

Registration number: 00003543

Vinters Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Vinters Engineering Limited
Contents

	Page
Company Information	1
Strategic Report	2
Directors’ Report	5
Independent auditors’ report to the members of Vinters Engineering Limited	8
Income Statement	12
Statement of Comprehensive Income	13
Balance Sheet	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16

Vinters Engineering Limited

Company Information

Directors	Bryony French Tiziana Iacolino
Registration number	00003543
Registered office	Rolls-Royce plc Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

Vinters Engineering Limited

Strategic Report

for the year ended 31 December 2022

The Directors present their Strategic Report on Vinters Engineering Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are the production, repair, and overhaul of power generation, transmission and conversion equipment for military and commercial markets. The Company also acts as a holding company.

Business review

The financial position of the Company at 31 December 2022 is shown in the Balance Sheet on page 14, with the results shown in the Income Statement on page 12.

In 2022, revenue increased to £10,398,000 (2021: £9,022,000) largely as a result of an increase in sales to another Rolls-Royce Holdings plc group joint venture in relation to the Field Electrical Power Supplies (FEPS) contract. Cost of sales decreased to £5,670,000 (2021: £6,086,000) due to fewer FEPS repairs and overhauls.

Profit before taxation was £7,058,000 (2021: £3,717,000). The financial performance improved in 2022 due to a favourable movement on the Industrial Diseases provision resulting in £4,447,000 of the provision being released in 2022.

The net assets at 31 December 2022 were £13,111,000 (2021: £7,370,000). The main driver behind the increase in net assets was due to the release of the Industrial Diseases provision of £4,447,000 (2021: £1,836,000).

Key performance indicators

The key performance indicators monitored by the business were as follows:

	2022	2021
	£ 000	£ 000
Revenue	10,398	9,022
Profit before taxation	7,058	3,717
Net assets	13,111	7,370

Given the nature of the Company's activities, the Directors believe that no further key performance indicators are necessary, or appropriate, for an understanding of the Company's specific development, performance or the position of its business.

Principal risks and uncertainties

The Group has an established and structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 23. The Company acts in accordance with this policy to manage and mitigate the risks identified below.

Vinters Engineering Limited

Strategic Report

for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

The Directors have determined that the principal risks and uncertainties facing the Company are as follows:

Political

The Company trades with various government bodies and carries out some work on a contract basis, sometimes with no specific guarantee of involvement in future contracts.

The Company is therefore potentially exposed to shifting political sentiment, although the Directors believe the Company's long and lasting relationships with these government bodies means there is limited risk of a wholesale impact on revenue streams.

Industrial Diseases Provision

The Company makes provision for an industrial diseases liability resulting from businesses previously owned by the Group. Each year the Company obtains an independent actuarial review of claims made. The Directors of the Company assess the provision for reasonableness in conjunction with the above report and all other information available.

Climate change

The Directors have considered the potential impact of climate change when preparing the Financial Statements and whether climate change should be considered to be a principal risk to the Company. The Company operates as part of the Group, which recognises the urgency of the climate challenge and has committed to net zero carbon by 2050. The principal risk to meeting these commitments is the need to transition products and services to a lower carbon economy.

Impact of inflation

The Company continues to monitor escalating inflation across the UK and broader worldwide markets. The Directors remain confident that there are plans in place to mitigate and recover these incremental costs and will continue to work with the direct and indirect supply base to minimise the impact and to source alternatives where appropriate.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- and
- need to act fairly between members of the company.

To discharge their Section 172 duties the Company's Directors had regard to the factors set out above in making the principal decisions taken by the Company.

The Company has a range of key stakeholders including employees, external suppliers, investors and customers. Communication with both key suppliers and customers occurs on a regular basis. Engagement with the main customer, the UK Ministry of Defence, occurs throughout all levels of the business, including senior stakeholders which takes into account important events that may affect the way business is delivered, contract status updates and people related changes. Management engage with suppliers through review boards and regular performance and compliance meetings.

Vinters Engineering Limited
Strategic Report
for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2022.

There is regular engagement within the Group on employee-related matters, which is taken into account during the Company's decision making. Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in Board decision-making. All employees are invited to participate in an annual employee engagement survey, provided by Gallup, which is taken into account in the Company's decision making.

The Directors consider business relationships with the Company's wider stakeholders. The impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year. As a Group Company, the Company complies and acts in accordance with the Group's policies in relation to the safeguarding of human rights and the community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 23.

Climate-related corporate reporting

The Company adopts the policies and frameworks set by the Group which include the sustainability measures set out in the Rolls-Royce Holdings plc Annual Report on pages 30 to 36. The Company is aligned to the objectives of the Group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment, including [X] and other transitional commitments.

Streamlined Energy & Carbon Reporting (SECR)

The Company is a subsidiary of the Group and therefore the SECR disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc Annual Report on page 200. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board and signed on its behalf on 29 June 2023 by:

DocuSigned by:

 E38BFDB481894E6...

 Tiziana Iacolino
 Director

Vinters Engineering Limited

Directors' Report

for the year ended 31 December 2022

The Directors present their Directors Report on the Company together with the Strategic Report and audited Financial Statements for the year ended 31 December 2022.

Directors

The Directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

Bryony French
Tiziana Iacolino

Qualifying third-party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of the approval of the Annual Report and Financial Statements.

