

Registration number: 01305027

# **Rolls-Royce Power Engineering Limited**

Annual Report and Financial Statements

for the year ended 31 December 2024

**Rolls-Royce Power Engineering Limited**  
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**Rolls-Royce Power Engineering Limited**  
**Company Information**

<b>Directors</b>	Sarah Dunn Richard Palmer
<b>Secretary</b>	Matthew Conacher
<b>Registered number</b>	01305027
<b>Registered office</b>	Moor Lane Derby Derbyshire DE24 8BJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

# Rolls-Royce Power Engineering Limited

## Strategic Report

### for the year ended 31 December 2024

The Directors present their Strategic Report on Rolls-Royce Power Engineering Limited (the Company) together with the audited Financial Statements for the year ended 31 December 2024.

#### Principal activities

The principal activities of the Company are that of the provision of power and propulsion systems and nuclear technology solutions across the Defence and Nuclear sectors.

The Company continues to invest in technologies, products, people and capabilities with the objective of broadening and strengthening the Company's product portfolio, improving efficiency and enhancing the environmental performance of products.

#### Business review

The performance of the company for the year is shown in the Income Statement on page 10 and the Statement of Comprehensive Income on page 11, with the financial position of the Company at 31 December 2024 shown in the Statement of Financial Position on page 12.

In 2024 the Company's overall revenue decreased by £29,021,000 to £107,176,000 (2023: £136,197,000). The decrease is largely as a result of supply chain challenges and delivery delays into 2025. Profit before tax of £13,402,000 (2023: £21,145,000) is as a result of an increase in finance income of £2,606,000 due to upside in foreign exchange revaluations offset by increased administrative spend in the year of £1,638,000.

Net assets increased to £334,036,000 (2023: £326,771,000).

#### Key performance indicators

Given the nature of the Company's activities, 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 Group has an established and structured approach to risk management which is detailed in the Rolls-Royce Holdings plc 2024 Annual Report which is publicly available from the address in note 25. The Company acts in accordance with this policy to manage and mitigate the risks identified below.

#### *Climate Change*

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

#### Section 172(1) statement

Section 172(1) 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(1) requires a Director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- 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.

Further details on how the Directors' duties are discharged, and the oversight of these duties in making the principal decisions taken by the Company are included below.

The Company's key stakeholders are its employees, external suppliers, customers, the UK Government and its shareholder, Rolls-Royce plc. Company management engage with suppliers and customers through formal meetings, management level review boards and regular performance and compliance meetings. Following these supplier meetings, an output of the various tiered reviews within the organisation and with its stakeholders is shared with the Directors at the board meetings with all actions or recommendations documented in board meeting minutes.

# Rolls-Royce Power Engineering Limited

## Strategic Report

### for the year ended 31 December 2024 (continued)

#### Section 172(1) statement (continued)

There is regular engagement within the Group on employee-related matters, which is taken into account in 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. For further information on how the Company engages with employees please see section 'Employees' in the Directors' Report on page 5.

The Company invests in technologies, products, people and capabilities with the objective of broadening and strengthening the Company's product portfolio, improving efficiency and enhancing the environmental performance of products.

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

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 2024.

#### Non-financial and sustainability information statement

The Company is a wholly owned subsidiary of the Rolls-Royce Holdings plc Group and therefore the non-financial and sustainability information disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc 2024 Annual Report 2024 on page 32.

#### 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 2024 Annual Report on pages 32 to 45 and the Climate Review. 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 wholly owned 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 2024 Annual Report on page 212. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board and signed on its behalf on 23 October 2025 by:

Signed by:  
  
 .....3C7CB678224D4D2:::  
 Sarah Dunn  
 Director

# Rolls-Royce Power Engineering Limited

## Directors' Report

### for the year ended 31 December 2024

The Directors present their Directors' Report on the Company together with the Strategic Report and audited Financial Statements for the year ended 31 December 2024.

#### Directors

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

Sarah Dunn

Richard Palmer

#### Qualifying third-party indemnity provisions

There were qualifying third-party indemnity provisions for the benefit of the Directors in place during the year and they remain in force at the date of the approval of the Annual Report and Financial Statements.

#### Results and dividends

The Company made £10,429,000 profit after taxation for the year (2023: £16,985,000). The net assets of the Company are £334,036,000 (2023: £326,771,000).

The Directors did not declare a dividend for the year (2023: declared an interim dividend of £3,000,000, which was paid during 2024).

#### Future developments

The Company will continue to provide power and propulsion systems and nuclear reactor support systems across the Nuclear and Defence sectors.

#### Research and development

During the year the Company had expenditure of £215,000 on research and development (2023: £4,260,000).

#### Financial risk management

The following financial risks are considered key by the Directors:

##### *Foreign currency exchange rate risk*

The Company has cash flows (most significantly US dollars, followed by the euro) denominated in currencies other than the functional currency. To manage its exposures to changes in values of future foreign currency cash flows, so as to maintain relatively stable long-term foreign exchange rates on settled transactions, the Company uses the Group Treasury function to enter into foreign currency transactions. For accounting purposes, these instruments are held at a Group level and are not pushed down to the Company.

