

Registration number: 00003543

# Vinters Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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## **Vinters Engineering Limited**

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## **Vinters Engineering Limited**

### **Company Information**

**Registered office** Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

**Independent Auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

## **Vinters Engineering Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors present their Strategic Report on Vinters Engineering Limited (the "Company") together with the audited financial statements for the year ended 31 December 2019.

#### **Principal activities**

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

#### **Business review**

The financial position of the Company at 31 December 2019 is shown in the Balance Sheet on page 15, with the results shown in the Income Statement on page 13.

In 2019, revenue was £7,400,000 (2018: £10,000,000). The reduction in revenue was driven by the manufacture of a one-off batch of Auxiliary Power Units for a customer in 2018 which did not recur in 2019. However, there have been some smaller gains in other income streams to offset this fall. The change in product mix resulted in reduced profitability.

The net assets at 31 December 2019 were £4,100,000 (2018: £1,800,000). The main driver behind the increase to net assets is a reversal of the estimated future costs of retained liabilities from disposed companies relating to industrial diseases.

#### **Key performance indicators**

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

	2019 £ 000	2018 £ 000
Revenue	7,400	10,000
Profit before taxation	2,800	3,500
Net assets	4,100	1,800

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

#### **Future developments**

The Directors do not expect any change to the present level of activity in the foreseeable future. The Company is tracking the progress of several opportunities in the traditional land defence sector, in addition to new opportunities within adjacent markets. The UK Ministry of Defence are in the early stages of defining the requirements for future power needs where there are plans to replace the current contract in the next three years. The Company continues to work on an armoured fighting vehicle programme and has offered equipment and support for several naval marine opportunities. During the year the capability to repair, overhaul and test the engines fitted to another Rolls-Royce Holdings plc group company's owned Spitfire had been established.

## **Vinters Engineering Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

#### **Investing in people and skills**

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

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

#### **Principal risks and uncertainties**

The Company acts, where appropriate, in accordance with the policies set by Rolls-Royce Holdings plc. The Rolls-Royce Holdings plc group has an established, structured approach to risk management which is detailed in the Annual Report of Rolls-Royce Holdings plc, which is publicly available from the address in note 23.

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

#### **Political**

The Company trades with various government bodies and carries out some work on a contract basis, sometimes with no specific guarantee of involvement in future contracts. The Company is therefore potentially exposed to shifting political sentiment, although the Directors believe the Company's long and lasting relationships with these government bodies means there is limited risk of a wholesale impact on revenue streams.

#### **Brexit**

Following the United Kingdoms ('UK') exit from the European Union ('EU') on 31 January 2020, the Directors continue to monitor the potential outcomes for the UK's future relationship with the EU through the Rolls-Royce steering group which has remained active during 2019 and will remain active until the outcome is clear and any necessary mitigation plans are in place. It is difficult to evaluate all of the potential implications on the Company and the wider economy. However, the Directors believe the Company has limited exposure to any Brexit implications given the nature of the business, specifically as its customers are predominantly UK based and in the Defence industry which is not expected to be impacted by Brexit. Further disclosures are given in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 23.

#### **Long Tail Liabilities Provision**

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

## Vinters Engineering Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

#### Financial risk management

The following financial risks are considered key by the Directors:

##### *Interest risk*

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

##### *Credit risk*

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

#### Section 172(1) statement

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

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

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

##### *Business relationships*

The Company has a range of key stakeholders including employees, external suppliers, investors and customers. Communication with both key suppliers and customers occurs on a regular basis. Engagement with the main customer, the UK Ministry of Defence, occurs throughout all levels of the business, including senior stakeholders which takes into account important events that may affect the way business is delivered, contract status updates and people related changes. The Directors engage with suppliers through formal two-way board to board meetings, management level review boards and regular performance and compliance meetings. 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 board meetings with all actions or recommendations documented in board meeting minutes. The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2019.

There is regular engagement within the Rolls-Royce Holdings plc group on employee-related matters, which is taken into account during the Company's decision making. Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in board decision-making. All employees are invited to participate in an annual employee engagement survey, provided by Gallup, which is taken into account in the Company's decision making. Further details on the Company's engagement with employees can be found in the Directors' Report under the section 'Employee Engagement' and in the Strategic Report under the section 'Investing in people and skills'.

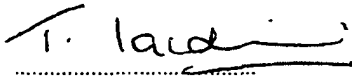
## **Vinters Engineering Limited**

### **Strategic Report for the Year Ended 31 December 2019 (continued)**

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

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

Approved by the Board on 9 September 2020 and signed on its behalf by:



T Iacolino  
Director

## **Vinters Engineering Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their Directors' Report and the audited financial statements for the year ended 31 December 2019.

