

VINTERS plc

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



**Registered No: 3517200**

# VINTERS plc

## DIRECTORS AND OFFICERS

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Directors	G Allan B Baker D R Bale J Warren
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Secretary	D J Goma
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Registered office	Moor Lane Derby DE24 8BJ
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Company registered in England, number 3517200

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Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
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# VINTERS plc

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## CONTENTS

## PAGE

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Report of the Directors	3
Statement of Directors' responsibilities	5
Independent auditors' report to the members of Vinters plc	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9
Principal Subsidiary Undertakings	12

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# VINTERS plc

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### 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.

The result on ordinary activities before taxation of £nil was made during the year (2004: profit of £403,302,000).

### Dividend

An interim dividend of £nil (2004: £161,413,000) was paid during the year. The Directors do not recommend the payment of a final dividend (2004: £nil).

### Directors and directors' interests

The Directors of the Company who held office during 2005 are listed on page 1.

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Vinters plc at the beginning or at the end of the financial year. Details of interests of those directors in the share capital of the ultimate holding company were as follows:

	Rolls-Royce Group plc Ordinary Shares of 20p each		Rolls-Royce Group plc non-cumulative redeemable convertible preference shares of 0.1p (B Shares)	
	1 January 2005	31 December 2005	1 January 2005	31 December 2005
G Allan	10,371*	8,430*	-	-
B Baker	68,797*	59,804*	72,050	-
D R Bale	33,923*	21,457*	-	-
J Warren	17,478*	12,280*	-	-

\*The above interests include shares held in trust for the directors listed on page 4.

Options over Rolls-Royce Group plc Ordinary Shares of 20p each				
	1 January 2005	Granted in 2005	Exercised in 2005	31 December 2005
G Allan	5,277	-	-	5,277
B Baker	692,022	-	68,718	623,304
D R Bale	302,107	-	879	301,228
J Warren	214,808	251	-	215,059

# VINTERS plc

## REPORT OF THE DIRECTORS (continued)

	Annual Performance Related Award Plan <sup>1</sup>		Profit Sharing Share Scheme <sup>2</sup>		Profit Sharing Share Scheme (B Shares)		ShareBonus Plan <sup>4</sup>	
	1.1.2005	31.12.2005	1.1.2005	31.12.2005	1.1.2005	31.12.2005	1.1.2005	31.12.2005
G Allan	5,992	3,364	670	-	-	-	2,121	2,715
B Baker	41,037	30,743	1,737	-	86,850	-	1,297	2,507
D Bale	28,134	16,883	1,359	-	-	-	4,430	4,574
J Warren	12,598	7,241	-	-	-	-	-	-

<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 ShareBonus Plan 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	
	1.1.2005	31.12.2005
B Baker	39,713	81,259
D R Bale	24,901	51,280
J E Warren	10,197	20,443

The market price of the ordinary shares of the Company's ultimate parent company, Rolls-Royce Group plc at December 31, 2005, was 427.50p and the range during 2005 was 236p to 430.50p.

### 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.



D J Goma  
Secretary  
8 May 2006

**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 VINTERS PLC**

We have audited the financial statements of Vinters plc 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 5, 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**

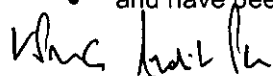
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

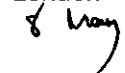
### **Opinion**

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 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

 2006

**VINTERS PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £000	2004 £000
Dividends receivable from subsidiary undertakings		-	403,302
<b>Profit on ordinary activities after taxation</b>		-	403,302
Dividends paid		-	(161,413)
<b>Transferred to reserves</b>	10	-	241,889

All results are derived from continuing activities.

The company had no gains or losses other than those recognised in the profit and loss account above and accordingly no statement of total recognised gains and losses has been prepared.

The notes on pages 9 to 12 form part of these financial statements.

# VINTERS plc

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
<b>Fixed assets</b>			
Investments in subsidiary undertaking	6	<u>330,812</u>	<u>330,812</u>
<b>Creditors: amounts falling due within one year</b>			
Amounts due to subsidiary undertakings		<u>(10)</u>	<u>(10)</u>
<b>Net current liabilities</b>		<u>(10)</u>	<u>(10)</u>
<b>Total assets less current liabilities</b>		<u>330,802</u>	<u>330,802</u>
<b>Capital and reserves</b>			
Called up share capital	9	57,958	57,958
Share premium account	10	4,078	4,078
Profit and loss account	10	<u>268,766</u>	<u>268,766</u>
<b>Equity shareholders' funds</b>	8	<u>330,802</u>	<u>330,802</u>

The notes on pages 9 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 8 May 2006 and were signed on its behalf by:



G Allan  
Director

## 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. **Taxation**

	2005 £000	2004 £000
Reconciliation of Tax (Credit)/Charge:		
Profit on ordinary activities before tax	-	403,302
Nominal charge at UK corporation tax rate of 30%	-	120,991
Income not taxable	-	(120,991)
Tax charge	<u>-</u>	<u>-</u>

3. **Directors' emoluments**

No remuneration has been received by the directors in respect of their services to the Company (2004: £nil) as this is borne by Rolls-Royce plc.

4. **Auditors' remuneration**

All remuneration of the auditors of the Company is paid by Rolls-Royce plc (2004: £nil).

5. **Employee information**

The Company had no employees during the year ended 31 December 2005 (2004: nil). All necessary services are provided by Rolls-Royce plc.

# VINTERS plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. Investments in subsidiary undertakings

Cost  
£000

At 1 January 2005 and 31 December 2005 330,812

### 7. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company are listed on page 12.

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

	2005 £000	2004 £000
Opening shareholders' funds	330,802	88,913
Retained profit for the year	-	241,889
Closing shareholders' funds	<u>330,802</u>	<u>330,802</u>

### 9. Share capital

	2005 £000	2004 £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>57,958</u>

The number of ordinary shares in issue at 31 December 2005 was 231,829,527 (2004: 231,829,527).

### 10. Reserves

	Share Premium £000	Profit and loss account £000	Total £000
At 1 January 2005	4,078	268,766	272,844
Retained profit for the year	-	-	-
At 31 December 2005	<u>4,078</u>	<u>268,766</u>	<u>272,844</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

**11. Related party transactions**

The Company is a wholly owned subsidiary of Rolls-Royce plc and has taken advantage of the exemption in FRS 8 not to disclose related party transactions with its parent company and other group companies.

**12. Ultimate holding 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 they 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.

## VINTERS plc

### Principal Subsidiary Undertakings

#### **Defence Systems:**

- ◆ Powerfield Specialist Engines (formerly trading as Vickers Specialist Engines), Crewe
- ◆ Powerfield, Crewe

#### **Turbine components**

- \* Ross Ceramics Limited, Denby, Derby
- ◆ Vickers Pressings, Newcastle-upon-Tyne

#### **Marine**

- \* Rolls-Royce AB, (formerly known as Kamewa AB) Kristinehamn, Sweden
- \* Rolls-Royce OY AB, trading as Aquamaster and Rauma, Rauma, Finland
- ❖ Rolls-Royce Marine AS, Norway
- ❖ Ulstein Turbine AS, Norway

#### **Other activities:**

- ❖ Vinters Engineering Plc
- \* Vinters International Ltd

- ◆ Divisions of Vinters Engineering plc
- ❖ The whole of the share capital of each of the companies shown is held by Vinters plc or, where indicated by an asterisk, by one of its wholly-owned subsidiary undertakings.

#### Note

All of the Companies shown are incorporated and operate principally in the UK unless otherwise stated.

The business and assets of the division trading as Vickers Pressings was disposed of 28/01/2005.