##### *Credit risk*

The Company is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The effective monitoring and controlling of credit risk are key components of the Group's risk management activities. The Group has credit policies covering both trading and financial exposures. Credit risks arising from treasury activities are managed by a central treasury function in accordance with the Group credit policy. The objective of the policy is to diversify and minimise the Group's exposure to credit risk from its treasury activities by ensuring the Group transacts strictly with 'BBB+' or higher rated financial institutions based on pre-established limits per financial institution. At the Balance Sheet date, there were no significant concentrations of credit risk to individual customers or counterparties. The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset, including derivative financial instruments.

#### Going concern

The Directors of the Company have prepared the Financial Statements on a going concern basis which assumes the Company will continue in operation for at least 12 months from the date of approval of the Financial Statements and be able to meet its obligations as they fall due.

In forming this judgement, the Directors have taken account of the current and forecast trading performance of the business for the year to 31 December 2024, including taking account of reasonably possible changes in trading performance and the likelihood of the renewal/replacement of key contracts which expire within that year. The nature of the Company's contracts enables it to be consistently cash generative. Management's forecasts indicate that this is expected to continue throughout the forecast period.

# **Rolls-Royce Power Engineering Limited**

## **Directors' Report**

### **for the year ended 31 December 2024 (continued)**

#### **Going concern (continued)**

As part of the going concern assessment management have forecast severe but plausible downside scenarios including cost increases due to supply chain challenges as detailed in the Rolls-Royce Holdings plc 2024 Annual Report which is publicly available from the address in note 25, as well as the risk of contracts becoming onerous. These forecasts indicate the Company will continue to be profitable and cash generative throughout the forecast period. The directors consider that these severe but plausible downside scenarios would not give rise to any going concern implications for the company.

The Company is part of the Rolls-Royce Group banking arrangements and the Company's main bank account is subject to offset and pooling arrangements with cash and overdraft balances held by other group entities. As a result of these arrangements the balances are presented as intercompany receivables. In making their assessment, the Directors have also considered the ability of the counterparties to settle their obligations as they fall due.

After considering the factors as set out above, the Directors have a reasonable expectation that the Company has access to sufficient financial and other resources to continue in operational existence across the going concern period that is at least twelve months from the date of approval of these Financial Statements. Accordingly, the Directors believe that it is appropriate that these Financial Statements are prepared on a going concern basis.

#### **Employees**

Employee engagement is a priority for the Group, of which the Company is a part. The Group approach is a mix of locally driven and Group-wide global engagement. The Group provides a variety of channels to communicate and engage employees and their representatives including employee newsletters, magazines, team briefings, and our digital communication channels, such as Yammer. The Group also works closely with elected representatives through well-established frameworks, including the European Works Council. Group incentive schemes and share programmes are available to the Company's employees.

Learning and technology sit at the core of the Group's culture. The Group focusses on enabling learning in different ways and via different means; employees engage with on-demand informal learning content through Leatro, far more than formal (face-to-face) learning.

The Group maintained focus on creating an inclusive and more representative employee population. The Group has matured its inclusion and belonging strategy through four key pillars: leadership and governance; attracting and recruiting; retention; and development.

The Company gives full and fair consideration to all employment applications from people with disabilities. If an employee becomes disabled whilst working for the Company we take steps to support their continued working including, wherever possible, making adjustments to ways of working. All employees can take advantage of our learning programmes, often available online, and promotion opportunities are open to all employees regardless of any disabilities.

#### **Engagement with suppliers, customers, and others**

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172(1) Statement in the Strategic Report (see page 2).

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

#### **Independent auditors**

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

# Rolls-Royce Power Engineering Limited

## Directors' Report

### for the year ended 31 December 2024 (continued)

#### 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.

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

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

#### Directors' confirmations

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

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

Approved by the Board and signed on its behalf on 23 October 2025 by:

Signed by:  
  
 .....3C7CB678224DAD2.....

Sarah Dunn  
 Director



**Rolls-Royce Power Engineering Limited**  
**Independent Auditors' Report to the members of Rolls-Royce Power Engineering Limited**

## **Report on the audit of the Financial Statements**

### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2024; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### **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.

### **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.

## **Rolls-Royce Power Engineering Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Power Engineering Limited (continued)**

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 2024 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 to 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.

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.

## **Rolls-Royce Power Engineering Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Power Engineering Limited (continued)**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. 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 regulations and any fraud matters;
- Challenging assumptions and judgements made by management for evidence of bias in determining significant account estimates including those related to long-term contract accounting;
- Identifying and testing unusual journal entries, in particular those posted with unusual account combinations such as those increasing revenue or cash, or those reducing expenditure; and
- Reviewing minutes of meetings of those charged with governance.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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.

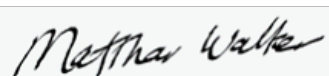
## **Other required reporting**

#### **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.



Matthew Walker (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
23 October 2025

**Rolls-Royce Power Engineering Limited**  
**Income Statement**  
**for the year ended 31 December 2024**

	<b>Note</b>	<b>2024 £ 000</b>	<b>2023 £ 000</b>
Revenue	3	107,176	136,197
Cost of sales		<u>(97,604)</u>	<u>(118,766)</u>
<b>Gross profit</b>		<b>9,572</b>	17,431
Administrative (expense)/income		(520)	5,163
Research and development		<u>(215)</u>	<u>(4,260)</u>
Total administrative (expense)/income		<u>(735)</u>	<u>903</u>
<b>Operating profit</b>	4	<b>8,837</b>	18,334
Profit on disposal of business	20	<u>-</u>	<u>938</u>
<b>Profit before interest and taxation</b>		<b>8,837</b>	19,272
Finance income	7	4,565	1,959
Finance costs	8	<u>-</u>	<u>(86)</u>
<b>Profit before taxation</b>		<b>13,402</b>	21,145
Tax on profit	9	<u>(2,973)</u>	<u>(4,160)</u>
<b>Profit for the financial year</b>		<b><u>10,429</u></b>	<b><u>16,985</u></b>

The notes on pages 14 to 30 form an integral part of these Financial Statements.