#### **Directors**

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

W S Mansfield (resigned 5 April 2019)

I R Hetherington (appointed 13 May 2019, resigned 28 August 2020)

T Iacolino (appointed 26 August 2020)

B French (appointed 27 August 2020)

#### **Qualifying third party indemnity provisions**

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

#### **Principal activities**

The principal activities of the Company are the production, repair and overhaul of power generation, transmission and conversion equipment for military and commercial markets. The Company also acts as a holding company for investments in the Rolls-Royce Holdings plc group.

#### **Results**

The financial results of the Company for the year ended 31 December 2019 are set out on page 2.

#### **Dividends**

The Directors do not recommend the payment of a dividend (2018: £nil).

#### **Future developments**

The future developments of the Company are set out in more detail in the Strategic Report on page 2.

#### **Principal risks and uncertainties**

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

#### **Financial risk management**

The details of the Company's financial risk management are set out in more details on page 4.

#### **Employees**

The Rolls-Royce Holdings plc group, of which the Company is a part, is committed to continuing communication and dialogue with employees. The existence of a Rolls-Royce Holdings plc group wide intranet enables engagement and communication with employees throughout the group on a single platform. The Company and employee representatives continue to work closely together to improve the quality of employee engagement and participation in the development of the business.

The Company's investment in training and development programmes ensures that all employees have the opportunity to attain the highest level of skill and employees are encouraged to take responsibility for their personal development. Opportunities are available to extend their competency levels using a range of the latest education and training techniques. The use of Appraisal Systems and Personal Development Planning enable managers to support employees in their careers.



## **Vinters Engineering Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Employees (continued)**

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

#### **Post balance sheet events**

##### **COVID-19**

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the impact of COVID-19 on the half year results. The Directors of the Company are monitoring the impact of COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

Defence activity remains in line with Rolls-Royce Holdings plc expectations, with no material operational or financial disruption as a result of COVID-19 in the first half year. In the UK and US, the government has designated Rolls-Royce as a critical supplier and our Defence facilities remain operational, while observing all health and safety guidance. The Company will continue to supply and support the engines that power military aircraft, naval vessels and other vehicles, many of which are being called upon to assist the relief effort.

##### **Disposal of Trigno Energy Srl**

On the 7 May 2020, Trigno Energy Srl (an indirect investment of the Company) was sold to Pilkington Italia S.p.A for a cash consideration of €6.1m.

#### **Unlawful distributions**

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

The Company is currently in the process of reinstating the respective subsidiary undertakings to take the necessary steps to remedy this position. These subsidiaries intend to complete capital reductions during 2020 to create additional distributable reserves with the intention of relying on such reserves in making new distributions. Having received external legal advice, the directors of the Company consider that having taken these necessary steps the risk of any liability materialising is remote, and therefore no liability has been recognised as at 31 December 2019 and 31 December 2018.

#### **Political donations**

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

## **Vinters Engineering Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Going Concern**

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce plc, the parent undertaking of the smallest group to consolidate the Company's financial statements and the principal trading company of the Rolls-Royce Holdings plc group, of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

Rolls-Royce Holdings plc, the ultimate parent company of Rolls-Royce plc and the ultimate parent undertaking to consolidate the Company's financial statements, in its published results for the six-month period ended 30 June 2020 included a material uncertainty on going concern in relation to the severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. As the Company is reliant on the support of the parent undertaking as stated above, the material uncertainty also applies to the Company's assessment of the going concern basis for the preparation of its financial statements.

The Rolls-Royce Holdings plc group has considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to 28 February 2022 when assessing their going concern. Particular attention has been paid to the impact of the COVID-19 outbreak on the Rolls-Royce Holdings plc group's Civil Aerospace and ITP Aero businesses. An assessment was performed on both a base case scenario (which reflects the Rolls-Royce Holdings plc group current expectations of future trading) and a severe but plausible downside scenario (which envisages a "stress" or "downside") to evaluate the potential impact of COVID-19 on the Rolls-Royce Holdings plc group future financial performance and cash flows. Further details of the base case and downside scenarios modelled by the Rolls-Royce Holdings plc group are included in Note 1 to the published results which are publicly available ([www.rolls-royce.com](http://www.rolls-royce.com)).

After considering the basis of preparation of the Rolls-Royce Holdings plc group interim financial statements, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis. However, the inherent uncertainties outlined in the Rolls-Royce Holdings plc group financial statements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis.

#### **Independent auditors**

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

#### **Statement of Directors' Responsibilities in respect of the financial statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

## **Vinters Engineering Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Statement of Directors' Responsibilities in respect of the financial statements (continued)**

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

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

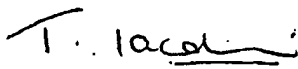
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

#### **Directors' confirmations**

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

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

Approved by the Board on 9 September 2020 and signed on its behalf by:



T Iacolino  
Director

## **Vinters Engineering Limited**

### **Independent Auditors' Report to the members of Vinters Engineering Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### **Independence**

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

##### **Material uncertainty related to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Going Concern section included within the "Significant accounting policies" to the financial statements concerning the Company's ability to continue as a going concern.

