

Registration number: 13039768

Rolls-Royce SMR Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2023

Rolls-Royce SMR Limited

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Rolls-Royce SMR Limited

Company Information

Directors	Jorge Alberto Acevedo Faisal Al-Thani Sean Benson Neil Fleming Dominic Horwood Stephen Lovegrove Anna Mascolo William Morris Adam Riddle
Company Secretary	Justine Blakesley
Registered office	C/O Rolls-Royce Plc Moor Lane Derby Derbyshire DE24 8BJ
Registration number	13039768
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Rolls-Royce SMR Limited

Strategic Report

for the year ended 31 December 2023

The Directors present their Strategic Report on Rolls-Royce SMR Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2023.

Principal activities

The principal activities of the Company are nuclear engineering and the development of a Small Modular Reactor (SMR) design.

Business review

The Company recorded a loss before taxation of £78,078,000 (2022: £60,956,000) largely due to research and development expenditure incurred of £115,046,000 (2022: £77,757,000) and administrative expenses of £32,923,000 (2022: £20,452,000) partly offset by income from government grants of £65,457,000 (2022: £37,270,000) recognised within other income. The increase in research and development expenditure is in line with the increase in engineering employees working on the development of an SMR design as the Company continues to progress through the GDA process.

At 31 December 2023 the Company had net assets of £81,210,000 (2022: £56,492,000), this is predominantly due to increased funding received leading to a significant net intercompany debtor position as a result of amounts deposited with Rolls-Royce plc.

The Company has successfully completed the second step in the assessment by the UK's independent nuclear regulators and has now progressed to step three of the Generic Design Assessment (GDA).

Key performance indicators

The Company's Directors believe that there are no key performance indicators which 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 Company acts, where appropriate, in accordance with the policies set by Rolls-Royce Holdings plc. The Group has an established and structured approach to risk management, detailed in the Annual Report of Rolls-Royce Holdings plc which is publicly available from the address in note 19.

The principal risk recognised by the Directors is that the SMR design does not generate a viable product at the conclusion of the project. To mitigate this the Company is consolidating proven, existing technology to form the basis of the SMR design and has partnered with shareholders who are industry leaders with expertise in this field.

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.

Rolls-Royce SMR Limited

Strategic Report

for the year ended 31 December 2023 (continued)

Section 172(1) statement (continued)

Likely consequences of any decisions in the long-term

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 Board fulfils its duties to act in good faith to promote the success of the Company through its implementation of its Strategic Plan. The Board has defined the vision of the Company as 'Clean Affordable Energy for All' with its mission to create a world class enduring enterprise to design and deploy a global fleet of standardised and investible nuclear power stations.

The Board ensures that priorities and initiatives feed directly into one or more of the following fundamental strategic goals – design the power station; grow the business; build the power station, deliver a fleet. The Board review and consider the various stakeholders when arriving at recommended business decisions consistent with the strategy.

During the year, the Directors considered the Company's strategic direction. This in turn, creates the long-term value for shareholders, recognising that the longer-term success of the business depends on the effects of the SMR business activities on a wider society. In a year marked by external shocks, both geopolitical and macro-economic, the Board discussions focused on order readiness and supply chain strategies. Examples of Board decisions during 2023 include:

- review of the Company's operational structure to ensure the organisational model remains fit for the future;
- appointment of key executives and senior executives to support the business strategy;
- approval of key policies to support the GDA regulatory process; and
- approval of key contracts to support the design priorities.

The interests of the Company's employees

The Directors recognise that the success of the business depends on attracting, retaining and motivating talented people. The Directors consider and assess the implications of decisions on our people, where relevant and feasible. The Directors seek to ensure that the Company remains a responsible employer, including with respect to pay and benefits, health and safety issues and the workplace environment.

Our workforce is our most valuable asset. The Company invests in training and coaching. The personal development of our employees is a key pillar of the Company's strategy.

Examples of the Board's engagement with employees during 2023 include:

- requesting that all employees participate in an online Culture survey in order to help in the assessment of employees concerns and aspirations;
- reviewing feedback from regular townhalls held with all employees; and
- reviewing salary scales and benefit provisions to ensure that there is an agreed framework for reward and recognition for all employees.

The need to foster the Company's business relationships with suppliers, customers and others.

Delivering our strategy requires a strong, mutual and beneficial relationship with suppliers, customers, governments and joint venture partners. The Directors receive updates on engagement at Board meetings.

