

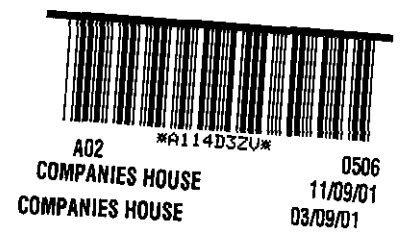
3517200

VICKERS plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2000

Registered No: 351720



VICKERS plc

DIRECTORS AND OFFICERS

Directors	B Baker	
	D R Bale	(Appointed 5 July 2000)
	T C Coltman	
	P Heiden	
	A L John	(Resigned 2 April 2001)

Secretary	S J Abesser	(Resigned 20 March 2000)
	J Warren	(Appointed 20 March 2000)

Registered office	Moor Lane
	Derby
	DE24 8BJ

Company registered in England, number 3517200

Auditors	KPMG Audit Plc
	8 Salisbury Square
	London
	EC4Y 8BB

VICKERS plc

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VICKERS Plc
REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the Company is to hold investments in subsidiaries within the Rolls-Royce group of companies. There have been no important events affecting the Company since the end of the year under review.

No profit or loss on ordinary activities before taxation was made during the year (1999 £nil).

Dividend

The directors do not recommend the payment of a dividend (1999: 2.85p)

Directors and directors' interests

The Directors of the Company who held office during 2000 are listed on page 1.

Mr D R Bale was appointed a director of the Company on 5 July 2000. Mr A L John resigned as a director of the Company on 2 April 2001.

None of the directors had any interest in the shares of the Company.

The Directors holding office at December 31, 2000, who had beneficial interests, including options and Long-Term Incentive Plan awards in the share capital of the Company's ultimate holding company, requiring disclosure in this report were as follows:

Rolls-Royce plc Ordinary 25p Shares			Options over Rolls-Royce plc Ordinary Shares			
	Shares @ 01 January 2000 or date of appointment if later	Shares @ 31 st December 2000	Options @ 01 January 2000 or date of appointment if later	Options @ 31 December 2000	Exercise price (p)	Exercisable Dates
D R Bale	750	4,458*	44,500	44,500	176	2000-2005
			1,380	1,380	150	2001
				15,444	194.25	2003-2010
				11,584	194.25	2003-2010
	750	4,458*	45,880	72,908		

Rolls-Royce plc Ordinary 25p Shares			Options over Rolls-Royce plc Ordinary Shares			
	Shares @ 01 January 2000 or date of appointment if later	Shares @ 31 st December 2000	Options @ 01 January 2000 or date of appointment if later	Options @ 31 December 2000	Exercise price (p)	Exercisable Dates
B Baker	2,009	6,686*	63,750	63,750	176	2000-2005
			11,647	11,647	LTIP	2002
			5,200	5,200	150	2001
			2,359	2,359	205	2005
			2,609	2,609	194	2005
				77,221	194.25	2003-2010
	2,009	6,686*	85,565	162,786		
T C Coltman	19,800	27,833*	58,500	58,500	176	2000-2005
			23,293	23,293	LTIP	2002
			4,204	4,204	205	2001
				15,444	194.25	2003-2010
				69,499	194.25	2003-2010
	19,800	27,833*	85,997	170,940		
A L John	-	-	-	-		
	-	-	-	-		

*The above interests under ordinary 25p shares include shares held in trust for the following directors:

	Annual Performance Related Award Scheme (granted 07 March 2000) ¹		Profit Sharing Share Scheme (granted 14 April 2000) ²	
	1 January 2000	31 December 2000	1 January 2000	31 December 2000
D R Bale	-	2,808	-	900
B Baker	-	4,011	-	1,286
T C Coltman	-	6,618	-	1,415

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

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

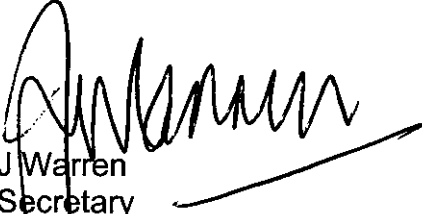
Mr P Heiden is a member of the Rolls-Royce plc Board of Directors and his Director's interests and emoluments are disclosed in that Company's Annual Report and Financial Statements.