The Company is reliant on its parent company for ongoing support, including not seeking repayment of existing intercompany loans and to repay any amounts deposited by the Company as part of the parent company's cash pool sweeping arrangements. Rolls-Royce Holdings plc, the ultimate parent company, in its published results for the six-month period ended 30 June 2020, included material uncertainties on going concern in relation to the severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. Accordingly, there can be no certainty that the support required by the Company will in fact be made available.

These conditions, along with the other matters explained in the Going Concern section included within the "Significant accounting policies" note to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

## **Vinters Engineering Limited**

### **Independent Auditors' Report to the members of Vinters Engineering Limited (continued)**

#### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 8, 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.

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

## **Vinters Engineering Limited**

### **Independent Auditors' Report to the members of Vinters Engineering Limited (continued)**

#### *Use of this report*

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

10<sup>th</sup> September 2020.

[Date]

# Vinters Engineering Limited

## Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue		7,400	10,000
Cost of sales		<u>(5,000)</u>	<u>(6,700)</u>
<b>Gross profit</b>		<b>2,400</b>	<b>3,300</b>
Administrative expenses		(1,300)	(500)
Other operating income	6	<u>1,700</u>	<u>700</u>
<b>Profit before taxation</b>		<b>2,800</b>	<b>3,500</b>
Tax on profit	12	<u>(500)</u>	<u>(900)</u>
<b>Profit for the financial year</b>		<b><u>2,300</u></b>	<b><u>2,600</u></b>

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

**Vinters Engineering Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2019**

	<b>2019</b> <b>£ 000</b>	<b>2018</b> <b>£ 000</b>
Profit for the financial year	<u>2,300</u>	<u>2,600</u>
<b>Total comprehensive income for the year</b>	<u><b>2,300</b></u>	<u><b>2,600</b></u>

The notes on pages 17 to 41 form an integral part of these financial statements.



# Vinters Engineering Limited

(Registration number: 00003543)  
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	10	3,400	3,300
Investments	11	32,200	32,200
		<u>35,600</u>	<u>35,500</u>
<b>Current assets</b>			
Inventories	13	1,500	1,600
Trade and other receivables	14	31,700	32,700
Contract assets	14	100	-
Cash and cash equivalents		5,900	4,900
		<u>39,200</u>	<u>39,200</u>
<b>Current liabilities</b>			
Trade and other payables	15	(51,300)	(50,900)
Contract liabilities	15	(1,300)	(3,000)
Provisions for liabilities	18	(1,100)	(1,300)
		<u>(14,500)</u>	<u>(16,000)</u>
<b>Net current liabilities</b>		<u>(14,500)</u>	<u>(16,000)</u>
<b>Total assets less current liabilities</b>		<b>21,100</b>	<b>19,500</b>
<b>Non-current liabilities</b>			
Contract Liabilities	15	(1,700)	-
Deferred tax liabilities	12	(300)	(300)
Provisions for liabilities	18	(15,000)	(17,400)
		<u>(17,000)</u>	<u>(17,700)</u>
<b>Net assets</b>		<u><b>4,100</b></u>	<u><b>1,800</b></u>
<b>Equity</b>			
Called up share capital	19	171,600	171,600
Share premium account		65,100	65,100
Other reserves		8,400	8,400
Accumulated losses		(241,000)	(243,300)
<b>Total Equity</b>		<u><b>4,100</b></u>	<u><b>1,800</b></u>

The financial statements on pages 13 to 41 were approved and authorised for issue by the Board on 9 September 2020 and signed on its behalf by:



T Iacolino  
Director

Vinters Engineering Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2019	171,600	65,100	8,400	(243,300)	1,800
Profit for the financial year	-	-	-	2,300	2,300
Total comprehensive income	-	-	-	2,300	2,300
At 31 December 2019	171,600	65,100	8,400	(241,000)	4,100

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2018	171,600	65,100	8,400	(245,900)	(800)
Profit for the financial year	-	-	-	2,600	2,600
Total comprehensive income	-	-	-	2,600	2,600
At 31 December 2018	171,600	65,100	8,400	(243,300)	1,800

The notes on pages 17 to 41 form an integral part of these financial statements.

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

The Company is a private company limited by share capital incorporated in England, United Kingdom.

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

The address of its registered office is:

Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

#### **2 Significant accounting policies**

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

##### **Basis of preparation**

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

These financial statements are prepared to the nearest hundred thousand.

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

- A Cash Flow Statement and related notes;
- The requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel; and
- The effects of new but not yet effective IFRSs.