Results and dividends

The profit after taxation for the year ended 31 December 2022 amounted to £5,696,000 (2021: £3,349,000 profit).

The Directors do not recommend the payment of a dividend (2021: £nil).

Future developments

The Company is tracking the progress of several opportunities in the traditional land defence sector, in addition to new opportunities within adjacent markets. The current Field Electrical Power Supplies (FEPS) and Future Power contracts will be replaced with Field Electrical Power Supplies – Support (FEPS-S) and Tactical Power Support (TPS) contracts respectively. These will be competitively tendered contracts due to be awarded in 2023 by the UK Ministry of Defence (MOD).

Financial risk management

The following financial risks are considered key by the Directors:

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for impairment. The main customers of the Company are in the Defence sector and have a history of paying to terms and therefore the risk of default is considered low. The Company reviews the aging of balances on a monthly and adjusts for provisioning where considered appropriate.

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these Financial Statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis.

Vinters Engineering Limited

Directors' Report

for the year ended 31 December 2022 (continued)

Subsidiary distributions

As part of a Rolls-Royce Holdings plc group wide corporate simplification exercise, intercompany loan waivers were undertaken by dormant subsidiaries of the Company prior to their strike off in 2018 and in preceding years. The Company received dividends in specie resulting from the waiver of amounts owed by the Company to these dormant subsidiaries in respect of £72,800,000. Subsequently, it has been determined that the distributions made to the Company were not strictly permissible by law as there were insufficient distributable reserves available in the dormant subsidiaries at the point the transactions occurred. In this situation, the Company is liable to repay the distributions not strictly permissible by law due to there being insufficient distributable reserves in the dormant subsidiaries of £64,200,000.

The relevant subsidiary undertakings (the Subsidiaries) were restored to the Register of Companies in 2021. During 2022, the Subsidiaries completed capital reductions to create additional distributable reserves and relied on those reserves to approve the distributions. Having received external legal advice, the Directors of the Company consider that, having taken these necessary steps, the risk of any liability materialising was remote, and therefore no liability was recognised as at 31 December 2021 and, as the position has now been regularised, no liability exists at 31 December 2022.

Engagement with suppliers, customers, and others

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172 Statement in the Strategic Report (see page 3).

The Company's activities affect a wide range of stakeholders and the Company engages with these stakeholders and listens to their differing inputs and priorities as an everyday part of its business and uses the input and feedback to form its decision-making process. The Company utilises various engagement methods with its customers which include regular customer engagement meetings at both Director and management level.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they 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 the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Vinters Engineering Limited

Directors' Report for the year ended 31 December 2022 (continued)

Statement of Directors' responsibilities in respect of the Financial Statements (continued)

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board and signed on its behalf on 29 June 2023 by:

DocuSigned by:
Tiziana Iacolino
E38BFDB481894E6...

.....
Tiziana Iacolino

Director

Vinters Engineering Limited

Independent Auditors' Report to the members of Vinters Engineering Limited

Report on the audit of the Financial Statements

Opinion

In our opinion, Vinters Engineering Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Vinters Engineering Limited

Independent Auditors' Report to the members of Vinters Engineering Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the Financial Statements and the audit

Responsibilities of the directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Vinters Engineering Limited

Independent Auditors' Report to the members of Vinters Engineering Limited

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial results; management bias in accounting estimates; and in appropriate treatment of significant transactions outside of the normal course of business. Audit procedures performed by the engagement team included:

- Discussions with management in respect of any known or suspected instances of non-compliance with laws and regulation and any fraud matters;
- Challenging assumptions and judgements made by management for evidence of bias in determining significant account estimates including those related to long-term contract accounting;
- Identifying and testing unusual journal entries, in particular those posted with unusual account combinations such as those increasing revenue or those reducing expenditure; and
- Gaining an understanding and testing any significant transactions outside of the normal course of business
- Reviewing minutes of meetings of those charged with governance

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Vinters Engineering Limited

Independent Auditors' Report to the members of Vinters Engineering Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

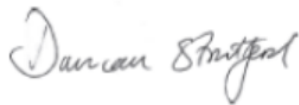
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
30 June 2023

Vinters Engineering Limited
Income Statement
for the year ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	3	10,398	9,022
Cost of sales		<u>(5,670)</u>	<u>(6,086)</u>
Gross profit		4,728	2,936
Administrative expenses		<u>(2,209)</u>	<u>(1,079)</u>
Operating profit	4	2,519	1,857
Other operating income	8	4,447	1,836
Finance income	9	<u>92</u>	<u>24</u>
Profit before taxation		7,058	3,717
Tax on profit	10	<u>(1,362)</u>	<u>(368)</u>
Profit for the financial year		<u>5,696</u>	<u>3,349</u>

The above results were derived from continuing operations.

