

COMPANY NUMBER: 1950590

STONE VICKERS LIMITED

**Directors' report and financial statements
for the year ended 31 December 1999**



Registered Office: Moor Lane, Derby DE24 8BJ

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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Change in Ultimate Holding Company

On 17 November 1999 (the "Unconditional Date") a recommended offer from Rolls-Royce plc ("Rolls-Royce") for the whole of the issued share capital of Vickers plc was declared wholly unconditional following which Rolls-Royce plc became the ultimate holding company of Stone Vickers Limited.

Directors and directors' interests

The directors who held office during the year were as follows:

| | |
|-------------|------------------------------|
| G L Arthur | (resigned 30 September 1999) |
| N J Brookes | (appointed 1 October 1999) |
| C D Gale | |

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Stone Vickers Limited at the beginning or at the end of the financial year; neither did they have any beneficial interest in the shares of any subsidiary within the Vickers plc or the 'new' Rolls-Royce plc groups of companies. Details of interests of those directors in the share capital of the ultimate holding company, being Vickers plc (until 17 November 1999) or Rolls-Royce plc (after 17 November 1999) were as follows:

| | Interest in Rolls-Royce after Rolls- Royce takeover | | Interest in Vickers plc prior to Rolls-Royce takeover | | |
|----------------|---|--|---|--|--|
| | Ordinary shares of 25p each as at 31 December 1999 | Share options granted in 1999 | Ordinary shares of 25p each as at 1 January 1999 or date of appointment if later | Share options granted in 1999 | Share options exercised in 1999 |
| N J Brookes | - | 1,567 | - | 2,232 | - |
| C D Gale | - | 3,602 | - | - | - |

With effect from the Unconditional Date all outstanding options became exercisable under their respective scheme rules. In addition Rolls-Royce made an offer to holders of SAYE options which entitled such holders to accept options over Roll-Royce plc shares in exchange for options over Vickers plc shares based on a formula approved by the Inland Revenue. Rolls-Royce also offered to holders of executive share options in Vickers plc cash cancellation in exchange for the extinguishment of the right to exercise such options. In respect of the Vickers plc Performance Investment Plan, the relevant performance targets were achieved and maximum share awards were provisionally made to participants for which Rolls-Royce also offered cash cancellation of such provisional awards.

In addition to the details listed in the table above, Mr N J Brookes received the cash sum of £9,230 in return for the cancellation of his rights to options over 12,232 shares in Vickers plc.

Business Review

Stone Vickers Limited did not trade at all during 1999.

State of Affairs

In the opinion of the Directors, the state of the company's affairs is satisfactory, and there has been no material change since the date of the balance sheet.

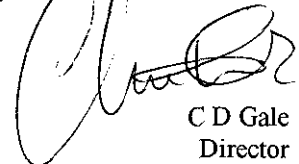
Year 2000

A task force reporting to the Managing Director, Finance and Planning of the Vickers group of companies, co-ordinated activities throughout the group associated with Year 2000 issues. The operation of this task force was aligned with the Rolls-Royce plc group project following acquisition. Costs were borne by Vickers plc and its operating units. 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.

Auditors

On 19 October 1990 at the Annual General Meeting of Members held at the Company's offices at Kristinehamn, Sweden, a Special Resolution was passed that having satisfied the provisions of Section 250 of the Companies Act 1985 relating to dormant companies, the company be exempt from the obligation to appoint auditors as otherwise required by Section 384 of that Act.

Signed on behalf of the board



C D Gale
Director
October 2000

Statement of directors' responsibilities

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 the 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 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 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.

Profit and loss account
for the year ended 31 December 1999

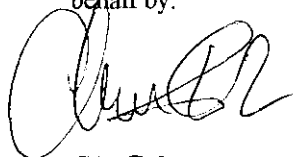
During the financial year and the preceding financial year, the Company did not trade, received no income and incurred no expenditure. Consequently, during these years, the Company made neither a profit nor a loss.

Balance sheet
at 31 December 1999

| | Note | 1999 £ | 1998 £ |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 4 | 98 | 98 |
| Current assets | | | |
| Debtors | 5 | 36,732 | 36,732 |
| Net current assets | | 36,732 | 36,732 |
| Total assets less current liabilities | | 36,830 | 36,830 |
| Net assets | | 36,830 | 36,830 |
| Capital and reserves | | | |
| Called up share capital | 6 | 25,000 | 25,000 |
| Retained Profit | | 11,830 | 11,830 |
| Equity and non-equity shareholders' funds | | 36,830 | 36,830 |

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 18-10-2000 and signed on its behalf by:



C D Gale
Director

The notes on pages 5 and 6 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

The Company does not hold any fixed assets subject to depreciation or amortisation.

Foreign currencies

There were no foreign currency transactions or balances, and no exchange differences in the year.

Stocks

The Company does not hold stock or work in progress.

Deferred Taxation

The Company provides deferred taxation using the liability method, to take account of the timing differences between the treatment of certain items for accounting purposes and their treatment for Corporation Tax, where there is reasonable probability that a liability will arise in the foreseeable future. No such liability existed at 31 December 1999.

2. Profit & Loss

| | 1999 £ | 1998 £ |
|------------------------------------|-----------|-----------|
| Retained profit for financial year | - | - |
| Retained profit brought forward | 11,830 | 11830 |
| Retained profit carried forward | 11,830 | 11830 |

3. Directors Emoluments

None of the Directors received any emoluments from the Company during the year.

4. **Investments**

£

Shares in Group Company

| | |
|---------------------|-----------|
| Cost | 98 |
| Less written off | - |
| At 31 December 1999 | <u>98</u> |

The Company owns 1% of the issued share capital of Kamewa Italia SA, incorporated in Italy.

5. **Debtors**

Amounts falling due within one year

| | 1999 £ | 1998 £ |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | <u>36,732</u> | <u>36,732</u> |

6. **Share Capital**

| | 1999 £ | 1998 £ |
|---|----------------|---------------|
| Authorised | <u>250,000</u> | <u>250000</u> |
| Allotted, called up and fully paid 25,000 ordinary shares at £1 each | <u>25,000</u> | <u>25,000</u> |

7. **Ultimate Holding Company**

Following the acquisition of Vickers plc by Rolls-Royce plc, the ultimate holding company is Rolls-Royce plc, incorporated in Great Britain and registered in England and Wales. The financial statements of Rolls-Royce plc may be obtained from PO Box 31, Moor Lane, Derby, DE24 8BJ.