##### **New standards, amendments and IFRIC interpretations**

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019. On transitioning to the new accounting standard, the Directors have evaluated the impact on the financial statements and considered that there is no impact on adoption of the standard as the Company does not have any lease arrangements. There are no other amendments to accounting standards, or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Going concern**

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce plc, the parent undertaking of the smallest group to consolidate the Company's financial statements and the principal trading company of the Rolls-Royce Holdings plc group, of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

Rolls-Royce Holdings plc, the ultimate parent company of Rolls-Royce plc and the ultimate parent undertaking to consolidate the Company's financial statements, in its published results for the six-month period ended 30 June 2020 included a material uncertainty on going concern in relation to the severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. As the Company is reliant on the support of the parent undertaking as stated above, the material uncertainty also applies to the Company's assessment of the going concern basis for the preparation of its financial statements.

The Rolls-Royce Holdings plc group has considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to 28 February 2022 when assessing their going concern. Particular attention has been paid to the impact of the COVID-19 outbreak on the Rolls-Royce Holdings plc group's Civil Aerospace and ITP Aero businesses. An assessment was performed on both a base case scenario (which reflects the Rolls-Royce Holdings plc group current expectations of future trading) and a severe but plausible downside scenario (which envisages a "stress" or "downside") to evaluate the potential impact of COVID-19 on the Rolls-Royce Holdings plc group future financial performance and cash flows. Further details of the base case and downside scenarios modelled by the Rolls-Royce Holdings plc group are included in Note 1 to the published results which are publicly available ([www.rolls-royce.com](http://www.rolls-royce.com)).

After considering the basis of preparation of the Rolls-Royce Holdings plc group interim financial statements, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis. However, the inherent uncertainties outlined in the Rolls-Royce Holdings plc group financial statements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis.

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Unlawful distributions**

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

The Company is currently in the process of reinstating the respective subsidiary undertakings to take the necessary steps to remedy this position. These subsidiaries intend to complete capital reductions during 2020 to create additional distributable reserves with the intention of relying on such reserves in making new distributions. Having received external legal advice, the Directors of the Company consider that having taken these necessary steps the risk of any liability materialising is remote, and therefore no liability has been recognised as at 31 December 2019 and 31 December 2018.

##### **Exemption from preparing group accounts financial statements**

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

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

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Revenue**

The Company splits its Future Power CLS contract into two performance obligations (one “over time”, the other “point in time”). The Company also has other contracts where revenue is either recognised over time or at a point in time.

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

Under IFRS 15, where a performance obligation is satisfied over time, revenue is recognised on an activity basis using the costs incurred as the measure of the activity, the Future Power CLS contract is the only significant contract recognised over time.

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

The Company receives payment under a pre-defined payment plan agreed at the start of each contract. For the largest contract, Future Power CLS, payment is predefined as a series of equal monthly payments with an annual adjustment to allow for a 'Total Cost Incentive Fee'. Payments due to the Company for smaller contracts are triggered by set milestones in the contracts. A contract asset/liability is recognised where payment is received in arrears/advance of the costs incurred to meet performance obligations. These are presented within trade receivables/payables respectively. There is a contract liability as a result of the Future Power CLS contract whereby the payment plan is ahead of satisfaction of the performance obligations.

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

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

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

##### **Taxation**

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

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

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

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

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

#### **Property, plant and equipment**

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

#### **Depreciation**

Depreciation is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives.

#### **Asset class**

Land and buildings Freehold

Plant & machinery

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

5 to 45 years. No depreciation is provided on freehold land.

5 to 25 years.

#### **Investments**

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

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

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

#### **Trade receivables**

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

#### **Inventories**

All inventory is valued at standard cost calculated on a rolling basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, including depreciation of property, plant and equipment, that have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Provisions**

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

##### **Leases**

The Company adopted IFRS16 on 1 January 2019 using the modified retrospective approach and as such no restatement of comparative information has been provided. There were no adjustments as a result of adoption due to the Company having no leasing arrangements during either 2019 or 2018.

##### **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.

##### **Defined benefit pension obligation**

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 Employee Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

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



## **Vinters Engineering Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

##### **Share based payments**

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

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

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

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

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

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

##### **Critical accounting estimates**

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

##### *Industrial diseases liability provision*

This provision relies on assumptions and estimates used by the external actuaries in calculating the likely provision required for industrial diseases liabilities. These assumptions include discount rates, assessment of inflation and the number of future claims.

##### *Investment impairment*

The carrying values of the Company's investments are dependent on the present values of estimates of future cash flows expected to be generated and valuation of net assets of the investments. Where net assets form the basis of the support for the investment value this is dependent on the valuation of any subjective assets/liabilities within the subsidiary including those measured at fair value. Where cash flow forecasts are used management make their best estimate of future income and costs adjusted for known and expected factors, discounted using a rate to reflect the time and risk value of money. This therefore involves complex forecasting and judgements over the discount rates which could result in different net present values.