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Vinters Engineering Limited
Statement of Comprehensive Income
for the year ended 31 December 2022

	2022 £ 000	2021 £ 000
Profit for the financial year	<u>5,696</u>	<u>3,349</u>
Total comprehensive income for the year	<u>5,696</u>	<u>3,349</u>

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Vinters Engineering Limited
Balance Sheet
as at 31 December 2022
(Registration number: 00003543)

	Note	2022 £ 000	2021 £ 000
Non-current assets			
Property, plant and equipment	11	3,267	3,359
Investments	12	32,245	32,245
		35,512	35,604
Current assets			
Inventories	13	2,717	2,082
Trade and other receivables	14	31,526	33,999
Contract assets	15	–	138
Cash and cash equivalents		8,903	5,994
		43,146	42,213
Current liabilities			
Trade and other payables	16	(51,491)	(51,447)
Contract liabilities	15	(1,696)	(2,185)
Provisions for liabilities	19	(589)	(288)
		(53,776)	(53,920)
Net current liabilities		(10,630)	(11,707)
Total assets less current liabilities		24,882	23,897
Non-current liabilities			
Deferred tax liabilities	10	(369)	(379)
Provisions for liabilities	19	(11,402)	(16,148)
Net assets		13,111	7,370
Equity			
Called up share capital	20	171,649	171,649
Share premium		65,083	65,083
Other reserves		8,463	8,418
Accumulated losses		(232,084)	(237,780)
Total equity		13,111	7,370

The Financial Statements were approved and authorised for issue by the Board and signed on its behalf on 29 June 2023 by:

DocuSigned by:

E38BFDB481894E6...
Tiziana Iacolino
Director

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Vinters Engineering Limited
Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2022	171,649	65,083	8,418	(237,780)	7,370
Profit for the financial year	-	-	-	5,696	5,696
Total comprehensive income	-	-	-	5,696	5,696
Transactions with owners in their capacity as owners					
Share-based payments - direct to equity	-	-	45	-	45
At 31 December 2022	171,649	65,083	8,463	(232,084)	13,111

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2021	171,649	65,083	8,404	(241,129)	4,007
Profit for the financial year	-	-	-	3,349	3,349
Total comprehensive income	-	-	-	3,349	3,349
Transactions with owners in their capacity as owners					
Share-based payments - direct to equity	-	-	14	-	14
At 31 December 2021	171,649	65,083	8,418	(237,780)	7,370

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Vinters Engineering Limited

Notes to the Financial Statements for the year ended 31 December 2022

1 General information

The Company is a private Company limited by shares and incorporated, registered and domiciled in the East Midlands, United Kingdom.

The principal activities of the Company are the production, repair and overhaul of power generation, transmission and conversion equipment for military and commercial markets. The Company also acts as a holding Company.

The address of its registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

The principal place of business is Barlow Drive, Winsford, Cheshire, CW7 2JZ.

2 Significant accounting policies

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, '*Reduced Disclosure Framework*' (FRS 101). The Financial Statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006.

In these Financial Statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The following paragraphs of IAS 1, *Presentation of Financial Statements*:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures);
- IAS 7, *Statement of cash flows*;
- Paragraphs 30 and 31 of IAS 8, *Accounting policies, changes in accounting estimates and error* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- IFRS 7, *Financial Instruments: Disclosures*;
- Paragraph 38 of IAS 1, *Presentation of Financial Statements* – comparative information requirements in respect of:
 - paragraph 73(e) of IAS 16, *Property, plant and equipment*; and
 - paragraph 118(e) of IAS 38, *Intangible assets* (reconciliations between the carrying amount at the beginning and end of the period);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a), 120 to 127 and 129 of IFRS 15, *Revenue from Contracts with Customers*;
- Paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- The requirements in IAS 24, *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- IFRS 16 *Leases*:
 - For Lessors – Exemption from the requirements of the second sentence of paragraph 89, and paragraphs 90, 91 and 93, is available when IFRS 16 applies; and
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation).

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the Company's Financial Statements.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Going concern

The Financial Statements have been prepared on a going concern basis. The Directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these Financial Statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are as follows:

Key sources of estimation uncertainty - Industrial Diseases liability provision

This provision relies on assumptions and estimates used by the external actuaries in calculating the likely provision required for industrial diseases liabilities. These assumptions include discount rates, assessment of inflation and the number of future claims. The outstanding provision at 31 December 2022 is £11,902,000 (2021: £16,348,000) as £4,447,000 has been released in 2022 (2021: £1,836,000 released).

Key sources of estimation uncertainty - Long term contracts

Key estimates in the business relate to the contract trading positions. Profit traded on long term contracts is based on the contract margin forecast at completion and the stage of completion of the contract. Forecast costs to completion are based upon estimates of costs to complete over the remaining contract life, which are subject to contract reviews and the process that underpins the reviews. During the year, changes in estimate resulted in an adjustment of £381,000 (2021: £1,769,000).

Critical accounting judgement - Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other Companies in the Group. In the judgement of the Directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligations and plan assets and therefore the scheme is accounted for as a defined contribution scheme (see note 17 for further details).

