VICKERS INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2000

Registered No: 542021

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LD6 0098
COMPANIES HOUSE 23/10/01

VICKERS INTERNATIONAL LIMITED

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 consists of the holding of certain investments in overseas subsidiaries within the Rolls-Royce group of companies and the purchase of properties for resale. No change to such role is envisaged.

The profit for the year on ordinary activities before taxation was £nil (1999: £219,000).

Dividend

The directors do not recommend the payment of a dividend (1999: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

S J Abesser	(resigned 20 March 2000)
J R Ashfield	(appointed 20 March 2000)
D J Goma	(appointed 20 March 2000)
A L John	(resigned 20 March 2000)
J E Warren	(appointed 20 March 2000

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Vickers International Limited at the beginning or at the end of the financial year. The individuals holding office of director during the year and having an interest in the share capital of the Company's ultimate parent Company Rolls-Royce plc are as follows:

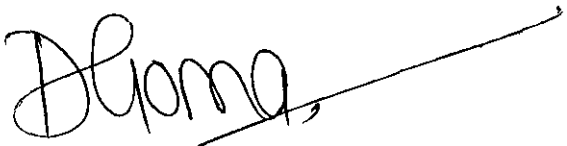
	Rolls-Royce plc Ordinary 20p Shares		Options over Rolls-Royce plc Ordinary Shares			
	as at 1 January 2000 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2000	as at 1 January 2000 or date of appointment if later	Share options granted in 2000	Share options exercised in 2000	Total share options as at 31 December 2000
J R Ashfield	421	421	3,386	-	-	3,386
D J Goma	-	-	1,496	-	-	1,496
J E Warren	-	803[1]	9,155	15,444	-	24,559

[1]The above interests under ordinary shares relate to shares awarded under the Annual Performance Related Award Scheme held in trust for Mr John Warren. Under the Annual Performance Related Award Scheme, shares vest after two years.

Auditors

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



D J Goma
Director

Moor Lane
Derby
DE24 8BJ

16 October 2001

VICKERS INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 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 assume 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,
TO THE MEMBERS OF VICKERS INTERNATIONAL LIMITED

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report. As described on page 4, 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 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 affairs of the company as at 31 December 2000 and of the result of the company 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

23 October 2001

VICKERS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £000	1999 £000
Operating profit	2	-	-
Profit on disposal of properties	4	-	215
Profit on disposal of subsidiary undertakings	5	-	4
Profit on ordinary activities before interest		-	219
Net interest	6	-	-
Profit on ordinary activities before taxation		-	219
Taxation	7	-	(3)
Retained profit transferred to reserves		-	216

The profit and loss account relates solely to continuing obligations.

The notes on pages 9 to 14 form part of these financial statements.

VICKERS INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	8	**419,832**	419,793
Current assets			
Debtors:			
Amounts falling due within one year	10	**34**	14
Amounts falling due after more than one year	10	**167**	155
Cash at bank and in hand		**8**	9
		209	178
Creditors: amounts falling due within one year	11	**(283,109)**	(270,148)
Net current liabilities		**(282,900)**	(269,970)
Total assets less current liabilities		**136,932**	149,823
Creditors: amounts falling due after more than one year	11	**(68,282)**	(76,426)
Net assets		**68,650**	73,397
Capital and reserves			
Called up share capital	12	**5,500**	5,500
Share premium account	13	**42,862**	42,862
Revaluation reserve	13	**74,912**	74,912
Profit and loss account	13	**(54,624)**	(49,877)
Equity shareholders' funds		**68,650**	73,397

The notes on pages 9 and 14 form part of these financial statements.

These financial statements were approved by the board of directors on 16 October 2001 and were signed on its behalf by:

D J Goma
Director

VICKERS INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSES

	2000 **£000**	1999 £000
Profit for the financial year	**-**	216
Currency translation differences on foreign currency net investments	**(4,747)**	66
Total recognised gains and losses for the financial year	**(4,747)**	282

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 **£000**	1999 £000
Profit for the financial year	**-**	216
Currency translation differences on foreign currency net investments	**(4,747)**	66
Increase in shareholders' funds	**(4,747)**	282
Opening shareholders' funds	**73,397**	73,115
Closing shareholders' funds	**68,650**	73,397

VICKERS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain investments, and in accordance with applicable accounting standards.

