Registered number: 2916875

Rolls-Royce Power Ventures Limited

Annual report and financial statements
for the year ended 31 December 2007

Directors on 29 May 2008:	**A Shilston** **K Johnson**
Secretary :	**I M Panton** **D J Goma**

Registered Office: Moor Lane, Derby, DE24 8BJ

Contents

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2007

Principal activities

The principal activities of the company comprise developing, arranging financing for, providing finance to and managing independent power projects

Business review

The loss before taxation of the Company was £23,896k (2006 loss of £8,061k) The Directors do not propose any dividend (2006 nil), and consequently the loss for the year after taxation of £23,941k (2006 loss of £7,006k) has been transferred to reserves

On the 1st of January 2007 the functional currency was changed from U S dollars to pounds sterling As a result the 2006 audited accounts have been restated in pounds sterling with balance sheet items converted at the spot rate of 1 957 on 1st January 2007

On the 19th of December 2007 100% of the shares in Rolls-Royce Power Development (RRPD) were sold to Rolls-Royce Plc in return for consideration of £51,055,917 taking the form of a non-interest bearing loan This loan was reduced by £3 8m when RR Plc invoiced RRPV Limited for operating costs incurred on its behalf up to the 30th of November 2007

All investments have either been written off or sold in 2007 with the exception of a £3 2m investment remaining in Pacific Marine & Industrial Corporation (PMIC) located in Saipan

Dividends

No dividend was paid during the year (2006 £nil)

Directors

The directors, who served throughout the year except as noted, were as follows
Kevin Johnson, appointed 10/10/2007
J B Cheatham, resigned 31/12/2007
A Shilston

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the Board and signed on its behalf by

K Johnson

Director
29 May 2008

Statement of directors' responsibilities in respect of the annual report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

Independent auditors' report to the members of Rolls-Royce Power Ventures Limited

We have audited the financial statements (the "financial statements") of Rolls-Royce Power Ventures Limited for the year ended 31 December 2007 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 auditors' 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page number 5

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

29th May 2008

Profit and loss account

For the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover		22	302
Cost of sales		(1,449)	(5,504)
Gross loss		(1,427)	(5,202)
Administrative expenses		(9,896)	(5,248)
Operating loss		(11,323)	(10,450)
Amount written off investments		(13,485)	(641)
Loss on sale of a discontinued operation		(1,105)	-
Loss on ordinary activities before finance charges		(25,913)	(11,091)
Finance charges (net)	2	1,309	1,152
Income from shares in group undertakings		708	1,878
Loss on ordinary activities before taxation	3	(23,896)	(8,061)
Tax on loss on ordinary activities	5	(45)	1,055
Loss on ordinary activities after taxation and loss for the financial year		(23,941)	(7,006)

There were no recognised gains or losses in either the current year or the previous year, other than the result for the year as shown above

Balance sheet

31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	7	-	32
Investments	8	3,293	54,482
		3,293	54,514
Current assets			
Debtors			
- due within one year	9	8,389	32,297
- due after one year	9	47,236	788
Cash at bank and in hand		19,109	16,990
		74,734	50,075
Creditors: Amounts falling due within one year	10	(363)	(3,188)
Net current assets		74,371	46,887
Net assets		77,664	101,401
Capital and reserves			
Called-up share capital	12	51,098	51,098
Profit and loss account	13	26,566	50,303
Shareholders' funds	14	77,664	101,401

The financial statements on pages 7 to 26 were approved by the board of directors and signed on its behalf by

Director

K Johnson

29 May 2008

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, on the historical cost basis except where FRS requires an alternative treatment

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements

As permitted by Financial Reporting Standard 1 "Cash flow statements" (Revised 1996), no cash flow statement has been prepared, as a consolidated cash flow statement has been prepared by the ultimate parent company

Change in Functional Currency

On 1st January 2007, the company changed its functional currency from U S dollars to pounds sterling

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year end Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into sterling at the rate ruling at the year end are taken into account in determining profit before taxation

Pension costs

Contributions to Rolls-Royce plc Group pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' service lives

Share-based payment

The company, on behalf of its ultimate parent company, provides share-based payment arrangements to certain employees These are equity-settled arrangements and are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares or options that will eventually vest The costs of these share-based payments are treated as a capital contribution from the ultimate parent company Any payments made by the Company to its ultimate parent company, in respect of these arrangements, are treated as a return of this capital contribution