Subsidiary distributions

As part of a Rolls-Royce Holdings plc group-wide corporate simplification exercise, intercompany loan waivers were undertaken by dormant subsidiaries of the Company prior to their strike off in 2018 and in preceding years. The Company received dividends in specie resulting from the waiver of amounts owed by the Company to these dormant subsidiaries in respect of £72,800,000. Subsequently, it has been determined that the distributions made to the Company were not strictly permissible by law as there were insufficient distributable reserves available in the dormant subsidiaries at the point the transactions occurred. In this situation, the Company is liable to repay the distributions not strictly permissible by law due to there being insufficient distributable reserves in the dormant subsidiaries of £64,200,000.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Subsidiary distributions (continued)

The relevant subsidiary undertakings (the Subsidiaries) were restored to the Register of Companies in 2021. During 2022, the Subsidiaries completed capital reductions to create additional distributable reserves and relied on those reserves to approve the distributions. Having received external legal advice, the Directors of the Company consider that, having taken these necessary steps, the risk of any liability materialising was remote, and therefore no liability was recognised as at 31 December 2021 and, as the position has now been regularised, no liability exists at 31 December 2022.

Exemption from preparing group accounts

The Financial Statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of a group parent, Rolls-Royce plc, a company incorporated in United Kingdom, which are publicly available. The address of the parent company's registered office is set out in note 23.

Currency transactions and balances

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the goods supplied recognised at a point in time, stated net of value added taxes.

The Company splits its Future Power Contractor Logistics Support (CLS) contract into two performance obligations (one "over time", the other "point in time"). The Company also has other contracts where revenue is either recognised over time or at a point in time. Under IFRS 15, where a performance obligation is satisfied over time, revenue is recognised on an activity basis using the costs incurred as the measure of the activity, the Future Power CLS contract is the only significant contract recognised over time.

Revenue is recognised when services have been provided to the customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenue when (or as) each performance obligation is satisfied.

Sales of goods in the Income Statement are recognised by the Company when control of the goods has been transferred, being when the customer takes possession of the goods and that all performance obligations have been fulfilled.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Revenue recognition (continued)

The contracts held by the Company relate to continued logistical support service, repair work and occasional specific development, as such returns are not a feature. The transaction price for the contracts are either derived from the value of the fixed price contract, or for Future Power CLS, will be the fixed price element together with the variable element as per the latest forecasts.

The Company receives payment under a pre-defined payment plan agreed at the start of each contract. For the largest contract, Future Power CLS, payment is predefined as a series of equal monthly payments with an annual adjustment to allow for a 'Total Cost Incentive Fee'. Payments due to the Company for smaller contracts are triggered by set milestones in the contracts.

Progress payments received, when greater than recorded revenue on a contract, are classified as contract liabilities, representing the Company's outstanding performance obligation in respect of the contract. The amount by which the recorded revenue on a contract is in excess of payments on account is classified as a contract asset, represent the Company's right to consideration for completed performance under the contract.

Finance income and costs

Interest receivable/payable is credited/charged to the income statement using the effective interest method.

Tax on profit/(loss)

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised in equity or other comprehensive income is also recognised directly in equity or other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any provision for impairment in value.

Depreciation

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment and right-of-use assets over their estimated useful lives.

Asset class	Depreciation method and rate
Freehold buildings	40 years
Plant and machinery	15 years

Assets under construction are not depreciated.

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Vinters Engineering Limited

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued Investments)

Investments

Investments held as non-current assets are shown at cost less accumulated impairment losses.

Impairment of non-financial assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets*. Intangible assets that are not yet available for use are tested for impairment annually. Other intangible assets and property, plant and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the cash-generating unit to which the asset belongs.

Inventories

Inventory 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, including depreciation of property, plant and equipment, that have been incurred in bringing the inventory 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.

Financial assets and liabilities

Classification

Financial assets

Financial assets primarily include trade receivables and cash and cash equivalents (comprising cash at bank). These financial assets are calculated as follows:

- Trade receivables are classified as held to collect and measured at amortised cost; and
- Cash and cash equivalents are subject to low market risk. Cash balances are measured at fair value through profit and loss (FVPL).

Financial liabilities

Financial liabilities primarily consist of trade payables and are classified and measured at amortised cost.

Impairment

IFRS 9 *Financial Instruments* sets out the basis for the accounting of expected credit losses (ECLs) on financial assets and contract assets resulting from transactions within the scope of IFRS 15. The Company has adopted the simplified approach to provide for ECLs, measuring the lifetime loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. These are incorporated in the simplified model adopted by using credit ratings which are publicly available or through internal risk assessments derived using customer's latest available financial information. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. ECLs are calculated for all financial assets in scope, regardless of whether or not they are overdue.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Contract assets and liabilities

Contract assets, mainly comprising of accrued income, primarily relate to the Company's right to consideration for work completed but not yet invoiced at the reporting date in accordance with IFRS 15. Contract liabilities, mainly comprising of deferred income, primarily relate to the consideration received from customers in advance of transferring goods or services.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less, or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Defined benefit pension obligation

The Company participates in a Group-wide pension scheme providing benefits based on final pensionable pay.

The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 *Employee Benefits*, accounts for the scheme as if it were a defined contribution scheme.

As a result the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. The scheme closed to future accrual on 31 December 2020 and as such, no further contributions are expected.

Further disclosure relating to the scheme is given in the consolidated Financial Statements of Rolls-Royce Holdings plc, which can be obtained from the address in note 23 of these Financial Statements.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, 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.

Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Share-based payments

The parent Company on behalf of the 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. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest, except where additional shares vest as a result of the Total Shareholder Return (TSR) performance condition in the Performance Share Plan.