In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Rolls-Royce SMR Limited

Strategic Report

for the year ended 31 December 2023 (continued)

Section 172(1) statement (continued)

Examples of the Board's engagement with suppliers, customers and others during 2023 include:

- receiving regular updates and feedback from supplier and customer opportunities to assist in decision making regarding customer focussed initiatives, priorities and partnerships; and
- supporting executives with Government led discussions.

The impact of the Company's operations on the community and the environment

As part of the Rolls-Royce Group, the Company has sustainability and environmental goals firmly embedded in the Company's culture and strategy. The Board recognises the relevance of leading the Company in such a way that it contributes to wider society. A key focus for the Directors during the year, was the impact of the economic climate.

The Board have also considered initiatives during 2023, including a review of roles, remuneration and incentives against the current market indicators for fair and competitive remuneration packages for all employees and their roles.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board reviewed and approved the ethics and compliance frameworks. This, in conjunction with the Board monitoring compliance with governance standards, helps to ensure that Board-level decisions and decisions of the executive team promote high standards of business conduct. Our Code of Conduct ensures high standards are approved and communicated throughout the Company.

The need to act fairly between members of the Company.

After weighing up all relevant factors, the Directors consider which action best enables delivery of the Company strategy through the long-term, taking into consideration the effect on the Company's stakeholders.

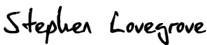
Climate-related corporate reporting

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 32 to 43. 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.

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 210. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board on 26 September 2024 and signed on its behalf by:

Signed by:

 7DF6420393D445A...

.....
 Stephen Lovegrove
 Director

Rolls-Royce SMR Limited

Directors' Report

for the year ended 31 December 2023

The Directors present their report together on the Company together with the Strategic Report and the audited Financial Statements for the year ended 31 December 2023.

Directors

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

Jorge Acevedo (appointed 01 February 2024)
 Faisal Al-Thani
 Sean Benson
 Benjamin Fidler (resigned 23 February 2023)
 Neil Fleming (appointed 23 February 2023)
 Ralph Hunter (resigned 31 January 2024)
 Dominic Horwood (appointed 31 December 2023)
 Stephen Lovegrove (appointed 01 January 2024)
 Anna Mascolo
 William Morris
 Thomas Samson (resigned 31 March 2023)
 Adam Riddle (appointed 31 December 2023)
 Paul Stein (resigned 31 December 2023)
 Mark Thompson (resigned 31 December 2023)

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 financial year and remain in force at the date of the approval of these Financial Statements.

Results and dividends

The Company made a loss after taxation for the year of £78,078,000 (2022: £60,956,000). The net assets of the Company are £81,210,000 (2022: £56,492,000).

The Directors do not recommend the payment of a dividend.

Post balance sheet events

On 2 January 2024 the Company issued 35,000 ordinary shares for £35,000,000. The funds were received on 2 January 2024.

On 1 June 2024 the Company issued 9,450 ordinary shares for £9,450,000. The Company received services from a supplier as consideration for these shares (further details on how these are accounted for is outlined in note 16).

Future developments

The Directors expect to continue to progress the development of the SMR design.

Research and development

During the year the Company spent £115,046,000 (2022: £77,757,000) on research and development.

Financial risk management

The Company has an established, structured approach to risk management. The following financial risks are considered key by the Directors:

Credit risk

The Company's credit risk is primarily attributable to its amounts receivable from other group undertakings. The amounts in the Statement of Financial Position are stated after provisions for impairment. Amounts due from other group undertakings are supported by Rolls-Royce plc. Therefore the overall credit risk to the Company is considered to be low.

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2023 (continued)

Financial risk management (continued)

Interest risk

Cash balances are held at floating rates and the Company is therefore exposed to movements in interest rates which is mitigated as part of the Group's policies for managing the overall interest risk at group level.

Going concern

The Company incurred a loss of £78,078,000 in the year as it continues to engage in the development of a SMR design. At 31 December 2023 the Company had net assets of £81,210,000 (2022: £56,492,000), which included a net intercompany debtor position of £100,936,000 (2022: £48,584,000) with other group companies which is recoverable on demand.

The financial statements have continued to be prepared using the going concern basis of accounting. In forming this judgement, the Directors have carefully reviewed and assessed the current and forecast cash flow requirements of the business for the 15-month period to 31 December 2025. The Directors have considered both an expected cash flow forecast scenario and a severe but plausible downside cash flow forecast scenario. The latter takes into account the Company's ability to reduce spend in certain areas and does not include the benefit of any expected but as yet unsecured forms of funding. These forecasts show that the Company will need to secure additional funds during the period to 31 December 2025.