**Rolls-Royce Power Engineering Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2024**

	2024 £ 000	2023 £ 000
Profit for the financial year	<u>10,429</u>	<u>16,985</u>
<b>Total comprehensive income for the year</b>	<b><u>10,429</u></b>	<b><u>16,985</u></b>

The notes on pages 14 to 30 form an integral part of these Financial Statements.

**Rolls-Royce Power Engineering Limited**  
**Statement of Financial Position**  
**as at 31 December 2024**  
**(Registration number: 01305027)**

	Note	2024 £ 000	2023 Restated <sup>1</sup> £ 000
<b>Non-current assets</b>			
Intangible assets	10	–	1,193
Property, plant and equipment	11	3,779	5,158
Investments	12	15,605	15,605
Deferred tax asset	9	2,323	1,984
		<u>21,707</u>	<u>23,940</u>
<b>Current assets</b>			
Inventories	13	57,062	43,070
Trade and other receivables	14	505,042	500,582
Contract assets	15	5,038	9,663
Other financial assets		1,721	64
Cash and cash equivalents		109	20
		<u>568,972</u>	<u>553,399</u>
<b>Current liabilities</b>			
Trade and other payables	16	(63,371)	(64,695)
Contract liabilities	15	(136,152)	(142,886)
Other financial liabilities		(1,444)	–
Provisions for liabilities	19	(13,289)	(7,308)
		<u>354,716</u>	<u>338,510</u>
<b>Net current assets</b>		<u>354,716</u>	<u>338,510</u>
<b>Total assets less current liabilities</b>		<u>376,423</u>	<u>362,450</u>
<b>Non-current liabilities</b>			
Provisions for liabilities	19	(18,691)	(28,382)
Contract liabilities	15	(23,696)	(7,297)
		<u>334,036</u>	<u>326,771</u>
<b>Net assets</b>		<u>334,036</u>	<u>326,771</u>
<b>Equity</b>			
Called up share capital	22	–	–
Retained earnings		334,036	326,771
		<u>334,036</u>	<u>326,771</u>
<b>Total equity</b>		<u>334,036</u>	<u>326,771</u>

<sup>1</sup> Contracts were reviewed during the year resulting in a prior period restatement of contract liabilities, amounts due to group undertakings within trade and other payables, and opening retained earnings. See note 2 for further details.

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 23 October 2025 by:

Signed by:  
  
 3C7CB678224D4D2...  
 Sarah Dunn

Director

The notes on pages 14 to 30 form an integral part of these Financial Statements.

**Rolls-Royce Power Engineering Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2024**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Retained earnings</b>	<b>Total Equity</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 January 2024 (restated) <sup>1</sup>	–	–	–	326,771	326,771
Profit for the financial year	–	–	–	10,429	10,429
Total comprehensive income	–	–	–	10,429	10,429
Share based payments – direct to equity	–	–	–	78	78
Related tax movements	–	–	–	(242)	(242)
Equity dividend	–	–	–	(3,000)	(3,000)
At 31 December 2024	–	–	–	334,036	334,036

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Retained earnings</b>	<b>Total Equity</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 January 2023	379,100	24,055	4,015	170,024	577,194
Restatement <sup>1</sup>	–	–	–	7,823	7,823
At 1 January 2023 (restated) <sup>1</sup>	379,100	24,055	4,015	177,847	585,017
Profit for the financial year	–	–	–	16,985	16,985
Total comprehensive income	–	–	–	16,985	16,985
Capital reduction <sup>2</sup>	(379,100)	(24,055)	(4,015)	407,170	–
Intercompany loan waiver <sup>3</sup>	–	–	–	(280,589)	(280,589)
Share based payments – direct to equity	–	–	–	108	108
Other movements	–	–	–	5,250	5,250
At 31 December 2023(restated) <sup>1</sup>	–	–	–	326,771	326,771

<sup>1</sup> Contracts were reviewed during the year resulting in a prior period restatement of opening retained earnings. See note 2 for further details.

<sup>2</sup> During 2023, the Directors approved a capital reduction.

<sup>3</sup> During 2023, the Company waived an outstanding loan balance of £280,589,000 which was due from their parent company (Rolls-Royce plc).

The notes on pages 14 to 30 form an integral part of these Financial Statements.

# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024

#### 1 General information

The Company is a private Company limited by shares and incorporated, registered and domiciled in the East Midlands, United Kingdom. The address of its registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

The principal activity of the Company is that of the provision of power and propulsion systems and nuclear reactor technology solutions across the Defence and Nuclear sectors.