The costs of these share-based payments are treated as a capital contribution from the parent Company. Any payments made by the Company to its 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 plans - using the binomial pricing model; and
- ii) Long-term incentive plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the TSR market-based performance conditions if applicable.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Interim dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are paid by the Company's shareholders.

Rounding of amounts

All amounts in the Financial Statements have been rounded to the nearest thousand Pound Sterling unless otherwise stated.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

3 Revenue

The analysis of the Company's revenue for the year is as follows:

	2022 £ 000	2021 £ 000
Over time	4,680	4,296
Point in time	5,718	4,726
	<u>10,398</u>	<u>9,022</u>

All revenue is derived from sales in the United Kingdom.

4 Operating profit

Arrived at after charging:

	2022 £ 000	2021 £ 000
Inventory recognised as an expense	1,903	2,044
Depreciation expense (see note 11)	<u>126</u>	<u>130</u>

5 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	2,170	1,950
Social security costs	266	209
Share-based payment expenses	45	14
Other pension costs	<u>200</u>	<u>200</u>
	<u>2,681</u>	<u>2,373</u>

The monthly average number of persons, including Directors, employed by the Company during the year was as follows:

	2022 No.	2021 No.
Salaried staff	41	41
Weekly paid	<u>4</u>	<u>4</u>
	<u>45</u>	<u>45</u>

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

6 Directors' remuneration

All Directors fees or emoluments were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Directors of the Company cannot be reliably estimated. No charge has been made in the current or prior year for the service of Directors.

7 Auditors' remuneration

The fee for the audit of the Company Financial Statements for the year ended 31 December 2022 is £91,000 (2021: £80,000) and were paid by Rolls-Royce plc and not recharged.

No (2021: no) amounts were paid to the Company's auditors for non-audit services.

8 Other operating income

	2022 £ 000	2021 £ 000
Reversal to income statement on provision	4,447	1,836
	<u>4,447</u>	<u>1,836</u>

The reversal of the provision relates to the industrial diseases liability provision resulting from businesses previously owned by the Group. In 2022, £4,447,000 was credited (2021: £1,836,000) to the income statement following an annual independent actuarial review of claims made in respect of the above. This can be seen in note 19.

9 Finance income

	2022 £ 000	2021 £ 000
Release of impairment of amounts due from group undertakings	–	24
Other interest receivable	92	–
	<u>92</u>	<u>24</u>

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

10 Tax on profit

Tax charged in the Income Statement:

	2022 £ 000	2021 £ 000
Current tax		
Group relief payable at 19% (2021: 19%)	1,372	729
Foreign tax on income for previous periods	–	(460)
	<u>1,372</u>	<u>269</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(29)	(33)
Adjustments in respect of an increase in the tax rate	–	88
Adjustments in respect of prior periods	19	44
Total deferred taxation	<u>(10)</u>	<u>99</u>
Tax expense in the income statement	<u>1,362</u>	<u>368</u>

The tax on profit before tax for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit/(loss) before taxation	<u>7,058</u>	<u>3,717</u>
Corporation tax at standard rate of 19% (2021: 19%)	1,341	706
Adjustments in respect of prior periods	19	44
Expenses not deductible/(income not taxable)	9	(2)
Foreign tax on income for previous periods	–	(460)
Increase in tax from adjustment for prior periods	–	88
Tax rate differential on temporary differences	<u>(7)</u>	<u>(8)</u>
Total tax charge	<u>1,362</u>	<u>368</u>

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

10 Tax on profit (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2022 £ 000	Recognised as DTA £ 000	Recognised as DTL £ 000
Accelerated capital allowances	(399)	33	–	(366)	–	(366)
Other temporary differences	20	(23)	–	(3)	–	(3)
Net tax liabilities	(379)	10	–	(369)	–	(369)

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000	Recognised as DTA £ 000	Recognised as DTL £ 000
Accelerated capital allowances	(305)	(94)	–	(399)	–	(399)
Other temporary differences	25	(5)	–	20	–	20
Net tax liabilities	(280)	(99)	–	(379)	–	(379)

Other temporary differences above relate to adjustments in respect of prior years.

The deferred tax liability has been recognised to the extent that the Company expects to make sufficient taxable profits against which it could be offset in future years.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

11 Property, plant and equipment

	Freehold land and buildings £ 000	Plant and machinery £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 January 2022	4,062	2,268	541	6,871
Additions	–	–	34	34
At 31 December 2022	<u>4,062</u>	<u>2,268</u>	<u>575</u>	<u>6,905</u>
Accumulated depreciation				
At 1 January 2022	1,390	2,122	–	3,512
Charge for the year	78	48	–	126
At 31 December 2022	<u>1,468</u>	<u>2,170</u>	<u>–</u>	<u>3,638</u>
Carrying amount				
At 31 December 2022	<u>2,594</u>	<u>98</u>	<u>575</u>	<u>3,267</u>
At 31 December 2021	<u>2,672</u>	<u>146</u>	<u>541</u>	<u>3,359</u>

Depreciation of £126,000 (2021: £130,000) is included in cost of sales in the income statement.

Included within freehold land and buildings is non-depreciable land with a cost of £1,068,000 (2021: £1,068,000).

At 31 December 2022 the Company was committed to capital expenditure of of £11,000 (2021: £19,000).

