

Registration number: 00003543

Vinters Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015



Vinters Engineering Limited

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Vinters Engineering Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Fair review of the business

In 2015, turnover decreased from £9.9m (2014) to £4.9m. The majority (£3.7m) of the decrease is a result of a change in the estimated gainshare with consequential reassessment of the value of the balance sheet position. The remainder (£1.3m) of the decrease was as a result of major milestones being completed in 2014 for the Deltic programme (original equipment turnover being booked in 2014) which has not repeated in 2015 and a general slowdown in new business won in 2015.

On 27 November 2015 the business sold its interest in Michell Bearings (India) Private Limited to British Engines Ltd generating a profit of £3.9m.

The company's key financial and other performance indicators during the year were as follows:

	2015	2014
	£ 000	£ 000
Turnover	4,900	9,900
Loss before financing costs	(3,300)	(258,500)
Net liabilities	(13,800)	(11,800)

Vinters Engineering Limited

Strategic Report for the Year Ended 31 December 2015 (continued)

Strategy

We are a power systems company competing globally. We win in our chosen markets by focusing on, and connecting, three powerful themes: customer, innovation and profitable growth.

Customer: placing the customer at the heart of our organisation is key. We need to listen to our customers, share ideas, really understand their needs and then relentlessly focus on delivering our promises.

Innovation: is our lifeblood. We must continually innovate to remain competitive. To drive innovation, we create the right environment - curious, challenging, unafraid of failure, disciplined, open-minded and able to change with pace. But most importantly, we ensure our innovation is relevant to our customers' needs.

Profitable growth: by focusing on our customers, and offering them a competitive portfolio of products and services, we will create the opportunity to grow our market share. Of course we have got to make sure that we are not just growing, but growing profitably. That means ensuring our costs are competitive. We look after our cash and we win right.

Consistent with the Group the Company's strategic focus going forward is to develop products, services and order book to drive long-term profitable growth. We will do this by focusing on three common themes across all our businesses:

- investing in and developing engineering excellence;
- driving a manufacturing and supply chain transformation which will embed operational excellence in lean, lower-cost facilities and processes; and
- leveraging our installed base, product knowledge and engineering capabilities to provide customers with outstanding service through which we can capture aftermarket value long into the future.

Our ability to deliver these priorities will be enhanced by a major transformation of our organisation; to simplify our processes and management structure, to add pace to our decision making and execution, and to provide space to develop our people and create a stronger, high performance culture. These themes will become the cornerstones of our operational priorities going forward.

Investing in people and skills

We seek to attract and retain the best and brightest engineers. We then create a culture of innovation that allows them to develop their skills. We encourage all employees to contribute to our Group Innovation Portal via the Company intranet. In 2015, across the Group this generated well over 1,000 ideas from which we conducted dozens of challenges.

Vinters Engineering Limited

Strategic Report for the Year Ended 31 December 2015 (continued)

Principal risks and uncertainties

The following risks have the most material potential impact on the company. Mitigating activities are described for each risk. These risks are specific to the nature of our 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 group's (Group) risk management procedures.

Product failure - Product not meeting safety expectations, or causing significant impact to customers or the environment through failure in quality control.

- Operating a safety first culture
- Our engineering design and validation process is applied from initial design, through production and into service
- The safety and ethics committee reviews the scope and effectiveness of the Group's product safety policies to ensure that they operate to the highest industry standards
- A Group safety management system (SMS) has been established by a dedicated team. This is governed by the Product Safety Review Board and is subject to continual improvement based on experience and industry best practice. Product safety training is an integral part of our SMS
- Improving our supply chain quality
- Crisis management team led by the Group Director - Engineering and Technology or General Counsel as appropriate

Business continuity - Breakdown of external supply chain or internal facilities that could be caused by destruction of key facilities, natural disaster, regional conflict, financial insolvency of a critical supplier or scarcity of materials which would reduce the ability to meet customer commitments, win future business or achieve operational results.

