

Registered number: 0003543

Vinters Engineering Limited (formerly Vinters Engineering plc)

**Annual report and financial statements
for the year ended 31 December 2012**

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Vinters Engineering Limited (formerly Vinters Engineering plc)

Company Information

Directors	G Allan D J Goma R Orgill
Company secretary	D J Goma
Registered number	00003543
Registered office	Moor Lane Derby DE24 8BJ

Vinters Engineering Limited (formerly Vinters Engineering plc)

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Vinters Engineering Limited (formerly Vinters Engineering plc)

Directors' report for the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The Company is involved in the production, repair and overhaul of power generation, transmission and conversion equipment for military and commercial markets

Business review

On 6 December 2012, the Registrar of Companies for England and Wales certified that the company successfully deregistered as a public company under the Companies Act 2006 and is now incorporated as a limited company

Defence Systems

In 2012, turnover increased by 26% to £15.7 million (2011 - £12.4 million) driven by contracts to provide new tactical generators and power distribution systems as well as Auxiliary Power Units for the SV-Scout vehicle

During the year there has been no issues regarding the performance of existing contracts which have all performed as expected

There have been no significant orders within 2012 and whilst delays have been experienced in securing potential new orders e.g. the Single Roll Mine Hunter (SRMH), there are orders against existing contracts which have been signed in early 2013 e.g. Repair and Overhaul of Deltic Engines worth £3.3 million

The Company is exposed to risks from a failure of the supply chain and has a business continuity programme to manage the risk of a loss of a significant supplier

Results and dividends

The loss for the year, after taxation, amounted to £300 thousand (2011 - loss £5,400 thousand)

A dividend of £80,000 thousand was paid during the year (2011 - £nil) Payment of the dividend was possible following repayment of an intercompany loan receivable

Directors

The directors who served during the year were

G Allan
D J Goma
R Orgill

Supplier payment policy

The Company seeks the best possible terms from suppliers and when entering into binding purchasing contracts, gives consideration to quality, delivery, price and terms of payment. In the event of disputes, efforts are made to resolve them quickly

The Company had an average payment timescale of 25 days at December 31, 2012 (2011 - 22 days)

Financial risk management objectives and policies

The Rolls-Royce group has an established, structured approach to risk management that is detailed in the consolidated accounts of Rolls-Royce Holdings plc. The Company acts in accordance with this policy

Cash and overdrafts are held at floating rates and the Company is therefore exposed to movements in interest rates

All material cash balances are held in sterling and therefore these balances are not exposed to movements in foreign exchange rates. All trading of the defence systems business is also denominated in sterling

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The main customer of the business is the UK

Vinters Engineering Limited (formerly Vinters Engineering plc)

Directors' report

for the year ended 31 December 2012

Ministry of Defence and therefore the overall credit risk to the Company is low

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term group debt finance

The Company had investments of £369.9 million (2011 - £369.9 million) at year-end, of which £273 million (2011 - £273 million) relates to overseas subsidiary companies whose trading currency is not sterling

The Company is therefore exposed to movements in foreign exchange rates, mainly the United States Dollar and the Euro. The Company regards its interests in overseas subsidiary companies as long-term investments and any currency risk arising through these companies is actively managed as part of the Rolls-Royce group risk management strategy

Qualifying third party indemnity provisions

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

Statement as to disclosure of information to auditors

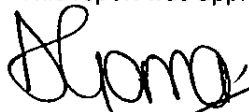
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

Auditors

Under section 487(2) of the Companies Act 2006, KPMG Audit Plc - Statutory Auditor will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board and signed on its behalf



D J Goma
Secretary **DIRECTOR**
Date 18/9/13

Vinters Engineering Limited (formerly Vinters Engineering plc)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Vinters Engineering Limited (formerly Vinters Engineering plc)

We have audited the financial statements of Vinters Engineering Limited (formerly Vinters Engineering plc) for the year ended 31 December 2012, set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Anthony Sykes (Senior statutory auditor)
for and on behalf of
KPMG Audit Plc - Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
Date 30/9/13

Vinters Engineering Limited (formerly Vinters Engineering plc)