The market price of the ordinary shares of the Company's ultimate parent company, Rolls-Royce plc at December 31, 2000 was 198.25p and the range during 2000 was 161p to 261p.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting of the Company.

Signed on behalf of the board.



J Warren
Secretary
3rd September 2001

VICKERS plc

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.

REPORT OF THE AUDITORS KPMG AUDIT PLC TO THE MEMBERS OF VICKERS plc

We have audited the accounts on pages 8 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report. As described on page 6, this includes responsibility for preparing 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 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's affairs as at 31 December 2000 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

London

3rd September 2001

VICKERS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £000	1999 £000
Profit on ordinary activities before and after Taxation		<u>-</u>	<u>-</u>
Dividends paid	4	<u>-</u>	<u>(6,614)</u>
Retained loss transferred to reserves		<u>-</u>	<u>(6,614)</u>

The profit and loss account relates solely to continuing activities.

The Company has no gains or losses for the periods other than those recognised in the profit and loss account above and accordingly a statement of total recognised gains and losses has not been presented.

The notes on pages 10 to 15 form part of these financial statements.


VICKERS plc

BALANCE SHEET AS AT 31 DECEMBER 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	5	<u>330,812</u>	<u>330,812</u>
Current assets			
Debtors	6	1,543	1,543
Creditors: amounts falling due within one year			
Amounts due to subsidiary undertakings		<u>(243,442)</u>	<u>(243,469)</u>
Net current liabilities		<u>(241,899)</u>	<u>(241,926)</u>
		<u>88,913</u>	<u>88,886</u>
Capital and reserves			
Called up share capital	9	57,958	57,954
Share premium account	10	4,078	4,055
Profit and loss account	10	<u>26,877</u>	<u>26,877</u>
Equity shareholders' funds		<u>88,913</u>	<u>88,886</u>

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 3rd September 2001 and were signed on its behalf by:


 J R Bale
 Director

VICKERS plc

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

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

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (revised 1996) as it is a wholly-owned subsidiary undertaking included in consolidated financial statements which are publicly available.

2. Directors' remuneration

The aggregate amounts in respect of the directors' services paid by the Company were as follows:

	2000 £000	1999 £000
Emoluments	230	2,540
Pension contributions	184	823
Compensation for loss of office	<u>400</u>	<u>1,397</u>
Total	<u>814</u>	<u>4,760</u>

VICKERS plc

NOTES TO THE FINANCIAL STATEMENTS

2. Directors' remuneration (continued)

The amounts in respect of the highest paid director were as follows:

	2000 £000	1999 £000
Emoluments	230	962
Pension contributions	184	368
Compensation for loss of office	400	821
	<hr/>	<hr/>
Total	<u>814</u>	<u>2,151</u>

Remuneration of Vickers plc directors was paid by its subsidiary Vickers Engineering plc, in 1999, and by both Vickers Engineering plc and Rolls-Royce plc (the parent company of Vickers plc) in 2000.

3. Auditors' remuneration

All remuneration of the auditors of the Company is paid by Vickers Engineering plc (1999: £nil).

4. Dividends

	2000 £000	1999 £000
Dividends paid – Interim	-	6,614
	<hr/>	<hr/>
	<u>NIL</u>	<u>6,614</u>

VICKERS plc

NOTES TO THE FINANCIAL STATEMENTS

5. Investments

	Cost £000
At 1 January 1999 and 31 December 2000	<u>330,812</u>

6. Debtors

	2000 £000	1999 £000
<i>Amounts falling due within one year</i>		
Advance corporation tax recoverable	1,543	1,543
	<u>1,543</u>	<u>1,543</u>

7. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company are listed on page 14 and 15.

In the opinion of the directors, the aggregate value of the assets of the Company consisting of shares in or amounts owing from subsidiary undertakings is not less than the aggregate of the amounts at which those assets are included in the balance sheet.

8. Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Earned for ordinary shareholders in the Period	-	-
Ordinary dividends	-	(6,614)
	<u>-</u>	<u>(6,614)</u>
Decrease in shareholders' funds	-	(6,614)
Opening shareholders' funds	88,886	91,934
Issue of share capital	27	3,566
	<u>88,913</u>	<u>88,886</u>
Closing shareholders' funds	88,913	88,886

VICKERS plc

NOTES TO THE FINANCIAL STATEMENTS

9. Share capital

	2000 £000	1999 £000
Ordinary shares of 25p each:		
Authorised	<u>100,000</u>	<u>100,000</u>
Called up, issued and fully paid	<u>57,958</u>	<u>57,954</u>

The number of ordinary shares in issue at 31 December 2000 was 231,829,527 (1999: 231,813,403).

10. Reserves

	Share Premium £000	Profit and loss account £000	Total £000
At 1 January 2000	4,055	26,877	30,932
Share issue	23	-	23
At 31 December 2000	<u>4,078</u>	<u>26,877</u>	<u>30,955</u>

11. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with its parent company Rolls-Royce plc and other group companies.

12. Ultimate holding company

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 P O Box 31, Moor Lane, Derby, DE24 8BJ.

VICKERS plc

Principal Subsidiary Undertakings and Joint Ventures

Defence Systems

- ◇ Vickers Defence Systems, Leeds and Newcastle-upon-Tyne
- * Vickers-Armstrongs Limited, trading as Vickers Bridging, Wolverhampton
- ◇ Vickers Specialist Engines, Crewe
- * Vickers OMC (Pty) Limited, Johannesburg, South Africa

Marine

- * Brown Brothers & Company Limited
- * Rolls-Royce Marine AS, Norway
- * Rolls-Royce Marine Korea Limited, Korea
- * Rolls-Royce AB, (formerly Kamewa AB), Kristinehamn, Sweden
- * FF Jet Ltd AB, Kokkala, Finland
- * Rolls-Royce OY AB, (formerly Kamewa Finland OY), trading as Aquamaster and Rauma, Rauma, Finland
- ◇ Michell Bearings, Newcastle-upon-Tyne
- * Ulstein Industrier AS Norway
- * Ulstein Trading Limited AS, Norway
- * Ulstein Propeller AS, Norway
- * Ulstein UK Limited, United Kingdom
- * Ulstein Brattvaag AS, Norway
- * Ulstein Bergen AS, Norway
- * Ulstein Automation AS, Norway
- * Ulstein Turbine AS Norway
- * Ulstein Nor AS, Norway
- * Ulstein USA Inc., USA
- * Ulstein Maritime Industries Inc., USA
- * Ulstein Frydenbo AS, Norway
- * Ulstein Tenfjord AS, Norway
- * Ulstein Stoperier AS, Norway
- * Ulstein Ship Technology AS, Norway
- * Ulstein Nordvestconsult AS, Norway
- * Bird-Johnson Co, USA
 - ⇒ Viking Reisebyra (50%), Norway
 - ⇒ Cogen AS (20.74%), Norway
 - ⇒ Industrial Development Corporation of Scandinavia AS (33.3%), Norway

VICKERS plc

Principal subsidiary undertakings and Joint Ventures (continued)

Turbine Components

- * Ross Catherall Ceramics Limited, Denby, Derby
- ◇ Vickers Pressings, Newcastle-upon-Tyne

Other Activities

- * Vickers Properties Limited, Swindon

- ◇ Divisions of Vickers Engineering plc, Derby
- * The whole of the issued share capital of each of the companies shown is held by Vickers plc or, where indicated by an asterisk, by one of its wholly-owned subsidiary undertakings. Vickers Engineering plc is a wholly-owned subsidiary of Vickers plc.

⇒ Jointly or partly owned company of Ulstein Holding ASA

Note:

All of the Companies shown are incorporated and operate principally in the countries indicated. A full list of subsidiary and associated undertakings will be included with the Company's Annual Return.

Discontinued operations comprise the following:

Turbine Components (sold 31 December 2000)

- * Ross & Catherall Limited, Killamarsh, Sheffield
- * Trucast Limited, Ryde, Isle of Wight
- * Trucast Inc., Newberry, South Carolina, USA
- * Certified Alloy Products Inc., Long Beach, California, USA
- ◇ Vickers Aerospace Components, Shrewsbury
- ◇ Vickers Airmotive, Shrewsbury
- ◇ Vickers Precision Machining, Crewe