

COMPANY NUMBER : 3105626

ROLLS-ROYCE CAPITAL LIMITED

Annual Report
for the year ended 31 December 1999

Directors on
18 April 2000 :

M Townsend - Chairman
J P Cheffins
K Harding
P Heiden
W T Powers

Secretaries :

M R H Arundell
J R Ashfield

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



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ROLLS-ROYCE CAPITAL LIMITED

REPORT OF THE DIRECTORS

The directors present their 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 results 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 keeping 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 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 arrangement and provision of financial services in support of the Aerospace Group, its subsidiaries and affiliates.

DIRECTORATE

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

J P Cheffins
K Harding
P Heiden
M J McKeon - resigned 15 December 1999
W Powers
M Townsend

ROLLS-ROYCE CAPITAL LIMITED

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 1999, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows :

	<u>HOLDINGS</u>		<u>OPTIONS</u>			
	1.1.99	31.12.99	1.1.99	Granted	Exercised	31.12.99
J P Cheffins	-	-	126,216	31,591	-	157,807
K Harding	-	-	75,199	20,241	-	95,440
P Heiden	10,179	17,179	149,552	58,330	-	207,882
W T Powers	-	-	17,945	46,048	-	63,993
M Townsend	24,390	24,390	354,339	61,446	-	415,785

The share options for J P Cheffins, K Harding, P Heiden, W T Powers and M Townsend include awards made under a Long Term Incentive Plan which are conditional upon performance criteria. Mr W T Powers has also participated in a share price related bonus scheme. Under this scheme he held Options on 59,659 shares at 1 January and 31 December 1999.

EMPLOYEES

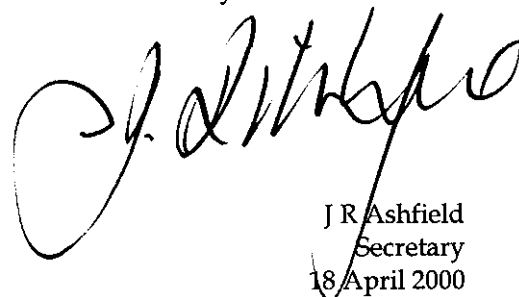
The Company is part of the Rolls-Royce plc Group. The Group's policy is to provide, wherever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential. It also operates an equal opportunities 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 the 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 AND ANNUAL GENERAL MEETING

Elective Resolutions are in force to dispense with the obligations 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
18 April 2000

ROLLS-ROYCE CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

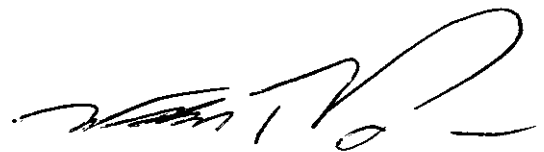
The Company did not trade on its own account during the year and all expenses have been borne by the ultimate parent company. The Company did not receive any income or incur any expenditure during the year and consequently has made neither profit nor loss.

BALANCE SHEET AT 31 DECEMBER 1999

	<u>note</u>	<u>1999</u> £	<u>1998</u> £
Current Assets			
Debtors	4	<u>1</u>	<u>1</u>
Net 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, Companies Act 1985 throughout the accounting period ending at the date of this balance sheet.

These financial statements were approved by the Board of Directors on 18 April 2000, and signed on its behalf by :



W T Powers
Director

The notes on page 6 form part of these financial statements.

ROLLS-ROYCE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of Preparation

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

Cash Flow Statements

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

2. Staff Numbers and Costs

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

	<u>1999</u>	<u>1998</u>
United Kingdom :	26	23
The actual number employed at 31 December :	28	24

3. Directors Remuneration

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

4. Debtors - amounts falling due within one year £

Amount owed by parent undertaking. 1

5. Share Capital

	<u>1999</u>	<u>1998</u>
Ordinary Shares of £1 each	£	£
Authorised :	100,000	100,000
Issued and Fully Paid :	1	1

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.