**Profit and loss account
for the year ended 31 December 2012**

	Note	2012 £000	2011 £000
Turnover		15,700	12,400
Cost of sales		<u>(11,100)</u>	<u>(8,700)</u>
Gross profit		4,600	3,700
Administrative expenses		<u>(5,400)</u>	<u>(11,400)</u>
Operating loss	4	(800)	(7,700)
Income from shares in group undertakings		200	400
Finance income (net)	3	100	100
Loss on ordinary activities before taxation		(500)	(7,200)
Tax on loss on ordinary activities	6	200	1,800
Loss for the financial year	16	(300)	(5,400)

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 7 to 19 form part of these financial statements

Vinters Engineering Limited (formerly Vinters Engineering plc)
Registered number 00003543

Balance sheet
as at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	8		5,200		5,400
Investments	9		369,900		369,900
			<u>375,100</u>		<u>375,300</u>
Current assets					
Stocks	10	3,200		3,800	
Debtors - due within one year	11	5,200		85,900	
Cash at bank and in hand		22,400		24,500	
		<u>30,800</u>		<u>114,200</u>	
Creditors, amounts falling due within one year	12	(125,100)		(127,600)	
Net current liabilities			(94,300)		(13,400)
Total assets less current liabilities			280,800		361,900
Provisions for liabilities and charges					
Other provisions	13		(27,600)		(28,500)
Net assets			253,200		333,400
Capital and reserves					
Called up share capital	15		171,600		171,600
Share premium account	16		65,100		65,100
Revaluation reserve	16		2,100		2,100
Other reserves	16		8,400		8,400
Profit and loss account	16		6,000		86,200
Total shareholders' funds	17		253,200		333,400

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



G Allan
Director

The notes on pages 7 to 19 form part of these financial statements

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements for the year ended 31 December 2012

1. Significant accounting policies

The principal accounting policies are summarised below

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with applicable accounting standards

The Company is exempt by virtue of section 399 of the Companies Act 2006 from the requirement to prepare group financial statements

The Company is a wholly owned subsidiary of Rolls-Royce plc and is included in the consolidated financial statements of Rolls-Royce plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions with other group companies

Amounts are presented to the nearest 100 thousand pounds

1.2 Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the year-end. Exchange differences arising on foreign exchange transactions and the retranslation of assets and liabilities into sterling at the rate ruling at the year-end are taken into account in determining profit before taxation

1.3 Turnover

Turnover consists of amounts invoiced to external customers, net of value added taxes, in respect of deliveries made, or work completed, during the year. In the case of long-term contracts, turnover is based on the estimated sale value of the work completed during the year

1.4 Research and development

Research and development expenditure is written off as incurred

1.5 Pension costs

Contributions to Rolls-Royce group pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' service lives

1.6 Share-based payments

The Company, on behalf of its parent 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

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements for the year ended 31 December 2012

1 Significant accounting policies (continued)

1.7 Financial instruments

FRS 26 requires the classification of financial instruments into separate categories for which the accounting requirement is different. Borrowings have been classified as other liabilities and are held at amortised cost and not revalued.

1.8 Interest

Interest receivable/payable is credited/charged to the profit and loss account using the effective interest method.

1.9 Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax.

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date.

1.10 Stocks

Stocks 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 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.

1.11 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

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. Estimated useful lives are as follows:

- i) Land and buildings, as advised by the Company's professional advisors
 - a) Freehold buildings – 5 to 45 years (average 23 years)
 - b) Leasehold buildings – lower of advisors' estimates or period of lease
 - c) No depreciation is provided on freehold land
- ii) Plant and equipment – 5 to 25 years (average 16 years)
- iii) No depreciation is provided on assets in the course of construction

1.12 Investments

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

Vinters Engineering Limited (formerly Vinters Engineering plc)

**Notes to the financial statements
for the year ended 31 December 2012**

1. Significant accounting policies (continued)

1.13 Leases

The annual payments under operating leases are charged to the profit and loss account on a straight-line basis

1.14 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.