- Continued investment in adequate capacity and modern equipment and facilities
- Identifying and assessing points of weakness in our internal and external supply chain, our IT systems and our people skills
- Selection and development of stronger suppliers
- Developing dual sources or dual capability
- Developing and testing site-level incident management and business recovery plans
- Crisis management team led by the Group Director - Engineering and Technology or General Counsel as appropriate
- Customer excellence centres provide improved response to supply chain disruption

Competitor action - The presence of large, financially strong competitors in the majority of our markets means that the Group is susceptible to significant price pressure for original equipment or services even where our markets are mature or the competitors are few. Our main competitors have access to significant government funding programmes as well as the ability to invest heavily in technology and industrial capability.

- Accessing and developing key technologies and service offerings which differentiate us competitively
- Focusing on being responsive to our customers and improving the quality, delivery and reliability of our products and services
- Partnering with others effectively
- Driving down cost and improving margins
- Protecting credit lines
- Investing in innovation, manufacturing and production
- Understanding our competitors

Political risk - Geopolitical factors that lead to significant tensions between major trading parties or blocs which could impact the Company's operations. For example: explicit trade protectionism; differing tax or regulatory regimes; potential for conflict; or broader political issues.

- Where possible, locating our domestic facilities in politically stable countries and/or ensuring that we maintain dual capability
- Diversifying global operations to avoid excessive concentration of risks in particular areas
- Network of regional directors proactively monitors local situations

Vinters Engineering Limited

Strategic Report for the Year Ended 31 December 2015 (continued)

- Maintaining a balanced business portfolio with high technological barriers to entry and a diverse customer base
- Understanding our supply chain risks
- Proactively influencing regulation where it affects us

Major product programme delivery - Failure to deliver a major product programme on time, to specification or technical performance falling significantly short of customer expectations would have potentially significant adverse financial and reputational consequences, including the risk of impairment of the carrying value of the Company's assets and the impact of potential litigation.

- Major programmes are subject to Board approval
- Major programmes are reviewed at levels and frequencies appropriate to their performance against key financial and non-financial deliverables and potential risks throughout a programme's life cycle
- Technical audits are conducted at pre-defined points performed by a team that is independent from the programme
- Programmes are required to address the actions arising from reviews and audits and progress is monitored and controlled through to closure
- Knowledge management principles are applied to provide benefit to current and future programmes

Compliance - Non-compliance by the Company with legislation or other regulatory requirements in the regulated environment in which it operates (for example: export controls; offset; use of controlled chemicals and substances; and anti-bribery and corruption legislation) compromising our ability to conduct business in certain jurisdictions and exposing the Company to potential: reputational damage; financial penalties; debarment from government contracts for a period of time; and/or suspension of export privileges or export credit financing), any of which could have a material adverse effect.

- An uncompromising approach to compliance is now, and should always be, the only way to do business
- The Group has an extensive compliance programme. This programme and the Global Code of Conduct are promulgated throughout the Group and are updated and reinforced from time to time, to ensure their continued relevance, and to ensure that they are complied with both in spirit and to the letter. The Global Code of Conduct and the Company's compliance programme are supported by appropriate training
- A legal and compliance team has been put in place to manage the current specific issue through to a conclusion and beyond
- Lord Gold has reviewed the Group's current compliance procedures and an improvement plan is being implemented

Market shock - The Company is exposed to a number of market risks, some of which are of a macro-economic nature, for example, foreign currency exchange rates, and some which are more specific to the Company, for example liquidity and credit risks, or disruption to other customer operations. Significant extraneous market events could also materially damage the Group's competitiveness and/or credit worthiness. This would affect operational results or the outcomes of financial transactions.

- Maintaining a strong Group balance sheet, through healthy cash balances and a continuing low level of debt
- Providing financial flexibility by the Group maintaining high levels of liquidity and an investment grade 'A' credit rating
- The portfolio effect from our business interests, both in terms of original equipment to aftermarket split and our different segments provide a natural shock absorber since the portfolios are not correlated
- Deciding where and what currencies to source in, where and how much credit risk is extended or taken and hedging residual risk through the financial derivatives markets (foreign exchange, interest rates and commodity price risk)

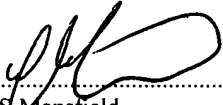
Vinters Engineering Limited

Strategic Report for the Year Ended 31 December 2015 (continued)

IT vulnerability - Breach of IT security causing controlled data to be lost, made inaccessible, corrupted or accessed by unauthorised users.