Material Uncertainty

The Company is exploring a number of funding options to continue to develop the SMR design, and without such funding the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. To mitigate these conditions management are well advanced in negotiations with both existing and prospective shareholders and also potential future customers in respect of options for the funding required.

The Directors believe the Company will be successful in obtaining adequate funding for its needs and, accordingly, have prepared these financial statements using the going concern basis of accounting. However, as funding has not been formally secured as at the date of approval of these financial statements, there is a material uncertainty related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Employees

There are regular and topical engagements with employees through structured programmes, including:

- Let's Talk Forum-regular meetings with employee representatives and the executive, this is a consulting and informing body wherein the executives engage on key topics.
- Town Halls-regular meetings with all employees and the executive team, this forum enables engagement with all employees on activities.
- There is also an Annual Employee Engagement Survey which engages with all employees and a Pulse Survey which is completed twice a year, testing key themes through employee focus groups.

The Company want all employees to be at their best. There is a responsibility on all of the Company to create an inclusive culture, free from bullying and harassment, and where everyone is treated with dignity and respect. There is a duty of care to the Company's people, which includes workplace adjustments that will create a better work experience for anyone who is unable to effectively perform their role due to a disability or condition.

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2023 (continued)

Employees (continued)

The Workplace Adjustments policy enables the business to support those with disabilities – new starters or existing employees with a newly acquired disability – to do just that. The Workplace Adjustments policy is available to all employees on the intranet.

The application process for all candidates carries the following statements in relation to our culture and recruitment process:

- At Rolls-Royce SMR, we are committed to ensuring that our teams reflect the communities we serve and that everyone can be themselves at work. We know that diverse teams are more innovative and get better results, and that our people can thrive and be more successful in truly inclusive cultures. Join us and help shape our culture.

The Company can accommodate reasonable adjustments at interview in line with our Reasonable Adjustments Policy and issue all new starters with a voluntary survey to help understand the diversity of the Company's people, and new starters are asked to declare whether they consider themselves disabled. Around 55% of new starters since the start of 2023 have completed this survey, of which 4% considered themselves to be disabled and 3% declined to answer.

Within Rolls Royce SMR, there have been 70 promotions within the business in 2023. The Company works towards an inclusive culture for career development and would make reasonable adjustments to aid disabled candidates.

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 pages 2 to 4).

Independent auditors

In accordance with section 485 of the Companies Act 2006, the Directors have appointed PricewaterhouseCoopers LLP as the Company's auditor. PricewaterhouseCoopers LLP have indicated their willingness to be in office and are deemed to be appointed 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, 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.

Rolls-Royce SMR Limited

Directors' Report for the year ended 31 December 2023 (continued)

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

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

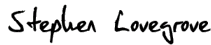
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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 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 26 September 2024 and signed on its behalf by:

Signed by:

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.....
Stephen Lovegrove
Director

Rolls-Royce SMR Limited

Independent auditor's report to the directors of Rolls-Royce SMR Limited Report on the audit of the financial statements

Opinion

In our opinion, Rolls-Royce SMR Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 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, 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Income Statement, Statement of Comprehensive Income and 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company has prepared cash flow forecasts that indicate additional funding will be required to meet its obligations within 12 months of the signing of the financial statements. Negotiations with both existing and prospective shareholders and potential customers are at an advanced stage to secure additional funding, however, at the time of signing the financial statements no new agreements were in place securing additional funding commitments from any of these parties. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

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

Rolls-Royce SMR Limited

Independent auditor's report to the directors of Rolls-Royce SMR 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 2023 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.

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.

Rolls-Royce SMR Limited

Independent auditor's report to the directors of Rolls-Royce SMR Limited

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 applicable health and safety 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 and applicable tax legislation. 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 posting inappropriate journal entries to manipulate financial results. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of the Board of Directors and its committees;
- Enquiries with the company's in-house General Counsel in regards to any known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias);
- Reviewing the financial statement disclosures and testing them to supporting documentation;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations;
- Review of company related matters reported through the Rolls-Royce group whistleblowing facility; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our audit testing.

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.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors 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.

Rolls-Royce SMR Limited

Independent auditor's report to the directors of Rolls-Royce SMR Limited

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.



Terry Shah (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2024

Rolls-Royce SMR Limited

Income Statement

for the year ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue		–	866
Cost of sales		<u>–</u>	<u>(918)</u>
Gross loss		–	(52)
Other income	4	65,457	37,270
Research and development expenses		(115,046)	(77,757)
Administrative expenses		<u>(32,923)</u>	<u>(20,452)</u>
Loss before financing and taxation	4	(82,512)	(60,991)
Finance costs		(102)	–
Finance income	8	<u>4,536</u>	<u>35</u>
Loss before taxation		(78,078)	(60,956)
Income tax	9	<u>–</u>	<u>–</u>
Loss for the financial year		(78,078)	(60,956)

The above results were derived from continuing operations.