2. Segment information

	Defence Systems 2012 £000	Defence Systems 2011 £000	Head office 2012 £000	Head office 2011 £000	Total Company 2012 £000	Total Company 2011 £000
Turnover	15,700	12,400	-	-	15,700	12,400
Operating profit/(loss)	400	700	(1,200)	(8,400)	(800)	(7,700)
Income from shares in group undertakings	-	-	200	400	200	400
Profit/(loss) on ordinary activities before finance charges	400	700	(1,000)	(8,000)	(600)	(7,300)
Finance income (net)					100	100
Loss on ordinary activities before taxation					(500)	(7,200)
Segment net assets	29,800	29,200	223,500	304,200	253,300	333,400

3. Finance income (net)

	2012 £000	2011 £000
Interest receivable and similar income	100	100

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**Notes to the financial statements
for the year ended 31 December 2012**

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2012	2011
	£000	£000
Depreciation of tangible fixed assets		
- owned by the company	300	200
Auditor's remuneration - fees for the audit of the Company	100	100
Operating lease charges		
- land and buildings	100	300
Research and development - current year expenditure	1,600	500
	<u><u> </u></u>	<u><u> </u></u>

5. Staff costs and directors remuneration

Staff costs were as follows

	2012	2011
	£000	£000
Wages and salaries	3,700	3,500
Social security costs	300	300
Other pension costs	400	400
Total expense recognised for equity-settled share-based payment transactions	100	100
	<u><u> </u></u>	<u><u> </u></u>
	4,500	4,300

The average monthly number of employees, including the directors, during the year was as follows

	2012	2011
	No.	No
Defence Systems	93	94
	<u><u> </u></u>	<u><u> </u></u>

No remuneration has been received by the directors in respect of their services to the Company (2011 - £Nil)

6 Tax on profit on ordinary activities

	2012	2011
	£000	£000
Group relief payable at 24.5% (2011 - 26.5%)	(200)	(1,800)
	<u><u> </u></u>	<u><u> </u></u>

Vinters Engineering Limited (formerly Vinters Engineering plc)

**Notes to the financial statements
for the year ended 31 December 2012**

6. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012	2011
	£000	£000
Loss on ordinary activities before tax	<u>(500)</u>	<u>(7,200)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	(100)	(1,900)
Effects of		
Income not taxable	<u>(100)</u>	<u>100</u>
Current tax credit for the year (see note above)	<u>(200)</u>	<u>(1,800)</u>

Factors that may affect future tax charges

The 2013 Budget announced that the UK corporation tax rate will reduce to 20% by 2015. The reduction is not expected to have a material effect on the company's future current tax charge.

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements
for the year ended 31 December 2012

7 Share-based payments

Share-based payment plans in operation during the year

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

Performance Share Plan (PSP)

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

ShareSave share option plan

Based on a three or five year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20 per cent 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

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 group 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

Movements in the Company's share-based payment plans during the year

	ShareSave Number Thousands	ShareSave Weighted average exercise price Pence	PSP Number Thousands	APRA Number Thousands
Outstanding at 1 January 2011	88	372	12	6
Granted	35	525	4	2
Additional entitlements arising from TSR performance	-	-	9	-
Forfeited	(3)	381	-	-
Exercised	(34)	333	(16)	(5)
Outstanding at 31 December 2011	86	449	9	3
Granted	-	-	4	2
Additional entitlements arising from TSR performance	-	-	-	-
Forfeited	(1)	458	-	-
Exercised	-	-	-	(1)
Outstanding at 31 December 2012	85	449	13	4

As share options are exercised throughout the year, the weighted average share price during the year of 836p (2011 - 642p) is representative of the weighted average share price at the date of exercise

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements
for the year ended 31 December 2012

Share options outstanding

	ShareSave Number Thousands	ShareSave Weighted average remaining contractual life Years
At 31 December 2011		
300p - 399p	32	2.4
400p - 499p	19	1.1
500p - 599p	35	4.4
	86	2.9
At 31 December 2012		
300p - 299p	32	1.4
300p - 399p	19	0.1
400p - 499p	34	3.4
	85	1.9

The range of exercise prices of options outstanding at December 31, 2012 was between 387p and 525p (2011 - 387p and 525p)

Fair values of share-based payment plans

The weighted average fair values per share of equity-settled share-based payment plans granted during the year, estimated at the date of grant are as follows

	2012 (pence)	2011 (pence)
PSP - 25% TSR uplift	885	662
PSP - 50% TSR uplift	985	737
ShareSave - 3 year grant	n/a	210
ShareSave - 5 year grant	n/a	238
APRA	809	612

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements for the year ended 31 December 2012

