

Registration number: 00620485

Rolls-Royce Submarines Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2025

Rolls-Royce Submarines Limited

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Company Information

Directors	Steven Carlier Christopher Cholerton Abigail Clayton (appointed 10 December 2025) James Cowell Steven Dearden Paul Graham Tony Johns Lee Warren Stephen Wood
Registered number	00620485
Registered office	Atlantic House Raynesway Derby Derbyshire DE21 7BE
Independent auditors	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Strategic Report for the year ended 31 December 2025

The Directors present their Strategic Report on Rolls-Royce Submarines Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2025.

Principal activities

The principal activity of the Company is that of the provision of naval reactor systems. In addition, a small range of technical and support services have been developed, based on core skills.

The Company is the technical authority for the Nuclear Steam Raising Plant which powers the UK Royal Navy's nuclear submarine fleet, and in the future, the Australian nuclear submarine fleet. The Company manages plant design, safety, manufacture and service support.

Business review

The Company uses labour and material from in-house, managed service agreements and subcontract support that are charged directly to customer contracts. Operating costs are charged to the customer at an agreed recovery rate or direct to a customer contract for the recovery of most fixed overheads.

The Company entered into a contract in 2023 which means it has operated under a Service Concession Arrangement since 1 January 2024.

Key performance indicators

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

Revenue has decreased compared to the prior year by 2% to £1,360,212,000 (2024: £1,380,954,000). The decrease is primarily as a consequence of the Company entering into a Service Concession Arrangement from 1 January 2024 which resulted in the previously derecognised assets being traded in 2024. Excluding this, revenue rose by 17% year on year. The increase is due to incremental purchases to support the submarine programme, increased site regeneration and fuel management.

The profit for the financial year, before taxation, decreased to £144,980,000 (2024: £158,746,000) for the year ended 31 December 2025, as a result of a decrease in gross profit principally due to the above, a decrease in interest receivable following the payment of a £220,000,000 dividend during the year, and the impacts of Single Source Contracting Regulations (SSCR) contracting.

The profit for the financial year, after taxation, decreased to £110,556,000 (2024: £120,810,000).

As at 31 December 2025, total assets were £732,335,000 (2024: £719,690,000) and net assets were £234,884,000 (2024: £328,763,000).

Given the nature of the Company's activities, the Directors believe that no further key performance indicators are necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Rolls-Royce Holdings plc group (the Group) and which may be relevant to the Company, are disclosed in the Strategic Report in the 2025 Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 22 and does not form part of this report.

Principal risks and uncertainties

The Group has an established and structured approach to risk management which is detailed in the 2025 Rolls-Royce Holdings plc Annual Report, publicly available from the address in note 22. The Company acts in accordance with this policy to manage and mitigate the risks identified below.

Strategic Report for the year ended 31 December 2025 (continued)

Principal risks and uncertainties (continued)

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

Safety

Failure to provide safe products or create a workplace which minimises the risk of harm to our people, those who work with us, and the environment, which could adversely affect our reputation and long-term sustainability. This risk is managed and mitigated through engineered and procedural controls such as the product safety, nuclear safety and HSE management systems, mandatory training and insurance.

Operating

The Company is exposed to risks from the supply chain driven by the length between boat programmes and the relatively low volume of deliverables. The Company has a business continuity programme to reduce the risk of a loss of a significant supplier and other major disruption, and is supported by the Group.

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

The Company also recognises the need to identify, attract, retain and apply the critical capabilities and skills needed in appropriate numbers to effectively organise, deploy and incentivise our people to allow delivery of our strategies.

Geopolitical

Future geopolitical factors that lead to an unfavourable business climate could have a negative impact on the Company's operations, and significant tensions between major trading parties or blocs could positively impact operations as a result of increased spending on defence.

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 the Climate Related Sustainability Targets published in the 2025 Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 22. The Directors have considered the potential impact of climate change when preparing the Financial Statements and concluded that climate change should be considered to be a principal risk to the Company, focussing on the need to transition products and services to a lower carbon economy reflecting the Company operating in a regulated industry with existing customer obligations and commitments. During the year, the Company has built upon its sustainability policy and created a strategy on how it will deliver its policy in line group commitments. Additionally, the Company has created a supply chain sustainability policy which aligns with the guidelines set by the Group.

Compliance

Non-compliance by the Company with legislation or other requirements in the regulated environment in which the Company operates (for example, in relation to tax compliance legislation and applicable laws and regulations arising from the Company's obligations under the Office for Nuclear Regulation licensing framework) could affect the ability to conduct business in certain jurisdictions and would potentially expose the Company to: reputational damage; financial penalties; and debarment from government contracts for a period of time, each of which could have a material adverse effect. The risk is managed and mitigated through controls such as continuously developing and communicating a comprehensive suite of policies and processes, undertaking due diligence and encouraging, facilitating and investigating speak up cases.

Strategic Report **for the year ended 31 December 2025 (continued)**

Principal risks and uncertainties (continued)

Cyber threat

An attempt to cause harm to the Company, its customers, suppliers and partners through the unauthorised access, manipulation, corruption, or destruction of data, systems or products through cyberspace. This risk is managed and mitigated through deployment of mitigating software and programmes, control of access to potentially vulnerable applications, provision of employee training on cyber threats and testing of software.

Section 172(1) statement

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

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

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

The Company has a range of key stakeholders including its employees, external suppliers and the UK Ministry of Defence. The Directors engage with suppliers through formal two-way board to board meetings, management level review boards and regular performance and compliance meetings. Throughout the meetings with suppliers, a wide range of performance and behavioural measures are discussed and considered, including: financial performance and stability, delivery performance and schedule adherence, safety performance and progress against targets/improvements, quality performance and people measures including employee engagement.