The notes on pages 17 to 33 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Statement of Comprehensive Income

for the year ended 31 December 2023

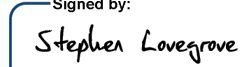
	2023 £ 000	2022 £ 000
Loss for the financial year	<u>(78,078)</u>	<u>(60,956)</u>
Total comprehensive expense for the financial year	<u>(78,078)</u>	<u>(60,956)</u>

The notes on pages 17 to 33 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited
Statement of Financial Position
as at 31 December 2023
(Registration number: 13039768)

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Intangible assets	10	207	99
Property, plant and equipment	11	2,534	1,224
Right-of-use assets	12	1,023	1,349
Deferred tax assets	9	435	–
		4,199	2,672
Current assets			
Trade and other receivables (falling due after one year: £nil (2022: £1,050,000))	13	111,514	79,648
Cash and cash equivalents		8,616	2,190
		120,130	81,838
Current liabilities			
Lease liabilities	14	(254)	(303)
Trade and other payables	15	(39,971)	(25,566)
		(40,225)	(25,869)
Total assets less current liabilities		84,104	58,641
Non-current liabilities			
Lease liabilities	14	(761)	(1,051)
Trade and other payables	15	(2,133)	(1,098)
		(2,894)	(2,149)
Net assets		81,210	56,492
Equity			
Called up share capital	17	727	619
Share premium		228,183	123,363
Accumulated losses		(147,700)	(67,490)
Total equity		81,210	56,492

The Financial Statements on pages 13 to 33 were approved and authorised for issue by the Board on 26 September 2024 and signed on its behalf by:

Signed by:

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Stephen Lovegrove
Director

The notes on pages 17 to 33 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Statement of Changes in Equity
for the year ended 31 December 2023

	Note	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2023		619	123,363	–	(67,490)	56,492
Loss for the financial year		–	–	–	(78,078)	(78,078)
Total comprehensive expense		–	–	–	(78,078)	(78,078)
Transactions with owners in their capacity as owners						
Proceeds from shares issued		100	97,273	–	–	97,373
Share issues for services rendered	16	8	7,547	–	(7,555)	–
Share-based payment transactions	16	–	–	–	5,423	5,423
At 31 December 2023		<u>727</u>	<u>228,183</u>	<u>–</u>	<u>(147,700)</u>	<u>81,210</u>

	Note	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2022		535	41,300	15,000	(7,466)	49,369
Loss for the financial year		–	–	–	(60,956)	(60,956)
Total comprehensive expense		–	–	–	(60,956)	(60,956)
Transactions with owners in their capacity as owners						
Reclassification between reserves ¹		–	15,000	(15,000)	–	–
Proceeds from shares issued		75	57,692	–	–	57,767
Share issues for services rendered	16	9	9,371	–	(9,380)	–
Share-based payment transactions	16	–	–	–	10,312	10,312
At 31 December 2022		<u>619</u>	<u>123,363</u>	<u>–</u>	<u>(67,490)</u>	<u>56,492</u>

¹ Represents funds received prior to 1 January 2022 for shares to be issued in 2022

Share premium

This represents proceeds received in excess of the nominal value of ordinary shares issued, less the costs of issue of £2,627,000 (2022: £2,231,000).

The notes on pages 17 to 33 form an integral part of these Financial Statements.

Rolls-Royce SMR Limited

Notes to the Financial Statements

for the year ended 31 December 2023

1 General information

The Company is a private company limited by shares, incorporated and domiciled in the East Midlands, United Kingdom. The address of its registered office is C/O Rolls-Royce plc, Moor Lane, Derby, Derbyshire, DE24 8BJ.

Principal activities

The principal activities are nuclear engineering for the development of a small modular reactor design.

2 Significant accounting policies

The significant accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year 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, except where fair value requirements have been applied under the framework, 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); and
 - 111 (statement of cash flows information).
- 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);
- 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);
- Paragraph 38 of IAS 1, *Presentation of Financial Statements* to present 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*;
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation); and
- Paragraph 52 of IFRS 16, *Leases*.

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 2023 that have a material impact on the Company's Financial Statements.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Going concern

The Company incurred a loss of £78,078,000 in the year as it continues to engage in the development of a SMR design. At 31 December 2023 the Company had net assets of £81,210,000 (2022: £56,492,000), which included a net intercompany debtor position of £100,936,000 (2022: £48,584,000) with other group companies which is recoverable on demand.