#### 2 Significant accounting policies

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

##### Basis of preparation

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

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

- The following paragraphs of IAS 1 *Presentation of financial statements*:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 40A-40D (detail in respect of third balance sheet presented on a retrospective restatement);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures);
- IAS 7 *Statement of cash flows*;
- 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* – comparative information in respect of:
  - paragraph 73(e) of IAS 16 *Property, plant and equipment*; and
  - paragraph 118(e) of IAS 38 *Intangible assets* (reconciliations between the carrying amount at the beginning and end of the period);
- The requirements of IAS 24 *Related Party Transactions* and has, therefore, not disclosed transactions between the Company and other entities part of a wholly owned group;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

##### Restatement of comparative information

During the year, the Company completed a verification exercise on its fixed assets. Existence of assets previously considered disposed at £nil net book value was confirmed, as well as statutory categorisations of assets. This resulted in a restatement of the opening cost and accumulated depreciation balanced for property, plant and equipment. Total cost and accumulated depreciation increased by £4,706,000, resulting in a total net book value impact of £nil (see note 11).

During the year, the Company performed a review of its contracts and identified performance obligations which had been satisfied prior to 2023. Accordingly, the opening retained earnings as at 1 January 2023 have been increased to reflect the revenue which the company was entitled to recognise in a previous period of £9,741,000, with the current contract liability decreasing by the same amount (see note 15). The tax impact of this adjustment is £1,918,000, which has decreased opening retained earnings and increased the opening amounts due to group undertakings (see note 16). The restatement did not have any impact on the comparative income statement.

##### 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 2024 that have a material impact on the Company's Financial Statements.

##### Going concern

The Directors of the Company have prepared the Financial Statements on a going concern basis which assumes the Company will continue in operation for at least 12 months from the date of approval of the Financial Statements and be able to meet its obligations as they fall due.



# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024 (continued)

#### 2 Significant accounting policies (continued)

##### Going concern (continued)

In forming this judgement, the Directors have taken account of the current and forecast trading performance of the business for the year to 31 December 2024, including taking account of reasonably possible changes in trading performance and the likelihood of the renewal/replacement of key contracts which expire within that year. The nature of the Company's contracts enables it to be consistently cash generative. Management's forecasts indicate that this is expected to continue throughout the forecast period.

As part of the going concern assessment management have forecast severe but plausible downside scenarios including cost increases due to supply chain challenges as detailed in the Rolls-Royce Holdings plc 2024 Annual Report which is publicly available from the address in note 25, as well as the risk of contracts becoming onerous. These forecasts indicate the Company will continue to be profitable and cash generative throughout the forecast period. The directors consider that these severe but plausible downside scenarios would not give rise to any going concern implications for the company.

The Company is part of the Rolls-Royce Group banking arrangements and the Company's main bank account is subject to offset and pooling arrangements with cash and overdraft balances held by other group entities. As a result of these arrangements the balances are presented as intercompany receivables. In making their assessment, the Directors have also considered the ability of the counterparties to settle their obligations as they fall due.

After considering the factors as set out above, the Directors have a reasonable expectation that the Company has access to sufficient financial and other resources to continue in operational existence across the going concern period that is at least twelve months from the date of approval of these Financial Statements. Accordingly, the directors believe that it is appropriate that these Financial Statements are prepared on a going concern basis.

##### 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:

##### *Key source of estimation uncertainty - Inventory valuation and provisioning*

Inventory valuation is based upon all costs of production contained within the inventory management system. The Directors review the carrying value of inventory on an annual basis and make provisions against the carrying value of inventory where they consider the net realisable value to be lower than cost. A provision is applied when excess inventory is identified based on future demand. As at 31 December 2024, the provision for impairment against the inventory value was £32,737,000 (2023: £32,264,000). (See note 13).

##### *Key source of estimation uncertainty - Healthcare 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 (See note 19).

##### *Key source of estimation uncertainty - Long term contracts and contract loss provisions*

The Company has long-term contracts that fall into different accounting periods and which can extend over longer periods. The estimated revenue and costs are inherently challenging to forecast and significant estimates are required to assess the pattern of activity and the costs to be incurred over the term of the contracts and escalation of revenue and costs. The Company recognises contract loss provisions based on the assessment of whether the direct costs to fulfil a contract are greater than the expected revenue. The estimates take account of the inherent uncertainties, constraining the expected level of revenue as appropriate.

##### *Critical accounting judgement - Multi-employer defined benefit pension scheme*

Certain employees participate in a multi-employer defined 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.

# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024 (continued)

#### 2 Significant accounting policies (continued)

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

###### *Critical accounting judgement - Provisions*

The Company holds provisions in respect of certain obligating events that have created a legal or constructive obligation as a result of past activity, the settlement of which is expected to result in an outflow of resources embodying economic benefits. The Directors make judgements as necessary relating to the likelihood of realisation of these provisions and the timing of potential outflows.

##### **Exemption from preparing consolidated Financial Statements**

The Financial Statements contain information about Rolls-Royce Power Engineering Limited as an individual Company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements as it and its subsidiary undertakings are included by full consolidation in the consolidated Financial Statements of its 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.

##### **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. Foreign currency differences are recognised in net financing.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represent amounts receivable for goods and services supplied, stated net of value added taxes.

Revenue is recognised when control of goods and services is transferred 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. The revenue of the Company comes from the sale of goods that are recognised at a point in time and also over time. Sales of standard original equipment (OE) in the Income Statement are recognised by the Company when control of the goods has been transferred, being when the customer takes possession of the goods and that all performance obligations have been fulfilled. In the case of long term contracts, revenue is recognised based upon the level of costs incurred compared to the overall costs of the contracts.

