

Registration number: 00003543



## **Vinters Engineering Limited**

Annual Report and Financial Statements

for the year ended 31 December 2020

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## **Vinters Engineering Limited**

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## **Vinters Engineering Limited**

### **Company Information**

**Registered office**

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 2020**

The Directors present their Strategic Report on Vinters Engineering Limited (the "Company") together with the audited financial statements for the year ended 31 December 2020.

**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 2020 is shown in the Balance Sheet on page 15, with the results shown in the Income Statement on page 13.

In 2020, revenue was £8,077,000 (2019: £7,404,000). The increased revenue in 2020 is primarily driven by the overhaul of 16 Watchkeeper units; no overhauls of this type were completed during 2019.

The loss before tax was £(47,000) (2019: profit of £2,768,000). The key drivers behind the decrease are due to an increased charge of £3,072,000 (2019: reversal of £1,700,000) relating to the asbestosis provision (see note 21) and income from the sale of property of £1,200,000 (see note 9).

The net assets at 31 December 2020 were £4,007,000 (2019: £4,063,000). The main driver behind the decrease to net assets is due to an increase in the asbestosis provision with higher claims received in comparison to 2019.

**Financial key performance indicators**

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

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Revenue	8,077	7,404
(Loss)/profit before taxation	(47)	2,768
Net assets	4,007	4,063

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.

**Future developments**

The Directors do not expect any change to the present level of activity in the foreseeable future. The Company is tracking the progress of several opportunities in the traditional land defence sector, in addition to new opportunities within adjacent markets. The UK Ministry of Defence are in the early stages of defining the requirements for future power needs where there are plans to replace the current contract. The Company have received an invitation to negotiate for the new contract. The Company continues to work on an armoured fighting vehicle programme and has offered equipment and support for several naval marine opportunities.

**Vinters Engineering Limited**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Investing in people and skills**

We seek to attract and retain the best and brightest engineers. The Company continues to invest in training and development programmes to ensure that employees have the opportunity to attain the highest level of skills. Employees are encouraged to take responsibility for their personal development. Opportunities are available to extend their competency levels using a range of the latest education and training techniques. The use of appraisal systems and personal development planning continues to grow and opportunities for the Company to share best practice in these and other employee development and training activities are a high priority.

The Company and employee representatives continue to work closely together to improve the quality of employee engagement and participation in the development of the business.

**Principal risks and uncertainties**

The Company acts, where appropriate, in accordance with the policies set by Rolls-Royce Holdings plc. The Rolls-Royce Holdings plc group has an established, structured approach to risk management which is detailed in the Annual Report of Rolls-Royce Holdings plc, which is publicly available from the address in note 25.

The Directors have identified the following risks as having the most material impact on the Company with the appropriate mitigating activity detailed in this report. The identified risks are specific to the nature of the business notwithstanding that there are other risks that may occur and may impact the achievement of the Company's objectives. Where relevant these are managed within the Rolls-Royce Holdings plc's group risk management procedures.

*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 Rolls-Royce Holdings plc 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.

**Financial risk management**

The following financial risks are considered key by the Directors:

*Interest risk*

Cash balances are held at floating rates and the Company is therefore exposed to movements in interest rates which is mitigated by the Rolls-Royce Holdings plc group managing the overall interest rate risk at group level.

*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.

## **Vinters Engineering Limited**

### **Strategic Report for the year ended 31 December 2020 (continued)**

#### **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.

#### **Business relationships**

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. 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 2020.

There is regular engagement within the Rolls-Royce Holdings plc 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. Further details on the Company's engagement with employees can be found in the Directors' Report under the section 'Employee Engagement' and in the Strategic Report under the section 'Investing in people and skills'.

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 Rolls-Royce Holdings plc group company, the Company complies and acts in accordance with the Rolls-Royce Holdings plc policies in relation to the safeguarding of human rights and the community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which are publicly available from the address in note 25.

#### **Climate-related corporate reporting**

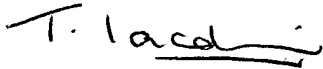
The Company adopts the policies and frameworks set by the Rolls-Royce Holdings plc group which include the sustainability measures set out in the Rolls-Royce Holdings plc Annual Report on page 25. The Company is aligned to the objectives of the Rolls-Royce Holdings plc group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment.