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

12 Investments

	Total £ 000
Subsidiaries	
Cost	
At 1 January and 31 December 2022	<u>369,600</u>
Provision for impairment	
At 1 January and 31 December 2022	<u>337,355</u>
Carrying amount	
At 31 December 2022	<u>32,245</u>
At 31 December 2021	<u><u>32,245</u></u>

In accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the Company's investment in subsidiaries is reviewed for indicators of impairment on an annual basis. At 31 December 2022, the Directors assessed the impact of new potential indicators of impairment and concluded that there was no (2021: no) risk of impairment.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

12 Investments (continued)

As at 31 December 2022, the companies listed below and on the following pages are indirectly held by the Company except for Brown Brothers & Company, Limited, Powerfield Limited, Ross Ceramics Limited, Timec 1487 Limited, Vinters Defence Systems Limited, Vinters International Limited and Vinters-Armstrongs (Engineers) Limited which are 100% directly owned by the Company. The financial year end of each company listed below is 31 December unless otherwise indicated.

Company name	Share class	Address	% Holding 2022
Brown Brothers & Company Limited	Ordinary	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, Fife, KY11 9JT, Scotland	100%
Karl Maybach-Hilfe GmbH	Capital Stock	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
Kinolt Immo SA	Ordinary	Rue de l'Avenir 61, 4460, Grace-Hollogne, Belgium	100%
Kinolt Immobilien SA	Ordinary	Rue de l'Avenir 61, 4460, Grace-Hollogne, Belgium	100%
Kinolt Sistemas de UPS SpA	Ordinary	Bucarest No 17 Oficina, No 33, Previdencia, Santiago, Chile	100%
Kinolt Trading and Contracting LLC	Ordinary	REGUS Service Office, Office No. 1034, Shoumoukh Tower, 10 th Floor, Tower B, C-Ring Road, Al Sadd, PO Box 207207, Doha, Qatar	49%
Kinolt UK Limited	Ordinary	London ¹	100%
LLC Rolls-Royce Solutions Rus	Ordinary	Shabolovka Street 2, 119049, Moscow, Russian Federation	100%
MTU India Private Limited ²	Ordinary	6th Floor, RM2 Galleria S/Y No. 144 Bengalura, Bangalore, Kamataka 560,064, India	100%

Vinters Engineering Limited

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

12 Investments (continued)

Company name	Share class	Address	% Holding 2022
MTU Polska Sp. Z.o.o.	Ordinary	Ul. Lekka 3., Lokal U4. Raum, PLZ: 01-910, Ort: Warszawa, Poland	100%
No Break Power Limited ³	Ordinary	Unit 29 Birches Industrial Estate, East Grinstead, RH19 1XZ, England	100%
Powerfield Limited ³	Ordinary	Derby ⁴	100%
PT Rolls Royce Solutions Indonesia	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia	100%
Rolls-Royce Japan Co., Ltd	Ordinary	31 Floor, Kasumigaseki building, Chiyoda-Ku, Tokyo 100-6031, Japan	100%
Rolls-Royce Power Systems AG	Ordinary	1 Maybachplatz, 88045, Friedrichshafen, Germany	100%
Rolls-Royce Solutions (Suzhou) Co. Ltd.	Ordinary	9 Long Yun Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China	100%
Rolls-Royce Solutions Africa (Pty) Ltd	Capital Stock	36 Marconi Street, Montague Gardens, Cape Town, 7441, South Africa	100%
Rolls-Royce Solutions America Inc.	Ordinary	251 Little Falls Drive, Wilmington Delaware 19808, United States	100%
Rolls-Royce Solutions Asia Pte. Ltd.	Ordinary	10 Tukang Innovation Drive, Singapore 618302	100%
Rolls-Royce Solutions Augsburg GmbH	Capital Stock	Dasinger Strasse 11, 86165, Augsburg, Germany	100%
Rolls-Royce Solutions Berlin GmbH	Common, Seed Preferred, Series A Preferred	Villa Rathenau, Wilhelminenhofstrasse 75 12459, Berlin, Germany	100%
Rolls-Royce Solutions Benelux BV.	Ordinary	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%
Rolls-Royce Solutions Brasil Limitada	Quotas	Via Anhanguera, KM 29203, 05276-000 Sao Paulo – SP Brazil	100%
Rolls-Royce Solutions Enerji Deniz Ve Savunma Anonim Şirketi	Ordinary	Hatira Sokak, No. 5, Omerli Mahellesi, 34555 Arnavutköy, Istanbul, Turkey	100%