Following these supplier meetings, the output of the various tiered reviews within the organisation and with its stakeholders is shared with the Directors at the quarterly board meetings with all actions or recommendations documented in board meeting minutes. The Directors receive information on engagement through board papers which outline the impact of decisions on key stakeholders, they then use skills learnt during their director training to consider the impact decisions have on stakeholders and the wider community. The Directors then consider the stakeholder impacts against long-term strategy and principal risks. The Directors ensure principal risks are mitigated by adopting the Group Global Code of Conduct.

The Company regularly engages with the UK Ministry of Defence, as the Company is the technical authority for the UK Nuclear Steam Raising Plant which powers the Royal Navy's nuclear submarine fleet, managing plant design, safety, manufacture and service support. Engagement is regular and occurs through a variety of channels.

There is regular engagement within the Group on employee-related matters, which is taken into account during the Company's decision making. Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in board decision-making. Further details on how the Company specifically engages with employees can be found in the Directors' Report under the section 'Employees' (see page 11).

The Directors consider business relationships with the Company's wider stakeholders. The impact of Company operations on the environment and the communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year.

Strategic Report for the year ended 31 December 2025 (continued)

Section 172(1) statement (continued)

The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment. We regularly engage with local community stakeholders through a Local Liaison Committee that includes local residents, businesses, emergency services, councillors and regulators. These provide an excellent environment to raise any concerns and quickly resolve any issues.

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 2025 Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 22.

The Directors ensure that when making principal decisions they factor in the principal risks of the Company and the interests of all stakeholders. When any principal financial decisions are made and discussed, the Directors ensure that the consequences of the decisions over the long term to other stakeholders including employees' interests and relationships with other suppliers and customers are considered. An example of this is during dividend payments whereby the Directors must consider how the payment of a dividend impacts the Company's ability to pay suppliers, fulfil contract obligations and any employee's remuneration.

Culture is a combination of the values, attitudes and behaviours demonstrated by the Company in its activities and relations with stakeholders. The Company embodies and demonstrates the desired culture of the Group to maintain a reputation for high standards of business conduct through the adoption of the Group Policy manual which ensures that the Company embodies the philosophy to act with integrity and is trusted to deliver excellence. Further details on the Group Policy manual and the policies the Company adopts can be found in the 2025 Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 22.

The Company 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 financial year. 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. The Directors utilise their director training which highlights the S171-77 duties, including the importance of taking stakeholders into account during long-term decision making.

Non-financial and sustainability information statement

The Company is a 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 2025 Rolls-Royce Holdings plc Annual Report on page 38.

Climate-related corporate reporting

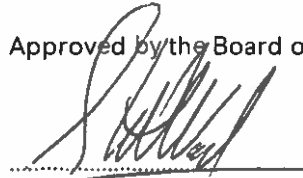
The Company adopts the policies and frameworks set by the Group which include the sustainability measures set out in the 2025 Rolls-Royce Holdings plc Annual Report on pages 38 to 47 and the Climate Review. The Company is aligned to the objectives of the Group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment, including Raynesway site (flood risk and building height) and other transitional commitments.

Strategic Report
for the year ended 31 December 2025 (continued)

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 2025 Rolls-Royce Holdings plc Annual Report on page 204. The 2025 Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board on 29 July 2026 and signed on its behalf by:



Stephen Wood
Director

11/08/2026

Directors' Report for the year ended 31 December 2025

The Directors present their Directors Report on the Company together with the Strategic Report and the audited Financial Statements for the year ended 31 December 2025.

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:

Steven Carlier
Christopher Cholerton
Abigail Clayton (appointed 10 December 2025)
James Cowell
Steven Dearden
Paul Graham
Tony Johns
Lee Warren
Stephen Wood

Qualifying third-party indemnity provisions

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

Results and dividends

The profit for the year, after taxation for the year ended 31 December 2025 amounted to £110,556,000 (2024: £120,810,000).

The Company paid a dividend of £220m on 30 May 2025 at £628.57 per share (2024: £nil). This dividend was an interim dividend with respect to the 2024 financial year. Subsequent to the year-end, the directors have proposed an interim dividend of £170m being £486 per ordinary share. As this is an interim dividend this has not been accounted for within the current year financial statements. The Directors do not propose the payment of a final dividend (2024: £nil).

Corporate governance arrangements

The Company adheres to the Group governance arrangements, more information can be found in the 2025 Rolls-Royce Holding plc Annual Report on pages 63 to 111. The Company's Directors are ultimately responsible for the Company's management, general affairs, direction, performance, and the long-term success. The Board reflects the correct balance of skills required for effective decision making with representation from Legal, Finance, IT, and Engineering and Assurance. The skills ensure that effective communication occurs during all decision making, differing insights from departments allows the interests of all stakeholders to be taken into account along with the long-term success of the Company.

The financial input ensures principal risks are considered and the impact of decisions against the long-term financial success of the Company and wider Group. To support and facilitate decision making, Directors receive training on all statutory and fiduciary duties, including the section 172 duty which is outlined in more detail in the Strategic Report. The Group also has several policies which supports decision making, namely the Decision Rights which provide context and direction on how decisions should be made in line with the Group strategy.

The Company takes its corporate governance best practice and policies from the Group. The Company continues to keep good governance at the core of all we do. During 2026, we will continue to work on our internal governance arrangements to ensure they are aligned with the wider Group. Extracts from the Group's governance framework, which is also applied to the Group's subsidiary companies can be found in the Governance Report on pages 63 to 111 in the 2025 Rolls-Royce Holdings plc Annual Report.

Directors' Report for the year ended 31 December 2025 (continued)

Corporate Governance arrangements (continued)

The Company is the technical authority for the UK Nuclear Steam Raising Plant which powers the Royal Navy's nuclear submarine fleet, managing plant design, safety, manufacture and service support. The Target Operating Model (TOM) was established as part of a formulation of new ways of working within the new legal entity from August 2018. The data below has been extracted from the model and provides some specific examples of control, regulation and framework as to how the Directors discharge their responsibilities.