- Establishing 'defence in depth' through deployment of multiple layers of software and processes including web gateways, filtering, firewalls, intrusion, advanced persistent threat detectors and integrated reporting
- Security and network operations centres have been established
- Active sharing of information through industry, government and security forums

Approved by the Board on 21/9/16 and signed on its behalf by:



.....
W S Mansfield
Director

Vinters Engineering Limited

Directors' Report for the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors of the company

The directors who held office during the year were as follows:

D J Goma (resigned 31 August 2015)

R C Orgill

W S Mansfield

Principal activity

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

Directors liabilities

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.


Disclosure of information to the auditors

Each director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 21/9/16 and signed on its behalf by:


.....
W S Mansfield
Director

Vinters Engineering Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law, including FRS 101 'Reduced Disclosure Framework' (FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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

We have audited the financial statements of Vinters Engineering Limited for the year ended 31 December 2015, set out on pages 9 to 33. 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), including FRS 101 'Reduced Disclosure Framework'.

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 Statement of Directors' Responsibilities (set out on page 7), 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 (APB's) Ethical Standards for Auditors to the financial statements.

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 Councils website at www.frc.org.uk/auditscopeukprivate

Opinion on the 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 2015 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.

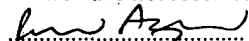
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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


Richard Ackland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

Date: 21 SEPTEMBER 2016

Vinters Engineering Limited

Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Turnover		4,900	9,900
Cost of sales		<u>(2,400)</u>	<u>(5,400)</u>
Gross profit		2,500	4,500
Administrative expenses		(600)	(900)
Income from shares in group undertakings		200	-
Other operating (expense)/income	5	(9,300)	10,900
Gain from disposals of investments in subsidiaries		<u>3,900</u>	<u>-</u>
Operating (loss)/profit		(3,300)	14,500
Exceptional items			
Amounts written off investments	6	<u>-</u>	<u>(273,000)</u>
Loss on ordinary activities before interest		(3,300)	(258,500)
Other interest receivable and similar income	7	<u>100</u>	<u>-</u>
Loss before tax		(3,200)	(258,500)
Tax on loss on ordinary activities	13	<u>1,200</u>	<u>(3,100)</u>
Loss for the year		<u><u>(2,000)</u></u>	<u><u>(261,600)</u></u>

The above results were derived from continuing operations.

Vinters Engineering Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Loss for the year		<u>(2,000)</u>	<u>(261,600)</u>
Total comprehensive income for the year		<u><u>(2,000)</u></u>	<u><u>(261,600)</u></u>


The notes on pages 13 to 33 form an integral part of these financial statements.

Vinters Engineering Limited

(Registration number: 00003543)
Balance Sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Fixed assets			
Property, plant and equipment	11	4,500	4,600
Investments	12	96,600	96,900
Deferred tax assets	13	200	-
		101,300	101,500
Current assets			
Stocks	14	1,200	600
Debtors	15	13,000	1,700
Cash at bank and in hand		19,400	29,000
Assets held for sale		2,300	-
		35,900	31,300
Creditors: Amounts falling due within one year			
Trade and other creditors	16	(126,700)	(126,100)
Loans and borrowings	17	-	(2,300)
Creditors: Amounts falling due within one year		(126,700)	(128,400)
Net current liabilities		(90,800)	(97,100)
Total assets less current liabilities		10,500	4,400
Provisions for liabilities	21	(24,300)	(16,200)
Net liabilities		(13,800)	(11,800)
Capital and reserves			
Called up share capital	22	171,600	171,600
Share premium reserve		65,100	65,100
Revaluation reserve		2,100	2,100
Other reserves		8,400	8,400
Profit and loss account		(261,000)	(259,000)
Shareholders' deficit		(13,800)	(11,800)

Approved by the Board on 21/9/16 and signed on its behalf by:



 W S Mansfield
 Director

Vinters Engineering Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	171,600	65,100	2,100	8,400	(259,000)	(11,800)
Loss for the year	-	-	-	-	(2,000)	(2,000)
Total comprehensive income	-	-	-	-	(2,000)	(2,000)
At 31 December 2015	171,600	65,100	2,100	8,400	(261,000)	(13,800)

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	171,600	65,100	2,100	8,400	2,600	249,800
Loss for the year	-	-	-	-	(261,600)	(261,600)
Total comprehensive income	-	-	-	-	(261,600)	(261,600)
At 31 December 2014	171,600	65,100	2,100	8,400	(259,000)	(11,800)

The notes on pages 13 to 33 form an integral part of these financial statements.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

Moor Lane
Derby
DE24 8BJ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal 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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

These are the company's first financial statements prepared in accordance with FRS 101.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006.

