VINTERS INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002

Registered No: 542021



VINTERS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 Company changed its name from Vickers International Limited to Vinters International Limited on 20 March 2003.

The profit for the year on ordinary activities before taxation was £6,724,000 (2001:£4,919,000).

Dividend

The directors do not recommend the payment of a dividend (2001: £nil).

Directors and directors' interests

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

J R Ashfield
D J Goma
J E Warren

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Vinters 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 2002 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2002	as at 1 January 2002or date of appointment if later	Share options granted in 2002	Share options exercised in 2002	Total share options as at 31 December 2002
J R Ashfield	461	484	3,386	-	-	3,386
D J Goma	-	61*	4,560	-	-	4,560
J E Warren	2,341	6,977*	42,436	48,538	-	90,974

*The above interests under ordinary shares relate to shares held in trust on behalf of the following director:-

	Annual Performance Related Award Scheme[1]		SharePurchase Plan[2]	
	1.1.2002	31.12.2002	1.1.2002	31.12.2002
J Warren	2,341	6,459	-	-
D Goma	-	-	-	61

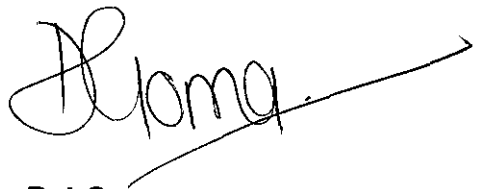
[1]Under the above scheme the shares are held in trust for two years.

[2] Under the above scheme the shares are held in trust for five years.

Auditors and Annual General Meetings

Elective Resolutions are in force to dispense with the obligation of laying the Annual Report before the Company in general meeting, appointing auditors annually and holding Annual General Meetings.

Signed on behalf of the board



D J Goma
Director

Moor Lane
Derby
DE24 8BJ

9 June 2003

VINTERS 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VINTERS INTERNATIONAL LIMITED

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

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 4, 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 affairs of the company as at 31 December 2002 and of the profit 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
27 June 2003

VINTERS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	**2002 £000**	2001 £000
Operating profit / (loss)	2	**6,734**	(1,818)
(Loss)/profit on disposal of subsidiary undertakings	3	**(10)**	6,737
Profit on ordinary activities before interest		**6,724**	4,919
Net interest	4	**-**	-
Profit on ordinary activities before taxation		**6,724**	4,919
Tax on profit on ordinary activities	5	**(2,020)**	-
Profit on ordinary activities after taxation		**4,704**	4,919
Dividends received		**13**	-
Retained profit transferred to reserves		**4,717**	4,919

The profit and loss account relates solely to continuing obligations.

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

VINTERS INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Fixed assets			
Investments	6	**342,466**	341,776
Current assets			
Debtors:			
Amounts falling due within one year	8	**84,348**	85,031
Amounts falling due after more than one year	8	**155**	172
Cash at bank and in hand		**9**	8
		84,512	85,211
Creditors: amounts falling due within one year	9	**(285,300)**	(283,280)
Net current liabilities		**(200,788)**	(198,069)
Total assets less current liabilities		**141,678**	143,707
Creditors: amounts falling due after more than one year	9	**(63,392)**	(70,138)
Net assets		**78,286**	73,569
Capital and reserves			
Called up share capital	10	**5,500**	5,500
Share premium account	11	**42,862**	42,862
Revaluation reserve	11	**34,738**	74,912
Profit and loss account	11	**(4,814)**	(49,705)
Equity shareholders' funds		**78,286**	73,569

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

These financial statements were approved by the board of directors on 9 June 2003 and were signed on its behalf by:

D J Goma
Director

VINTERS INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSES

There are no recognised gains or losses other than those disclosed in the profit and loss account above.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 **£000**	2001 £000
Profit for the financial year	**4,717**	4,919
Currency translation differences on foreign currency net investments	**-**	-
Increase in shareholders' funds	**4,717**	4,919
Opening shareholders' funds	**73,569**	68,650
Closing shareholders' funds	**78,286**	73,569

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

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Amounts denominated in foreign currencies at the year-end have been converted at the exchange rates ruling at 31st December. Exchange differences on trading transactions are dealt with in arriving at the profit on ordinary activities before taxation. Other exchange differences are dealt with through reserves.

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. Operating profit

Operating profit is stated after charging:

	2002 £000	2001 £000
Directors remuneration	-	-
Auditors remuneration	-	-

3. Profit on disposal of subsidiary undertaking

	2002 £000	2001 £000
Profit /(loss) on disposal of Vickers America Holdings Inc.	(10)	6,737

4. Net interest payable and similar charges

	2002 £000	2001 £000
Interest payable to parent undertaking	-	(9)
Interest receivable from group undertakings	-	9
	-	-

5. Tax on profit on ordinary activities

	2002 £000	2001 £000
In respect of the year:		
Corporation tax payable at 30% (2001:30%)	2,020	-

Reconciliation of Tax Charge	2002 £000	2001 £000
Profit on ordinary activities before taxation	6,724	4,919
Nominal charge at UK Corporation tax rate of 30%	2,017	1,476
Income not taxable	-	(1,476)
Expenditure not allowable	3	-
Actual tax charge	2,020	-

6. Investments

	Cost or valuation £000	Provision £000	Net £000
At 1 January 2002	343,226	(1,450)	341,776
Revaluation	-	-	-
Additions	700	-	700
Internal transfers out	(10)	-	(10)
At 31 December 2002	343,916	(1,450)	342,466

7. 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.

8. Debtors

	2002 £000	2001 £000
Trade debtors		
Amounts falling due within one year:		
Amounts owed by immediate parent undertaking	**13**	-
Amounts owed by ultimate parent undertaking	**84,298**	84,998
Amounts owed by subsidiary undertakings	**37**	33
	84,348	85,031
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	**155**	172
Total debtors	**84,503**	85,203

9. Creditors

	2002 £000	2001 £000
Amounts falling due within one year:		
Amounts owed to parent undertaking	**283,280**	283,280
Amounts owed to ultimate parent undertaking	**2,020**	-
	285,300	283,280
Amounts falling due after more than one year:		
Amounts owed to parent undertaking	**63,392**	70,138

10. Share capital

	2002 £000	2001 £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 2002 was 5,500,120 (2001: 5,500,120).

11. Reserves

	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2002	42,862	74,912	(49,705)	68,069
Reserve transfer	-	(40,174)	40,174	-
Retained profit for the year	-	-	4,717	4,717
At 31 December 2002	42,862	34,738	(4,814)	72,786

The above transfer relates to investment transactions in a prior period.

12. 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 Vinters Engineering plc, and its ultimate parent company Rolls-Royce plc and other group companies.

13. 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

	Kamewa Holding AB, Sweden	Marine
	Rolls-Royce OY AB, Finland	Marine
	Rolls-Royce Marine AS, Norway	Marine
*	Ulstein Turbine AS, Norway	Marine

The whole of the issued ordinary share capital of each of the companies shown is held by Vinters 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.