

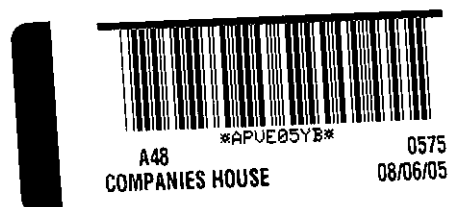
**COMPANY NUMBER 2116731**

**SPARE IPG 18 LIMITED**

**Annual Report  
for the Year Ended 31 December 2004**

Directors on 24 May 2005 :  
G Allan  
D R Bale  
D J Goma  
J E Warren

Secretary: D J Goma



Registered Office: Moor Lane, Derby DE24 8BJ

## **SPARE IPG 18 LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their Annual Report for the year ended 31 December 2004.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company during the year was that of a holding company.

#### **RESULTS**

The profit for the year before taxation amounted to £nil (2003: £9,000). The results for the year are given on page 5 of the financial statements. The directors do not recommend payment of a dividend for the year (2003: Nil).

#### **DIRECTORS**

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

G Allan  
D R Bale (appointed 7/12/2004)  
D J Goma  
J E Warren

#### **DIRECTORS' SHARE INTERESTS**

None of the 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 2004, including immediate family, in the ordinary share capital of Rolls-Royce Group plc are as follows:

	<b>Rolls-Royce Group plc Ordinary 20p Shares</b>		<b>Options over Rolls-Royce Group plc Ordinary Shares</b>				
	Ordinary shares of 20p each as at 1 January 2004 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2004	as at 1 January 2004 or date of appointment if later	Share options granted in 2004	Share options lapsed in 2004	Share options cancelled in 2004	Total share options as at 31 December 2004
G Allan	10,497*	10,371*	5,277	-	-	-	5,277
D R Bale	33,923*	33,923*	302,107	-	-	-	302,107
D J Goma	380*	458*	4,811	-	-	-	4,811
J E Warren	15,770*	17,478*	214,808	-	-	-	214,808

\*The above interests under ordinary 20p shares include shares held in trust for the following directors:  
None of the directors exercised any share options during the year.

## **SPARE IPG 18 LIMITED**

### **REPORT OF THE DIRECTORS (CONT'D)**

	Annual Performance Related Award Plan <sup>1</sup>		Profit Sharing Share Scheme <sup>2</sup>		SharePurchase Plan <sup>3</sup>		Sharebonus Scheme <sup>4</sup>	
	1.1.2004 or date of appointment if later	31.12.2004	1.1.2004 or date of appointment if later	31.12.2004	1.1.2004 or date of appointment if later	31.12.2004	1.1.2004 or date of appointment if later	31.12.2004
G Allan	6,765	5,992	1,204	670	-	-	1,525	2,121
D R Bale	28,134	28,134	1,359	1,359	-	-	4,430	4,430
D J Goma	-	-	-	-	380	458	-	-
J E Warren	14,237	12,598	-	-	-	-	-	-

<sup>1</sup> Under the Annual Performance Related Award Plan, shares vest after two years.

<sup>2</sup> Under the Profit Sharing Share Scheme, shares vest after three years.

<sup>3</sup> Under the SharePurchase Plan, shares vest for five years.

<sup>4</sup> Under the Sharebonus Scheme, shares vest after five years.

Conditional awards were granted under the Rolls-Royce Group plc Performance Share Plan (PSP) whereby shares released are dependent upon certain performance criteria being achieved over a three year performance period.

	PSP	
	1.1.2004	31.12.2004
D R Bale	-	24,901
J E Warren	-	10,197

### **ANNUAL GENERAL MEETINGS**

In accordance with section 366A of the Companies act 1985, a resolution has been passed dispensing with the holding of Annual General Meetings.

In accordance with section 252 of the Companies Act 1985, an elective resolution has been passed to dispense with the laying of the Annual Report before the Company in General Meetings.

### **AUDITORS**

In accordance with section 386 of the Companies Act 1985, a resolution has been passed dispensing with the obligation to appoint auditors annually and KPMG Audit Plc will therefore continue in office.