**Vinters Engineering Limited**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Streamlined Energy & Carbon Reporting (SECR)**

The Company is a subsidiary of the Rolls-Royce Holdings plc 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 pages 38 and 39. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board on 1 July 2021 and signed on its behalf by:



.....  
T Iacolino  
Director

**Vinters Engineering Limited**  
**Directors' Report**  
**for the year ended 31 December 2020**

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

**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 for investments in the Rolls-Royce Holdings plc group.

**Directors**

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

I R Hetherington (resigned 28 August 2020)

T Iacolino (appointed 26 August 2020)

B French (appointed 27 August 2020)

**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 this report.

**Results**

The financial results of the Company for the year ended 31 December 2020 are set out on page 13.

**Dividends**

The Directors do not recommend the payment of a dividend (2019: £nil).

**Future developments**

The future developments of the Company are outlined in the Strategic Report on page 2.

**Principal risks and uncertainties**

The principal risks of the Company are detailed in the Strategic Report on page 3.

**Financial risk management**

The details of the Company's financial risk management are set out in more detail on page 3.

**Employees**

The Rolls-Royce Holdings plc group, of which the Company is a part, is committed to continuing communication and dialogue with employees. The existence of a Rolls-Royce Holdings plc group wide intranet enables engagement and communication with employees throughout the group on a single platform. The Company and employee representatives continue to work closely together to improve the quality of employee engagement and participation in the development of the business. The Company's investment in training and development programmes ensures that all employees have the opportunity to attain the highest level of skill and employees are encouraged to take responsibility for their personal development. Opportunities are available to extend their competency levels using a range of the latest education and training techniques. The use of Appraisal Systems and Personal Development Planning enable managers to support employees in their careers.

The Company consults widely over changes to the Rolls-Royce group pension scheme for UK employees. The Company's policy on diversity and equality continues to develop in consultation with employee representatives and the Company continues to be committed to equal opportunities and developing a diverse and inclusive workforce. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.



**Vinters Engineering Limited**  
**Directors' Report**  
**for the year ended 31 December 2020 (continued)**

**Unlawful 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 Company is currently in the process of reinstating the respective subsidiary undertakings to take the necessary steps to remedy this position. As a result of the impacts of the Coronavirus pandemic, these subsidiaries now intend to complete capital reductions during 2021 (rather than in 2020) to create additional distributable reserves with the intention of relying on such reserves in making new distributions. Having received external legal advice, the directors of the Company consider that having taken these necessary steps the risk of any liability materialising is remote, and therefore no liability has been recognised as at 31 December 2020 and 31 December 2019.

**Political donations**

The Company made no political donations during the current or prior year.

**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, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

**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.

**Vinters Engineering Limited**  
**Directors' Report**  
**for the year ended 31 December 2020 (continued)**

**Statement of Directors' Responsibilities in respect to 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 Director has 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.

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.

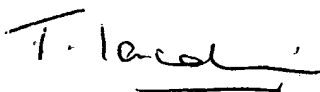
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 on 1 July 2021 and signed on its behalf by:



.....  
T 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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 and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement 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 (continued)**

#### **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 2020 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, 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 (continued)**

#### **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 Generally Accepted Accounting Practices and tax compliance legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 inappropriate 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 accounting 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 such as the sale of Crayford Sportsground.

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](http://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 (continued)**

#### **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.

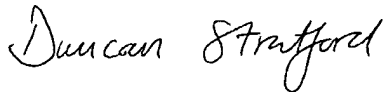
#### **Other required reporting**

##### **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  
1 July 2021

**Vinters Engineering Limited**  
**Income Statement**  
**for the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Revenue		8,077	7,404
Cost of sales		<u>(4,942)</u>	<u>(5,042)</u>
<b>Gross profit</b>		<b>3,135</b>	<b>2,362</b>
Administrative expenses		<u>(1,146)</u>	<u>(1,292)</u>
<b>Operating profit</b>	<b>5</b>	<b>1,989</b>	<b>1,070</b>
Other (expenses)/income	<b>9</b>	(1,872)	1,700
Finance income	<b>10</b>	6	22
Finance costs	<b>11</b>	<u>(170)</u>	<u>(24)</u>
<b>(Loss)/profit before taxation</b>		<b>(47)</b>	<b>2,768</b>
Taxation	<b>12</b>	<u>(49)</u>	<u>(520)</u>
<b>(Loss)/profit for the financial year</b>		<b><u>(96)</u></b>	<b><u>2,248</u></b>

The above results were derived from continuing operations for both the current and prior year.

