

**Vickers-Armstrongs Limited**

**Directors' report and financial  
statements**

**Registered number 227013**

**For the year ended 31 December 2000**



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## Directors' report

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

### Principal activity

The principal activity of the company is the supply and manufacture of military bridging systems under the name of Vickers Bridging. No change is envisaged and there have been no important events affecting the company since the end of the year under review.

### Business review

The profit for the year on ordinary activities before taxation was £50,000. The directors do not recommend the payment of a dividend and £67,000 (1999: £167,000) has been transferred to retained reserves.

### Employees

The company recognises that its most valuable resource is its human resource and unlocking the potential of its employees so that they can contribute fully to its business success whilst enjoying maximum job satisfaction continues to have a high priority.

Employees are kept informed on matters affecting them as employees and on the various factors affecting the company's general business situation through both formal and informal communication activities of various kinds, including regular briefing group meetings. Employee representatives at local level are consulted regularly on a wide range of matters affecting the company's current and future situation.

The business systems and structures of the company are under constant review to ensure through extensive teamwork initiatives, that the best contribution from each and every employee is available.

Employees participate in the Rolls-Royce Sharesave Scheme.

The company maintains pension schemes for the majority of employees in the UK and overseas. The assets of the schemes are kept independent of the company's finances and are administered by trustees. The most recent actuarial valuations indicated that the assets of the principal schemes were sufficient to meet the cost of benefits as and when they fall due.

The company operates an equal opportunities policy. The company's policy is to provide, whenever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential.

### Education and training

The company continues to invest in company training and development programmes to ensure that its people attain the highest level of skills.

Employees are encouraged to take responsibility for their personal development and opportunities and are available to extend their competency levels using a range of the latest education and training techniques. The use of appraisal systems and personal development planning continues to grow and opportunities for the company to share best practice in these and other employee development and training activities is a high priority.

### Directors and directors' interests

The directors listed below held office during the financial year:

JR Ashfield	(appointed 20 March 2000)
DJ Goma	(appointed 20 March 2000)
JE Warren	(appointed 20 March 2000)
J Hammerton	(appointed 20 March 2000)
AL John	(resigned 20 March 2000)
SJ Abesser	(resigned 20 March 2000)

## Directors' report (continued)

### Directors and directors' interests (continued)

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Vickers-Armstrongs Limited at the beginning or at the end of the financial year; neither did they have any beneficial interest in the shares of any subsidiary within the Rolls-Royce plc group of companies. Details of interests of those directors in the share capital of the ultimate holding company Rolls-Royce plc were as follows:

	Rolls-Royce plc 25p Ordinary shares		Options over Rolls-Royce plc Ordinary shares			
	Ordinary shares of 25p each as at 1 January 2000	Ordinary shares of 25p each as at 31 December 2000	As at 1 January 2000 or date of appointment if later	Share options granted in 2000	Share options exercised in 2000	Total share options as at 31 December 2000
JR Ashfield	428	428	3,386	-	-	3,386
J Hammerton	-	-	-	-	-	-
DJ Goma	-	-	1,496	-	-	1,496
J Warren	-	* 803	9,155	15,444	-	24,559

\* The above interests under ordinary shares relate to shares awarded under the Annual Performance Related Award Scheme held in trust for Mr J Warren. Under this scheme, shares vest after two years.

### Tangible Fixed Assets

The directors are of the opinion that the overall market value of the company's properties, on an existing use basis, taking into account that they are held for the longer term and depreciated accordingly, is not materially different from that shown in the accounts.

### Research and Development

The company devotes a substantial amount of time and effort to research and development activities.

### Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment 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. Hammerton*

John Hammerton  
 Director

Moor Lane  
 Derby  
 DE24 8BJ

28 March 2001

## 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 of the company 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.



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## Report of the auditor to the members of Vickers-Armstrongs Limited

We have audited the financial statements on pages 5 to 13.

### 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 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 group'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 affairs of the company as at 31 December 2000 and of its profit 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

28 March 2001

**Profit and loss account**  
*for the year ended 31 December 2000*

	<i>Note</i>	<b>Continuing operations</b>	
		<b>2000</b>	<b>1999</b>
		<b>£000</b>	<b>£000</b>
<b>Turnover</b>		<b>10,373</b>	<b>14,536</b>
Cost of sales		<b>(8,969)</b>	<b>(12,517)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,404</b>	<b>2,019</b>
Administrative expenses		<b>(1,354)</b>	<b>(1,759)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>2</b>	<b>50</b>	<b>260</b>
Tax on profit on ordinary activities	<b>5</b>	<b>17</b>	<b>(93)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>67</b>	<b>167</b>
		<hr/>	<hr/>

A statement of movements on reserves is given in note 12 on page 12.

**Balance sheet**  
*at 31 December 2000*

	Note	2000 £000	1999 £000
<b>Fixed assets</b>			
Tangible assets	6	1,304	1,529
<b>Current assets</b>			
Stocks	7	293	2,012
Debtors	8	21,554	20,281
Cash at bank and in hand		5	5
		<u>21,852</u>	<u>22,298</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,152)</u>	<u>(3,890)</u>
<b>Net current assets</b>		18,700	18,408
<b>Net assets</b>		<u>20,004</u>	<u>19,937</u>
<b>Capital and reserves</b>			
Called up share capital	11	35,000	35,000
Profit and loss account	12	(14,996)	(15,063)
<b>Total equity shareholders' funds</b>		<u>20,004</u>	<u>19,937</u>

These financial statements were approved by the board of directors on [date] and were signed on its behalf by:  
 28/3/01

*J. Hammerton*

**J Hammerton**  
 Director



**Reconciliation of movement in shareholders' funds**  
*for the year ended 31 December 2000*

	2000 £000	1999 £000
Profit for the financial year	67	167
Net movement on shareholders' funds	67	167
Shareholders' funds at beginning of year	19,937	19,770
Shareholders' funds at end of year	20,004	19,937

**Statement of total recognised gains and losses**

There were no recognised gains or losses other than the profit for the financial year.

