

COMPANY NUMBER 39045

NEI CLARKE CHAPMAN LIMITED

**Annual Report
for the year ended 31 December 1999**

Directors on
1 March 2000:

G Allan
J Warren

Secretary:

D Goma



Registered Office: Moor Lane, Derby DE24 8BJ

REPORT OF THE DIRECTORS

The directors present their Report and audited Financial Statements 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 principal activity of the Company is to act as a holding company.

YEAR 2000

The Company took part in the Rolls-Royce plc group project to address Year 2000 issues. All costs were borne by Rolls-Royce plc. 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.

DIRECTORATE

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

G Allan
J Warren

NEI CLARKE CHAPMAN 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:

	HOLDINGS		OPTIONS			
	<u>1.1.99</u>	<u>31.12.99</u>	<u>1.1.99</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.99</u>
G Allan	-	-	2,995	2,087	-	5,082
J Warren	750	750	9,155	-	-	9,155

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



D Goma
Secretary
1 March 2000

NEI CLARKE CHAPMAN LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
NEI CLARKE CHAPMAN LIMITED

We have audited the financial statements on pages 5 to 8.

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 the Company's affairs as at 31 December 1999 and of its result 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

Newcastle upon Tyne

1 March 2000

NEI CLARKE CHAPMAN LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

		1999 (£'000)	1998 (£'000)
	note		
Profit on disposal of investment		2	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2	
Taxation and profit on ordinary activities		-	-
		<hr/>	<hr/>
Retained profit for the financial year	7	2	-
		<hr/>	<hr/>

NEI CLARKE CHAPMAN LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	<u>note</u>	<u>1999</u> (£'000)	<u>1998</u> (£'000)
Fixed Assets			
Investments	2	-	161
Current Assets			
Debtors - amounts falling due within one year	4	22,061	22,061
Net Current Assets		<u>22,061</u>	<u>22,061</u>
Total Assets Less Current Liabilities		22,061	22,222
Creditors - Amounts due after more than one year	5	-	(163)
Net Assets		<u>22,061</u>	<u>22,059</u>
Capital And Reserves			
Called up share capital	6	8,619	8,619
Share Premium Account		12,074	12,074
Profit and Loss Account	7	1,368	1,366
Total Shareholders' Funds		<u>22,061</u>	<u>22,059</u>
<i>Analysed as:</i>			
<i>Equity Shareholders' Funds</i>		21,459	21,457
<i>Non Equity Shareholder's Funds</i>		602	602
		<u>22,061</u>	<u>22,059</u>

These financial statements were approved by the Board on 1 March 2000 and are signed on its behalf by:



G Allan
Director

The notes on pages 7 & 8 form part of these financial statements.

NEI CLARKE CHAPMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

a) Basis of Accounting

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

b) 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 wholly-owned subsidiary undertaking.

c) Related Party Transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with the Rolls-Royce group and its associates on the grounds that it is a wholly owned subsidiary undertaking.

2. Fixed Asset Investments

	Shares in subsidiary <u>Undertakings</u> £'000	Other unlisted investments <u>other than loans</u> £'000	<u>Total</u> £'000
At 1 st January 1999	-	161	161
Investments Liquidated	<u>-</u>	<u>(161)</u>	<u>(161)</u>
At 31 st December 1999	<u>-</u>	<u>-</u>	<u>-</u>

3. Directors' Remuneration

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

4. <u>Debtors - amounts falling due within one year</u>	<u>1999</u> (£'000)	<u>1998</u> (£'000)
Amounts owed by parent company:	<u>22,061</u>	<u>22,061</u>
5. <u>Creditors - Amounts falling due after more than one year</u>	<u>1999</u> (£'000)	<u>1998</u> (£'000)
Other unsecured loan:	<u>-</u>	<u>163</u>

NEI CLARKE CHAPMAN LIMITED

6. Share Capital

Authorised At 1 January & 31 December 1999

Ordinary Shares of 25p each	10,000,000
7.25% Cumulative preference share of £1 each	<u>620,000</u>
	<u>10,620,000</u>

Issued and Fully Paid At 1 January & 31 December 1999

Ordinary shares of 25p each	8,016,849
7.25% Cumulative preference share of £1 each	<u>601,975</u>
	<u>8,618,824</u>

Under a scheme of arrangement which became effective on 20th September 1997 the dividends on the preference shares will be no longer paid.

7. Profit and Loss Account

	1999 £'000	1998 £'000
At 1 st January	1,366	1,366
Retained Profit for the year	<u>2</u>	<u>-</u>
At 31 December 1999	<u>1,368</u>	<u>1,366</u>

8. Reconciliation of Movements in Shareholders Funds

	1999 £'000	1998 £'000
Retained profit for the year	2	-
Opening shareholders' funds	<u>21,990</u>	<u>21,990</u>
Closing shareholders' funds	<u>21,992</u>	<u>21,990</u>

9. Subsidiary Undertakings

<u>Subsidiary Undertakings</u>	<u>Activities</u>	<u>Incorporation</u>	<u>Issued Share Capital</u>	<u>% Held</u>
John Thompson (Design & Contracting Division) Ltd	Dormant	England & Wales	£1 Ord. Shares £1 'A' Pref Shares £1 'B' Pref Shares	100 100 100

10. 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, PO Box 31, Moor Lane, Derby DE24 8BJ.