The notes on pages 17 to 40 form an integral part of these financial statements.

**Vinters Engineering Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2020**

	2020 £ 000	2019 £ 000
(Loss)/profit for the financial year	<u>(96)</u>	<u>2,248</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><b>(96)</b></u>	<u><b>2,248</b></u>

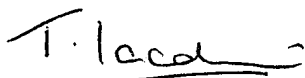
The notes on pages 17 to 40 form an integral part of these financial statements.



**Vinters Engineering Limited**  
**Balance Sheet**  
**as at 31 December 2020**  
**(Registration number: 00003543)**

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	13	3,425	3,425
Investments	14	32,245	32,245
		<b>35,670</b>	<b>35,670</b>
<b>Current assets</b>			
Inventories	15	2,006	1,541
Trade and other receivables	16	32,655	31,796
Contract assets	17	122	40
Cash and cash equivalents		5,767	5,857
		<b>40,550</b>	<b>39,234</b>
<b>Current liabilities</b>			
Trade and other payables	18	(50,921)	(51,340)
Contract liabilities	17	(1,447)	(1,296)
Provisions for liabilities	21	(1,078)	(1,089)
Net current liabilities		<b>(12,896)</b>	<b>(14,491)</b>
Total assets less current liabilities		<b>22,774</b>	<b>21,179</b>
<b>Non-current liabilities</b>			
Contract liabilities	17	(1,087)	(1,770)
Deferred tax liabilities	12	(280)	(308)
Provisions for liabilities and charges	21	(17,400)	(15,038)
<b>Net assets</b>		<b>4,007</b>	<b>4,063</b>
<b>Equity</b>			
Called up share capital	22	171,649	171,649
Share premium account		65,083	65,083
Other reserves		8,404	8,364
Accumulated losses		(241,129)	(241,033)
<b>Total equity</b>		<b>4,007</b>	<b>4,063</b>

The financial statements on pages 13 to 40 were approved and authorised for issue by the Directors on 1 July 2021 and signed on its behalf by:



T Iacolino  
Director

The notes on pages 17 to 40 form an integral part of these financial statements.

**Vinters Engineering Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2020**

	<b>Called up share capital £ 000</b>	<b>Share premium reserve £ 000</b>	<b>Other reserves £ 000</b>	<b>Accumulated losses £ 000</b>	<b>Total equity £ 000</b>
At 1 January 2020	171,649	65,083	8,364	(241,033)	4,063
Profit for the financial year	-	-	-	(96)	(96)
Total comprehensive	-	-	-	(96)	(96)
Share based payments	-	-	40	-	40
At 31 December 2020	171,649	65,083	8,404	(241,129)	4,007

	<b>Called up share capital £ 000</b>	<b>Share premium reserve £ 000</b>	<b>Other reserves £ 000</b>	<b>Accumulated losses £ 000</b>	<b>Total equity £ 000</b>
At 1 January 2019	171,649	65,083	8,364	(243,281)	1,815
Profit for the financial year	-	-	-	2,248	2,248
Total comprehensive	-	-	-	2,248	2,248
At 31 December 2019	171,649	65,083	8,364	(241,033)	4,063

The notes on pages 17 to 40 form an integral part of these financial statements.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**1 General information**

The Company is a private company limited by share capital, incorporated and domiciled in the East Midlands, UK.

**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.

The address of the Company's registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

**2 Significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

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); and
  - 111 (statement of cash flows information).
- IAS 7, *Statement of cash flows*;
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- 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*;
- 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*;
- IFRS 7 *Financial Instruments: Disclosures*; 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 2020 that have a material impact on the Company's financial statements.

**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, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**Unlawful 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 Company is currently in the process of reinstating the respective subsidiary undertakings to take the necessary steps to remedy this position. As a result of the impacts of the Coronavirus pandemic, these subsidiaries now intend to complete capital reductions during 2021 (rather than in 2020) to create additional distributable reserves with the intention of relying on such reserves in making new distributions. Having received external legal advice, the Directors of the Company consider that having taken these necessary steps the risk of any liability materialising is remote, and therefore no liability has been recognised as at 31 December 2020 and 31 December 2019.

**Exemption from preparing group financial statements**

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 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 25.