The fair values of the share-based payment arrangements are measured as follows
i) ShareSave – using the binomial pricing method
ii) Performance Share Plan – using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the Total Shareholder Return market based condition
iii) Annual Performance Related Reward plan – share price on the date of the award

See note 6 for further description of the share-based payment plans

Financial instruments

FRS 26 requires the classification of financial instruments into separate categories for which the accounting requirement is different The company has classified its financial instruments as follows

– Fixed deposits, principally comprising funds held with banks and other financial institutions and trade receivables, are classified as held to maturity investments

– Investments (other than interests in joint ventures and fixed deposits) and short-term deposits (other than fixed deposits) are classified as available for sale

– Borrowings are classified as other liabilities

– Derivatives, comprising foreign exchange contracts and interest rate swaps are classified as held for trading

Financial instruments are initially measured at fair value Their subsequent measurement depends on their classification

– Held to maturity investments and other liabilities are held at amortised cost and not revalued unless they are included in a fair value hedge accounting relationship Where such a relationship exists, the instruments are revalued in respect of the risk being hedged If instruments held at amortised cost are hedged, generally by interest rate swaps, and the hedges are effective, the carrying values are adjusted for changes in fair value, which are included in the profit and loss account

– Available for sale assets are held at fair value Changes in fair value arising from changes in exchange rates are included in the profit and loss account All other changes in fair value are taken to equity On disposal of the related asset, the accumulated changes in value recorded in equity are included in the gain or loss recorded in the profit and loss account

– Held for trading instruments are held at fair value Changes in fair value are included in the profit and loss account unless the instrument is included in a cash flow hedge If the instruments are included in a cash flow hedging relationship, which is effective, changes in value are taken to equity When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the profit and loss account

- Foreign exchange gains and losses arising on transactions are recognised in the profit and loss account

Hedge accounting

The company does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies

The company applies hedge accounting in respect of transactions entered into to manage the fair value and cash flow exposures of its borrowings Forward foreign exchange contracts are held to manage the fair value exposures of borrowings denominated in foreign currencies and are designated as fair value hedges Interest rate swaps are held to manage the interest rate exposures and are designated as fair value or cash flow hedges of fixed and floating rate borrowings respectively

Changes in the fair values of derivatives that are designated as cash flow hedges and are effective are recognised directly in reserves Any ineffectiveness in the hedging relationships is included in the profit and loss account The amounts deferred in reserves are recognised in the profit and loss account to match the recognition of the hedged item

Changes in the fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged item are recognised directly in the profit and loss account

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in reserves, is retained in reserves until the forecast transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the profit and loss account

The portion of a gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in reserves The ineffective portion is recognised immediately in the profit and loss account

Until December 31, 2005, the company applied hedge accounting for forecast foreign exchange transactions in accordance with UK GAAP On January 1, 2006, the fair values of derivatives used for hedging these exposures were included in the transition hedging reserve This reserve is released to the profit and loss account based on the designation of the hedges on January 1, 2006

Interest

Interest receivable/payable is credited/charged to the profit and loss account using the effective interest method

Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax

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

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value on a first-in, first-out basis Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments in value

Depreciation is provided on a straight-line basis to write off the cost or valuation, less the estimated residual value, over their estimated useful lives Estimated useful lives are as follows

i) Land and buildings, as advised by the Company's professional valuers
  - a) Freehold buildings – five to 45 years (average 22 years)
  - b) Leasehold buildings – lower of valuers' estimates or period of lease
  - c) No depreciation is provided in respect of freehold land

ii) Plant and equipment – five to 25 years (average 15 years)
iii) No depreciation is provided on assets in the course of construction

Investments

Fixed asset investments are shown at cost less provision for impairment Current asset investments are stated at the lower of cost and net realisable value.

Leases

i) As Lessee
Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at their fair value and depreciation is provided on the basis of the Company depreciation policy The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element, having been allocated to accounting periods to give a constant periodic rate of

charge on the outstanding liability, is charged to the profit and loss account The annual payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account on a straight-line basis

ii) As Lessor
Amounts receivable under finance leases are included within debtors and represent the total amount outstanding under the lease agreements less unearned income Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net investment, is included in turnover

Rentals receivable under operating leases are included in turnover on an accruals basis

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

2 Finance charges (net)

	2007 £000	2006 £000
Interest receivable and similar income	1,321	1,482
Interest payable and similar charges	(12)	(330)
Finance charges (net)	1,309	1,152

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging (crediting)