The financial statements have continued to be prepared using the going concern basis of accounting. In forming this judgement, the Directors have carefully reviewed and assessed the current and forecast cash flow requirements of the business for the 15-month period to 31 December 2025. The Directors have considered both an expected cash flow forecast scenario and a severe but plausible downside cash flow forecast scenario. The latter takes into account the Company's ability to reduce spend in certain areas and does not include the benefit of any expected but as yet unsecured forms of funding. These forecasts show that the Company will need to secure additional funds during the period to 31 December 2025.

Material uncertainty

The Company is exploring a number of funding options to continue to develop the SMR design, and without such funding the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. To mitigate these conditions management are well advanced in negotiations with both existing and prospective shareholders and also potential future customers in respect of options for the funding required.

The Directors believe the Company will be successful in obtaining adequate funding for its needs and, accordingly, have prepared these financial statements using the going concern basis of accounting. However, as funding has not been formally secured as at the date of approval of these financial statements, there is a material uncertainty related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires the use of certain critical estimates. It also requires management to exercise its judgements 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 source of estimation uncertainty – Accrued grant income

The Company has a grant funding agreement with Innovate UK to cover research and development expenditure on the SMR project. At the year end, the Company made an estimate of the amount expected to be recoverable at 44% (2022: 40%) of the total business expenditure, excluding estimated ineligible expenditure, incurred during the year. This is based on actual experience having now submitted several grant claims resulting in improved awareness of eligible expenditure. This percentage is lower than the grant funding rate per the grant funding agreement with Innovate UK. During the year £65,457,000 (2022: £37,270,000) of accrued grant income was recognised in the income statement as other income.

Critical accounting judgement – Value of share-based payment in exchange for services

The Company receives services from a supplier as consideration for its equity instruments which meets the definition of a share-based payment. The Company values the share-based payments using the direct method in line with IFRS 2 *Share-based payments*. The services received are for bespoke activities that in many instances cannot be procured elsewhere or benchmarked against similar services received from other third parties. As a result, the Company makes a judgement that the fair value of the share-based payments is equal to the market value of the services receivable. See note 16 for further detail.

Rolls-Royce SMR Limited

Notes to the Financial Statements

for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

Foreign 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.

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. Exchange differences arising on foreign exchange transactions and the retranslation of monetary items into functional currencies would be included within net financing.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the services provided recognised over time, stated net of value added taxes.

Revenue is recognised when services are provided to a 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 services in the Income Statement are recognised by the Company when the service has been transferred, being when all performance obligations have been fulfilled.

Government grants

Government grants receivable are recognised in the income statement within Other Income so as to match them with the related expenses that they are intended to compensate. Grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

Government grants relating to costs incurred are accrued within trade and other receivables if not received at the financial year end.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Research and development

Expenditure incurred on research and development is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to the income statement. Development expenditure is recognised as an internally generated intangible asset (programme asset) only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

More specifically, development costs are capitalised from the point at which the following conditions have been met:

- the technical feasibility of completing the programme and the intention and ability (availability of technical, financial and other resources) to complete the programme asset and use or sell it;
- the probability that future economic benefits will flow from the programme asset; and
- the ability to measure reliably the expenditure attributable to the programme asset during its development.

At 31 December 2023, no such research and development expenditure has been capitalised.

Income tax expense/credit

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge/credit is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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.

Intangible assets

The cost of acquiring software that is not specific to an item of property, plant and equipment is classified as an intangible asset and amortised on a straight-line basis over its useful economic life, up to a maximum of five years.

Rolls-Royce SMR Limited

Notes to the Financial Statements

for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Property, plant and equipment

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

Depreciation

Depreciation on 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

Plant and equipment

Depreciation method and rate

Three to five years

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

Financial assets and liabilities

Classification

All recognised financial assets that are within the scope of IFRS 9 *Financial Instruments* are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Impairment of financial assets

In relation to the impairment of financial assets the expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Financial liabilities

Financial liabilities primarily consist of trade and other payables to group undertakings and accruals. All other financial liabilities are classified and measured at amortised cost.

Trade and other receivables

Trade and other receivables relate to amounts due from customers and group undertakings for goods sold or services provided in the ordinary course of business, accrued grant income, social security and prepayments. These balances, excluding prepayments, are classified as financial assets and are subject to IFRS 9 expected credit loss model. 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 and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

When assessing impairment of trade and other receivables, the Directors consider factors including the credit rating of the receivable and the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Prepayments mainly relate to payments made by the Company in advance to cover fees for share issues to be made in future periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and are subject to an insignificant risk of changes in value.