**Revenue**

The Company splits its Future Power 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.

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.

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.

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.

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Revenue (continued)**

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.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the Company at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in 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. The profit/(loss) on disposal of property, plant and equipment is recognised in other income/(expenses) when control of an asset is transferred.

##### **Depreciation**

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. No depreciation is recorded on assets under construction.

##### **Asset class**

Freehold Land and Buildings

Plant & machinery

##### **Depreciation method and rate**

Depreciated over 40 years. No depreciation is provided on freehold land.

Depreciated over 15 years.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**Investments**

Fixed asset investments are shown at cost less accumulated impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Trade receivables**

Trade receivables are amounts due from customers for merchandise 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 provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

**Inventories**

All inventory is valued at standard cost calculated on a rolling 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 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.

**Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

**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.

**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.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**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.

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 given in note 25 to these financial statements.

**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;
- ii) Performance Share Plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the TSR market-based performance condition; and
- iii) Annual Performance Related Award plan deferred shares and free shares under the Share Incentive Plan - share price on the date of the award excluding expected dividends.

**3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of 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:

**Critical accounting estimates**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

***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 2020 is £18,389,000 (2019: £16,100,000).

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

**Critical accounting estimates (continued)**

*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 £575,000.

**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 Rolls-Royce Holdings plc 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 19 for further details).



**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**4 Segment information**

	<b>Defence</b>		<b>Head office</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£</b>	<b>£ 000</b>	<b>£ 000</b>
				<b>000</b>		
Revenue	8,077	7,404	-	-	8,077	7,404
Cost of sales	(4,942)	(5,042)	-	-	(4,942)	(5,042)
<b>Gross profit</b>	<b>3,135</b>	<b>2,362</b>	<b>-</b>	<b>-</b>	<b>3,135</b>	<b>2,362</b>
Administrative (expenses)/income	(1,189)	(1,263)	43	(29)	(1,146)	(1,292)
<b>Operating profit</b>	<b>1,946</b>	<b>1,099</b>	<b>43</b>	<b>(29)</b>	<b>1,989</b>	<b>1,070</b>
Other income	-	-	(1,872)	1,700	(1,872)	1,700
Finance income	3	6	3	16	6	22
Finance costs	-	(24)	(170)	-	(170)	(24)
<b>Profit before taxation</b>	<b>1,949</b>	<b>1,081</b>	<b>(1,996)</b>	<b>1,687</b>	<b>(47)</b>	<b>2,768</b>

Defence revenue is recognised as follows:

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Over time	4,318	3,139
Point in time	3,759	4,265
	<b>8,077</b>	<b>7,404</b>

All revenue is derived from sales in the United Kingdom.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**5 Operating profit**

Arrived at after charging

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Depreciation expense (see note 13)	136	139
Inventory recognised as an expense	<u>1,710</u>	<u>1,430</u>

**6 Staff costs**

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

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Wages and salaries	1,903	1,819
Social security costs	205	200
Pension and other post-employment benefit costs	265	246
Share based payments	<u>40</u>	<u>9</u>
	<u>2,413</u>	<u>2,274</u>

The average number of persons employed by the Company (including Directors) during the year, were as follows:

	<b>2020</b> <b>No.</b>	<b>2019</b> <b>No.</b>
Salaried staff	40	39
Weekly paid	<u>2</u>	<u>1</u>
<b>Total</b>	<u>42</u>	<u>40</u>

**7 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 to the Company cannot be reliably estimated. No charge has been made in the current or prior year for the services of the Directors.

**8 Auditors' remuneration**

The fees for the audit of the Company's financial statements were £63,000 (2019: £52,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged.

No (2019: no) amounts were paid to the auditors for non-audit services. No non-audit services were provided by the auditors in 2019 or 2020.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**9 Other (expense)/income**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Income from sale of fixed assets	1,200	-
(Charge)/reversal of provision	<u>(3,072)</u>	<u>1,700</u>
Other (expense)/income	<u>(1,872)</u>	<u>1,700</u>

The (charge)/reversal of provision relates to the industrial diseases liability provision resulting from businesses previously owned by the Rolls-Royce Holdings plc group.

In 2020, £3,072,000 was debited (2019: £1,700,000 credited) to the income statement following an annual independent actuarial review of claims made in respect of the above. This can be seen in note 21.