The Company has elected to use the practical expedient not to adjust revenue for the effect of financing components where the expectation is that the period between the transfer of goods and services to customers and the receipt of payment is less than a year.

Sales of services and OE specifically designed for the contract are recognised by reference to the completion of the performance obligations provided the outcome of contracts can be assessed with reasonable certainty. Where sales are made with a right of return, revenue is recognised only to the extent that the Company does not expect to refund the sale. Revenue received in excess of this is recognised as a refund liability, included in other payables.

###### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Revenue for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**2 Significant accounting policies (continued)**

**Research and development**

The charge to the income statement consists of research and development expenditure incurred in the year, excluding known recoverable costs on contracts, contributions to shared engineering programmes and application engineering. Application engineering expenditure, incurred in the adaptation of existing technology to new products, is capitalised as internally generated intangible asset only if it meets strict criteria where the cost is related to existing programmes that will generate future revenue, and amortised over the programme life, up to a maximum of ten years, where both the technical and commercial risks are considered to be sufficiently low.

**Finance income and costs**

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

**Tax on profit**

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 over its useful economic life, up to a maximum of 20 years.

**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 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.

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold Land and buildings	15 to 45 years. No depreciation is provided on freehold land.
Short term Leasehold Property	Lower of advisors' estimates or period of lease.
Plant & machinery	5 to 25 years.
Assets under construction	No depreciation is provided on assets in the course of construction.

**Investments**

Fixed asset investments are shown at cost less provision for impairment.

# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024 (continued)

#### 2 Significant accounting policies (continued)

##### **Inventories**

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

##### **Financial assets and liabilities**

##### ***Classification***

##### Financial assets:

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

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

##### Financial liabilities:

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

##### ***Impairment***

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

##### **Trade and other receivables**

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

##### **Contract assets and liabilities**

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

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand. The company does not hold any short-term deposits or other cash equivalents at the reporting date.

##### **Trade and other payables**

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

# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024 (continued)

#### 2 Significant accounting policies (continued)

##### 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.

##### 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 included in note 25 in these Financial Statements.

##### Called up share capital

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

##### Share-based payments

The parent company on behalf of the Company provides share-based payment arrangements to certain employees. These are equity-settled arrangements and are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest, except where additional shares vest as a result of the Total Shareholder Return (TSR) performance condition in the Performance Share Plan.

The costs of these share-based payments are treated as a capital contribution from the parent company. Any payments made by the Company to its parent company, in respect of these arrangements, are treated as a return of this capital contribution.

The fair values of the share-based payment arrangements are measured as follows:

- i) ShareSave plans - using the binomial pricing model;
- ii) Long-term incentive plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and market-based performance conditions where applicable.

##### Dividends

Final dividends paid are recognised through equity on the earlier of their approval by the Company's Directors or payment. Interim dividends are recognised through equity when paid.

Dividends received are recognised in the Income Statement on the date payment of such is received.

##### Rounding of amounts

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

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**3 Revenue**

A geographical analysis of revenue is presented as follows:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
United Kingdom	49,579	72,589
Middle East & Asia	52,152	53,006
Rest of Europe	5,097	9,505
North America	348	1,097
	<u>107,176</u>	<u>136,197</u>

Revenue is split by sale of goods and sale of services below:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Original equipment (sale of goods)	66,167	78,864
Aftermarket sales (services)	41,009	57,333
	<u>107,176</u>	<u>136,197</u>

**4 Operating profit**

Arrived at after charging/(crediting):

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation charge on property, plant and equipment	124	234
Amortisation charge on intangible assets	297	3,999
Reversal of impairment of trade receivables	–	(2,546)
Release of industrial diseases provision	(603)	(2,625)
Charge for impairment of inventory to net realisable value	473	155
Research and development expenditure	215	4,260
Inventory recognised as an expense	<u>85,649</u>	<u>86,438</u>

**5 Staff and Directors' costs**

The aggregate payroll costs were as follows:

	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	5,390	7,238
Social security costs	611	825
Other pension costs	558	697
Share-based payment expenses	78	108
	<u>6,637</u>	<u>8,868</u>

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**5 Staff and Directors' costs (continued)**

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

	<b>2024</b> <b>No.</b>	<b>2023</b> <b>No.</b>
Nuclear	53	39
Defence	34	68
	<u>87</u>	<u>107</u>

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.

**6 Auditors' remuneration**

The fees for the audit of the Company Financial Statements for the year ended 31 December 2024 were £181,000 (2023: £203,000) and were paid by Rolls-Royce plc and not recharged. No (2023: no) amounts were paid to the Company's auditors for non-audit services.

