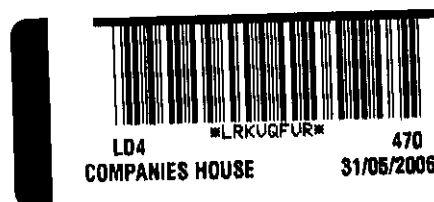


VIKING POWER LIMITED
(Registered Number : 3229304)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005



VIKING POWER LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the business is to develop, arrange financing for and generate electricity from an independent power project.

FINANCIAL REVIEW

The loss of the Company was £217,002 (2003: loss of £117,370). The Directors do not propose any dividend and therefore the loss has been transferred to reserves.

DIRECTORS

The Directors who held office throughout the year were as follows:

J B Cheatham (Chairman)
C Forrest
R Stevenson

DIRECTORS' 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 2005, including immediate family, in the ordinary share capital of Rolls-Royce Group plc are as follows:

	Rolls-Royce Group plc Ordinary 20p Shares		Options over Rolls-Royce Group plc Ordinary Shares			
	Ordinary shares of 20p each as at 1 January 2005 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2005	as at 1 January 2005 or date of appointment if later	Share options granted in 2005	Share options exercised in 2005	Total share options as at 31 December 2005
J B Cheatham	40,813	41,503	239,556	289	-	239,845
R Stevenson	637	2,425	5,838	-	(3,518)	2,320

The above interests in ordinary shares include shares held in trust for the following directors:

	Annual Performance Related Award Plan ¹		Profit Sharing Share Scheme ²	
	1 January 2005	31 December 2005	1 January 2005	31 December 2005
J B Cheatham	40,813	20,515	-	-
R Stevenson	-	-	637	-

¹ Under the Annual Performance Related Award Plan, shares vest after two years.

² Under the Profit Sharing Share Scheme, shares vest after three years.

VIKING POWER LIMITED

DIRECTORS' REPORT (continued)

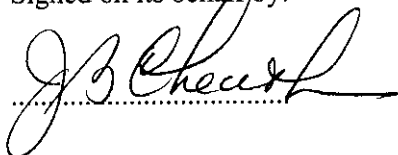
DIRECTORS' INTERESTS (Continued)

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 January 2005	31 December 2005
J Cheatham	31,685	61,504

Approved by the board.

Signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'J B Cheatham', written over a horizontal dotted line.

J B Cheatham
23 May 2006

VIKING POWER LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIKING POWER LIMITED

We have audited the financial statements of Viking Power Limited for the year ended 31 December 2005 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 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

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant 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 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 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.

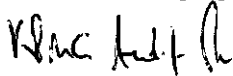
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
VIKINGPOWER LIMITED (continued)**

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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit plc
Chartered Accountants

Registered Auditor

23 May 2006

8 Salisbury Square
London

EC4Y 8BB

VIKING POWER LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover		1,605,343	29,720
Cost of Sales		(1,562,710)	(14,458)
Gross profit		42,633	15,262
Administrative expenses		(280,563)	(16,470)
Operating loss		(237,930)	(1,208)
Interest receivable and similar income		30,589	10,910
Interest payable and similar charges	4	(136,834)	(177,820)
Loss on ordinary activities before taxation		(344,175)	(168,118)
Tax on ordinary activities	5	127,173	50,748
Loss on ordinary activities after tax		(217,002)	(117,370)
Retained loss for the year		(217,002)	(117,370)
Retained loss at 1 January		(5,986,148)	(5,868,778)
Accumulated loss at 31 December		(6,203,150)	(5,986,148)

The Company had no recognised gains or losses during the year other than those passing through the profit and loss account.


VIKING POWER LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Note	2005 £	2004 £
Fixed Assets			
Intangible assets	6	174,391	-
Tangible assets	7	9,140,015	9,656,999
		<u>9,314,406</u>	<u>9,656,999</u>
Current assets			
Debtors	8	856,574	1,408,162
Cash at bank and in hand		271,464	156,345
Creditors			
Amounts falling due within one year	9	(292,332)	(2,301,965)
		<u>835,706</u>	<u>(737,458)</u>
Net current assets / (liabilities)			
Total Assets less current liabilities		10,150,112	8,919,541
Creditors			
Amounts falling due after one year	10	(16,100,882)	(14,905,589)
Provisions for liabilities and charges:			
Deferred Taxation	11	(252,280)	-
		<u>(6,203,050)</u>	<u>(5,986,048)</u>
Net Liabilities			
Capital and Reserves			
Called up share capital	13	100	100
Profit & Loss Account		(6,203,150)	(5,986,148)
		<u>(6,203,050)</u>	<u>(5,986,048)</u>
Equity Shareholders' Funds	14	(6,203,050)	(5,986,048)

The notes on pages 9 to 15 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 23 May 2006 and were signed on its behalf by


 J B Cheatham

VIKING POWER LIMITED

NOTES TO 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 Financial Statements.

(a) Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £6,203,050 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Rolls-Royce Power Development Limited, a fellow subsidiary undertaking. Rolls-Royce Power Development Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(b) Cost Capitalisation

Costs directly attributable to the construction of the plant have previously been included in tangible fixed assets. The costs were fully amortised in 2002.