In 2020, £1,200,000 was received in relation to the sale of the last remaining non-operational property asset (Crayford Sportsground) that was acquired with a nil net book value in 1999.

**10 Finance income**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Bank interest receivable	<u>6</u>	<u>22</u>

**11 Finance costs**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Impairment of receivables due from group undertakings	<u>170</u>	<u>24</u>

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**12 Taxation**

Tax charged in the income statement:

	2020	2019
	£ 000	£ 000
<b>Current taxation</b>		
Adjustments in respect of prior periods	-	(7)
Group relief payable	77	527
Total current taxation	<u>77</u>	<u>520</u>
<b>Deferred taxation</b>		
Adjustments in respect of prior periods	(19)	-
Origination and reversal of timing differences	(46)	-
Adjustments in respect of an increase in the tax rate	37	-
Total deferred taxation	<u>(28)</u>	<u>-</u>
<b>Tax expense in the income statement</b>	<u>49</u>	<u>520</u>

The tax assessed for the year is higher than (2019 – same as) the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are reconciled below:

	2020	2019
	£ 000	£ 000
<b>(Loss)/profit before tax</b>	<u>(47)</u>	<u>2,768</u>
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK pf 19% (2019: 19%)	(9)	527
Adjustments in respect of prior periods	(19)	(7)
Increase in tax from adjustment for prior periods	37	-
Expenses not deductible for tax purposes	<u>40</u>	<u>-</u>
<b>Total tax charge</b>	<u>49</u>	<u>520</u>

The Spring Budget 2020 announced that the UK corporation tax rate would remain at 19% rather than reducing to 17% from 1 April 2020. The new law was substantively enacted on 17 March 2020. The prior year deferred tax liability was calculated at 17%, as this was the enacted rate at the 2019 balance sheet date. As the 19% rate has been substantively enacted before 31 December 2020, the deferred tax liability has been re-measured at 19%.

The resulting charge has been recognised in the income statement. Accordingly, in 2020, £37,000 has been charged to the income statement.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax liability has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax liability by £89,000.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**12 Taxation (continued)**

**Deferred tax**

Deferred tax liability

	<b>2020 £ 000</b>	<b>2020 £ 000</b>
At 1 January	(308)	(308)
Amount credited to income statement	<u>28</u>	<u>-</u>
At 31 December	<u>(280)</u>	<u>(308)</u>

Deferred tax movement during the year:

	<b>At 1 January 2020 £ 000</b>	<b>Recognised in income statement £ 000</b>	<b>At 31 December 2020 £ 000</b>
Accelerated tax depreciation	312	(7)	305
Other temporary differences	<u>(4)</u>	<u>(21)</u>	<u>(25)</u>
Net tax assets	<u>308</u>	<u>(28)</u>	<u>280</u>

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

Deferred tax movement during the prior year:

	<b>At 1 January 2019 £ 000</b>	<b>At 31 December 2019 £ 000</b>
Accelerated tax depreciation	312	312
Other temporary differences	<u>(4)</u>	<u>(4)</u>
Net tax assets	<u>308</u>	<u>308</u>

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**13 Property, plant and equipment**

	Freehold land and buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2020	4,062	2,268	341	6,671
Additions	–	–	136	136
At 31 December 2020	<u>4,062</u>	<u>2,268</u>	<u>477</u>	<u>6,807</u>
<b>Accumulated depreciation</b>				
At 1 January 2020	1,234	2,012	–	3,246
Depreciation charge	79	57	–	136
At 31 December 2020	<u>1,313</u>	<u>2,069</u>	<u>–</u>	<u>3,382</u>
<b>Carrying amount</b>				
At 31 December 2020	<u>2,749</u>	<u>199</u>	<u>477</u>	<u>3,425</u>
At 31 December 2019	<u>2,828</u>	<u>256</u>	<u>341</u>	<u>3,425</u>

The cost of non-depreciable land included above is £1,068,000 (2019: £1,068,000).

Total contracted capital commitments at 31 December 2020 were £42,000 (2019: £88,000).

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments**

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	<u>369,600</u>
<b>Provision for impairment</b>	
At 1 January 2020 and 31 December 2020	<u>337,355</u>
<b>Carrying amount</b>	
At 31 December 2020	<u><u>32,245</u></u>
At 31 December 2019	<u><u>32,245</u></u>

No impairment charge was identified for the year ended 31 December 2020 or for the year ended 31 December 2019 following the annual impairment review.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments (continued)**

The following were subsidiary undertakings / participating interest of the Company as at 31 December 2020:

# denotes a direct shareholding by the Company.

'Derby\*' refers to Moor Lane, Derby, Derbyshire, England DE24 8BJ.