**7 Finance income**

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
Foreign exchange gain	3,678	1,778
Other finance income	555	–
Interest receivable and similar income	116	179
Fair value gains on foreign currency contracts	213	–
Intercompany interest receivable	3	2
	<u>4,565</u>	<u>1,959</u>

**8 Finance costs**

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
Fair value losses on foreign currency contracts	–	86
	<u>–</u>	<u>86</u>

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**9 Tax on profit**

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
<b>Statement of changes in equity</b>		
Deferred tax on share-based payments	242	(242)
	<u>242</u>	<u>(242)</u>
<b>Tax charged in the income statement</b>		
<b>Current tax</b>		
Group relief payable at 25.0% (2023: 23.5%)	3,536	2,772
UK corporation tax adjustments to prior periods	18	–
	<u>3,554</u>	<u>2,772</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(173)	1,335
Adjustments to tax charge in respect of prior periods	(408)	53
Total deferred taxation	<u>(581)</u>	<u>1,388</u>
<b>Tax charge in the income statement</b>	<u>2,973</u>	<u>4,160</u>

The tax assessed for the year is lower than (2023: lower than) the standard rate of corporation tax in the UK of 25.0% (2023: 23.5%). The differences are explained and reconciled below:

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
<b>Profit before taxation</b>	<u>13,402</u>	<u>21,145</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK 25.0% (2023: 23.5%)	3,351	4,969
Adjustments to tax charge in respect of prior periods	(390)	53
Income non-taxable for tax purpose	11	(876)
Tax rate differential on temporary differences	1	14
<b>Total taxation</b>	<u>2,973</u>	<u>4,160</u>



**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**9 Tax on profit (continued)**

The Company is within the scope of the OECD Pillar Two (Global Minimum Tax) model rules, which came into effect from 1 January 2024. For the period to 31 December 2024, the Company has no related current tax exposure and has continued to apply the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

**Deferred tax**

Deferred tax movement during the year:

	<b>At 1 January 2024 £ 000</b>	<b>Recognised in income statement £ 000</b>	<b>Recognised in equity £ 000</b>	<b>At 31 December 2024 £ 000</b>	<b>Recognised as DTA £ 000</b>	<b>Recognised as DTL £ 000</b>
Accelerated tax depreciation	1,689	(559)	–	1,130	1,130	–
Withholding tax on RDEC	–	1,119	–	1,119	1,119	–
Other items	295	21	(242)	74	74	–
Net tax assets	1,984	581	(242)	2,323	2,323	–

**Deferred tax**

Deferred tax movement during the prior year:

	<b>At 1 January 2023 £ 000</b>	<b>Recognised in income statement £ 000</b>	<b>Recognised in equity £ 000</b>	<b>At 31 December 2023 £ 000</b>	<b>Recognised as DTA £ 000</b>	<b>Recognised as DTL £ 000</b>
Accelerated tax depreciation	2,120	(431)	–	1,689	1,689	–
Amortisation	(102)	102	–	–	–	–
Other items	1,112	(1,059)	242	295	295	–
Net tax assets	3,130	(1,388)	242	1,984	1,984	–

The deferred tax asset primarily relates to deductible temporary differences which have accumulated whilst the UK group has been loss making.

A deferred tax asset of £19,000,000 (2023: £19,000,000) relating to advance corporation tax has not been recognised as suitable taxable profits against which the asset can be utilised are not expected in the near future.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**10 Intangible assets**

	Development expenditure £ 000	Software £ 000	Total £ 000
<b>Cost</b>			
At 31 December 2023	59,991	896	60,887
Disposals	–	(896)	(896)
At 31 December 2024	59,991	–	59,991
<b>Accumulated amortisation</b>			
At 31 December 2023	59,795	(101)	59,694
Charge for the year	196	101	297
At 31 December 2024	59,991	–	59,991
<b>Net book value</b>			
At 31 December 2024	–	–	–
At 31 December 2023	196	997	1,193

Development expenditure mainly comprises the adaptation of certain gas turbines for marine use in the defence sector. The assets are being amortised over 15 years on a straight-line basis. Amortisation is recognised in research and development expenses in the Income Statement.

**11 Property, plant and equipment**

	Land and buildings Freehold £ 000	Short term Leasehold Property £000	Plant & machinery £ 000	Assets under construction £ 000	Total £ 000
<b>Cost</b>					
At 31 December 2023	1,065	594	5,940	3,661	11,260
Restatement <sup>1</sup>	54	(594)	6,521	(1,275)	4,706
At 1 January 2024	1,119	–	12,461	2,386	15,966
Additions	–	–	–	581	581
Reclassifications	–	–	85	(85)	–
Disposals	(183)	–	(2,192)	–	(2,375)
At 31 December 2024	936	–	10,354	2,882	14,172
<b>Accumulated depreciation</b>					
At 31 December 2023	46	180	5,876	–	6,102
Restatement <sup>1</sup>	148	(180)	4,738	–	4,706
At 1 January 2024	194	–	10,614	–	10,808
Charge for the year	41	–	83	–	124
Eliminated on disposal	(55)	–	(484)	–	(539)
At 31 December 2024	180	–	10,213	–	10,393
<b>Net book value</b>					
At 31 December 2024	756	–	141	2,882	3,779
At 1 January 2024	925	–	1,847	2,386	5,158

<sup>1</sup> Statutory categorisations of assets were assessed. This resulted in a restatement of the opening cost and accumulated depreciation balances. See note 2 for further detail.

Depreciation of £124,000 (2023: £234,000) is included in cost of sales in the income statement.

Included within freehold land and buildings is non-depreciable land with a cost of £226,000 (2023: £226,000).

At 31 December 2024 the Company was committed to capital expenditure of £232,000 (2023: £nil).

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**12 Investments**

**Subsidiaries**

	<b>£ 000</b>
<b>Cost</b>	
At 31 December 2023 and 31 December 2024	142,580
<b>Accumulated impairment</b>	
At 31 December 2023 and 31 December 2024	126,975
<b>Carrying amount</b>	
At 31 December 2023 and 31 December 2024	15,605

In accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the Company's investments has been assessed. After having performed an assessment of indicators of impairment by comparing the value in use against net book value at 31 December 2024, no impairment charge was required during the year (2023: £nil).