**Note of Historical cost profits and losses**

There is no material difference between the results disclosed in the profit and loss account and the results given on an unmodified historical cost basis.

## Notes

*(forming part of 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:

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

#### *Cash flow statement*

In accordance with Financial Reporting Standard No 1, the company has not produced a statement of cash flows for the year on the grounds that being a wholly owned subsidiary of Rolls-Royce plc it is exempt from the requirement to do so.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Goodwill*

Purchased goodwill represents the excess of purchase consideration for acquisitions over the fair value of separable net tangible assets at the date of acquisition and is immediately written off against reserves.

#### *Turnover*

Turnover consists of amounts invoiced in respect of deliveries. A proportion of profit is taken on long-term contracts appropriate to the stage of completion of the contract.

All turnover arises from the same activity within the UK.

#### *Research and development expenditure*

Research and development expenditure, other than that which is recoverable on projects under contract with third parties, is charged against profit in the year in which it is incurred.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account deferred taxation on timing differences to the extent that a liability or an asset is expected to arise.

#### *Tangible assets*

Depreciation is provided by the company on a straight line basis to write off the cost of tangible fixed assets to estimated residual value over their useful lives. These lives are reviewed on a regular basis. The depreciation rates used are:

Freehold property	4% per annum
Plant and machinery	6.67%-20% per annum
Office furniture and equipment	10%-25% per annum
Vehicles	25% per annum

No depreciation is provided on freehold land or assets in the course of construction.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Stocks and work in progress*

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials and factory labour, including overheads thereon based on normal levels of activity.

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The company's employees are members of either the group's defined benefit or defined contribution pension schemes, the assets of which are administered by trustees and are independent of the group's finances. The pension costs relating to these schemes, including those related to past service, are assessed in accordance with the recommendations of independent actuaries. Full actuarial valuations are made at regular intervals. Variations from the regular costs of defined benefit schemes are allocated over the average remaining service lives of current employees.

#### *Related parties*

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with related parties on the grounds that it is a wholly owned subsidiary of Rolls-Royce plc and the company's results are consolidated in the Rolls-Royce plc group financial statements.

## Notes (continued)

### 2 Profit on ordinary activities before taxation

	2000	1999
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		

*after charging:*

Auditors' remuneration:

Audit	11	11
Depreciation	271	527
Hire of other assets - operating leases	60	73
Research and development	750	1,012

### 3 Remuneration of directors

Directors' emoluments in respect of services to the company for the year were £Nil (1999: £Nil).

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Management and administration	25	32
Production	49	64
	<u>74</u>	<u>96</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	1,670	2,184
Social security costs	126	174
	<u>1,796</u>	<u>2,358</u>

### 5 Taxation

	2000	1999
	£000	£000
Group relief (receivable)/payable at 30% (1999: 30.25%) on the profit for the year on ordinary activities	(17)	93

## Notes (continued)

### 6 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost/Revalued amount</i>				
At beginning of year	604	4,139	239	4,982
Additions	-	46	-	46
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	604	4,185	239	5,028
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>				
At beginning of year	100	3,140	213	3,453
Charge for year	23	234	14	271
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	123	3,374	227	3,724
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2000	481	811	12	1,304
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	504	999	26	1,529
	<hr/>	<hr/>	<hr/>	<hr/>

The gross book value of land and buildings includes £396,000 (1999: £460,000) of depreciable assets.

### 7 Stocks

	2000 £000	1999 £000
Long-term contract work in progress	467	4,564
Payments on account	(174)	(2,552)
	<hr/>	<hr/>
	293	2,012
	<hr/>	<hr/>

### 8 Debtors

	2000 £000	1999 £000
Trade debtors	202	683
Amounts owed by intermediate parent undertaking	21,250	19,031
Group relief receivable	17	
Other debtors	53	533
Prepayments and accrued income	32	34
	<hr/>	<hr/>
	21,554	20,281
	<hr/>	<hr/>

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdrafts	334	4
Trade creditors	459	1,753
Amounts owed to fellow subsidiary undertakings	26	96
Group relief corporation tax	-	93
Other taxes and social security	37	52
Other creditors	40	55
Accruals and deferred income	2,256	1,837
	<u>3,152</u>	<u>3,890</u>

### 10 Deferred taxation

The potential asset for which provision has not been made is:

	2000 £000	1999 £000
Excess capital allowances over accumulated depreciation	<u>30</u>	<u>65</u>

### 11 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>

### 12 Reserves

	Profit and loss account £000
At beginning of year	(15,063)
Profit for the year	67
At end of year	<u>(14,996)</u>

The cumulative amount of goodwill which has been written off is £19,760,000 (1999: £19,760,000).

## Notes (continued)

### 13 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	1999	1998
	£000	£000
Operating leases which expire:		
Within one year	60	52
	<hr/>	<hr/>

### 14 Pension scheme

Both defined benefit and defined contribution pension schemes for group employees are operated by Vickers plc, the company's intermediate parent undertaking. Details of the schemes are given in the group financial statements of Rolls-Royce plc.

### 15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate holding company is Rolls-Royce plc incorporated in Great Britain and registered in England and Wales. The accounts of Rolls-Royce plc may be obtained from the Secretary, Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.