##### *Long term contracts*

Key estimates in the business relate to the contract trading positions. Profit traded on long term contracts is based on the contract margin forecast at completion and the stage of completion of the contract. Forecasted costs to completion are based upon estimates of costs to complete over the remaining contract life, which are subject to contract reviews and the process that underpins the reviews.

##### **Critical accounting judgement**

##### *Multi-employer defined benefit pension scheme*

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the Rolls-Royce Holdings plc group. In the judgement of the Directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligations and plan assets and therefore the scheme is accounted for as a defined contribution scheme (see note 16 for further details).

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Segment information

	Defence Systems		Head office		Total Company	
	2019	2018	2019	2018	2019	2018
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Revenue	7,400	10,000	-	-	7,400	10,000
Cost of sales	(5,000)	(6,700)	-	-	(5,000)	(6,700)
Gross profit	2,400	3,300	-	-	2,400	3,300
Administrative costs	(1,300)	(1,000)	-	500	(1,300)	(500)
Other operating income	-	-	1,700	700	1,700	700
Profit before taxation	1,100	2,300	-	1,200	2,800	3,500

Defence systems revenue is recognised as follows:

	2019	2018
	£ 000	£ 000
Over time	3,100	3,600
Point in time	4,300	6,400
	7,400	10,000

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 5 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Depreciation expense (see note 10)	<u>200</u>	<u>200</u>

#### 6 Other operating income

	2019 £ 000	2018 £ 000
Other operating income	<u>1,700</u>	<u>700</u>

The other operating income relates to an industrial diseases liability provision resulting from businesses previously owned by the Rolls-Royce Holdings plc group.

In 2019, £1,700,000 was credited (2018: £700,000 credited) to the income statement following an annual independent actuarial review of claims made in respect of the above.

#### 7 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	1,800	1,800
Social security costs	200	200
Pension and other post-employment benefit costs	<u>200</u>	<u>200</u>
	<u>2,200</u>	<u>2,200</u>

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

	2019 No.	2018 No.
Defence Systems	<u>39</u>	<u>40</u>

#### 8 Director's remuneration

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

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 9 Auditors' remuneration

The fees for the audit of the Company's financial statements were £52,000 (2018: £45,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged.

No (2018: no) amounts were paid to the auditors for non-audit services. No non-audit services were provided by the auditors in 2018 or 2019.

#### 10 Property, plant and equipment

	Land & buildings Freehold £ 000	Plant and machinery £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2019	4,100	2,200	6,300
Additions	-	300	300
At 31 December 2019	<u>4,100</u>	<u>2,500</u>	<u>6,600</u>
<b>Accumulated depreciation</b>			
At 1 January 2019	1,100	1,900	3,000
Charge for the year	100	100	200
Transfers	200	(200)	-
At 31 December 2019	<u>1,400</u>	<u>1,800</u>	<u>3,200</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>2,700</u>	<u>700</u>	<u>3,400</u>
At 31 December 2018	<u>3,000</u>	<u>300</u>	<u>3,300</u>

The cost of non-depreciable land included above is £1,400,000 (2018: £1,400,000).

Total contracted capital commitments at 31 December 2019 were £88,000 (2018: £247,000).

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Investments

Subsidiaries	£ 000
<b>Cost</b>	
At 1 January 2019	<u>369,600</u>
At 31 December 2019	<u>369,600</u>
<b>Provision for impairment</b>	
At 1 January 2019	<u>337,400</u>
At 31 December 2019	<u>337,400</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>32,200</u>
At 31 December 2018	<u>32,200</u>

No impairment charge was identified for the year ended 31 December 2019 or for the year ended 31 December 2018 following the annual impairment review.

# Vinters Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 11 Investments (continued)

The following were subsidiary undertakings / participating interest of the Company as at 31 December 2019:

# denotes a direct shareholding by the Company.

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

I - Trigno Energy SRL was disposed 7 May 2020.

Company name	Share class	Address	% Holding 2019
Bergen Engines AS	Ordinary	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines Bangladesh Private Limited	Ordinary	Plot n.58E, Kamal Ataturk Avenue, Dhaka, 1213, Bangladesh	100%
Bergen Engines BV	Ordinary	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands	100%
Bergen Engines Denmark A/S	Ordinary	Ostre Halne Promenade 349000 Aalborg, Denmark	100%
Bergen Engines India Private Limited	Ordinary	52-b 2nd Floor, Okhla Industrial Estate, Phase 3, New Delhi 110-020, India	100%
Bergen Engines Limited	Ordinary	Derby*	100%
Bergen Engines Property Co AS	Ordinary	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines S.L.	Social Participation	Calle Dinamarca, s/n (esquina Calle Alemania) Industrial de Constanti, 43120 Constanti, Tarragona, Spain	100%
Bergen Engines SRL	Social Capital	13 Via Castel Morrone, 16161, Genoa, Italy	100%