The application of the TOM contributes to the long-term success of the Company through the Submarines Operating Model governance structure providing a clear and simple framework of strategy, performance and assurance reviews that ensure robust compliance and control across the Company. The underlying principles are: Plan, Do and Check. The governance structure ensures delivery of key business activities that drive overall business performance. Appropriate assurance and risk management forms a fundamental part of the structure. Equally, the structure also provides and facilitates upward flow of management information along with clear escalation routes for issues and decision-making. This aligns with the fundamental principle that decisions are taken at the lowest authorised level and are based on robust data.

The structure aligns with both the Group review cycle and consists of a cycle of quarterly strategy, performance committee meetings that are each underpinned by a complementary suite of quarterly and monthly review meetings. Strategic and operational matters need to be dealt with separately because each requires a different mind-set and approach. The above approach ensures the Company clearly adheres to its strategy whilst establishing a robust approach to risk management and corporate governance.

The Company has quarterly board meetings which are attended by the Directors. Formal company secretarial duties are undertaken by the Group Governance Team. The quarterly Strategy, Performance and Assurance Committee meetings are attended by the Directors as mandated by the President - Submarines. Accurate and timely information is provided as an output of the monthly review meetings to support high quality, fast-paced decision making in the quarterly board meetings. Any decisions are explicitly agreed and communicated, as appropriate. The Directors' first lines are trusted to deliver. The Directors delegate to their first line through the quarterly and monthly review cycles and hold them accountable for delivering business activities. The overall result is an executive team that has the time to focus on growing the business, building relationships and exploring opportunities.

In addition to quarterly board meetings, the Company has quarterly and monthly review meetings. Each quarterly and monthly review meeting has a high-level Terms of Reference ('ToR') kept by the meeting chair. The ToRs define the objective of the meeting, the required attendees, the frequency and duration of meetings, the key decisions that are to be made and the inputs/outputs from other meetings, both within the governance structure and those that underpin it at a departmental/functional level. Minutes and actions are formally recorded and cascaded. The quarterly board meetings and the quarterly/monthly review meetings are integral to, and underpinned by, the monthly business reporting cycle. A brief purpose and frequency of each of the meetings in the governance structure is shown below. The board ultimately has oversight of each committee and manages the delegation of responsibilities to each committee through regular communication channels which include regular quarterly board updates from each committee.

Directors' Report **for the year ended 31 December 2025 (continued)**

Corporate Governance arrangements (continued)

Rolls-Royce Submarines Limited Board: To ensure the continued success and viability of the Submarines business and to ensure the correct discharge of the legal obligations of Rolls-Royce Submarines Limited. Frequency: Quarterly.

Strategy Committee: To assist the Directors by delivering customer, commercial, product and services strategy, maintaining excellence in customer relationships, delivering strategic campaigns and managing business-wide risk and opportunity. Frequency: Quarterly.

Business Risk Review: To assist the Strategy Committee by pro-actively seeking information from internal or external sources to inform changes in the risk profile and provide an overall view of the significant risks in the business. Frequency: Quarterly.

Product and Services Strategy Review: To assist the Strategy Committee by reviewing and endorsing the direction set by the product and services strategy, ensuring it aligns to business and customer objectives. Frequency: Quarterly.

Performance Committee: To assist the Submarines Board of Directors and the Submarines Executive Team by reviewing overall contract performance, operational efficiency and reviewing and approving the Annual Target Setting (ATS). Frequency: Monthly.

People and Development Review: The review includes the top level people meeting for the business which reviews the overall people capability, including talent management and succession plans from the leadership, people, ethics and culture review. Frequency: Monthly.

Future developments

The Company expects to continue to operate its long-term contract, announced in January 2025, to continue its operations out to 2032, for the design, safety, manufacture and support associated with the Nuclear Steam Raising Plant which powers the Royal Navy's nuclear submarine fleet.

The Company provides the support, advice and material required to ensure the continued build programmes and safety and availability of nuclear powerplant systems on board Dreadnought, Vanguard, Astute, and future classes of submarines. This forms part of a wider suite of contracts that the Company provides on naval plant design, support, advice and components to the Royal Navy's build programme and providing enabling services such as infrastructure and IT. These suites of contracts are vital to enable the continued safety and readiness of the Royal Navy's programmes.

The Company is participating in the Fingleton led review of Nuclear Regulations which is seeking to overhaul the UK's nuclear regulation, with the aim of accelerating product delivery and reducing cost.

The Company continues to develop its capabilities to ensure that it is able to react and take advantage of any future market adjacencies.

Directors' Report

for the year ended 31 December 2025 (continued)

Financial risk management

Given the size of the Company, the Directors have delegated the responsibility of monitoring financial risk management to the Finance Director. The policies are implemented by the Company's finance department. The following financial risks are considered key by the Directors:

Price risk

The Company is exposed to inflationary risks, for example, commodity price risk as a result of its operations, in particular to movements in metal prices, which are mainly purchased locally within the UK. However, given the size of the Company's operations, the costs of further managing exposure to commodity price risk exceed their potential benefits. The inflationary pressures being experienced currently are managed through our procurement processes with support from the Group and other senior management action with the resultant risk being deemed acceptable. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company's only exposure to equity securities price risk is within its pension scheme which is managed by Rolls-Royce Holdings plc. In August 2025 the scheme completed a Buy-in, with the purchase of a bulk insurance annuity policy, with the effect that the majority of scheme liabilities, and therefore these potential risks, are now covered by this policy. Further details are included on page 171 of the 2025 Rolls-Royce Holdings plc Annual Report.

Credit risk

The Company's credit risk is primarily attributable to non-payment by either its customers or the counterparties of its financial instruments. The maximum exposure to credit risk at the balance sheet date is represented by the carrying value of each financial asset.