1 – Trigno Energy SRL was disposed on 7 May 2020

^ Vinters Engineering Limited indirectly holds 100% of the Preference and 100% of the A-Preference share classes of Rolls-Royce Solutions Berlin GmbH. The overall ownership percentage is 72%.

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding 2020</b>
Bergen Engines AS	Ordinary	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines Bangladesh Private Limited	Ordinary	Plot n.58E, Kamal Ataturk Avenue, Dhaka, 1213, Bangladesh	100%
Bergen Engines BV	Ordinary	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands	100%
Bergen Engines Denmark A/S	Ordinary	Ostre Haline Promenade 349000 Aalborg, Denmark	100%
Bergen Engines India Private Limited	Ordinary	52-b 2nd Floor, Okhla Industrial Estate, Phase 3, New Delhi 110-020, India	100%
Bergen Engines Limited	Ordinary	Derby*	100%
Bergen Engines Property Co AS	Ordinary	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines S.L.	Social Participation	Calle Dinamarca, s/n (esquina Calle Alemania) Industrial de Constanti, 43120 Constanti, Tarragona, Spain	100%
Bergen Engines SRL	Social Capital	13 Via Castel Morrone, 16161, Genoa, Italy	100%



**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the Year Ended 31 December 2020 (continued)**

**14 Investments (continued)**

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding 2020</b>
Kamewa Holding AB (In liquidation)	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Karl Maybach Hilfe GmbH	Capital Stock	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
MTU America Inc	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, USA	100%
MTU Asia Pte. Ltd	Ordinary	#05-01, Robinson Rd 112, 068902, Singapore	100%
MTU Benelux B.V.	Ordinary	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%
MTU do Brasil Limitada	Ordinary	Via Anhanguera, KM 29203, 05276-000, Sao Paulo, SP, Brazil	100%
MTU China Company Limited	Ordinary	Room 1803, 18/F Ascendas Plaza, No.333 Tian Qiao Road Xuhai District, Shanghai, 200030, China	100%
MTU Engineering (Suzhou) Company Limited	Ordinary	9 Long Yum Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China	100%
MTU France SAS	Ordinary	Immeuble Colorado, 8/10 rue de Roas Luxembourg-Parc des Bellevues 95610, Erangy-sur-Oise, France	100%
MTU Friedrichshafen GmbH	Capital Stock	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
MTU Hong Kong Ltd	Ordinary	Room 1006, 10/F, Hang Seng Tsimshatsui Building, 18 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong	100%
MTU Iberica Propulsion y Energia S.L	Ordinary	Calle Copernico 26-28, 28823 Coslada, Madrid, Spain	100%

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments (continued)**

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding 2020</b>
MTU India Private Limited	Ordinary	H6th Floor, RM2 Galleria, S/Y No. 144 Bengaluru, Bangalore, Kamataka 560,064, India	100%
MTU Israel Ltd	Ordinary	4 Ha'Alon Str, Kfar Neter, 4059300, Israel	100%
MTU Italia Srl	Capital S	Via Aurelia Nord, 328, 19021 Arcola (SP) Italy	100%
MTU Japan Co Limited	Ordinary	Resorttrust Building 4-14-3, Nishitenma Kita-ku, Osaka, 530-0047	100%
MTU Korea Limited	Ordinary	22 <sup>nd</sup> Floor, Olive Tower, 41 Sejongdaero 9 gil, Junggo, 100-737, Seoul, Republic of Korea	100%
MTU Middle East FZE	Ordinary	S3B5SR06, Jebel Ali Free Zone, P.O. Box 61141 Dubai, United Arab Emirates	100%
MTU Motor Turbin Sanayi Ve Tic. A.S.	Ordinary	Hatira Solak, No. 5, Omerli Mahellesi, 34555 Arnavutköy, Istanbul, Turkey	100%
MTU Onsite Energy GmbH	Capital Stock	11 Dasinger Strasse, 86165, Augsburg, Germany	100%
MTU Onsite Energy Systems GmbH	Capital Stock	8 Rotthofer Strasse, 94099 Ruhstorf a.d. Rott, Germany	100%
MTU Polska Sp. Zoo	Ordinary	Ul. Slaska, Nr 9. Raum, Stargard Szczecinski, 73-110, Potsdam Stargard Szczecinski, Poland	100%
MTU Reman Technologies GmbH	Capital Stock	Friedrich-List-Strasse 8, 39122 Magdeburg, Germany	100%
MTU Rus LLC	Ordinary	Shabolovka Street 2, 119049 Moscow, Russian Federation	100%