In estimating these fair values, the following assumptions were used

	PSP 2012	PSP 2011	ShareSave 2011
Weighted average share price	809p	612p	691p
Exercise price	n/a	n/a	525p
Expected dividends	16 5p	15 4p	16 0p
Expected volatility	31%	32%	30%
Correlation	39%	36%	n/a
Expected life - PSP	3 years	3 years	n/a
Expected life - 3 year ShareSave	n/a	n/a	3 3 - 3 8 years
Expected life - 5 year ShareSave	n/a	n/a	5 3 - 5 8 years
Risk free interest rate	0.6%	1 9%	1 9%

Expected volatility is based on the historical volatility of Rolls-Royce Holdings plc's share price over the seven years prior to the grant or award date. Expected dividends are based on Rolls-Royce Holdings plc's payments to shareholders in respect of the previous year.

PSP

The fair value of shares awarded under the PSP is calculated using a pricing model that takes account of the non-entitlement to dividends (or equivalent) during the vesting period and the market-based performance condition, based on expectations about volatility and the correlation of share price returns in the group of FTSE 100 companies, which incorporates into the valuation the interdependency between share price performance and TSR vesting. This adjustment increases the fair value of the award relative to the share price at the date of grant.

ShareSave

The fair value of the options granted under the ShareSave plan is calculated using a binomial 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. This results in an expected life that falls somewhere between the start and end of the exercise window.

APRA

The fair value of shares awarded under APRA is calculated as the share price on the date of the award, excluding expected dividends.

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements
for the year ended 31 December 2012

8 Tangible fixed assets

	Land and buildings Freehold £000	Land and buildings Long leasehold £000	Plant & machinery £000	Total £000
Cost				
At 1 January 2012	5,600	1,100	2,600	9,300
Additions	-	-	100	100
Disposals	-	-	(100)	(100)
At 31 December 2012	<u>5,600</u>	<u>1,100</u>	<u>2,600</u>	<u>9,300</u>
Depreciation				
At 1 January 2012	1,500	700	1,700	3,900
Charge for the year	100	100	100	300
Disposals	-	-	(100)	(100)
At 31 December 2012	<u>1,600</u>	<u>800</u>	<u>1,700</u>	<u>4,100</u>
Net book value				
At 31 December 2012	<u>4,000</u>	<u>300</u>	<u>900</u>	<u>5,200</u>
At 31 December 2011	<u>4,100</u>	<u>400</u>	<u>900</u>	<u>5,400</u>

The cost of non-depreciable land included above is £0 7 million (2011 - £0 7 million)

Land or buildings at cost or valuation comprise

	2012 £000	2011 £000
Cost	5,100	5,100
Valuation	1,600	1,600
	<u>6,700</u>	<u>6,700</u>

9 Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 January 2012 and 31 December 2012	<u>371,000</u>
Provisions for impairment	
At 1 January 2012 and 31 December 2012	<u>1,100</u>
Net book value	
At 31 December 2012	<u>369,900</u>
At 31 December 2011	<u>369,900</u>

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements for the year ended 31 December 2012

9 Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company, or where indicated by an asterisk, of one of its wholly-owned subsidiary undertakings

Name	Holding
Vinters International Limited	100%
Powerfield Specialist Engines Limited	100%
Powerfield Limited	100%
Ross Ceramics Limited	100%
Rolls-Royce AB *	100%
Rolls-Royce OY AB *	100%
Rolls-Royce Marine AS *	100%
Ulstein Turbine AS *	100%
Bergen Engines AS *	100%

Name	Business	Registered office
Vinters International Limited	Holding Company	UK
Powerfield Specialist Engines Limited	Defence Systems	UK
Powerfield Limited	Defence Systems	UK
Ross Ceramics Limited	Turbine Components	UK
Rolls-Royce AB *	Marine	Sweden
Rolls-Royce OY AB *	Marine	Finland
Rolls-Royce Marine AS *	Marine	Norway
Ulstein Turbine AS *	Marine	Norway
Bergen Engines AS *	Marine	Norway

On January 2, 2012, Bergen Engines AS was contributed to Engine Holding GmbH, a 50/50 Joint Venture between Rolls-Royce Holdings plc and Daimler AG, in exchange for a €400 million shareholding, which is accounted within Vinters International Limited