The Company operates under the Group's credit policy. The objective of the policy is to diversify and minimise the Company's exposure to credit risk by ensuring transactions are with counterparties with 'BBB' or higher rated financial institutions. At the balance sheet date, there were no significant concentrations of credit risk to individual customers or counterparties.

The main customer of the business is the Ministry of Defence and financial instruments are predominately with a major bank counterparty, and as a result the overall credit risk to the Company is deemed to be low.

Liquidity risk

The Company considers liquidity risk is low as it has no external debt and has strong liquidity through its cash holdings and amounts due from group undertakings. This is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

Cash and overdrafts are held at floating rates and the Company is therefore exposed to movements in interest rates. All cash balances are held in sterling and therefore these balances are not exposed to movements in foreign exchange rates. The Company does not use derivative financial instruments to manage interest rate costs and no hedge accounting is applied.

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 period to 31 December 2027, 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.

Directors' Report

for the year ended 31 December 2025 (continued)

Going concern (continued)

The Company is part of the 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 for the foreseeable future 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's approach to achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Group is a mix of locally driven and Group-wide global engagement. Our Voices, the Group's approach to employee listening is a Group-wide mechanism for listening to our employees and turning insight into action. This gives the opportunity for employees to provide feedback in both annual and regular pulse surveys. The Group also provides a variety of channels for communication and engagement including interactive learning sessions, newsletters and team briefings, as well as digital communication channels such as Yammer. The Group works closely with colleagues, elected employee representatives, through the UK and European Works Councils, and with our employee resource groups to ensure we remain connected to our people. 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. In 2025, the Group invested in learning and development, reflecting our transition to a new learning culture focused on providing on-demand learning and resources which are fully integrated into the flow of work. Leatro, our digital learning tool, facilitates learning in a style and pace to suit our colleagues' learning requirements.

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 statement in the Strategic Report (see pages 4 to 5).

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 model and uses the input and feedback to inform its decision-making process. The Company utilises various engagement methods with customers, including the UK Ministry of Defence, which include regular customer engagement meetings with both the Directors and management. Engagement with all stakeholders takes place on a regular basis with discussion being fed back to the Directors during board meetings. Any follow up actions and decisions are minuted and communicated at formal two-way board to board meetings, management level review boards and regular performance and compliance meetings in a feedback loop. Further information on how the Company engages with its suppliers and customers can be found in the Section 172 statement in the Strategic Report (see pages 4 to 5).

Directors' Report for the year ended 31 December 2025 (continued)

Engagement with suppliers, customers, and others (continued)

As a result of the Group governance structure, certain activities relating to engagement with the Company's employees are led by the Rolls-Royce Holdings plc board of directors. These activities are reported to the Directors, who take this engagement into account when considering the impact of their decisions on the Company's employees.

An explanation of how the Directors have carried out these responsibilities is set out above in the Directors' Report (see 'Employees').

As outlined in the Section 172 Statement in the Strategic Report (see pages 4 to 5), the Rolls-Royce Holdings plc board of directors have taken the lead in carrying out the duties in respect of some of the Company's other stakeholders. The Directors have also considered relevant matters where appropriate. An explanation of how the Rolls-Royce Holdings plc board of directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, taking into account the principal decisions taken by the Directors during the financial year, is set out in the 2025 Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 22 and does not form part of this report.

Independent auditors

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

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and 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 year. 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 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' Report
for the Year Ended 31 December 2025 (continued)**

Directors' confirmations

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

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

Approved by the Board on 29 July 2026 and signed on its behalf by:


.....
Stephen Wood
Director

11/08/2026

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2025 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 and Financial Statements (the "Annual Report"), which comprise:

- the Statement of Financial Position as at 31 December 2025;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of management's forecasting process which covers the period to December 2027. We understood and corroborated key assumptions within the forecast to the respective contracts and their scope and pricing;
- We assessed the reasonableness of the monthly phasing of cash flows;
- We carried out lookback procedures where we compared the previous years budget to the outturn position;
- We considered management's assessment under a severe but plausible downside scenario, and concluded that the model demonstrated sufficient financial resilience; and
- We assessed the adequacy of disclosures in the Going Concern statement and the statements in note 2 of the financial statements and concluded these appropriately reflect the company's position.

Independent auditors' report to the members of Rolls-Royce Submarines Limited (continued)

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.

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 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 2025 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.

Independent auditors' report to the members of Rolls-Royce Submarines Limited (continued)

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.

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 the Company's obligations under the Office for Nuclear Regulation (ONR) licensing framework, 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 relevant 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:

- Discussions throughout the audit with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Independent auditors' report to the members of Rolls-Royce Submarines Limited (continued)

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 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
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.



Charlotte Marnham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

11 August 2026

Rolls-Royce Submarines Limited

Income Statement for the year ended 31 December 2025

	Note	2025 £ 000	2024 £ 000
Revenue	3	1,360,212	1,380,954
Cost of sales		<u>(1,202,588)</u>	<u>(1,198,207)</u>
Gross profit		157,624	182,747
Administrative expenses		<u>(34,138)</u>	<u>(47,810)</u>
Operating profit	4	123,486	134,937
Finance income	8	25,357	26,162
Finance costs	9	<u>(3,863)</u>	<u>(2,353)</u>
Profit before taxation		144,980	158,746
Income tax expense	10	<u>(34,424)</u>	<u>(37,936)</u>
Profit for the financial year		<u>110,556</u>	<u>120,810</u>

The above results were derived from continuing operations.

The notes on pages 22 to 39 form an integral part of these Financial Statements.

Rolls-Royce Submarines Limited

Statement of Comprehensive Income for the year ended 31 December 2025

	2025 £ 000	2024 £ 000
Profit for the financial year	<u>110,556</u>	<u>120,810</u>
Total comprehensive income for the year	<u>110,556</u>	<u>120,810</u>

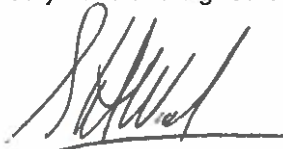
The notes on pages 22 to 39 form an integral part of these Financial Statements.