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments (continued)**

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding 2020</b>
MTU South Africa (Proprietary) Limited	Ordinary	36 Marconi Street, Montague Gardens, Cape Town, 7441 South Africa	100%
MTU UK Limited	Ordinary	Derby*	100%
Powerfield Limited#	Ordinary	Derby*	100%
PT MTU Indonesia	Ordinary	Secure Building Blok B, JL. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia	100%
Rolls-Royce Japan Co Limited	Ordinary	31 fr, Kasumigaseki bldg., Chiyoda-Ku, Tokyo 100-6301, Japan	100%
Rolls-Royce Solutions Berlin GmbH^	Preference A-Preference	Villa Rathenau, Wilhelminenhofstrasse 75 12459, Berlin, Germany	72%
Rolls-Royce Power Systems AG	Ordinary	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
Ross Ceramics Limited#	Ordinary	Derby*	100%
Timec 1487 Ltd#	Ordinary	Derby*	100%
Vinters Defence Systems Limited#	Ordinary	Derby*	100%
Vinters International Limited#	Ordinary	Derby*	100%
Vinters-Armstrongs (Engineers) Limited#	Ordinary	Derby*	100%
Brown Brothers & Company Limited#	Ordinary	Taxiway, Hillend Industrial Estate, Dalgely Bay, Dunfermline, Scotland, KY11 9JT	100%
MTU South Africa PTY Limited	Ordinary	36 Marconi Street, Montague Gardens, Cape Town, 7441 South Africa	100%

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments (continued)**

**Joint ventures**

Details as at 31 December 2020 are as follows:

\* The Company owns 100% of the A Ordinary shares which equates to 49% of the total company value.

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>Company interest held %</b>
Offshore Simulator Centre AS	Ordinary	4 Larsgardsvegen, 6009, Alesund, Norway	25%
Shanxi North MTU Diesel Co Ltd	Ordinary	97 Daqing West Rd, Datong, Shanxi Province, China	49%
MTU Yuchai Power Co Ltd	Capital stock	No 7 Danan Road, Yuzhou, Yulin, Guangxi China 537005, China	50%
Mest Co Ltd	Normal	97 Bukjeonggongdan 2-gil, Yangsan-si, Gyeongsangnam-do 50571, Republic of Korea	47%
Force MTU Power Systems Private Limited	Capital Stock	Mumbai Pune Road, Maharashtra 411035, India	49%
EPIX Power Systems LLC	Ordinary	The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, United States	50%
MTU Power Systems SND BDH Malaysia	Ordinary A	Level 10 Menara LGB, 1 Jalan wan Kadir Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	49%*

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**15 Inventories**

	2020 £ 000	2019 £ 000
Raw materials and consumables	1,298	1,136
Work in progress	708	405
	<u>2,006</u>	<u>1,541</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 £272,000 (2019: £307,000).

**16 Trade and other receivables**

	2020 £ 000	2019 £ 000
Trade receivables	428	458
Amounts owed by related party undertakings	1,016	1,269
Prepayments and accrued income	39	36
Amounts owed by group undertakings	<u>31,172</u>	<u>30,033</u>
Total trade and other receivables	<u>32,655</u>	<u>31,796</u>

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

Amounts owed by group undertakings are stated after provision for impairment of £213,000 (2019: £43,000).

**17 Contract assets and liabilities**

	2020 £ 000	2019 £ 000
<b>Contract assets</b>	<u>122</u>	<u>40</u>

No impairment losses of contract assets (2019: none) have arisen during the year to 31 December 2020.