# Vinters Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 11 Investments (continued)

Kamewa AB (In liquidation)	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Kamewa Holding AB (In liquidation)	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Karl Maybach Hilfe GmbH	Capital Stock	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
MTU Africa (Proprietary) Limited	Ordinary	36 Marconi Street, Montague Gardens, Cape Town 7441, South Africa	100%
MTU America Inc	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington Delaware 19808, USA	100%
MTU Asia Pte. Ltd	Ordinary	#05-01, Robinson Rd 112, 068902, Singapore	100%
MTU Benelux B.V.	Ordinary	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%
MTU do Brasil Limitada	Ordinary	Via Anhanguera, KM 29203, 05276-000 Sao Paulo SP Brazil	100%
MTU China Company Limited	Ordinary	Room 1803, 18/F Ascendas Plaza, No.333 Tian Yao Qiao Road Xuhai District, Shanghai, 200030, China	100%
MTU Engineering (Suzhou) Company Limited	Ordinary	9 Long Yun Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China	100%
MTU France SAS	Ordinary	Immeuble Colorado, 8/10 rue de Rosa Luxembourg-Parc des Bellevues 95610, Erangy-sur-Oise, France	100%
MTU Friedrichshafen GmbH	Capital Stock	Maybachplatz 1, 88045 Friedrichshafen, Germany	100%



**Vinters Engineering Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**11 Investments (continued)**

MTU Hong Kong Ltd	Ordinary	Room 1006, 10/F, Hang Seng Tsimshatsui Building, 18 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong	100%
MTU Iberica Propulsion y Energia S.L	Ordinary	Calle Copernico 26-28, 28823 Coslada, Madrid, Spain	100%
MTU India Private Limited	Ordinary	H6th Floor, RM2 Galleria, S/Y No.144 Bengaluru, Bangalore, Kamataka 560,064, India	100%
MTU Israel Ltd	Ordinary	4 Ha'Alon Str, Kfar Neter, 4059300, Israel	100%
MTU Italia Srl	Capital Stock	Via Aurelia Nord, 328, 19021 Arcola (SP), Italy	100%
MTU Japan Co Limited	Ordinary	Resorttrust Building 4-14-3, Nishitenma Kita-ku, Osaka 530-0047, Japan	100%
MTU Korea Limited	Ordinary	22nd Floor, Olive Tower, 41 Sejongdaero 9 gil, Junggo, 100-737, Seoul, Republic of Korea	100%
MTU Middle East FZE	Ordinary	S3B5SR06 , Jebel Ali Free Zone, P.O. Box 61141 Dubai, United Arab Emirates	100%
MTU Motor Turbin Sanayi Ve Tic. A.S.	Ordinary	Hatira Solak, No. 5, Omerli Mahellesi, 34555 Arnavutköy, Istanbul, Turkey	100%
MTU Onsite Energy GmbH	Capital Stock	11 Dasinger Strasse, 86165, Augsburg, Germany	100%
MTU Onsite Energy Systems GmbH	Capital Stock	8 Rothofer Straße, 94099 Ruhstorf a.d. Rott, Germany	100%

# Vinters Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 11 Investments (continued)

MTU Polska Sp. Zoo	Ordinary	Ul. Slaska, Nr 9. Raum, Stargard Szczecinski, 73-110, Potsdam Stargard Szczecinski, Poland	100%
MTU Reiman Technologies GmbH	Capital Stock	Friedrich-List-Strasse 8, 39122 Magdeburg, Germany	100%
MTU Rus LLC	Ordinary	Shabolovka Street 2, 119049 Moscow, Russian Federation	100%
MTU South Africa (Proprietary) Limited	Ordinary	36 Marconi Street, Montague Gardens, Cape Town, 7441 South Africa	100%
MTU UK Limited	Ordinary	Derby*	100%
Powerfield Limited#	Ordinary	Derby*	100%
PT MTU Indonesia	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia	100%
Rolls-Royce Japan Co Limited	Ordinary	31 fr, Kasumigaseki bldg, Chiyoda-Ku, Tokyo 100-6031, Japan	100%
Rolls-Royce Power Systems AG	Ordinary	1 Maybachplatz, 88045, Friedrichshafen, Germany	100%
Ross Ceramics Limited#	Ordinary	Derby*	100%
Timec 1487 Ltd#	Ordinary	Derby*	100%
Trigno Energy S.R.L. 1	Ordinary	Zona Industrial, San Salvo, 66050, Italy	100%
Vinters Defence Systems Limited#	Ordinary	Derby*	100%
Vinters International Limited#	Ordinary	Derby*	100%
Vinters-Armstrongs (Engineers) Limited#	Ordinary	Derby*	100%
Brown Brothers & Company Limited#	Ordinary	Taxiway, Hillend Industrial Estate, Dalgely Bay, Dunfermline, Scotland, KY11 9JT	100%

