

VINTERS plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003



Registered No: 3517200

VINTERS plc

DIRECTORS AND OFFICERS

Directors	B Baker D R Bale T C Coltman (resigned 31 December 2003) J E Warren (appointed 1 January 2004)
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Secretary	J E Warren
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Registered office	Moor Lane Derby DE24 8BJ
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Company registered in England, number 3517200

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

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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 2003.

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 (2002: £nil).

Dividend

The directors do not recommend the payment of a dividend (2002: Nil).

Directors and directors' interests

The Directors of the Company who held office during 2003 are listed on page 1.

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

The Directors holding office at December 31, 2003, 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 Group plc Ordinary 20p Shares			Options over Rolls-Royce Group plc Ordinary Shares 20p Shares			
	Shares @ 01 January 2003 or date of appointment if later	Shares @ 31st December 2003	Options @ 01 January 2003 or date of appointment if later	Options @ 31 December 2003	Exercise price (p)	Exercisable Dates
D R Bale	12,654	33,291*	44,500	44,500	176	2003-2005
			15,444	15,444	194.25	2003-2010
			11,584	11,584	194.25	2003-2010
			27,778	27,778	216	2004-2011
			879	879	108	2005
			69,149	69,149	188	2005-2012
			-	177,273	77	2006-2013
	12,654	33,291*	169,334	346,607		

VINTERS plc

REPORT OF THE DIRECTORS (continued)

Rolls-Royce Group plc Ordinary 20p Shares			Options over Rolls-Royce Group plc Ordinary 20p Shares			
	Shares @ 01 January 2003 or date of appointment if later	Shares @ 31 st December 2003	Options @ 01 January 2003 or date of appointment if later	Options @ 31 December 2003	Exercise price (p)	Exercisable Dates
B Baker	29,046	57,169*	63,750 5,200 2,359 2,609 77,221 148,149 74,075 3,371 15,957 74,468 -	63,750 - 2,359 2,609 77,221 148,149 74,075 3,371 15,957 74,468 227,273	176 150 205 194 194.25 216 216 108 188 188 77	2003-2005 2003 2005 2005 2003-2010 2004-2011 2004-2011 2007 2005-2012 2005-2012 2006-2013
	29,046	57,169*	467,159	689,232		
T C Coltman	55,184	57,358*	58,500 69,499 15,444 175,296 4,398	58,500 69,499 15,444 175,296 4,398	176 194.25 194.25 216 108	2003-2005 2003-2010 2003-2010 2004-2011 2005
	55,184	57,358*	323,137	323,137		

*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 financial year.

	Annual Performance Related Award Plan ¹		Profit Sharing Share Scheme ²		ShareBonus Scheme ³		SharePurchase Plan ⁴	
	1.1.2003	31.12.2003	1.1.2003	31.12.2003	1.1.2003	31.12.2003	1.1.2003	31.12.2003
D R Bale	9,345	27,728	3,309	2,409	-	3,154	-	-
B Baker	18,417	40,380	4,464	3,178	-	3,614	-	-
T C Coltman	10,991	5,678	4,824	3,409	-	2,773	99	1,306

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.

³ Under the ShareBonus Scheme, shares vest after five years.

⁴ Under the SharePurchase Plan, shares vest after five years.

The closing mid-market price of the ordinary shares of the Company's ultimate parent company, Rolls-Royce Group plc at December 31, 2003 was 177.25p and the range during 2003 was 64.25p to 190p.

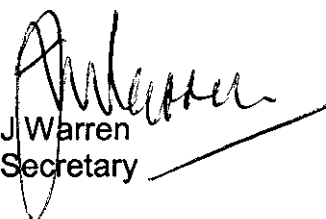
VINTERS plc

REPORT OF THE DIRECTORS (continued)

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

21 May 2004

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VINTERS plc

We have audited the accounts on pages 8 to 12.

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 6, 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's affairs as at 31 December 2003 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

21 May 2004

VINTERS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

The company has not traded and has had no income or expenditure during the year ended 31 December 2003 and the preceding financial year, and consequently has made neither a profit nor a loss.

There were no recognised gains or losses in either year.


VINTERS plc

BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £000	2002 £000
Fixed assets			
Investments	5	<u>330,812</u>	<u>330,812</u>
Creditors: amounts falling due within one year			
Amounts due to subsidiary undertakings		<u>(241,899)</u>	<u>(241,899)</u>
Net current liabilities		<u>(241,899)</u>	<u>(241,899)</u>
Total assets less current liabilities		<u>88,913</u>	<u>88,913</u>
Capital and reserves			
Called up share capital	8	57,958	57,958
Share premium account	9	4,078	4,078
Profit and loss account	9	26,877	26,877
Equity shareholders' funds		<u>88,913</u>	<u>88,913</u>

The notes on pages 10 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 21 May 2004 and were signed on its behalf by:



D R Bale
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. **Directors' emoluments**

No remuneration has been received by the directors in respect of their services to the Company (2002: £nil) as this is borne by Rolls-Royce plc.

3. **Auditors' remuneration**

All remuneration of the auditors of the Company is paid by Rolls-Royce plc (2002: £nil).

4. **Employee information**

The Company had no employees during the year ended 31 December 2003 (2002: nil). All necessary services are provided by Rolls-Royce plc.

5. **Investments**

	Cost £000
At 1 January 2003 and 31 December 2003	<u>330,812</u>

6. **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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
Opening and closing shareholders' funds	<u>88,913</u>	<u>88,913</u>

8. Share capital

	2003 £000	2002 £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 2003 was 231,829,527 (2002: 231,829,527).

9. Reserves

	Share Premium £000	Profit and loss account £000	Total £000
At 1 January 2003 and 31 December 2003	4,078	26,877	30,955

10. 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 Group plc and other group companies.

11. 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:

- ◆ Vickers Specialist Engines, Crewe

Turbine components

Ross Ceramics Limited, Denby, Derby

Vickers Pressings Limited, 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
- ◆ Michell Bearings, Newcastle-upon-Tyne
- ❖ Rolls-Royce Marine AS, Norway
- ❖ Ulstein Turbine AS, Norway

Other activities:

Vinters Properties Limited, United Kingdom

- ◆ Divisions of Vinters Engineering plc
- ❖ The whole of the indicated 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 countries indicated. A full list of subsidiary and associated undertakings will be included with the Company's Annual Return.