

COMPANY NUMBER 3780306

OMEGA LEASING LIMITED

**Annual Report
For the Year Ended 31 December 2000**

**Directors on
23 March 2001:**

M R H Arundell
S P A Spalding
W T Powers

Secretary:

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 year ended 31 December 2000.

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 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 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 Company's business involves the leasing of commercial aero engines. During July 2000, the company sold the portfolio of engines it owned at 31st December 1999 to a related party at a price approximating to the original cost, giving rise to a profit on disposal of approximately \$9 million. At the end of the year the company had an engine lease portfolio of 8 engines.

Both the level of business and the year end financial position were satisfactory. The Company will continue to acquire engines as suitable opportunities arise.

FINANCIAL REVIEW

Results

The profit before taxation of the Company was US\$11,577,328 (1999 \$1,240,198).

Proposed Transfer to Reserves and Payment of Dividend

The proposed transfer to reserves is US\$434,143 (1999: \$1,648,987). The Directors recommend the payment of a dividend of \$90,000 per share (1999: Nil). The total cost of dividends for 2000 is \$9 million (1999: Nil).

DIRECTORATE

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

M R H Arundell
W T Powers
S P A Spalding

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 2000.

By Order of the Board



M R H Arundell
Secretary
23 March 2001

AUDITORS' REPORT TO THE MEMBERS OF OMEGA LEASING LIMITED

We have audited the Financial Statements on pages 5 to 11.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Report of the Directors 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 Report of the Directors 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 as at 31 December 2000 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

19 April London
2001

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	2000 US\$	1999 US\$
Turnover	2	22,359,639	11,928,525
Cost of Sales		(7,092,840)	(4,176,398)
Gross Profit		15,266,799	7,752,127
General and administrative costs		(693,818)	(210,142)
Operating Profit		14,572,981	7,541,985
Profit on sale of fixed assets		8,758,363	-
Profit on ordinary activities before interest		23,331,344	7,541,985
Net interest payable	3	(11,754,016)	(6,301,787)
Profit on Ordinary Activities before Tax	4	11,577,328	1,240,198
Taxation	5	(2,143,185)	408,789
Profit on Ordinary Activities after taxation		9,434,143	1,648,987
Dividends	6	(9,000,000)	-
Transferred to reserves		434,143	1,648,987

All results have been derived from continuing activities.

The Company had no recognised gains or losses other than those passing through to the profit and loss account.

The notes on pages 7 to 11 form part of these Financial Statements.

BALANCE SHEET AT 31 DECEMBER 2000

	Notes	2000 US\$	1999 US\$
Fixed Assets			
Tangible Assets	9	83,724,862	281,063,929
		<u>83,724,862</u>	<u>281,063,929</u>
Current Assets			
Debtors - amounts falling due within one year	10	9,151,557	2,535,366
Cash		9,742	177,621
		<u>9,161,299</u>	<u>2,712,987</u>
Creditors - amounts falling due within one year	11	<u>(86,472,931)</u>	<u>(280,001,252)</u>
Net Current Liabilities		<u>(77,311,632)</u>	<u>(277,288,265)</u>
Total Assets less current liabilities		6,413,230	3,775,664
Provisions for Liabilities and Charges	12	<u>(4,330,000)</u>	<u>(2,126,577)</u>
Net Assets		<u>2,083,230</u>	<u>1,649,087</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and Loss account	14	2,083,130	1,648,987
Equity Shareholders' Funds		<u>2,083,230</u>	<u>1,649,087</u>

The Financial Statements were approved by the Board of Directors on 23 March 2001 and were signed on its behalf by:


M R H Arundell
 Director

The notes on pages 7 to 11 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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.

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 Alpha Leasing 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 Alpha Leasing Group and its joint venture undertakings on the grounds that it is a wholly owned subsidiary undertaking of Alpha Leasing 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.

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.

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. ANALYSIS OF TURNOVER

	2000 US\$	1999 US\$
United Kingdom	18,835,502	11,651,940
Rest of Europe	3,524,137	276,585
	<u>22,359,639</u>	<u>11,928,525</u>

All the Company's business arises from operating leases originating in the United Kingdom.