In the transition to FRS 101, the company has applied IFRS1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

FRS 101 has had no impact on the figures presented in these financial statements.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Going concern

The company has net current liabilities of £90.8m (2014: £97.1m) and so is dependent for its working capital on funds provided to it by Rolls-Royce plc, a parent undertaking of the company. Rolls-Royce plc has stated that its current policy is to ensure that the company is managed so that it maintains adequate financial resources and is in a position to meet its financial obligations arising from its normal trading activities. Based on the directors' assessment of the company's future financial requirements, the ability of Rolls-Royce plc to support the company if necessary and the statement referred to above, the directors consider that the company will have sufficient financial resources to meet its obligations for the foreseeable future, that is for at least 12 months from the date of approval of these financial statements.

Exemption from preparing group accounts

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

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of a group parent, Rolls-Royce plc, a company incorporated in United Kingdom.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2015 have had a material effect on the financial statements.

Turnover

Turnover comprise sales to outside customers, excluding 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.

Finance income and costs policy

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

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 entity 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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 2015 (continued)

2 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

L/term leasehold property

Plant & machinery

Depreciation method and rate

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

lower of advisors' estimates or period of lease

5 to 25 years.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

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, 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.

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.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

2 Accounting policies (continued)

Leases

Payments made and rentals received under operating lease arrangements are charged/credited to the income statement on a straight-line basis.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Defined contribution 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 profit and loss account 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 in the final note to these financial statements.

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 2015 (continued)

3 Segment information

	Defence Systems		Head office		Total Company	
	2015	2014	2015	2014	2015	2014
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Turnover	4,900	9,900	-	-	4,900	9,900
Cost of sales	(2,400)	(5,400)	-	-	(2,400)	(5,400)
Gross profit	2,500	4,500	-	-	2,500	4,500
Administrative expenses	(600)	(900)	-	-	(600)	(900)
Income from shares in group undertakings	-	-	200	-	200	-
Other operating (expense)/income	-	-	(9,300)	10,900	(9,300)	10,900
Gain from disposals of investments in subsidiaries	-	-	3,900	-	3,900	-
Amounts written off investments	-	-	-	(273,000)	-	(273,000)
Other interest receivable and similar income	-	-	100	-	100	-
Loss before tax	1,900	3,600	(5,100)	(262,100)	(3,200)	(258,500)

The majority (£3.7m) of the turnover decrease is a result of a change in the estimated gainshare with consequential reassessment of the value of the balance sheet position.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

4 Operating profit

Arrived at after charging/(crediting)

	2015	2014
	£ 000	£ 000
Depreciation expense	<u>200</u>	<u>300</u>

5 Other operating (expense)/income

	2015	2014
	£ 000	£ 000
Provision (increase)/decrease	<u>(9,300)</u>	<u>10,900</u>

This relates to long-tail disease liability provisions between Group companies.

In 2015 the £9.3m increase in provision follows an annual independent actuarial review which indicated a more substantial shift than in previous years.

In 2014 the £10.9m reduction in provision followed a re-assessment of the allocation of the overall provision between Group companies.

6 Exceptional items

	2015	2014
	£ 000	£ 000
Amounts written off investments	<u>-</u>	<u>273,000</u>

In 2014 an impairment was made to the carrying value of a subsidiary undertaking. The details of which are disclosed in the investments note.

7 Other interest receivable and similar income

	2015	2014
	£ 000	£ 000
Interest income on bank deposits	<u>100</u>	<u>-</u>

8 Staff costs

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

	2015	2014
	£ 000	£ 000
Wages and salaries	1,500	1,600
Social security costs	100	200
Pension and other post-employment benefit costs	<u>200</u>	<u>200</u>
	<u>1,800</u>	<u>2,000</u>

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

8 Staff costs (continued)

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

	2015 No.	2014 No.
Defence Systems	<u>40</u>	<u>40</u>

9 Directors' remuneration

The directors did not receive any remuneration (2014 - £Nil) for qualifying services to the company.