As at 31 December 2024, the companies listed below and on the following pages were directly held by Rolls-Royce Power Engineering Limited. The financial year end of each company is 31 December unless otherwise indicated.

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding</b>
Amalgamated Power Engineering Limited <sup>1</sup>	Ordinary and Deferred	London <sup>2</sup>	100%
C. A. Parsons & Company Limited	Ordinary	London <sup>2</sup>	100%
Derby Specialist Fabrications Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
Heaton Power Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
John Thompson Cochran Limited <sup>1</sup>	Ordinary, 6% Cumulative Preference	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, KY11 9JT, Scotland	100%
NEI International Combustion Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
NEI Mining Equipment Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
NEI Nuclear Systems Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
NEI Parsons Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
NEI Peebles Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
NEI Power Projects Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
Rolls-Royce Industrial & Marine Power Limited	Ordinary	London <sup>2</sup>	100%
Rolls-Royce Industrial Power (India) Limited <sup>1,3</sup>	Ordinary	Derby <sup>4</sup>	100%
Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited	Ordinary	Derby <sup>4</sup>	100%
Spare IPG 20 Limited	Ordinary	London <sup>2</sup>	100%
Spare IPG 21 Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
Spare IPG 24 Limited	Ordinary	London <sup>2</sup>	100%
Spare IPG 32 Limited	Ordinary	London <sup>2</sup>	100%
Spare IPG 4 Limited <sup>1</sup>	Ordinary	London <sup>2</sup>	100%
The Bushing Company Limited	Ordinary	London <sup>2</sup>	100%

<sup>1</sup> Dormant entity.

<sup>2</sup> Kings Place, 90 York Way, London, United Kingdom, N1 9FX.

<sup>3</sup> Reporting year end is 31 March.

<sup>4</sup> Moor Lane, Derby, Derbyshire, DE24 8BJ, United Kingdom.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**12 Investments (continued)**

**Joint ventures\***

Details as at 31 December 2024 are as follows:

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>% Holding</b>
Clarke Chapman Portia Port Services Ltd	A Ordinary	Maritime Centre, Port of Liverpool, Liverpool L21 1LA	50%

**13 Inventories**

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
Finished goods for resale	45,354	38,537
Work in progress	11,708	4,533
	<u>57,062</u>	<u>43,070</u>

There is no significant difference between replacement cost of work in progress and finished goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £32,737,000 (2023: £32,264,000).

**14 Trade and other receivables**

	<b>2024</b> <b>£ 000</b>	<b>2023</b> <b>£ 000</b>
Amounts due from group undertakings	496,346	498,235
Trade receivables	8,696	2,299
Prepayments	–	48
	<u>505,042</u>	<u>500,582</u>

Trade receivables are stated after provisions for impairment of £157,000 (2023: £869,000).

Amounts due from group undertakings are unsecured, interest free and are repayable on demand. Amounts due from group undertakings are stated after provisions for impairment of £342,000 (2023: £556,000) for expected credit losses in accordance with IFRS 9 *Financial Instruments*.

**15 Contract assets and liabilities**

	<b>Current</b>		<b>Non-current</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Contract assets	<u>5,038</u>	<u>9,663</u>	<u>–</u>	<u>–</u>	<u>5,038</u>	<u>9,663</u>

No impairment losses of contract assets (2023: none) have arisen during the year to 31 December 2024.

	<b>Current</b>		<b>Non-current</b>		<b>Total</b>	
	<b>2024</b>	<b>2023<sup>1</sup></b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023<sup>1</sup></b>
	<b>£ 000</b>	<b>Restated £ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>Restated £ 000</b>
Contract liabilities	<u>136,152</u>	<u>142,886</u>	<u>23,696</u>	<u>7,297</u>	<u>159,848</u>	<u>150,183</u>

£96,817,000 of the opening contract liability has been recognised in income during the year to 31 December 2024 (2023: £87,255,000).

<sup>1</sup> Contracts were reviewed during the year resulting in a prior period restatement of contract liabilities. See note 2 for further details.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**16 Trade and other payables**

**Amounts due within one year:**

	<b>2024</b>	<b>2023 <sup>1</sup></b>
		<b>Restated</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts due to group undertakings <sup>1</sup>	35,208	36,014
Trade payables	16,354	15,020
Other payables	8,015	7,137
Accruals	2,652	6,216
Social security and other taxes	1,142	308
	<u>63,371</u>	<u>64,695</u>

<sup>1</sup> Contracts were reviewed during the year resulting in a prior period restatement of amounts due to group undertakings. See note 2 for further details.

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts due to group undertakings includes £5,762,000 (2023: £6,993,000) for amounts to be used to settle healthcare liability claims on behalf of wholly owned subsidiaries. This amount will be realised in line with the utilisation of the provision, of which £617,000 (2023: £316,000) is expected to be realised in the next 12 months.

**17 Post-retirement benefits**

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

As at 31 December 2024 the Rolls-Royce UK Pension Fund is £779,000,000 in surplus (2023: £767,000,000 surplus).

In accordance with IAS 19 *Employee Benefits*, the net defined benefit cost is recognised in the Financial Statements of Rolls-Royce plc, the Group entity that is legally the sponsoring employer for the plan. On 31 December 2021, the scheme was closed to future accrual. This Company has recognised no cost (2023: £nil) representing its contributions paid to the Group for the year.