Rolls-Royce SMR Limited

Notes to the Financial Statements

for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for termination of the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability or a revaluation of the liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Each right-of-use asset is depreciated over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Company, in which case the asset is depreciated to the end of the useful life of the asset.

Payments associated with the short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Share-based payments

Share-based payments to employees

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 a market-based 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 any market-based performance condition.

Where services are received as consideration for the Company's equity instruments, the fair value of the services received is measured using the direct method.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Share-based payments (continued)

Share-based payments for services

A third-party supplier provides services to the Company and the invoices for these services are settled in the Company's own equity instruments. This arrangement is classified as an equity-settled share-based payment under IFRS 2 *Share Based Payments*.

The fair value of services received is measured using the direct method and corresponds to the value of the invoice. The fair value of services received therefore corresponds to the increase in equity at fair value.

When shares are granted to settle the invoice, these vest immediately, however the income statement charge related to the issue of shares is only accelerated if there is no evidence to the contrary. As the Company track what services have been received in relation to specific invoices, the charge recognised will continue to be recognised in the period the service is received, rather than for the full amount of shares vested.

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.

Transaction costs incurred in anticipation of an equity issuance are deferred on the balance sheet until the equity instrument is recognised.

Rounding of amounts

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

3 Revenue

In 2022, all revenue was generated from the provision of services and was derived from within the United Kingdom.

4 Loss before financing and taxation

Arrived at after crediting:

	2023 £ 000	2022 £ 000
Government grant funding ¹	<u>65,457</u>	<u>37,270</u>

¹ Credited to other income.

The Company has obtained government grant funding from Innovate UK, a part of UK Research and Innovation, for the development of a SMR design.

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

5 Staff costs

The aggregate payroll costs were as follows:

	Note	2023 £ 000	2022 £ 000
Wages and salaries		47,536	28,439
Social security costs		4,966	3,024
Other pension costs		4,127	2,184
Share-based payments	16	<u>203</u>	<u>207</u>
		<u>56,832</u>	<u>33,854</u>

The monthly average number of persons employed (including Directors) by the Company during the financial year, analysed by category was as follows:

	2023 No.	2022 No.
Salaried staff	<u>590</u>	<u>337</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Remuneration	<u>284</u>	<u>516</u>

Remuneration does not include contributions to pensions or amounts receivable under long-term incentive schemes.

Contributions to defined contribution pension schemes during the year were £nil (2022: £4,000). Aggregate amounts receivable under long-term incentive schemes were £nil (2022: £nil). No (2022: none) share options were exercised during the year.

In respect of the highest paid Director:

	2023 £ 000	2022 £ 000
Remuneration	<u>130</u>	<u>471</u>

Aggregate of remuneration does not include contributions to pensions but does include amounts receivable under long-term incentive schemes.

Contributions to defined contribution pension schemes during the year were £nil (2022: £4,000). No (2022: none) share options were exercised during the year.

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

6 Directors' remuneration (continued)

The above details of directors' remuneration do not include the remuneration of those Directors who received no remuneration during the financial year or were paid by Rolls-Royce plc. Those individuals also act as a Director for a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each subsidiary. One Director's fees were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Director to the Company has been included in the aggregate. No charge has been made to the Company for the qualifying services.

7 Auditors' remuneration

The fee for the audit of these Financial Statements is £57,000 (2022: £46,000). £32,000 (2022: £95,000) was paid to the Company's auditors for non-audit services.

8 Finance income

	2023 £ 000	2022 £ 000
Intercompany interest receivable	4,029	–
Foreign exchange gains	507	35
	<u>4,536</u>	<u>35</u>

9 Income tax

Tax charged/(credited) in the income statement:

	2023 £ 000	2022 £ 000
Current tax		
Adjustments in respect of prior periods	435	–
Total current tax expense	<u>435</u>	<u>–</u>
Deferred taxation – origination and reversal of timing differences		
Adjustments in respect of prior periods	(435)	–
Total deferred taxation credit	<u>(435)</u>	<u>–</u>
Tax expense/(credit) in the income statement	<u>–</u>	<u>–</u>

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

9 Income tax (continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The differences are reconciled below:

	2023 £ 000	2022 £ 000
Loss before tax	<u>(78,078)</u>	<u>(60,956)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%).	(18,348)	(11,582)
Effects of:		
Expenses not deductible	877	1,964
Movement in deferred tax not recognised	(361)	557
Deferred tax asset on losses not recognised	<u>17,832</u>	<u>9,061</u>
Total tax (credit)/charge	<u>-</u>	<u>-</u>