10 Auditors' remuneration

	2015 £ 000	2014 £ 000
Audit of the financial statements	<u>100</u>	<u>100</u>

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

The audit fees are paid by Rolls-Royce plc.

11 Property, plant and equipment

	Land & buildings Freehold £ 000	Land & buildings Long leasehold £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation				
At 1 January 2015	5,600	1,100	2,400	9,100
Additions	100	-	-	100
Disposals	-	-	(300)	(300)
At 31 December 2015	<u>5,700</u>	<u>1,100</u>	<u>2,100</u>	<u>8,900</u>
Depreciation				
At 1 January 2015	1,800	1,000	1,700	4,500
Charge for the year	100	-	100	200
Eliminated on disposal	-	-	(300)	(300)
At 31 December 2015	<u>1,900</u>	<u>1,000</u>	<u>1,500</u>	<u>4,400</u>
Carrying amount				
At 31 December 2015	<u>3,800</u>	<u>100</u>	<u>600</u>	<u>4,500</u>
At 31 December 2014	<u>3,800</u>	<u>100</u>	<u>700</u>	<u>4,600</u>

The cost of non-depreciable land included above is £1.4m (2014: £1.4m).

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2015	369,900
Disposals	<u>(300)</u>
At 31 December 2015	<u>369,600</u>
Impairment	
At 1 January 2015	<u>273,000</u>
At 31 December 2015	<u>273,000</u>
Carrying amount	
At 31 December 2015	<u>96,600</u>
At 31 December 2014	<u>96,900</u>

In 2014 as a result of an impairment to the carrying value of a fixed asset investment in the accounts of Vinters International Limited, a subsidiary undertaking of Vinters Engineering Limited, a resultant impairment of £273m was recognised in the 2014 accounts. The loss is included in exceptional items in the profit and loss account.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

The following were subsidiary undertakings / participating interest of the company as at 31 December 2015:

Company name	Address	% Holding	
		2015	2014
Bergen Engines AS	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%	100%
Bergen Engines Bangladesh Private Limited	Plot n.58E, Kemal Ataturk Avenue, Dhaka, 1213, Bangladesh	100%	100%
Bergen Engines BV	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands	100%	100%
Bergen Engines Denmark A/S	23 Værftsvej, 9000 Aalborg, Denmark	100%	100%
Bergen Engines India Private Limited	52-b Okhla Industrial Estate, Phase 3, New Delhi 110-020, India	100%	100%
Bergen Engines Limited	Derby*	100%	100%
Bergen Engines Propertyco AS	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway	100%	100%
Bergen Engines S.L.	Calle Dinamarca, 43120 Constantí, Tarragona, Spain	100%	100%
Bergen Engines SRL	13 Via Castel Morrone, 16161, Genoa, Italy	100%	100%
Brown Brothers & Company, Limited	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, Scotland, KY11 9JT	100%	100%
Fluid Mechanics LLC	39525 MacKenzie Drive, Novi, MI 48377, USA	100%	0%
John Hastie Of Greenock (Holdings) Limited	Derby*	100%	100%
Kamewa AB	Box 1010, S-68129, Kristinehamn, Sweden	100%	100%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

Kamewa Do Brazil Equipmentos Maritmos Limitada	401 Rua Visconde de Piraja 433, Rio de Janeiro, Brazil	100%	100%
Kamewa Holding AB	Box 1010, S-68129, Kristinehamn, Sweden	100%	100%
Kamewa UK Limited	Derby*	100%	100%
Karl Maybach Hilfe GmbH	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%	100%
L'Orange Fuel Injection (Ningbo) Co. Ltd	#3 South Qihang Rd 55, Yinzhou Economic Development Zone Ningbo City, 315145, China	100%	100%
L'Orange Fuel Injection Trading Suzhou) Co. Ltd	#399 Suhong Middle Rd, Suzhou Industrial Park, Suzhou 215000, China	100%	100%
L'Orange GmbH	30 Porschestraße, 70435 Stuttgart, Germany	100%	100%
L'Orange Unterstützungskasse GmbH	Harteckweg 9, 72293 Glatten, Germany	100%	100%
MTU America Inc	39625 Mc Kenzie Drive, Novi, MI 48377, USA	100%	100%
MTU Anlagenvermietung GmbH	1 Maybachplatz, 88045 Friedrichshafen, Germany	100%	100%
MTU Asia Pte. Ltd	#05-01, Robinson Rd 112, 068902, Singapore	100%	100%
MTU Benelux B.V.	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%	100%
MTU Do Brasil Limitada	Via Anhanguera, KM 29203, 05276-000 Sao Paulo SP Brazil	100%	100%
MTU China Company Limited	1801-1803, 18/F Ascendas Plaza, No.333 Tian Yao Qiao Road Xuhai District, Shanghai, 200030, China	100%	100%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