Rolls-Royce Submarines Limited

Statement of Financial Position as at 31 December 2025 (Registration number: 00620485)

	Note	2025 £ 000	2024 £ 000
Non-current assets			
Deferred tax assets	10	16,624	29,089
		16,624	29,089
Current assets			
Inventories	11	6,223	4,165
Trade and other receivables	12	661,806	645,929
Cash and cash equivalents	13	47,682	40,507
		715,711	690,601
Current liabilities			
Lease liabilities	14	(1,768)	(1,017)
Trade and other payables	17	(402,374)	(328,922)
		(404,142)	(329,939)
Net current assets		311,569	360,662
Total assets less current liabilities		328,193	389,751
Non-current liabilities			
Lease liabilities	14	(93,309)	(60,988)
		(93,309)	(60,988)
Net assets		234,884	328,763
Equity			
Called up share capital	18	350	350
Retained earnings		234,534	328,413
Total equity		234,884	328,763

The Financial Statements on pages 18 to 39 were approved and authorised for issue by the Board on 29 July 2026 and signed on its behalf by:



Stephen Wood

Director

11/08/2026

The notes on pages 22 to 39 form an integral part of these Financial Statements.

Rolls-Royce Submarines Limited

Statement of Changes in Equity for the year ended 31 December 2025

		Called up share capital £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2025		350	328,413	328,763
Profit for the financial year		–	110,556	110,556
Transactions with owners in their capacity as owners				
Share-based payments - direct to equity		–	5,451	5,451
Related tax movements	10	–	10,114	10,114
Dividends paid		–	(220,000)	(220,000)
At 31 December 2025		350	234,534	234,884
		Called up share capital £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2024		350	196,009	196,359
Profit for the financial year		–	120,810	120,810
Transactions with owners in their capacity as owners				
Share-based payments - direct to equity		–	6,261	6,261
Related tax movements	10	–	5,333	5,333
At 31 December 2024		350	328,413	328,763

On 30 May 2025, the Company paid a dividend of £220m being £628.57 per share (2024: £nil) to its shareholders.

The notes on pages 22 to 39 form an integral part of these Financial Statements.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025

1 General information

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

The principal activity of the Company is that of the provision of naval reactor systems. In addition, a small range of technical and support services have been developed, based on core skills.

The address of its registered office is Atlantic House, Raynesway, Derby, Derbyshire, DE21 7BE.

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.

The Company has chosen to present its Financial Statements in accordance with IAS 1 *Presentation of Financial Statements*.

Certain disclosures are not included where these are considered possibly sensitive given the principal activities of the Company. The Directors do not believe the omission of these disclosures materially impacts the reading of the 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 for money market funds which have been measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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

- The following paragraphs of IAS 1, *Presentation of Financial Statements*:

- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 111 (statement of cash flows information); and
- 134-136 (capital management disclosures).

- IAS 7, *Statement of cash flows*;

- Paragraphs 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);

- IFRS 7 *Financial Instruments: Disclosures*;

- 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*;

- The requirements in IAS 24, *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;

- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

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 2025 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.

In forming this judgement the Directors have taken account of the current and forecast trading performance of the business for the period to 31 December 2027, including taking account of reasonably possible changes in trading performance. 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.

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

Critical accounting judgement – Service Concession Arrangements

The Company holds a contract to regenerate and sustain capability, which meets the conditions of IFRIC 12 *Service Concession Arrangements*. Accordingly, the Company does not recognise that infrastructure as property, plant and equipment because the contractual service arrangement does not convey the right to the Company to control the infrastructure.

Key accounting estimate – Estimates of future revenue and costs on long-term contractual arrangements

The Company has long-term contracts that fall into different accounting years and which can extend over significant periods. The estimated revenue and costs are inherently imprecise and significant estimates are required to assess the pattern of future maintenance activity and the costs to be incurred, lifecycle cost improvements over the term of the contracts and escalation of revenue and costs. The estimates take account of the inherent uncertainties, constraining the expected level of revenue as appropriate.

Key accounting judgement – Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the Group. In the judgement of the Directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligations and plan assets and therefore the scheme is accounted for as a defined contribution scheme (see note 15).

**Notes to the Financial Statements
for the year ended 31 December 2025 (continued)**

2 Significant accounting policies (continued)

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

Key accounting estimate – Estimate of the discount rate used to calculate the present value of lease liabilities

The Company has a number of long-term leases. Determination of the discount rate used could have a significant impact on the lease liability recognised in the statement of financial position, and on the interest charge recognised in the income statement. Where leases commence after the initial IFRS 16 Leases transition date, 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.

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 translated into the functional currency using the exchange rates 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 date the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences arising on translation are recorded in the income statement.

Revenue recognition

All revenue arises from long term contracts, this revenue is based on the estimated sale value of the work completed during the year.

Since the Company entered into a Service Concession Arrangement on 31 December 2023, it no longer has a right to recognise a corresponding right-of-use lease asset. Instead, when the Company enters into a lease it recognises revenue reflecting the net present value of the right-of-use asset at the inception of the lease, with a corresponding receivable, as part of contract assets, recognised on the balance sheet.

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.

Contract work in progress is stated at costs incurred, less those transferred to the Income Statement, after deducting foreseeable losses and payments on account not matched with revenue.

Amounts recoverable on contracts are included in receivables and represent revenue recognised in excess of payments on account.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

Finance income and costs

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

Income tax expense

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.

Impairment of non-financial assets

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be below the carrying value, the carrying value is reduced to the recoverable amount and the impairment loss recognised as an expense. The recoverable amount is the higher of value in use or fair value less costs to sell, if this is readily available. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset.

