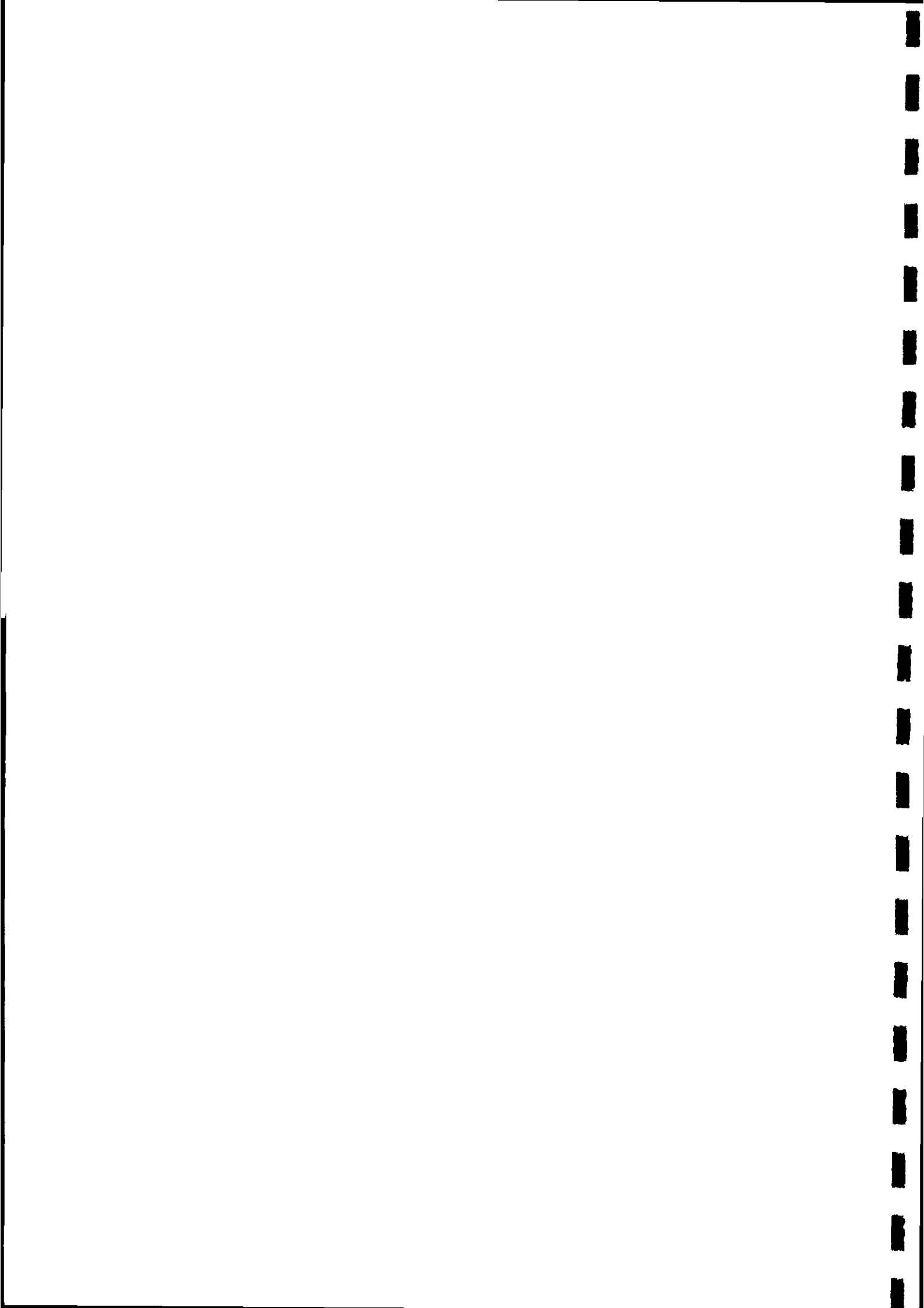
	1999 US\$
Sales of goods to	11,928,525
Purchase of goods and services from	203,990,327

## 17. ULTIMATE HOLDING COMPANIES

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

18. SUBSIDIARY UNDERTAKINGS  
AS AT 31 DECEMBER 1999

NAME	COUNTRY OF CORPORATION	BUSINESS	INTEREST IN ORDINARY SHARES %
Omega Leasing Limited	England	Leasing of engines	100



**COMPANY PROFIT AND LOSS ACCOUNT****For the Period ended 31 December 1999**

	1999 US\$
Turnover	161,000
Cost of Sales	-
Gross Profit	161,000
Administrative Expenses	(161,080)
Interest Payable	-
Profit/(Loss) on Ordinary Activities before Taxation	(80)
Tax on Ordinary Activities	-
Profit/(Loss) after Taxation	(80)
Dividends payable	-
Transfer to reserves	(80)

**This is unaudited and for information only.**