On 1 January 2013, a subsidiary of the company, Vinters International limited, exercised its control rights over Engine Holding GmbH as defined under the Shareholder Agreement with Daimler AG. Engine Holding GmbH and its group became a subsidiary with a 50% non-controlling interest as part of the Rolls-Royce group's consolidated accounts

10. Stocks

	2012	2011
	£000	£000
Raw materials and consumables	2,800	2,800
Work in progress	400	1,000
	<u>3,200</u>	<u>3,800</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements
for the year ended 31 December 2012

11. Debtors

	2012 £000	2011 £000
Trade debtors	3,200	2,800
Amounts owed by group undertakings	400	81,200
Amounts owed by undertakings in which the company has a participating interest	1,300	-
Other debtors	300	1,900
	<u>5,200</u>	<u>85,900</u>

12 Creditors Amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	600	-
Trade creditors	900	600
Amounts owed to group undertakings	120,100	120,100
Social security and other taxes	200	-
Other creditors	2,000	4,400
Accruals and deferred income	1,300	2,500
	<u>125,100</u>	<u>127,600</u>

13. Provisions for liabilities and charges

	Retained liabilities from disposed companies £000	Warranties and guarantees £000	Total £000
At 1 January 2012	26,900	1,600	28,500
Charged to profit and loss account	1,800	-	1,800
Utilised	(1,800)	(300)	(2,100)
Amounts reversed	-	(600)	(600)
At 31 December 2012	<u>26,900</u>	<u>700</u>	<u>27,600</u>

Retained liabilities from disposed companies

Other provisions comprise numerous liabilities with varying expected utilisation rates

Warranties and guarantees

Warranty and guarantee provisions primarily relate to products sold and generally cover a period of up to three years

Vinters Engineering Limited (formerly Vinters Engineering plc)

Notes to the financial statements
for the year ended 31 December 2012

14. Pensions

The Company is a participating employer of Vickers Group Pension Scheme, 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 in independently of the finances of the Group. The schemes are funded by annual contributions from the company and scheme members.

The employer is unable to identify the share of the underlying assets and liabilities of the schemes and in accordance with FRS17 Retirement Benefits, has accounted for contributions as if the schemes were defined contribution schemes.

On this basis, the amount of employer contributions for 2012 was £0.4m (2011: £0.4m)

The FRS 17 disclosure relating to the schemes is given in the group financial statements of Rolls-Royce plc.

15. Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
343,297,724 ordinary shares of £0.50 each	<u>171,600</u>	<u>171,600</u>

16. Reserves

	Share premium account £000	Revaluat'n reserve £000	Other reserves £000	Profit and loss account £000
At 1 January 2012	65,100	2,100	8,400	86,200
Loss for the year	-	-	-	(300)
Dividends	-	-	-	(80,000)
Share based payments	-	-	-	100
At 31 December 2012	<u>65,100</u>	<u>2,100</u>	<u>8,400</u>	<u>6,000</u>

17. Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	333,400	338,700
Loss for the year	(300)	(5,400)
Dividends	(80,000)	-
Share based payments	100	100
Closing shareholders' funds	<u>253,200</u>	<u>333,400</u>

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**Notes to the financial statements
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18. Financial commitments

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2012 £000	2011 £000
Expiry date		
Between 2 and 5 years	100	-
After more than 5 years	100	300
Total	<u>200</u>	<u>300</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

19. 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

There are lawsuits outstanding against the Company for damages in respect of certain transactions. The directors have been advised that there are good defences in all material actions and do not believe that the Company is likely to suffer any material loss in excess of the amounts provided

20. Post balance sheet events

On the 9th April 2013, the business commenced local consultations with its employees regarding a proposed restructuring of the business to concentrate solely on meeting existing contractual commitments at maximum performance. The restructuring is expected to result in a charge of £1.3 million in the second quarter of 2013 relating to a reduction in headcount.

21. Controlling party

The Company is a subsidiary undertaking of Rolls-Royce plc, incorporated in Great Britain

The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Holdings plc. The smallest group in which the results of the Company are consolidated is that headed by Rolls-Royce plc, incorporated in Great Britain

The consolidated accounts of these groups are available to the public and may be obtained from 65 Buckingham Gate, London, SW1E 6AT