The Company also operates a defined contribution scheme for employees. The pension cost for the year was £558,000 (2023: £697,000) and there were no outstanding or prepaid contributions at 31 December 2024 (2023: £nil).

The IAS 19 *Employee Benefits* disclosure relating to the schemes is given in the Group Financial Statements of Rolls-Royce Holdings plc which are publicly available from the address disclosed in note 25.

**18 Share-based payments**

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

**Long Term Incentive Plan (LTIP)**

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.

**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.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**18 Shared-based payments (continued)**

As share options are exercised throughout the year, the weighted average share price during the year of 420p (2023: 159p) is representative of the weighted average share price at the date of exercise. The closing price as at 31 December 2024 was 569p (2023: 300p). There were no exercisable options as at 31 December 2024 (2023: £nil).

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

**Share options outstanding:**

Grant - vest	Expiry date 31 January	Exercise price in pence per share option	ShareSave share options (000)	
			2024	2023
2019-2025	2025	232	147	155
2023 -2025	2025	97	545	562
			<u>692</u>	<u>717</u>

The weighted average remaining contractual life is 0.1 years (2023: 1.1) years.

**19 Provisions for liabilities**

	Warranties and guarantees £ 000	Contract Loss £ 000	Industrial diseases liability £ 000	Total £ 000
At 1 January 2024	1,897	28,938	4,855	35,690
Additional provisions	988	615	–	1,603
Decrease in existing provisions	–	–	(603)	(603)
Amounts utilised	(433)	(4,194)	(83)	(4,710)
At 31 December 2024	<u>2,452</u>	<u>25,359</u>	<u>4,169</u>	<u>31,980</u>
Current liabilities	<u>1,452</u>	<u>10,242</u>	<u>1,595</u>	<u>13,289</u>
Non-current liabilities	<u>1,000</u>	<u>15,117</u>	<u>2,574</u>	<u>18,691</u>

*Warranties and guarantees*

Warranty and guarantee provisions are made with respect to replacing parts primarily relating to products sold and generally cover a period of up to three years.

*Contract loss*

Provisions for contract losses are recorded when the direct costs to fulfil a contract are assessed as being greater than the expected revenue and are generally expected to be utilised over the term of the customer contracts, typically within one to five years.

*Industrial diseases liability*

The industrial diseases provision relates to businesses previously owned by the Group. The provision is expected to be utilised over the next 30-40 years. The discount rate used in the actuarial valuation is the Bank of England risk-free variable rate as at 30 September 2024 (2023: Bank of England risk-free variable rate as at 30 September 2023).

**20 Disposals**

On the 30 June 2023 the Company sold the entire legal and beneficial ownership, including all assets, of the Electrical and Automation Naval Marine business to Rolls-Royce Solutions UK Limited, within the Rolls-Royce Group, for a consideration of £11,600,000 which was equal to the carrying value of the assets sold, therefore no profit/loss on disposal was recognised.

In 2023, assets with a carrying value of £24,500,000 were transferred, this included inventory balances and trade receivables. Liabilities with a carrying value of £(12,900,000) were transferred, this included trade payables and accruals, deferred income and warranty and contract loss provisions.

# Rolls-Royce Power Engineering Limited

## Notes to the Financial Statements

### for the year ended 31 December 2024 (continued)

#### 20 Disposals (continued)

In 2019, the Company sold the Commercial Marine business to KONGSBERG. During 2023, the Company received funds relating to a variable deferred consideration of £938,000. This was recognised as a profit on disposal of business in the year 2023. At the point of sale this deferred consideration was given a fair value of £nil by both parties. It is expected that the Company will receive further funds in 2027.

No disposals have been made during 2024.

#### 21 Contingent liabilities

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

The Company has received a commercial claim after the balance sheet date, relating to its performance of a contract with a customer in connection with a shipbuilding programme.

It is not practicable to provide any further disclosure as to the estimate of the financial effect of the claim at the date of preparation of these financial statements. The company is still assessing its validity with support of external counsel and cannot yet judge the likelihood or amount of any settlement with sufficient reliability.

#### 22 Called up share capital

	2024		2023	
	No. (000)	£	No. (000)	£
Ordinary shares of £0.000000001 each, authorised, called up and fully paid	1,516,398	2	1,516,398	2

##### Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being themselves a member entitled to vote, shall have one vote and on a poll every member shall have one vote for every share of which they are the holder. The Company may declare dividends by ordinary resolution in accordance with the respective rights of members, but no dividend should exceed the amount recommended by the Directors.

The Directors did not recommend a dividend for the year (2023: £3,000,000; £1.98 per share).

#### 23 Dividends paid

Dividends paid during the year were as follows:

	2024 £ 000	2023 £ 000
Dividends paid <sup>1</sup>	3,000	-
	<u>3,000</u>	<u>-</u>

<sup>1</sup>The dividend paid in 2024 was declared during 2023. See Directors' report for further details.

**Rolls-Royce Power Engineering Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2024 (continued)**

**24 Related party transactions**

**Summary of transactions with joint ventures**

There were no balances payable or receivable as at 31 December 2024 and 31 December 2023.

**25 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, United Kingdom, N1 9FX or <https://www.rolls-royce.com/investors/results-reports-and-presentations/financial-results.aspx>.