	Current		Non-current		Total	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
<b>Contract liabilities</b>	<u>1,447</u>	<u>1,296</u>	<u>1,087</u>	<u>1,770</u>	<u>2,534</u>	<u>3,066</u>

£190,000 of the opening contract liability has been recognised in income during the year to 31 December 2020.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**18 Trade and other payables**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Trade payables	364	300
Amounts due to group undertakings	50,088	50,483
Accruals	407	511
Social security and other taxes	62	46
	<u>50,921</u>	<u>51,340</u>

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

**19 Other Pension costs**

The Company participates in 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 independently of the finances of the Rolls-Royce Holdings plc group. The schemes are funded by annual contributions from the Company and scheme members.

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. This Company has recognised a cost of £149,000 (2019: £152,000) representing its contributions paid for defined benefit schemes to the group for the year.

The Company also participates in a defined contribution scheme and has recognised a cost of £116,000 (2019: £94,000) representing contributions paid to the group for the year.

The IAS 19 disclosure relating to the schemes is given in the consolidated financial statements of Rolls-Royce Holdings plc.

**20 Share-based payments**

Share based payments in the year were £40,000 (2019: £9,000).

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

**Long Term Incentive Plan (LTIP)**

**Scheme description**

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) over a three-year period.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**20 Share-based payments (continued)**

**ShareSave share option plan**

**Scheme description**

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.

**Annual Performance Related Award (APRA) plan deferred shares**

**Scheme description**

A proportion of the APRA annual incentive scheme 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 employed by the Company 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, or equivalent, on the deferred shares.

As share options are exercised throughout the year, the weighted average share price during the year of 203p (2019 adjusted: 311p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2020 was 111p (2019 adjusted: 234p). There were no exercisable options as at 31 December 2020 (2019: Nil).

Share options outstanding:

	<b>ShareSave</b>	<b>ShareSave Weighted average remaining contractual life</b>
	<b>Number Thousand</b>	<b>Years</b>
At 31 December 2020		
200p – 299p	45,134	3.3
300p – 399p	14	–
	<hr/> 45,148 <hr/>	<hr/> 3.3 <hr/>

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**20 Share-based payments (continued)**

	ShareSave	ShareSave Weighted average remaining contractual life
	Number Thousand	Years
At 31 December 2019		
600p - 699p	28	3.20
700p - 799p	12	2.10
	<hr/> 40 <hr/>	<hr/> 2.80 <hr/>

The range of exercise prices of options outstanding at 31 December 2020 was between 617p and 962p (2019: 617p and 962p).

**21 Provisions for liabilities**

	Retained liabilities from disposed companies £ 000	Warranties £ 000	Total £ 000
At 1 January 2020	16,038	89	16,127
Provisions utilised	(721)	-	(721)
Increase in provisions	3,072	-	3,072
	<hr/> 18,389 <hr/>	<hr/> 89 <hr/>	<hr/> 18,478 <hr/>
At 31 December 2020			
Non-current liabilities	17,400	-	17,400
Current liabilities	989	89	1,078



**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**21 Provisions for liabilities (continued)**

The industrial diseases liability provision relates to businesses previously owned by the Rolls-Royce Holdings plc group. The provision is expected to be utilised over the next 30-40 years. The discount rate used in the actuarial valuation is 0.81% (2019: 1.75%) which aligns with the yield on a UK 30 year gilt.

Of the total industrial diseases liability provision at 31 December 2020, £1,078,000 is presented as a current liability (2019: £1,089,000). The provision of £89,000 relates to customer warranties (2019: £89,000).

**22 Called-up share capital**

**Allotted and fully paid shares**

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.50 each	343,298	171,649	343,298	171,649

**23 Contingent liabilities**

Guarantees and contingencies arising in the ordinary course of business are not expected to result in any material financial loss to the Company.

In January 2017, after full cooperation, the Rolls-Royce Holdings plc Group ('the Group') concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following the expiry of its term the DPA with the DoJ was dismissed by the US District Court on 19 May 2020. 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 and customers' financiers. 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 consequences.

**24 Related party transactions**

Sales to another Rolls-Royce Holdings plc group joint venture in the year were £3,339,000 (2019: £3,369,000) and purchases in the year were £45,000 (2019: £44,000). Amounts due from related parties at the 31 December 2020 were £1,016,000 (2019: £1,269,000). Amounts due to related parties at the 31 December 2020 were £55,000 (2019: £nil) and this related to the Group property recharge from Rolls Royce plc.

**Vinters Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**25 Parent and ultimate parent undertaking**

The Company's immediate parent is Vinters Limited.

The ultimate parent undertaking is Rolls-Royce Holdings plc.

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.