Deferred tax

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income statement £ 000	At 31 December 2023 £ 000	Recognised as Deferred Tax Asset £ 000
R&D credit	-	435	435	435
Net tax assets	<u>-</u>	<u>435</u>	<u>435</u>	<u>435</u>

The Company has tax losses on which a deferred tax asset has not been recognised (cumulative unrecognised losses of £130,604,000) (2022: cumulative unrecognised losses £57,988,000), this is because, as at the balance sheet date the Company did not expect to have sufficient taxable profits against which those losses could be offset.

Following the shareholding changes referred to in Note 20, the Company was degrouped from Rolls-Royce Plc for tax purposes which will result in a taxable gain to the Company in 2024.

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

10 Intangible assets

	Software £ 000	Total £ 000
Cost		
At 1 January 2023	104	104
Additions	<u>174</u>	<u>174</u>
At 31 December 2023	<u>278</u>	<u>278</u>
Accumulated amortisation		
At 1 January 2023	(5)	(5)
Amortisation charge	<u>(66)</u>	<u>(66)</u>
At 31 December 2023	<u>(71)</u>	<u>(71)</u>
Net book value		
At 31 December 2023	<u>207</u>	<u>207</u>
At 31 December 2022	<u>99</u>	<u>99</u>

Amortisation of £66,000 (2022: £5,000) is included in administrative expenses in the income statement.

11 Property, plant and equipment

	Plant and equipment £ 000	Total £ 000
Cost		
At 1 January 2023	1,341	1,341
Additions	<u>1,987</u>	<u>1,987</u>
At 31 December 2023	<u>3,328</u>	<u>3,328</u>
Accumulated depreciation		
At 1 January 2023	(117)	(117)
Charge for the year	<u>(677)</u>	<u>(677)</u>
At 31 December 2023	<u>(794)</u>	<u>(794)</u>
Net book value		
At 31 December 2023	<u>2,534</u>	<u>2,534</u>
At 31 December 2022	<u>1,224</u>	<u>1,224</u>

Depreciation of £677,000 (2022: £117,000) is included in administrative expenses in the income statement.

At 31 December 2023 the Company was committed to capital expenditure of £nil (2022: £nil).

Rolls-Royce SMR Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

12 Right-of-use asset

	Land and buildings £ 000	Total £ 000
Cost		
At 1 January 2023	1,389	1,389
Lease modifications	(60)	(60)
At 31 December 2023	<u>1,329</u>	<u>1,329</u>
Accumulated depreciation		
At 1 January 2023	(40)	(40)
Charge for the year	(266)	(266)
At 31 December 2023	<u>(306)</u>	<u>(306)</u>
Net book value		
At 31 December 2023	<u>1,023</u>	<u>1,023</u>
At 31 December 2022	<u>1,349</u>	<u>1,349</u>

Depreciation of £266,000 (2022: £40,000) is included in administrative expenses in the income statement.

13 Trade and other receivables

Amounts due in more than one year:

	2023 £ 000	2022 £ 000
Prepayments	<u>-</u>	<u>1,050</u>

Amounts due within one year:

	2023 £ 000	2022 £ 000
Amounts due from group undertakings	103,000	49,849
Accrued grant income	-	22,263
Prepayments	2,218	2,760
Social security and other taxes	6,281	3,673
Contract assets	-	53
Other receivables	15	-
	<u>111,514</u>	<u>78,598</u>

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

13 Trade and other receivables (continued)

Amounts due from group undertakings are unsecured, accrue interest at the Bank of England base rate - 0.06% and are repayable on demand.

Amounts due from group undertakings are stated after provisions for impairment of £nil (2022: £nil) for expected credit losses in accordance with IFRS 9.

Prepayments mainly relate to equity issuance transaction costs paid in advance to HSBC Bank plc for share subscription payments due in line with the Company's investment schedule agreed with shareholders expected to be fully realised in 2024.

Other receivables predominantly relates to payroll related advances.

14 Leases

Amounts recognised in the Statement of Financial Position

The balance sheet shows the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Right-of-use assets		
Land and buildings	1,023	1,349
	<u>1,023</u>	<u>1,349</u>
Lease liabilities		
Current lease liabilities	254	303
Non-current lease liabilities	761	1,051
	<u>1,015</u>	<u>1,354</u>

There were modifications to right-of-use assets during 2023 of £(60,000) (2022: additions of £1,389,000).