	2007 £000	2006 £000
Depreciation of tangible fixed assets		
- owned	32	35
Profit/(loss) on disposal of fixed assets	-	-
Operating lease rentals		
- other	432	420

Audit fees have been borne by another group company For disclosure purposes, the element of that fee attributable to audit of these subsidiary accounts is £10,000 (2006 £10,000)

Fees paid to the company's auditor, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in Rolls-Royce Power Ventures Ltd's accounts since the consolidated accounts of Rolls-Royce Power Ventures Ltd's ultimate parent, Rolls-Royce Group plc, are required to disclose non-audit fees on a consolidated basis

4 Staff costs and directors remuneration

The average monthly number of employees (including executive directors) was

	2007 Number	2006 Number
Administration	16	26

	2007 £000	2006 £000
Their aggregate remuneration comprised		
Wages and salaries	1,953	2,384
Social security costs	228	270
Other pension costs (see note 16)	202	209
	2,383	2,863

Directors' remuneration and transactions

	2007 £000	2006 £000
Directors' remuneration		
Emoluments	624	504
	624	504

	No	No
The number of directors who:		
Are members of a defined benefit pension scheme	1	1
Had awards receivable in the form of shares under a long term incentive scheme	1	1

	£000	£000
Remuneration of the highest paid director:		
Emoluments	624	504

5 Tax on profit on ordinary activities

The tax charge comprises

	2007 £000	2006 £000
Current tax		
UK corporation tax	24	52
Double tax relief	(24)	(52)
Group relief receivable at 30%	(2,197)	(1,100)
Group relief not paid for	2,197	-
Overseas tax for the period	(520)	52
	(520)	(1,048)
Deferred tax		
Origination and reversal of timing differences		
In respect of the year	532	(8)
In respect of prior periods	(5)	-
In respect of the reduction in tax rate	38	-
Total tax charge / (credit)	45	(1,055)

Reconciliation of tax credit

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before taxation	(23,896)	(8,062)
Nominal charge at UK corporation tax rate of 30%	(7,169)	(2,419)
Income not taxable	(590)	(584)
Expenses not deductible for tax purposes	6,091	1,976
Capital allowances in excess of depreciation for the period	(12)	(21)
Other timing differences for the period	(459)	-
Overseas tax	(520)	-
Double tax relief	(24)	-
Group relief not paid for	2,197	-
Tax rate differential on timing differences in period	(34)	-
Current tax charge for period	(520)	(1,048)

At 31 December 2007 there is a deferred tax asset of £148k relating to timing differences which has not been provided on the basis that its future recovery is uncertain

6 Share based payments

Share-based payment schemes in operation during the period

The Company participated in the following share-based payment schemes of Rolls-Royce Group plc in operation during the year

Performance Share Plan (PSP)

This plan involves the award of shares to participants subject to performance conditions Vesting of the performance shares is based on the achievement of both non-market based conditions (EPS and cash flow per share) and a market based performance condition (Total Shareholder Return - TSR)

Sharesave share option scheme

Based on a three or five year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20 per cent below the share price when the contract is entered into Vesting of the options is not subject to the achievement of a performance target The scheme is HM revenue & Customs approved

Executive Share Option Plan (ESOP)

This plan involves the grant of market value share options to participants The options are subject to a non-market based performance condition (growth in EPS) The options have a maximum contractual life of ten years Following the introduction of the PSP, it is not intended to grant any further executive share options

Annual Performance Related Award (APRA) plan

Deferred shares awarded as part of the APRA plan One third of the value of any annual bonus is delivered in the form of a deferred share award The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain an employee of the Group for two years from the date of the award in order to retain the full number of shares During the two-year deferral period, participants are entitled to receive dividends on the deferred shares

Share Incentive Plan (SIP)

This is the 'Free Share' element of the Share Incentive Plan Eligible employees may receive shares with a value of up to one and a half weeks' salary as part of any bonus paid There are no conditions attached to the shares

In accordance with the transitional provisions of FRS 20, the Company has recognised an expense in respect of all grants under these plans made after November 7, 2002 and unvested at January 1, 2005

The Company recognised a total expense of £234k in 2007 (£88k in 2006)

The movements in awards under the various share schemes is shown in the tables below

	Number of shares awarded	
	2007	2006
PSP		
Outstanding at January 1	83,720	61,184
Awarded during the year	6,886	22,536
Vested during the year	(31,422)	-
Outstanding at December 31	59,184	83,720