NOTES (continued)**3. NET INTEREST PAYABLE**

	2000 US\$	1999 US\$
Interest payable on:		
Borrowings repayable within five years	(11,790,530)	(6,321,339)
Other group interest	(1,260)	-
	<u>(11,791,790)</u>	<u>(6,321,399)</u>
Interest receivable	37,774	19,552
Net Interest Payable	<u>(11,754,016)</u>	<u>(6,301,787)</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 US\$	1999 US\$
After Charging:		
Depreciation of owned tangible fixed assets	7,092,840	4,176,398
Auditors' remuneration (all in respect of audit)	<u>6,274</u>	<u>6,440</u>

5. TAXATION CHARGE

	2000 US\$	1999 US\$
In respect of the year :		
Group Relief receivable at 30 % (1999: 30.25%)	60,238	2,535,366
Transfer to deferred tax	(2,203,423)	(2,126,577)
	<u>(2,143,185)</u>	<u>408,789</u>

6. DIVIDENDS - ORDINARY SHARES

	2000 US\$	1999 US\$
Final proposed dividend US\$90,000 per share (1999: Nil)	<u>9,000,000</u>	<u>-</u>

NOTES (continued)**7. EMOLUMENTS OF DIRECTORS**

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

8. EMPLOYEE INFORMATION

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 whose costs of employment are therefore proportionately charged to the Company.

9. TANGIBLE FIXED ASSETS

	ASSETS HELD FOR USE IN OPERATING LEASES US\$
COST as at 1 January 2000	285,240,327
Additions	84,631,484
Disposals	(285,240,327)
Cost at 31 December 2000	<u>84,631,484</u>
DEPRECIATION as at 01 January 2000	4,176,398
Provided during the year	7,092,840
Released on disposals	(10,362,616)
Depreciation at 31 December 2000	<u>906,622</u>
Net Book Values	
As at 31 December 2000	83,724,862
As at 31 December 1999	281,063,929

At 31 December 2000, the Company had capital expenditure commitments contracted but not provided for of \$31,785,000 (1999: Nil).

10. DEBTORS - Amounts falling due within one year

	2000 US\$	1999 US\$
Engine pre-delivery payments	7,388,484	-
Amounts owed by holding company	100	-
Amounts owed by related parties	1,762,973	2,535,366
	<u>9,151,557</u>	<u>2,535,366</u>

NOTES (continued)**11. CREDITORS - Amounts falling due within one year**

	2000 US\$	1999 US\$
Bank Loans	69,279,762	274,134,534
Accruals and deferred income	573,197	5,705,818
Dividend payable	9,000,000	-
Amount owed to holding company	8,695	160,900
Amounts owed to related parties	7,611,277	-
	<u>86,472,931</u>	<u>280,001,252</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2000 US\$	1999 US\$
DEFERRED TAXATION		
At 1 January	2,216,577	-
Charge for the year	2,203,423	2,126,577
At 31 December	<u>4,330,000</u>	<u>2,126,577</u>
The full potential liability for deferred taxation which represents the provision made is:		
Accelerated capital allowances	12,400,000	4,640,989
Losses	(8,070,000)	(2,514,412)
Full potential liability and provision	<u>4,330,000</u>	<u>2,126,577</u>

The projected rate of deferred tax is 30% (1999: 30%).

13. SHARE CAPITAL

	2000 US\$	1999 US\$
Authorised		
US\$1 Ordinary Shares	100	100
Issued and Fully Paid		
US\$1 Ordinary Shares	100	100

14. PROFIT AND LOSS ACCOUNT

	US\$
Profit at 1 January 2000	1,648,987
Result for the year:	434,143
Profit at 31 December 2000	<u>2,083,130</u>

NOTES (continued)**15. 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.

Alpha Leasing 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.

16. RELATED PARTY TRANSACTIONS

In the course of normal operations, the Company has contracted on an arms length basis with subsidiary and joint venture undertakings 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:

	2000 US\$	1999 US\$
Sales of goods to	313,993,198	11,928,525
Purchase of goods from	84,631,484	203,990,327

17. CONTINGENT LIABILITIES

The Company and certain affiliates are party to a bank loan facility. The Company provides guarantees in respect of the obligations of its holding company and in respect of related parties of \$62 million. The related parties guarantee the Company for its obligations under the loan facility on a reciprocal basis.