Vinters Engineering Limited

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

12 Investments (continued)

Company name	Share class	Address	% Holding 2022
Rolls-Royce Solutions France S.A.S	Ordinary	Immeuble Colorado, 8/10 rue de Rosa Luxembourg-Parc des Bellevues, 95610 Eragny-sur-Oise, France	100%
Rolls-Royce Solutions GmbH	Capital Stock	Maybachplatz 1, 88045 Friedrichshafen, Germany	100%
Rolls-Royce Solutions Hong Kong Ltd	Ordinary	No.8 Hart Avenue, Unit D, 8th Floor, Tsim Sha Tsui, Kowloon, Hong Kong	100%
Rolls-Royce Solutions Ibérica s.l.u	Ordinary	Calle Copérnico 26-28, 28823 Coslada, Madrid, Spain	100%
Rolls-Royce Solutions Israel Ltd	Ordinary	4 Ha'Alon Street, South Building, Third Floor, 4059300 Kfar Neter, Israel	100%
Rolls-Royce Solutions Italia S.R.L.	Capital Stock	Via Aurelia Nord, 328, 19021 Arcola (SP), Italy	100%
Rolls-Royce Solutions Japan Co. Limited	Ordinary	Resorttrust Building 4-14-3, Nishitenma Kita-ku, Osaka 530-0047, Japan	100%
Rolls-Royce Solutions Korea Limited	Ordinary	22nd Floor, Olive Tower, 41 Sejongdaero 9 gil, Junggu, 100-737, Seoul, Republic of Korea	100%
Rolls-Royce Solutions Liège Holding S.A.	Ordinary	Rue de l'Avenir 61, 4460, Grace-Hollogne, Belgium	100%
Rolls-Royce Solutions Liège S.A.	Ordinary	Rue de l'Avenir 61, 4460, Grace-Hollogne, Belgium	100%
Rolls-Royce Solutions Magdeburg GmbH	Capital Stock	Friedrich-List-Strasse 8, 39122 Magdeburg, Germany	100%
Rolls-Royce Solutions Mexico City S.A. de C.V.	Common Shares	Xochicalco 620, Colonia Letran Valle, Delegacion Benito Juarez, Mexico City 03650, Mexico	100%
Rolls-Royce Solutions Middle East FZE	Ordinary	S3B5SR06, Jebel Ali Free Zone, South P.O. Box 61141, Dubai, United Arab Emirates	100%
Rolls-Royce Solutions Ruhstorf GmbH	Capital Stock	Rotthofer Straße 8, 94099 Ruhstorf a.d. Rott, Germany	100%
Rolls-Royce Solutions South Africa (Pty) Ltd	Ordinary	36 Marconi Street, Montague Gardens, Cape Town, 7441 South Africa	100%
Rolls-Royce Solutions Willich GmbH	Ordinary	Konrad-Zuse-Str. 3, 47877, Willich, Germany	100%

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

12 Investments (continued)

Company name	Share class	Address	% Holding 2022
Rolls-Royce Solutions UK Limited	Ordinary	Derby ⁴	100%
Ross Ceramics Limited	Ordinary	Derby ⁴	100%
Servowatch Systems Limited	Ordinary	Endeavour House, Benbridge Industrial Estate, Holloway Road, Heybridge, Essex, CM9 4ER, United Kingdom	100%
Timec 1487 Limited	Ordinary	London	100%
Vinters Defence Systems Limited ³	Ordinary	London ¹	100%
Vinters-Armstrongs (Engineers) Limited ³	Ordinary B	London ¹	100%

¹ Kings Place, 90 York Way, London, United Kingdom, N1 9FX

² Reporting year end is 31 March

³ Dormant entity

⁴ Moor Lane, Derby, Derbyshire, DE24 8BJ, United Kingdom

⁵ The Company indirectly holds 100% of the A Ordinary share class

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

12 Investments (continued)

Joint ventures

Details as at 31 December 2022 are as follows:

Company name	Share class	Address	Proportion of ownership interest and voting rights held 2022
Force MTU Power Systems Private Limited	Capital Stock	Mumbai Pune Road, Maharashtra 411035, India	49%
Hoeller Electrolyzer GmbH	Ordinary	Alter Holzhafen, 23966 Wismar, Germany	54.2%
MEST Co., Limited	Normal	97 Bukjeonggongdan 2-gil, Yangsan-si, Gyeongsangnom-do, 50571, Republic of Korea	46.8%
MTU Cooltech Power Systems Co., Ltd	Equity	Building No. 2, No. 1633 Tianchen Road, Qingpu District, Shanghai, China	50%
MTU Power Systems Sdn.Bhd. ⁵	A Ordinary	Level 10 Menara LGB, 1 Jalan wan Kadir Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	49%
MTU Yuchai Power Company Limited	Capital Stock	No 7 Danan Road, Yuchou, Yulin, Guangxi, China, 537005	50%
Shanxi North MTU Diesel Co. Limited	Ordinary	No.97 Daqing West Rd, Datong City, Shanxi Province, China	49%
United Battery Management GmbH	Ordinary	Wilhelmshofstr. 76/77, 12459, Berlin, Germany	30%

13 Inventories

	2022 £ 000	2021 £ 000
Raw materials and consumables	1,989	1,563
Work in progress	728	519
	<u>2,717</u>	<u>2,082</u>

There is no significant difference between replacement cost of raw materials, consumables or work in progress and their carrying amounts.

Inventories are stated after a provision for impairment of £288,000 (2021: £288,000).

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

14 Trade and other receivables

	2022 £ 000	2021 £ 000
Amounts due from group undertakings	28,037	31,563
Amounts due from related party undertakings	2,963	1,668
Trade receivables	489	731
Prepayments and accrued income	37	37
	<u>31,526</u>	<u>33,999</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade receivables are stated after provisions for impairment of £nil (2021: £nil). Amounts due from group undertakings are stated after provision for impairment of £189,000 (2021: £189,000) for expected credit losses in respect of loans and receivables from group entities in accordance with IFRS 9.