By Order of the Board



D-Goma

Secretary  
24 May 2005

## **SPARE IPG 18 LIMITED**

### **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 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 requirements of 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 TO THE MEMBERS OF**  
**SPARE IPG 18 LIMITED**

We have audited the financial statements on pages 5 to 11.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 3, 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 1985. 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.

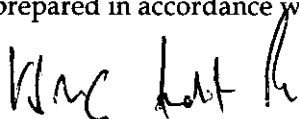
**Basis of audit opinion**

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 and the Groups affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**London**

*24 May 2005*

**SPARE IPG 18 LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £000	2003 £000
Operating costs		-	9
Operating profit		-	9
Other interest receivable and similar income		-	-
Profit on ordinary activities before taxation	3	-	9
Taxation on profit on ordinary activities	4	-	(3)
Retained profit for the financial year		-	6

All results have been derived from continuing activities.

There are no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account above.

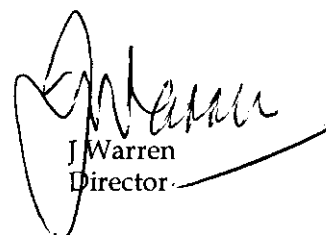
The notes on pages 8 to 11 form part of these financial statements.

**SPARE IPG 18 LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	<u>2004</u> £000	<u>2003</u> £000
<b>Current Assets</b>			
Debtors- amounts falling due within one year	6	3,200	3,200
 Creditors: amounts falling due within one year	 7	 (3)	 (3)
 Net Current Assets		 3,197	 3,197
 Net Assets		 <u>3,197</u>	 <u>3,197</u>
 <b>Capital And Reserves</b>			
Called up share capital	9	6,822	6,822
Profit and Loss account	10	(3,625)	(3,625)
 EQUITY SHAREHOLDERS' FUNDS		 <u>3,197</u>	 <u>3,197</u>

These accounts were approved by the board of directors on 24 May 2005 and were signed on its behalf by:

  
J Warren  
Director

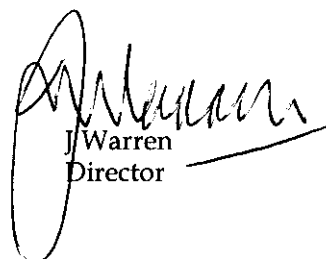
The notes on pages 8 to 11 form part of these financial statements.

**SPARE IPG 18 LIMITED**

**COMPANY BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	<u>2004</u> £000	<u>2003</u> £000
<b>Fixed Assets</b>			
Investments	5	2,279	2,279
		<hr/> 2,279	<hr/> 2,279
<b>Current Assets</b>			
Debtors - amounts falling due within one year	6	3,200	3,200
		<hr/> 3,200	<hr/> 3,200
Creditors - amounts falling due within one year	7	(3)	(3)
		<hr/> (3)	<hr/> (3)
<b>Net Current Assets</b>		<hr/> 3,197	<hr/> 3,197
<b>Total Assets Less Current Liabilities</b>		<hr/> 5,476	<hr/> 5,476
Creditors : amounts falling due after more than a year	8	(3,296)	(3,296)
		<hr/> (3,296)	<hr/> (3,296)
<b>Net Assets</b>		<hr/> <hr/> 2,180	<hr/> <hr/> 2,180
<b>Capital And Reserves</b>			
Called up share capital	9	6,822	6,822
Profit and Loss	10	(4,642)	(4,642)
		<hr/> 6,822	<hr/> 6,822
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<hr/> <hr/> 2,180	<hr/> <hr/> 2,180

These financial statements were approved by the Board of Directors on 24 May 2005, and are signed on its behalf by:

  
 J. Warren  
 Director

The notes on pages 8 to 11 form part of these financial statements.



## SPARE IPG 18 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Principal Accounting Policies

a) Basis of accounting

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

b) Cash Flow Statement

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 90% owned subsidiary.

c) Consolidation

The consolidated financial statements incorporate the accounts of Spare IPG 18 Limited and all of its subsidiary undertakings for the year ended 31 December 2004.