6 Share based payments (continued)

Sharesave	2007 Number of share options	2007 Weighted average exercise price Pence	2006 Number of share options	2006 Weighted average exercise price Pence
Outstanding at January 1	31,002	153p	40,224	158p
Exercised during the year	(31,002)	153p	(9,222)	140p
Outstanding at December 31	-	-	31,002	153p

ESOP	2007 Number of share options	2007 Weighted average exercise price Pence	2006 Number of share options	2006 Weighted average exercise price Pence
Outstanding at January 1	233,767	191p	233,767	149p
Exercised during the year	(233,767)	191p	-	131p
Outstanding at December 31	-	-	233,767	191p

Deferred shares under APRA	Number of shares awarded 2007	Number of shares awarded 2006
Outstanding at January 1	17,162	20,515
Awarded during the year	5,981	6,208
Vested during the year	(10,954)	(9,561)
Outstanding at December 31	12,189	17,162

Options were exercised on a regular basis during the year The average share price during the year was **510p** (2006 439p)

Fair values

The weighted average fair values for PSP awards, ShareSave grants, APRA deferred share awards, and SIP Free Share awards made during the year are as follows

	2007 Pence	2006 Pence	2005 Pence	2004 Pence	2003 Pence
PSP	557p	494p	282p	249p	-
ShareSave - 3 year	230p	-	131p	-	61p
ShareSave - 5 year	264p	-	154p	-	71p
ESOP	-	-	-	-	22 7p
APRA deferred share awards	502p	448p	448p	220p	-

Details of the assumptions used in the calculation of these fair values are set out below Expected volatility was based on the historical volatility of Rolls-Royce Group plc share price over the seven years prior to the grant or award date Expected dividends were based on payments to shareholders over the five years prior to the grant or award date

PSP awards

The fair value of the shares awarded under the PSP are calculated using the market value of the shares at the time of the award, adjusted to take into account non-entitlement to dividends during the vesting period and the TSR performance condition The PSP fair values were calculated using the following assumptions

	2007 Pence	2006 Pence	2005 Pence	2004 Pence
Weighted average share price	501p	444p	262p	233p
Expected dividends	8 30p	7 92p	7 81p	7 61p
Volatility	29%	32%	34%	35%
Correlation	26%	19%	19%	22%
Expected Life	3 years	3 years	3 years	3 years
Risk free interest rate	5 2%	4 3%	4 9%	5 2%

The PSP has a TSR market-based performance condition, such that the Rolls-Royce Group plc TSR over the performance period will be compared with the TSR of the companies constituting the FTSE 100 index on the date of grant If the Rolls-Royce Group plc TSR exceeds the median TSR of the FTSE 100, the number of shares that vest will be increased by 25 per cent The fair value of an award of shares under the PSP has been adjusted to take into account this market-based performance condition using a pricing model based on expectations about volatility and the correlation of share price returns in the group of FTSE 100 companies and which incorporates into the valuation the interdependency between share price performance and TSR vesting This adjustment increases the fair value relative to the share price at the date of grant

6 Share based payments (continued)

ShareSave awards

The fair value of options granted under the ShareSave plan are calculated using a binomial pricing model with the following assumptions (no options were granted in 2006)

		2005	2003
Weighted average share price		351p	173p
Exercise price		298p	142p
Volatility		40%	43%
Expected dividends		7 86p	7 61p
Expected life [1]	- 3 year ShareSave	3 3-3 8 years	3 2-3 7 years
	- 5 year ShareSave	5 3-5 8 years	5 2-5 7 years
Close periods			
	From January 1	6 weeks	6 weeks
	From July 1	1 month	1 month
Risk free interest rate		4 4%	4 6%

[1] The binomial pricing model assumes that participants will exercise options at the beginning of the six month window if the share price is greater than the exercise price Otherwise it assumes that options are held until the expiration of their contractual term This results in an expected life that falls somewhere between the start and end of the exercise window

Deferred shares under APRA and Free Shares under SIP

The fair value of shares awarded under these plans is calculated as the share price on the date of award

7 Tangible fixed assets

	Fixtures and fittings £000
Cost or valuation	
At 1 January 2007	1,027
Disposals in the year	(1,027)
At 31 December 2007	-
Depreciation	
At 1 January 2007	995
Charge for the year	32
Disposals in the year	(1,027)
At 31 December 2007	-
Net book value	
At 31 December 2007	-
At 31 December 2006	32