As at 31 December 2025, no indicators of impairment have been identified (2024: none).

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.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

Financial assets and liabilities

Classification

Financial assets

Financial assets primarily include trade receivables, other non-derivative financial assets, cash and cash equivalents and short-term investments.

- Trade receivables are classified either as held to collect and measured at amortised cost, or as held to collect and sell and measured at fair value, with movements in fair value recognised through other comprehensive income (FVOCI). The Company may sell trade receivables due from certain customers before the due date. Any trade receivables from such customers that are not sold at the reporting date are classified as 'held to collect and sell'.
- Cash and cash equivalents (consisting of balances with banks and other financial institutions, money-market funds and short-term deposits) and short-term investments are subject to low market risk. Cash balances, short-term deposits (with a maturity of primarily three months or less) and short-term investments are measured at amortised cost. Money market funds are measured at fair value, with movements in fair value recognised in the income statement as a profit or loss (FVPL).

Financial liabilities

Financial liabilities primarily consist of trade payables, intercompany payables and contract liabilities which are classified and measured at amortised cost, and foreign exchange derivatives which are revalued to the exchange rate prevailing at the balance sheet date, with movements in fair value recognised in the income statement as a profit or loss (FVPL).

Impairment

IFRS 9 *Financial Instruments* sets out the basis for the accounting of expected credit losses (ECLs) on financial assets and contract assets resulting from transactions within the scope of IFRS 15. The Company has adopted the simplified approach to provide for ECLs, measuring the lifetime loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. These are incorporated in the simplified model adopted by using credit ratings which are publicly available or through internal risk assessments derived using customer's latest available financial information. 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. The Company makes an estimate of the recoverable value of trade and other receivables. 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 Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets (see impairment of financial assets).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

Other assets

The Company entered into a contract in 2023 which means it has operated under a Service Concession Arrangement since 1 January 2024. Accordingly, assets previously held as intangible assets, property, plant and equipment and right-of-use assets were transferred into other current assets at 31 December 2023. Certain other assets purchased in 2023 which were encompassed by the contract were recorded directly in other current assets. These were derecognised and traded in 2024 when the contract took effect.

Contract assets and liabilities

Contract assets, mainly comprising of accrued income, primarily relate to the Company's right to consideration for work completed but not yet invoiced at the reporting date in accordance with IFRS 15. Contract liabilities, mainly comprising of deferred income, primarily relate to the consideration received from customers in advance of transferring goods or services. The Company has chosen not to present contract liabilities and contract assets as a separate line item in the Statement of Financial Position but to include within the trade and other receivables (note 12) and trade and other payables (note 17).

All the contract lives are within the Company's normal operating cycle and therefore all contract assets and liabilities are presented as current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Company participates in a cash pooling arrangement with their parent company whereby cash is pooled by the parent entity at the month end and returned the following working day.

Leases

Leases are recognised as a liability at the date at which the leased asset is available for use by the Company. As explained in more detail above, following the Service Concession Agreement signed in 2023, the Company no longer has a right to recognise a corresponding right-of-use asset.

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.

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.

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.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

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.

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 in previous periods represented the contributions payable to the scheme in respect of the accounting period. The scheme closed to future accrual on 31 December 2020 and as such, no further contributions are expected. In August 2025 the fund completed a Buy-in, with the purchase of a bulk insurance annuity policy, with the effect that the majority of scheme liabilities, and therefore these potential risks, are now covered by this policy.

Further disclosure relating to the scheme is given in the consolidated 2025 Rolls-Royce Holdings plc Annual Report..

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., where no adjustment is required as allowance for these performance conditions are included in the initial fair value.

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 a pricing model that assumes that participants will exercise their options at the beginning of the six-month window if the share price is greater than the exercise price. Otherwise, it assumes that options are held until the expiration of their contractual term; and
- ii) Long term incentive plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the TSR market-based performance condition.
- iii) Free shares - The fair value of shares awarded under the free shares scheme is calculated as the share price on the date of the award, on the basis that awards are entitled to receive dividends (or equivalents).
- iv) Matching shares - The fair value of the free matching shares awarded under these plans is calculated using the share price on the date of the award. Non-vesting conditions are taken into consideration with a percentage discount applied based on the assumption of the expected forfeiture rates of the matching shares.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

2 Significant accounting policies (continued)

Provisions for liabilities

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

Called up share capital

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

Dividends

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

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

Rounding of amounts

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

3 Revenue

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

	2025 £ 000	2024 £ 000
Internal to other Rolls-Royce Holdings plc group undertakings	730	1,110
External to the Rolls-Royce Holdings plc group	1,359,482	1,379,844
Total	1,360,212	1,380,954

All revenue is attributable to the provision of naval reactor systems and a small range of technical and support services.

All revenue arose within the United Kingdom.

4 Operating profit

Arrived at after (crediting)/charging:

	2025 £ 000	2024 £ 000
(Reversal of)/charge for impairment on trade receivables	(1,974)	3,069

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

5 Staff costs

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

	2025 £ 000	2024 £ 000
Wages and salaries	355,258	325,463
Social security costs	45,570	36,338
Share-based payment expenses	5,451	6,261
Other pension costs	34,104	30,114
	<u>440,383</u>	<u>398,176</u>

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

	2025 No.	2024 No.
Employees	<u>5,283</u>	<u>4,834</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2025 £ 000	2024 £ 000
Remuneration	<u>1,640</u>	<u>1,345</u>

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

The emoluments of the some of the directors are paid by other companies within the group, which make no recharge to the Company. These directors are also directors of the ultimate and/or immediate parent company and subsidiaries, and it is not practically possible to make an accurate apportionment of their emoluments in respect of each of the companies.