15 Contract assets and liabilities

	Current		Non-current		Total	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Contract assets	<u>–</u>	<u>138</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>138</u>

No impairment losses of contract assets (2021: none) have arisen during the year to 31 December 2022.

	Current		Non-current		Total	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Contract liabilities	<u>1,696</u>	<u>2,185</u>	<u>–</u>	<u>–</u>	<u>1,696</u>	<u>2,185</u>

£352,000 of the opening contract liability has been recognised in income during the year to 31 December 2022 (2021: £323,000).

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

16 Trade and other payables

Current:

	2022 £ 000	2021 £ 000
Trade payables	179	210
Accruals and deferred income	713	409
Amounts due to group undertakings	50,370	50,685
Social security and other taxes	229	143
	<u>51,491</u>	<u>51,447</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17 Post-retirement benefits

The Company is a participating employer in the Rolls-Royce UK Pension Fund which is a multi-employer defined benefit scheme. The assets of the scheme are held in a separate fund administered by trustees and invested independently of the finances of the Group. The scheme is funded by annual contributions from the Company and scheme members.

As at 31 December 2022 the Rolls-Royce UK Pension Fund is £594,000,000 in surplus (2021: £1,118,000,000 surplus).

In accordance with IAS 19 *Employee Benefits*, the net defined benefit cost is recognised in the Financial Statements of Rolls-Royce plc, the Group entity that is legally the sponsoring employer for the plan. On 31 December 2020, the scheme was closed to future accrual. The Company has recognised £nil (2021: £nil) representing its contributions paid for defined benefit schemes to the Group for the year.

The IAS 19 disclosure relating to the schemes is given in the Group financial statements of Rolls-Royce Holdings plc which are publicly available from the address disclosed in note 23.

The Company also operates a defined contribution scheme for employees. The pension cost for the year was £200,000 (2021: £200,000) and there were no outstanding or prepaid contributions at 31 December 2022 (2021: £nil).

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

18 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2022 were £45,000 (2021: £14,000).

During the year, the Company participated in the following share-based payment plans operated by Rolls-Royce Holdings plc:

Long Term Incentive Plan (LTIP)

These plans involve 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) over a three-year period.

ShareSave share option plan

Based on a three or five-year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20% 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 plan is HM Revenue & Customs approved.

As share options are exercised throughout the year, the weighted average share price during the year of 95p (2021: 119p) is representative of the weighted average share price at the date of exercise. The closing price as at 31 December 2022 was 93p (2021: 123p). There were no exercisable options as at 31 December 2022 (2021: nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Share options outstanding:

Grant - vest	Expiry date (31 January)	Exercise price in pence per share option	ShareSave share options	
			2022	2021
2017 – 2023	2023	260	2,603	2,951
2019 – 2023	2023	232	3,711	4,710
2019 – 2025	2025	232	3,669	4,179
2021 – 2025	2025	97	74,912	83,349
			84,895	95,189

The weighted average remaining contractual life for the cash-settled options at 31 December 2022 was 1.9 years (2021: 2.9 years).

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

19 Provisions for liabilities

	Industrial diseases liability £ 000	Warranties £ 000	Total £ 000
At 1 January 2022	16,348	89	16,437
Provisions utilised	(499)	–	(499)
Additional charge	500	–	500
Provisions released	(4,447)	–	(4,447)
At 31 December 2022	<u>11,902</u>	<u>89</u>	<u>11,991</u>
Current liabilities	500	89	589
Non-current liabilities	11,402	–	11,402

The industrial diseases provision relates to businesses previously owned by the Group. The provision is expected to be utilised over the next 30-40 years. The discount rate used in the actuarial valuation is 2.93% (2021: 1.24%) which aligns with the yield on a UK 30-year gilt. Of the total Industrial Diseases provision at 31 December 2022, £500,000 is presented as a current liability (2021: £288,000).

The provision of £89,000 relates to customer warranties (2021: £89,000) which are expected to be utilised within 12 months.

20 Called up share capital

Allotted and fully paid

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.50 each	343,298	171,649	343,298	171,649

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Any proxy appointed by a member will be entitled to vote on a show of hands or a poll, with each member entitled to one vote. The Company may declare dividends by ordinary resolution, but no dividend should exceed the amount recommended by the Directors.

Vinters Engineering Limited
Notes to the Financial Statements
for the year ended 31 December 2022 (continued)

21 Contingent liabilities

Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers, customers' financiers and the Group's current and former investors, including certain potential claims in respect of the Group's historical ethics and compliance disclosures which have been notified to the Group. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date but cannot anticipate all the possible actions that may be taken or their potential consequence.

22 Related party transactions

Sales to another Rolls-Royce Holdings plc group joint venture in the year were £5,159,000 (2021: £4,254,000) and purchases in the year were £nil (2021: £45,000). Amounts due from related parties at the 31 December 2022 were £2,963,000 (2021: £1,668,000). Amounts due to related parties at the 31 December 2022 were £nil (2021: £nil).

23 Parent and ultimate parent undertaking

The Company's immediate parent is Vinters Limited.

The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, which is the parent undertaking of the largest group to consolidate these Financial Statements. Rolls-Royce plc is the parent undertaking of the smallest group to consolidate these Financial Statements.

Both sets of Financial Statements are available upon request from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.