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date.

Exchange differences arising on the translation of investments in overseas businesses held in foreign currencies, together with differences on associated borrowings in foreign currencies are transferred directly to reserves. Other exchange differences are included in the profit and loss account.

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

No remuneration has been received by the directors in respect of their services to the Company (1999: £nil).

3. Auditors remuneration

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

4. Disposal of properties

	2000 £000	1999 £000
Profit on disposal of sites in Shrewsbury and Swindon	-	215

5. Profit on disposal of subsidiary undertakings

	2000 £000	1999 £000
Write-back of prior year disposal provisions	-	4
	-	4

6. Net interest payable and similar charges

	2000 £000	1999 £000
Interest payable to parent undertaking	(12)	(9)
Interest receivable from group undertakings	12	9
	-	-

7. Taxation

	2000 £000	1999 £000
UK corporation tax	-	3

The UK corporation tax charge is computed at 30.00% (1999: 30.25%) of taxable profits.

8. Investments

	Cost or valuation £000	Provision £000	Net £000
At 1 January 2000	421,243	(1,450)	419,793
Foreign currency translation difference	-	-	-
Additions	39	-	39
Internal transfers out	-	-	-
At 31 December 2000	421,282	(1,450)	419,832

9. Principal subsidiary undertakings

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

In the opinion of the directors, the aggregate value of the assets of the Company consisting of share 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.

10. Debtors

	2000 **£000**	1999 £000
Trade debtors		
Amounts falling due within one year:		
Amounts owed by parent undertaking	**9**	-
Amounts owed by subsidiary undertakings	**25**	14
	34	14
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	**167**	155
Total debtors	**201**	169

11. Creditors

	2000 **£000**	1999 £000
Amounts falling due within one year:		
Bank loans and overdrafts	**9**	-
Amounts owed to parent undertaking	**283,100**	269,581
Corporation tax	**-**	3
Value added tax	**-**	564
	283,109	270,148
Amounts falling due after more than one year:		
Amounts owed to parent undertaking	**68,282**	76,426

12. Share capital

	2000 £000	1999 £000
Ordinary shares of £1 each:		
Authorised	**6,000**	6,000
Called up, issued and fully paid	**5,500**	5,500

The number of ordinary shares in issue at 31 December 2000 was 5,500,120 (1999: 5,500,120).

13. Reserves

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2000	42,862	74,912	(49,877)	67,897
Retained profit for the year	-	-	-	-
Currency translation differences on foreign currency net investments	-	-	(4,747)	(4,747)
At 31 December 2000	42,862	74,912	(54,624)	63,150

14. Related party transactions

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

15. Ultimate holding company

The Company's ultimate holding company is Rolls-Royce plc, which is incorporated in Great Britain and registered in England and Wales. The financial statements of Rolls-Royce plc may be obtained from PO Box 31, Moor Lane, Derby DE24 8BJ.

Principal Subsidiary Undertakings

	Vickers America Holdings, Inc., USA	Holding company
	Kamewa Holdings AB, Sweden	Marine
	Rolls-Royce OY AB, Finland	Marine
	Rolls-Royce Marine AS, Norway	Marine
*	Ulstein Turbine AS, Norway	Marine
	UU Inc., USA	Marine
	UMI Inc., USA	Marine
	Bird-Johnson Co, USA	Marine

⇨ Viking Reisebyra AS (50%), Norway
⇨ Cogen AS (20.74%) Norway
⇨ Industrial Development Corporation of Scandinavia AS (33.3%) Norway

⇨ Jointly or partly owned company of Ulstein Holding ASA

The whole of the issued ordinary share capital of each of the companies shown is held by Vickers International Limited or, where indicated by an asterisk, by one of its wholly-owned subsidiary undertakings. All of the companies shown are incorporated and operate principally in the countries indicated.