Contributions to defined contribution pension schemes during the year were £69,000 (2024: £61,000). Aggregate amounts receivable under long-term incentive schemes were £92,000 (2024: £99,000).

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2025 No.	2024 No.
Received shares under the long-term incentive schemes	4	5
Accruing benefits under money purchase pension scheme	<u>5</u>	<u>5</u>

During the year none of the Directors exercised any share options (2024: none).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

6 Directors' remuneration (continued)

In respect of the highest paid Director:

	2025 £ 000	2024 £ 000
Aggregate of remuneration	<u>628</u>	<u>572</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 were £nil (2024: £nil).

During the current and prior years the highest paid director received shares in respect of qualifying services under a long-term incentive scheme.

7 Auditors' remuneration

The fees for the audit of the Company Financial Statements for the year ended 31 December 2025 were £188,000 (2024: £199,000) and were paid by Rolls-Royce plc and not recharged.

No (2024: no) amounts were paid to the Company's auditors for non-audit services.

8 Finance income

	2025 £ 000	2024 £ 000
Foreign exchange gain	7,484	4,811
Other interest receivable	15,971	19,282
Other similar income	<u>1,902</u>	<u>2,069</u>
	<u>25,357</u>	<u>26,162</u>

Other similar income represents interest earned from money market funds which are held at fair value through profit or loss. Other interest receivable represents interest on cash held at bank.

9 Finance costs

	2025 £ 000	2024 £ 000
Interest charge on lease liabilities	3,786	1,784
Interest payable	77	-
Foreign exchange losses	<u>-</u>	<u>569</u>
	<u>3,863</u>	<u>2,353</u>

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

10 Income tax expense

Tax charged/(credited) direct to equity:

	2025 £ 000	2024 £ 000
Deferred tax on share-based payments	1,615	(5,333)
Current tax on share-based payments	(11,729)	-
	<u>(10,114)</u>	<u>(5,333)</u>

Tax charged/(credited) in the income statement:

	2025 £ 000	2024 £ 000
Current tax		
Group relief payable at 25.0% (2024: 25.0%)	6,286	35,329
Adjustments in respect of prior years	(1,866)	-
UK corporation tax charge on profit for the year	<u>19,154</u>	<u>2,037</u>
	<u>23,574</u>	<u>37,366</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	9,934	986
Adjustments in respect of prior years	<u>916</u>	<u>(416)</u>
Total deferred taxation	<u>10,850</u>	<u>570</u>
Tax expense in the income statement	<u>34,424</u>	<u>37,936</u>

The tax on profit before tax for the year is lower than (2024: lower than) the standard rate of corporation tax in the UK of 25.0% (2024: 25.0%).

There has been no change to corporation tax rates for the financial year ended 31 December 2025. Deferred taxes at the balance sheet data are measured at 25.0% (2024: 25.0%)

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

10 Income tax expense (continued)

The differences are reconciled below:

	2025	2024
	£ 000	£ 000
Profit before taxation	144,980	158,746
Corporation tax at standard rate	36,245	39,687
Adjustments in respect of prior years	(950)	(416)
Non-taxable income	(871)	(1,334)
Group relief not paid for	(1)	-
Tax rate differential on temporary differences	1	(1)
Total tax charge	34,424	37,936

Deferred tax movement during the year:

	At 1 January 2025 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2025 £ 000	Recognised as DTA £ 000	Recognised as DTL £000
Accelerated capital allowances	9,146	(1,483)	-	7,663	7,663	-
Other items	19,943	(9,367)	(1,615)	8,961	8,961	-
Net tax assets	29,089	(10,850)	(1,615)	16,624	16,624	-

Deferred tax movement during the prior year:

	At 1 January 2024 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2024 £ 000	Recognised as DTA £ 000	Recognised as DTL £000
Accelerated capital allowances	10,946	(1,800)	-	9,146	9,146	-
Other items	13,380	1,230	5,333	19,943	19,943	-
Net tax assets	24,326	(570)	5,333	29,089	29,089	-

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

10 Income tax expense (continued)

Other items include £nil (2024: £8,369,000) in respect of R&D tax credits and £8,961,000 (2024: £11,574,000) in respect of temporary differences relating to share-based payments.

A deferred tax asset of £3,871,000 (2024: £4,277,000) has not been recognised on unused gross tax capital losses carried forward of £15,484,000 (2024: £17,108,000) as it is not probable that these losses can be utilised against chargeable gains in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

Prior to 1999, Advance Corporation Tax ("ACT") was paid to the UK Tax Authority when cash dividends were paid by the Company. This was a payment on account which was available to offset against UK corporation tax liabilities. Any unused balance remaining after 1999 could be carried forward indefinitely and utilised against future UK corporation tax liabilities. In 2024, the surplus ACT balance of £293,000 was derecognised following the Group's announcement to reinstate shareholder distributions via cash dividends, which would have prevented utilisation of the surplus ACT balance. The surplus ACT balance of £293,000 (2024: £293,000) remains unrecognised at the balance sheet date. The UK Government has substantively enacted a statutory instrument to repeal Shadow ACT provisions with effect from 1 April 2026. It is anticipated that this will result in the re-recognition of the Company's £293,000 surplus ACT balance from that date. The Company will closely monitor future developments in the ACT regime.

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 year to 31 December 2025, 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.

11 Inventories

	2025 £ 000	2024 £ 000
Raw materials and consumables	4,285	1,858
Work in progress	1,938	2,307
	<u>6,223</u>	<u>4,165</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 £nil (2024: £nil).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

12 Trade and other receivables

	2025 £ 000	2024 £ 000
Trade receivables	154,502	77,370
Amounts owed by group undertakings	194,011	338,022
Other receivables	18,733	13,006
Prepayments and accrued income	5,802	9,983
Contract assets	288,758	207,548
Total trade and other receivables	661,806	645,929

Amounts owed by group undertakings are unsecured, interest-bearing, have no fixed date of repayment and are repayable on demand. Amounts owed by group undertakings, trade receivables and other receivables are stated after a loss allowance which is immaterial in both years.

