

Registered number: 1189540

Allen Power Engineering Limited

**Annual report and financial statements
for the year ended 31 December 2007**

**Directors on
13 June 2008:**

**G Allan
D R Bale
D J Goma
J Warren**

Secretary:

D J Goma

WEDNESDAY



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COMPANIES HOUSE

Registered Office: Moor Lane, Derby DE24 8BJ

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Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2007

The directors report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

Principal activities

The Company did not trade on its own account during the year but acted as an agent on behalf of Rolls-Royce Power Engineering plc in the manufacture and supply of diesel engines, small steam turbines and valves

Directors

The directors, who served throughout the year, were as follows

G Allan (appointed 10 September 2007)
D R Bale
D J Goma (appointed 10 September 2007)
A P Smith (resigned 10 September 2007)
J Warren (appointed 10 September 2007)

Employment policy

The company and employee representatives continue to work closely together to improve the quality of employee engagement and participation in the development of the business

The company consults widely over changes to the Rolls-Royce Group pension scheme for UK employees. The company's policy on diversity and equality continues to develop in consultation with employee representatives. The company is committed to equal opportunities and to developing a diverse and inclusive workforce.

The company's policy is to provide, wherever possible, employment and training and development opportunities for disabled people. It is also committed to supporting employees who become disabled and to helping disabled employees make the best possible use of their skills and potential.

The company actively encourages employee share ownership in the ultimate parent company, Rolls-Royce Group plc.

The Company continues to invest in training and development programmes to ensure that employees have the opportunity to attain the highest level of skills.

Employees are encouraged to take responsibility for their personal development and opportunities are available to extend their competency levels using a range of the latest education and training techniques. The use of Appraisal Systems and Personal Development Planning continues to grow and opportunities for the Company to share best practice in these and other employee development and training activities are a high priority.

Directors' report

Pension Fund

The Group's pension schemes are mainly of the defined benefit type. The schemes are administered by trustees and the assets of the schemes are invested by them independently of the finances of the Group. The schemes are funded by annual contributions from

- a) the Company's ultimate parent, fellow subsidiary undertakings, and
- b) scheme members

Further details of the Group's pension schemes are given in the annual report of the ultimate parent, Rolls-Royce Group plc

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

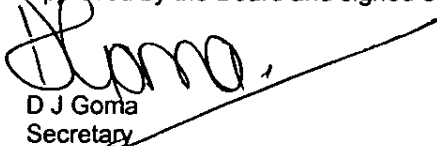
(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the Board and signed on its behalf by



D J Goma
Secretary

13 June 2008

Statement of directors' responsibilities in respect of the annual report and financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLEN POWER ENGINEERING LIMITED

We have audited the financial statements (the "financial statements") of Allen Power Engineering Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Newcastle upon Tyne

13 June 2008

Balance sheet

31 December 2007

The Company did not trade on its own account during the year and all expenses have been borne by the Company's parent company, Rolls-Royce Power Engineering plc. The Company did not receive any income or incur any expenditure during the year and consequently has made neither profit nor loss.

Balance sheet

31 December 2007

	Notes	2007 £	2006 £
Current assets			
Debtors – Amounts owed by parent undertaking	3	<u>100</u>	<u>100</u>
Net assets		<u>100</u>	<u>100</u>
Capital and reserves			
Called-up share capital	4	<u>100</u>	<u>100</u>
Shareholders' funds		<u>100</u>	<u>100</u>

The financial statements on pages 5 to 7 were approved by the board of directors on 13 June 2008 and signed on its behalf by



G Allan
Director

Notes to the financial statements

31 December 2007

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, on the historical cost basis except where FRS requires an alternative treatment

Cash flow statements

As permitted by Financial Reporting Standard 1 "Cash flow statements" (Revised 1996), no cash flow statement has been prepared, as a consolidated cash flow statement has been prepared by the ultimate parent company

2 Staff costs and directors remuneration

The average monthly number of employees, including directors, was

	2007 Number	2006 Number
United Kingdom	304	311

In keeping with the Company's agency status all employment costs are borne by the Company's parent company, Rolls-Royce Power Engineering plc

No remuneration has been received by the directors in respect of their services to the Company (2006 £Nil)

3 Debtors – amounts falling due within one year

	2007 £	2006 £
Amounts owed by parent undertaking	100	100

Notes to the financial statements

31 December 2007

4 Share capital

	2007 £	2006 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

5 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group companies

6 Ultimate Parent Company

The Company is a subsidiary undertaking of Rolls-Royce Group plc, incorporated in Great Britain. The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Group plc. The smallest group in which the results of the Company are consolidated is that headed by Rolls-Royce plc, incorporated in Great Britain.

The consolidated accounts of these groups are available to the public and may be obtained from 65 Buckingham Gate, London, SW1E 6AT.