8 Fixed asset investments

Principal investments

The company has investments in the following subsidiary undertakings and joint ventures

	Country of incorporation or principal business address	Holding*	%
Subsidiary undertakings			
RRPV Overseas Ltd	UK	*	100
Pacific Marine Industrial Corporation Inc	Saipan		100
RRPV Inc	USA	*	100
RRPV Limitada	Brazil	*	100

*Held directly by Rolls-Royce Power Ventures Limited

The Directors of the Company are of the opinion that to disclose all undertakings would lead to a statement of excessive length Advantage has therefore been taken of the exemption to disclose only those undertakings whose results or financial position principally affect profit or net assets in the Company's accounts A list of all subsidiary undertakings will be included in the Company annual return to Companies House

All subsidiaries are concerned with the development and management of power projects All subsidiaries have an accounting reference date of 31 December

Subsidiary undertakings

	£000
Cost	
At 1 January 2007	54,482
Additions	13,378
Disposals	(51,082)
Investments written off	(13,485)
At 31 December 2007	3,293

9 Debtors

	2007 £000	2006 £000
Amounts falling due within one year		
Trade debtors		
Amounts owed by subsidiary undertakings	7,585	28,432
Amounts owed by group undertakings	-	55
Amounts owed by joint ventures	-	1,340
Amounts owed by third parties	429	1,224
Group relief receivable	-	1,046
VAT	-	24
Other debtors	375	68
Prepayments and accrued income	-	108
	8,389	32,297
Amounts falling due after more than one year		
Deferred tax	-	565
Amounts owed by group undertaking	47,236	-
Deferred development expenditure	-	223
	47,236	788
	55,625	33,085

10 Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	-	163
Amounts owed to subsidiary undertakings	363	263
Amounts owed to group undertakings	-	1,336
Corporation tax	-	520
Other taxation and social security	-	-
Accruals and deferred income	-	906
	363	3,188

11 Deferred tax

	2007 £000
At beginning of year	(565)
Amount debited to profit and loss account	565
At end of year	-

Deferred tax is analysed as follows

	2007 £000	2006 £000
Accelerated capital allowances	-	(79)
Other timing differences	-	(486)
	-	(565)

12 Share capital

	2007 £000	2006 £000
Authorised		
100,000,000 ordinary 'A' shares of US$1 each	51,099	51,099
48,000,000 ordinary 'B' shares of US$1 each	24,527	24,527
1000 ordinary 'C' shares of £1 each	1	1
	75,627	75,627
Allotted, called-up and fully-paid		
99,948,998 ordinary 'A' shares of US$1 each	51,073	51,073
50,000 ordinary 'B' shares of US$1 each	25	25
2 ordinary 'C' shares of £1 each	0	0
	51,098	51,098

13 Reserves

	Profit and loss account £000
Balance at 1 January 2007	50,303
Loss for the financial year	(23,941)
FRS 20 Share based payment adjustment	204
At 31 December 2007	26,566

14 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Opening shareholders' funds as previously stated	101,401	122,841
Profit/(loss) for the financial year	(23,941)	(7,006)
Share based payment adjustment	204	225
Exchange difference arising on change in functional currency	-	(14,659)
Closing shareholders' funds	77,664	101,401

15 Financial commitments

Capital commitments at the end of the financial year for which no provision has been made are nil (2006 nil)

Annual commitments under non-cancellable operating leases are as follows

	2007	2006
	Land and buildings £000	Land and Buildings £000
Expiry date		
- within one year	-	-
- between two and five years	-	-
- after five years	-	505
	-	505

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

16 Pension arrangements

The Company is a participating employer of The Rolls-Royce Pension Fund and Rolls-Royce Group Pension Scheme, which are multi-employer defined benefit schemes The assets of the schemes are held in separate funds administered by trustees and invested in them independently of the finances of the Group The schemes are funded by annual contributions from

a) the company
b) scheme members

The employer is unable to identify the share of the underlying assets and liabilities of the schemes and in accordance with FRS 17 Retirement Benefits, has accounted for contributions as if the schemes were defined contribution schemes

On this basis, the amount of employer contributions for 2007 was £202k (2006 £209k) The balance included within other creditors at year end is £nil (2006 £18k)

The FRS 17 disclosure relating to the schemes is given in the group financial statements of Rolls-Royce plc

The company also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £8k (2006 £10k)

17 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group companies

18 Ultimate Parent 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 the results of the Company 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