(c) Depreciation

Fixed assets are depreciated on a straight line basis from the time that they are first brought into use as to write off their cost, less estimated residual value, on a monthly basis over the following years:

Fixtures and fittings – computer equipment	3 years
Fixtures and fittings – other	Over the length of the contract with a maximum of 20 years
Plant and Machinery	Over the length of the contract with a maximum of 20 years

VIKING POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(d) 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. AUDIT FEE

Audit fees have been borne by Rolls-Royce Power Ventures Limited, the holder of 100 per cent of the Company's share capital.

3. EMOLUMENTS OF DIRECTORS

The Company paid no emoluments to the directors in respect of their services during the year.

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable is to Rolls-Royce Power Development Limited, a fellow subsidiary of Rolls-Royce Power Ventures Limited.

VIKING POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION CHARGE ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Current tax:		
Group relief receivable at 30%	(670,337)	(1,004,707)
	<hr/> (670,337)	<hr/> (1,004,707)
Deferred tax:		
Origination and reversal of timing differences	543,164	953,959
	<hr/> 543,164	<hr/> 953,959
Total tax charge	<hr/> (127,173)	<hr/> (50,748)

	2005 £	2004 £
Reconciliation of Tax Charge:		
Loss on ordinary activities before taxation	(344,175)	(168,118)
	<hr/> (344,175)	<hr/> (168,118)
Nominal charge at UK corporation tax rate of 30%	(103,253)	(50,435)
Income not taxable	(312)	(313)
Capital allowances in excess of depreciation for the period	(566,772)	(893,959)
Other timing differences for the period	-	(60,000)
	<hr/> (1,030,837)	<hr/> (1,504,717)
Total current tax	<hr/> (670,337)	<hr/> (1,004,707)

VIKING POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INTANGIBLE FIXED ASSETS

	EU Emissions Trading Permits £	Total £
Cost and Valuation:		
At 1 January 2005	-	-
Issued in the year	174,391	174,391
Utilised / Disposed of in the year	-	-
	<hr/>	<hr/>
At 31 December 2005	174,391	174,391
	<hr/>	<hr/>

7. TANGIBLE FIXED ASSETS

	Plant & Equipment £	Total £
Cost		
	<hr/>	<hr/>
At beginning and end of year	17,091,255	17,091,255
	<hr/>	<hr/>
Depreciation		
At beginning of year	(7,434,256)	(7,434,256)
Charge for the year	(516,984)	(516,984)
	<hr/>	<hr/>
At end of year	(7,951,240)	(7,951,240)
	<hr/>	<hr/>
Net Book Value		
At 31 December 2005	9,140,015	9,140,015
	<hr/>	<hr/>
At 31 December 2004	9,656,999	9,656,999
	<hr/>	<hr/>

VIKING POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. DEBTORS

	2005	2004
	£	£
Trade Debtors	185,122	29,720
Amounts owed by group undertakings	1,015	68,079
Amounts owed by investing companies	100	100
Group relief receivable	670,337	1,004,707
Deferred taxation (See Note 11)	-	290,884
Other Debtors	-	14,672
	<hr/>	<hr/>
	856,574	1,408,162
	<hr/>	<hr/>

9. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade Creditors	2,992	24,115
Amounts owed to group undertakings	-	47,932
Other creditors	-	47,908
Tax and social security	21,918	36
Accruals	93,031	2,181,974
EU Emissions Trading Scheme Government Grant	103,396	-
EU Emissions Trading Scheme Liability	70,995	-
	<hr/>	<hr/>
	292,332	2,301,965
	<hr/>	<hr/>

10. CREDITORS: Amounts falling due after one year

	2005	2004
	£	£
Amounts owed to parent undertaking	16,100,882	14,905,589
	<hr/>	<hr/>

VIKING POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROVISIONS for liabilities and charges

Deferred Taxation

	2005 £	2004 £
At beginning of year	(290,884)	(1,244,843)
Amount charged to the profit & loss account	543,164	953,959
At end of year	252,280	(290,884)

Deferred taxation is analysed as follows:

	2005 £	2004 £
Accelerated capital allowances	545,162	1,998
Other timing differences	(292,882)	(292,882)
Total	252,280	(290,884)
Analysed as – debtors (note 8)	-	290,884

12. COMMITMENTS

Commitments for capital expenditure at the end of the financial year, for which no provision was made, are £nil (2004: nil).

VIKING POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. SHARE CAPITAL

	Ordinary shares £1 each £	Nominal Value £
Authorised		
At 1 January 2005 and 31 December 2005	100	100
	<hr/>	<hr/>
Issued		
At 1 January 2005 and 31 December 2005	100	100
	<hr/>	<hr/>

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2005 £	2004 £
Shareholders' funds at 1 January	(5,986,048)	(5,868,678)
Retained losses	(217,002)	(117,370)
	<hr/>	<hr/>
Shareholders' funds at 31 December	(6,203,050)	(5,986,048)
	<hr/>	<hr/>

15. ULTIMATE HOLDING COMPANIES

Rolls-Royce Group plc, a company registered in England & Wales, is the ultimate holding company and heads the group in which the results of the Company are consolidated. Rolls-Royce Power Ventures Limited, a company registered in England and Wales, is the immediate holding company. Copies of both companies' financial statements can be obtained from 65 Buckingham Gate, London SW1E 6AT.