**Vinters Engineering Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**11 Investments (continued)**

PTU MTU Indonesia

Ordinary

Secure Building Bloc A, Jl. Raya Protokol Halim, Perdanakusuma,  
Jakarta, 13610, Indonesia

100%

# Vinters Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 11. Investments (continued)

#### Joint ventures

Details as at 31 December 2019 are as follows: (\* Qinous GmbH has been fully acquired during 2020)

Company name	Class of shares	Address	Proportion of ownership interest and voting rights held 2019
Shanxi North MTU Diesel Co Ltd	Ordinary	97 Daqing West Rd, Datong, Shanxi Province, China	49%
MTU Yuchai Power Co Ltd	Capital stock	No 7 Danan Road, Yuzhou, Yulin, Guangxi China 537005, China	50%
Mest Co Ltd	Normal	97 Bukjeonggongdan 2-gil, Yangsan-si, Gyeongsangnam-do 50571, Republic of Korea	46.8%
Force MTU Power Systems Private Limited	Capital Stock	Mumbai Pune Road, Maharashtra 411035, India	49%
EPIX Power Systems LLC	Ordinary	The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, United States	50%
Qinous GmbH *	Ordinary	Villa Rathenau, Wilhelminenhofstrasse 75, 12459, Berlin, Germany	26.61%
MTU Power Systems SND BDH Malaysia	A ordinary	Level 10 Menara LGB, 1 Jalan wan Kadir Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	49%

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 12 Tax on profit

Tax charged in the income statement

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
Group relief	500	700
<b>Deferred taxation</b>		
Adjustments in respect of prior periods	-	200
Tax expense in the income statement	<u>500</u>	<u>900</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>2,800</u>	<u>3,500</u>
Corporation tax at standard rate	500	700
Increase in current tax from adjustment for prior periods	-	200
Total tax charge	<u>500</u>	<u>900</u>

The 2020 Budget announced that the UK corporation tax rate will no longer reduce to 17% from 1 April 2020 and will remain at 19%. The deferred tax liability has been calculated at 17% as this rate has been substantively enacted at the Balance Sheet date. Had the 19% been substantively enacted on or before 31 December 2019 it would have had the effect of increasing the deferred tax liability by £37,000.

# Vinters Engineering Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 12 Tax on profit (continued)

#### Deferred tax Deferred tax liabilities

	Liability £ 000
<b>2019</b>	
Accelerated tax depreciation	<u>(300)</u>
<b>2018</b>	Liability £ 000
Accelerated tax depreciation	<u>(300)</u>

#### Deferred tax movement during the year:

	At At 1 January 2019 £ 000	31 December 2019 £ 000
Accelerated tax depreciation	<u>(300)</u>	<u>(300)</u>

#### Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	<u>(100)</u>	<u>(200)</u>	<u>(300)</u>

### 13 Inventories

	2019 £ 000	2018 £ 000
Raw materials and consumables	1,100	1,300
Work in progress	<u>400</u>	<u>300</u>
	<u>1,500</u>	<u>1,600</u>

Inventory recognised as an expense in cost of sales in the year was £1,430,000 (2018: £3,278,000).

There is no significant difference between replacement cost of raw materials, consumables or work in progress and their carrying amounts. Inventories are stated after a provision for impairment of £300,000 (2018: £300,000).

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 14 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	400	400
Amounts owed by related party undertakings	1,300	1,300
Amounts owed by group undertakings	30,000	31,000
	<u>31,700</u>	<u>32,700</u>
Contract assets	<u>100</u>	<u>-</u>

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

#### 15 Trade and other payables

	2019 £ 000	2018 £ 000
Trade payables	300	200
Amounts owed to group undertakings	50,500	50,700
Accruals	500	-
	<u>51,300</u>	<u>50,900</u>
Contract liabilities - Current	<u>1,300</u>	<u>3,000</u>
Contract Liabilities - Non-current	<u>1,700</u>	<u>-</u>

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

#### 16 Pension and other schemes

The Company participates in the Rolls-Royce Pension Fund and Rolls-Royce Group Pension Scheme, which are multi-employer defined benefit schemes. The assets of the schemes are held in separate funds administered by trustees and invested independently of the finances of the Rolls-Royce Holdings plc group. The schemes are funded by annual contributions from the Company and scheme members.

In accordance with IAS 19 *Employee Benefits*, the net defined benefit cost is recognised in the financial statements of Rolls-Royce plc, the group entity that is legally the sponsoring employer for the plan. This Company has recognised a cost of £200,000 (2018: £200,000) representing its contributions paid to the group for the period.