13 Cash and cash equivalents

	2025 £ 000	2024 £ 000
Cash at bank and in hand	682	507
Money market funds	47,000	40,000
	47,682	40,507

Money market funds are held at fair value through profit or loss and which are classified under level 1 of the fair value hierarchy. Level 1 assets are classified where the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

14 Leases

The Company has lease contracts for various offices, warehouses, equipment and tools used in the operations. The amounts recognised in the Financial Statements in relation to the leases are as follows:

Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2025 £ 000	2024 £ 000
Lease liabilities		
Current lease liabilities	1,768	1,017
Non-current lease liabilities	93,309	60,988
	95,077	62,005

As a result of the Service Concession Arrangement signed in 2023, the Company no longer recognises any corresponding right-of-use assets on its balance sheet.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

14 Leases (continued)

	2025 £ 000	2024 £ 000
Future minimum lease payments on leases at 31 December:		
Within one year	6,066	3,672
In one to five years	23,245	16,255
After five years	516,131	474,923
Total gross payments	545,442	494,850
Impact of finance expenses	(450,365)	(432,845)
Carrying amount of liability	95,077	62,005

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2025 was 5.3% (2024: 5.9%).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2025 £ 000	2024 £ 000
Interest expense (included in finance cost)	3,786	1,784

The future lease liability has increased significantly versus the prior year as the Company has entered into two new leases in the year relating to the Company's Raynesway site. The Company's property leases have a remaining duration of between two and 103 years.

Plant and machinery leases have a remaining weighted average duration of three years.

The total cash outflow for leases in the financial year was £4,170,000 (2024: £1,686,000).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

15 Pension arrangements

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 2025 the Rolls-Royce UK Pension Fund is £284,000,000 in surplus (2024: £779,000,000 surplus). In August 2025 the fund completed a Buy-in, with the purchase of a bulk insurance annuity policy, with the effect that the majority of scheme liabilities, and therefore these potential risks, are now covered by this policy. Further details are included on page 171 of the 2025 Rolls-Royce Holdings plc Annual Report.

In accordance with IAS 19 *Employee Benefits*, the net defined benefit cost is recognised in the financial statements of Rolls-Royce plc, the Group entity that is legally the sponsoring employer for the plan. On 31 December 2020, the scheme was closed to future accrual. This Company has recognised no cost (2024: £nil) representing its contributions paid to the Group for the year.

The IAS 19 disclosure relating to the schemes is given in the Group financial statements of Rolls-Royce Holdings plc which are publicly available from the address disclosed in note 22.

The Company also operates a defined contribution scheme for employees. The pension cost for the year was £34,104,000 (2024: £30,114,000) and there were no outstanding or prepaid contributions at 31 December 2025 (2024: £nil).

16 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2025 were £5,451,000 (2024: £6,261,000). The weighted average share price at the date shares were exercised was 728p (2024: 420p) and the closing price at 31 December 2025 was 1150p (2024: 569p).

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

Long Term Incentive Plan (LTIP)

These plans involve the award of shares to participants subject to performance conditions. Vesting of the performance shares is based on the achievement of both non-market-based conditions (EPS and cash flow per share) and a market-based performance condition 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.

Share options outstanding:

Scheme	Exercise price in pence per share option	ShareSave share options (No. 000)	
		2025	2024
2019 UK 5 year scheme	232	-	126
2021 UK 3 year scheme	97	5	4,990
		<u>5</u>	<u>5,116</u>

All outstanding share options have a maturity date in 2026. The weighted average remaining contractual life for the cash-settled options at 31 December 2025 was 0.6 years (2024: 0.1 years).

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

16 Share-based payments (continued)

Free Shares

In 2024, every Rolls-Royce employee was gifted 150 shares. The awards were granted under the 'Rolls-Royce Share Purchase Plan' for UK employees and it is an equity-settled scheme. The fair value of shares awarded under the Free shares scheme is calculated as the share price on the date of the award, on the basis that awards are entitled to receive dividends (or equivalents). The scheme did not operate in 2025.

Matching Shares

The 'Your Shares: Matched' plan was launched during the year. Every participant receives the free matching shares with a value of up to £50 each month based on the number of investment shares they purchase. There are no performance conditions attached to the shares. The fair value of the free matching shares awarded under these plans is calculated using the share price on the date of the award. Non-vesting conditions are taken into consideration with a percentage discount applied based on the assumption of the expected forfeiture rates of the matching shares.

17 Trade and other payables

Current:

	2025 £ 000	2024 £ 000
Trade payables	49,647	6,484
Amounts due to group undertakings	39,070	42,056
Taxation and social security	9,869	-
Accruals and deferred income	78,778	72,200
Contract liabilities	191,131	173,127
Other payables	33,879	35,055
	<u>402,374</u>	<u>328,922</u>

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

18 Called up share capital

Allotted and fully paid

	2025		2024	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>350</u>	<u>350</u>	<u>350</u>	<u>350</u>

Rights, preferences and restrictions

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Rolls-Royce Submarines Limited

Notes to the Financial Statements for the year ended 31 December 2025 (continued)

19 Contingent liabilities

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

20 Commitments

At 31 December, the Company had the following commitments:

Contracts for future expenditure committed but not provided in the Financial Statements:

	2025 £ 000	2024 £ 000
Expenses	<u>97,240</u>	<u>61,578</u>

21 Post balance sheet events

Subsequent to the year-end, the directors have proposed an interim dividend of £170m being £486 per ordinary share. As this is an interim dividend this has not been accounted for within the current year financial statements. The Directors do not propose the payment of a final dividend (2024: £nil).

22 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 the registered office of these companies: Kings Place, 90 York Way, London, United Kingdom, N1 9FX.