The Company is exempt from preparing a separate profit & loss account in accordance with S230 of Companies Act 1985. Of the group result attributable to shareholders, a result of £nil (2003: loss £475,000) has been dealt with in the profit and loss account of the Company.

d) Investments

Investments are valued at cost, or at written down value where in the opinion of the directors there is a permanent diminution in value.

e) 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 90% owned subsidiary undertaking.

f) Taxation

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date.

#### 2. Directors' Emoluments and Employee Information

No emoluments were paid to the directors by the company in respect of their services (2003: £nil).

The Company had no employees during the year ended 31 December 2004 (2003: nil).

All necessary services are provided by Rolls-Royce plc.

## SPARE IPG 18 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 3. Profit On Ordinary Activities Before Taxation

In both 2004 and 2003 all remuneration of the auditors of the Company was paid by Rolls-Royce plc.

4. <u>Taxation On Profit On Ordinary Activities</u>	<u>2004</u> £000	<u>2003</u> £000
Profit on ordinary activities before taxation	-	9
Taxation based on the profit for the year of the company and its subsidiary undertakings:		
Group relief payable at 30.0% (2003: 30%)	-	(3)
Tax charge for the year	-	(3)
 <b>Reconciliation of Tax Charge:</b>		
Profit on ordinary activities before taxation	-	9
 Nominal (credit)/charge at UK Corporation Tax rate of 30%	-	3
Expenses not deductible for tax purposes	-	-
	-	3

No potential deferred taxation liability existed as at 31 December 2004 or 31 December 2003.

#### 5. Investments

*Company*

**Shares in Group Undertakings**

	£000
 <i>Cost:</i>	
At 1 January and 31 December	2,260
 <i>Amounts written off:</i>	
At 1 January and 31 December	(481)
 <i>Net book value:</i>	
At 1 January and 31 December	<u>2,279</u>

The following are dormant subsidiary undertakings of Spare IPG 18 Limited:

Spare IPG 15 Limited (formerly Becorit Limited)  
 Spare IPG 16 Limited (formerly Becorit & Herweg Limited)  
 Spare IPG 17 Limited (formerly Becorit Hudson Limited)  
 Robert Hudson Raletrux (Midlands) Limited  
 Wultex Machine Company Limited  
 AFC Wultex Limited

All subsidiaries are wholly owned and registered in England and Wales and are included in the consolidation.

# SPARE IPG 18 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Debtors- Amounts falling due within one year

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
<i>Group and Company</i>		
Due from parent company	<u>3,200</u>	<u>3,200</u>

### 7. Creditors-Amounts falling due within one year

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
<i>Group and Company</i>		
Corporation tax - Group relief	<u>3</u>	<u>3</u>

### 8. Creditors-Amounts falling due after one year:

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
<i>Company</i>		
Amounts owed to group undertakings	<u>3,296</u>	<u>3,296</u>

### 9. Share Capital

	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>
<i>Ordinary shares of £1 each:</i>		
Authorised	<u>7,000</u>	<u>7,000</u>
Issued and fully paid	<u>6,822</u>	<u>6,822</u>

### 10. Reserves

	<b>Group Profit And loss Account £000</b>	<b>Company Profit And Loss Account £000</b>
At 1 January 2004	(3,625)	(4,642)
Profit/(loss) for the financial year	<u>-</u>	<u>-</u>
At 31 December 2004	<u>(3,625)</u>	<u>(4,642)</u>

### 11. Reconciliation Of Movement In Shareholders' Funds

	<b>Group</b>		<b>Company</b>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 January	3,197	3,191	2,180	2,655
Profit / (loss) for the financial year	<u>-</u>	<u>6</u>	<u>-</u>	<u>(475)</u>
At 31 December	<u>3,197</u>	<u>3,197</u>	<u>2,180</u>	<u>2,180</u>

## SPARE IPG 18 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. Ultimate Parent Company

The Company's ultimate parent is Rolls-Royce Group plc incorporated in Great Britain. This is the largest group in which the results of the Company are consolidated. The smallest group in which they are consolidated is that headed by Spare IPG 18 Limited, 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.