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

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 17 Share-based payments

Share based payments in the year were £9,000 (2018: £19,000).

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

##### **Performance Share Plan (PSP)**

###### **Scheme description**

This plan involves the award of shares to participants subject to performance conditions. Vesting of the performance shares is based on the achievement of both non-market based conditions (EPS and cash flow per share) and a market based performance condition (Total Shareholder Return – TSR) over a three-year period.

##### **ShareSave share option plan**

###### **Scheme description**

Based on a three or five year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20% below the share price when the contract is entered into. Vesting of the options is not subject to the achievement of a performance target.

The plan is HM Revenue & Customs approved.

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

###### **Scheme description**

A proportion of the APRA annual incentive scheme is delivered in the form of a deferred share award. The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Company for two years from the date of the award in order to retain the full number of shares. During the two year deferral period, participants are entitled to receive dividends, or equivalent, on the deferred shares.

As share options are exercised throughout the year, the weighted average share price during the year of 906p (2018: 883p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2019 was 683p (2018: 830p).

#### Share options outstanding

	ShareSave	ShareSave Weighted average remaining contractual life
	Number Thousand	Years
At 31 December 2019		
600p - 699p	28	3.20
700p - 799p	12	2.10
900p - 999p	-	Nil
	<u>40</u>	<u>2.80</u>



# **Vinters Engineering Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

### **17 Share-based payments (continued)**

	ShareSave	ShareSave Weighted average remaining contractual life
	Number Thousand	Years
At 31 December 2018		
600p – 699p	14	1.20
700p – 799p	16	3.10
900p – 999p	5	0.10
	<u>35</u>	<u>2.90</u>

The range of exercise prices of options outstanding at 31 December 2019 was between 617p and 962p (2018: 617p and 962p).

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 18 Industrial diseases provision

	Retained liabilities from disposed companies £ 000
At 1 January 2019	18,700
Provisions - Retained liabilities from disposed companies - Increase in year	(1,700)
Provisions - Retained liabilities from disposed companies - Utilised	(900)
At 31 December 2019	<u>16,100</u>
Non-current liabilities	<u>15,000</u>
Current liabilities	<u>1,100</u>

The industrial diseases liability provision relates to businesses previously owned by the Rolls-Royce Holdings plc group. The provision is expected to be utilised over the next 30-40 years. The discount rate used in the actuarial valuation is 1.75% (2018: 1.75%) which aligns with the yield on a UK 30 year gilt.

Of the total industrial diseases liability provision at 31 December 2019, £1,100,000 is presented as a current liability (2018: £1,300,000).

#### 19 Called up share capital

##### Allotted and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.50 each	343,298	171,600	343,298	171,600

#### 20 Contingent liabilities

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

In January 2017, after full cooperation, other companies within the Rolls-Royce plc group concluded deferred prosecution agreements ('DPA') with the SFO and the US Department of Justice ('DoJ') and a leniency agreement with the MPF, the Brazilian federal prosecutors. Following expiry of its term, the DPA with the DoJ was dismissed by the US District Court on 19 May 2020. Other 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 relating against those other companies within the Rolls-Royce plc group or individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matter that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

## Vinters Engineering Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 21 Related party transactions

Sales to another Rolls-Royce Holdings plc group joint venture in the year were £3,369,000 (2018: £3,217,000). There were no other related party transaction during the year (2018: £nil). Amounts due from related parties at the 31 December 2019 were £1,300,000 (2018: £1,300,000).

#### 22 Post balance sheet events

##### *COVID-19*

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the impact of COVID-19 on the half year results. The Directors of the Company are monitoring the impact of COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

Defence activity remains in line with Rolls-Royce Holdings plc expectations, with no material operational or financial disruption as a result of COVID-19 in the first half year. In the UK and US, the government has designated Rolls-Royce as a critical supplier and our Defence facilities remain operational, while observing all health and safety guidance. The Company will continue to supply and support the engines that power military aircraft, naval vessels and other vehicles, many of which are being called upon to assist the relief effort.

##### *Disposal of Trigno Energy SRL*

On the 7 May 2020, Trigno Energy Srl (an indirect investment of the Company) was sold to Pilkington Italia S.p.A for a cash consideration of €6.1m.

#### 23 Parent and ultimate parent undertaking

The Company's immediate parent is Vinters Limited.

The ultimate parent undertaking is Rolls-Royce Holdings plc.

The most senior parent undertaking producing publicly available financial statements is Rolls-Royce Holdings plc. These financial statements are available upon request from Kings Place, 90 York Way, London, N1 9FX, United Kingdom.

The ultimate controlling party is Rolls-Royce Holdings plc.

The smallest group in which these financial statements are consolidated is Rolls-Royce plc. These financial statements are available upon request from Kings Place, 90 York Way, London, N1 9FX, United Kingdom.