	2023 £ 000	2022 £ 000
Future minimum lease payments on leases as at 31 December:		
Within one year	325	325
In one to two years	325	325
In two to five years	523	848
Total gross payments	<u>1,173</u>	<u>1,498</u>
Impact of finance expense	(158)	(144)
Carrying amount of liability	<u>1,015</u>	<u>1,354</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 7.8% (2022: 6.0%).

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

14 Leases (continued)

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Depreciation charge on right-of-use assets	266	40
Interest expense (included in finance cost)	91	12

The leases primarily relate to office premises leased for 5 years.

The total cash outflow for leases in 2023 was £326,000 (2022: £96,000).

15 Trade and other payables

Amounts due in more than one year:

	2023 £ 000	2022 £ 000
Other payables	2,133	1,098

Amounts due within one year:

	2023 £ 000	2022 £ 000
Amounts due to group undertakings	2,064	1,265
Accrued expenses	18,865	15,463
Social security and other taxes	–	256
Other payables	9,080	6,423
Trade payables	7,775	2,159
Deferred grant income	2,187	–
	39,971	25,566

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

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

16 Share-based payments

Share-based payments to employees

Charges for share-based payments to employees in the year were £203,000 (2022: £207,000).

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 (e.g. operating profit and free cash flow) and a market based performance condition (e.g. 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.

No share options were exercised during the financial year. The closing price at 31 December 2023 was 300p (2022: 93p). There were no exercisable options outstanding at 31 December 2023 (2022: £nil).

Share options outstanding at 31 December 2023 have the following expiry dates and exercise prices:

Grant - vest	Expiry date (31 January)	Exercise price in pence per share option	ShareSave share options	
			2023	2022
2021 - 2025	2025	97	40,747	42,807

Share-based payments in exchange for services

During the year, the Company received services from a supplier as consideration for its own equity instruments. The fair value of the services received is measured using the direct method and reflects the market value of the services received during the financial year – see note 2 for more information. During the year, an expense of £5,220,000 (2022: £10,105,000) was incurred. During the year to 31 December 2023, 7,555 shares vested as part of this share-based payment transaction (2022: 9,380 shares).

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

17 Called up share capital

Allotted and fully paid

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	727	727	619	619

Rights, preferences and restrictions

Ordinary shares are the only share type and 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.

On 3 January 2023, 45,000 shares were issued for a cash consideration of £45,000,000.

On 1 June 2023, 3,195 shares were issued for a consideration of £3,195,000. See note 16.

On 3 July 2023, 55,000 shares were issued for a cash consideration of £55,000,000.

On 1 December 2023, 4,360 shares were issued for a consideration of £4,360,000. See note 16.

18 Related party transactions

No related party transactions took place during the year with Limond Partnership, an entity which a member of the Executive Leadership Team has an interest in. During the prior year HR Consulting services were provided to the Company by Limond Partnership for £75,000.

Related party transactions took place with the National Skills Academy for Nuclear (NSAN). Transactions with NSAN relating to membership and training in 2023 totalled £94,000 (2022: £91,000).

During the year, the Company transacted with other members of the Group.

Sales with other group undertakings

	2023	2022
	£ 000	£ 000
Rolls-Royce Power Engineering Limited	-	221
Rolls-Royce Submarines Limited	-	373
Rolls-Royce plc	-	272

Rolls-Royce SMR Limited
Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

18 Related party transactions (continued)*Purchases with other group undertakings*

	2023 £ 000	2022 £ 000
Rolls-Royce Power Engineering Limited	-	455
Rolls-Royce Submarines Limited	-	33
Rolls-Royce plc	6,648	3,445
Rolls-Royce Turkey Güç Çözümleri san. Ve Tic.Ltd.Şti	-	140
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Receivables with other group undertakings

	2023 £ 000	2022 £ 000
Rolls-Royce plc	103,000	49,849
	<hr/>	<hr/>

Payables with other group undertakings

	2023 £ 000	2022 £ 000
Rolls-Royce plc	2,064	1,191
Rolls-Royce Submarines Limited	-	42
Rolls-Royce Power Engineering Limited	-	32
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19 Parent and ultimate parent undertaking

The Company's immediate parent is Rolls-Royce 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, N1 9FX, United Kingdom.

20 Post balance sheet events

On 2 January 2024 the Company issued 35,000 ordinary shares for £35,000,000. The funds were received on 2 January 2024.

On 1 June 2024 the Company issued 9,450 ordinary shares for £9,450,000. The Company received services from a supplier as consideration for these shares (further details on how these are accounted for is outlined in note 16).