MTU Engineering (Suzhou) Company Limited	9 Long Yun Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China	100%	100%
MTU France SAS	281 Chaussée Jules César, 95250 Beauchamp, France	100%	100%
MTU Friedrichshafen GmbH	1 Maybachplatz, 88045 Friedrichshafen, Germany	100%	100%
MTU Hong Kong Ltd	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong	100%	100%
MTU Iberica Propulsion Y Energia S.L	26-28 Calle Copernico, 28823 Coslada, Madrid, Spain	100%	100%
MTU India Private Limited	159/1 Tathawade, Pune Mumbai Highway, Pune 411033, India	100%	100%
MTU Israel Ltd	4 Ha"Alon Str, Kfar Neter, 4059300, Israel	100%	100%
MTU Italia Srl	Via Aurelia Nord, 328, 19021 Arcola (SP), Italy	100%	100%
MTU Japan Co Limited	2-15-19 Takanawa-Meiko, Minato-ku, Tokyo, 108-0074, Japan	100%	100%
MTU Korea Limited	20F Kores First Bank Building, 100 Gongpyung-dong, Jongno-gu Seoul, 100-702, Republic of Korea	100%	100%
MTU Middle East FZE	Showroom No. S3B5SR06 , Jebel Ali Free Zone, P.O. Box 61141 Dubai, United Arab Emirates	100%	100%
MTU Motor Turbin Sanayi Ve Tic. A.S.	113. Ada 3.Parsel No.11, Çorlu, Tekirdag, 34555,Turkey	100%	100%
MTU Onsite Energy Corporation	100 Power Drive, Mankato, MIN 56001, USA	100%	100%
MTU Onsite Energy GmbH	8 Rotthofer Straße, 94099 Ruhstorf a.d. Rott, Germany	100%	100%
MTU Onsite Energy Systems GmbH	8 Rotthofer Straße, 94099 Ruhstorf a.d. Rott, Germany	100%	100%
MTU Polska Sp. Zoo	Ul. Slaska, Nr 9. Raum, Stargard Szczecinski, 73-110, Potsdam Stargard Szczecinski, Poland	100%	100%
MTU Reman Technologies GmbH	8 Friedrich-List-Strabe, 39122 Magdeburg, Germany	100%	100%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

MTU RUS LLC	2 Shabolovka Street 2, 119049, Moscow, Russian Federation	100%	100%
MTU South Africa Pty	Corner Marcony Rd and 3rd St, Western Cape, 7441 South Africa	100%	100%
MTU UK Limited	Derby*	100%	100%
Navis Consult D.O.O Croatia	Ul. Bartola Kasica 5/4, HR-51000, Rijeka, Croatia	75%	75%
Oxygenaire Limited	Derby*	100%	100%
Powerfield Limited	Derby*	100%	100%
Powerfield Specialist Engines Limited	Derby*	100%	100%
Prokura Diesel Services (Pty) Ltd	Corner Marcony Rd and 3rd St, Western Cape, 7441 South Africa	100%	100%
PT MTU Indonesia	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia	100%	100%
Rallyswift Limited	Derby*	100%	100%
Rolls-Royce AB	Box 1010, S-68129, Kristinehamn, Sweden	100%	100%
Rolls-Royce Commercial (Beijing) Co Limited	2109 China Life Building, 16 Chao Yang Men Wai Street, Beijing 100020, China	100%	100%
Rolls-Royce Italia Srl	Via Castel Morrone 13,16161, Genova, Italy	100%	100%
Rolls-Royce Japan Co Limited	31 fr, Kasumigaseki bldg, Chiyoda-Ku, Tokyo 100-6031, Japan	100%	100%
Rolls-Royce Marine A/S (Denmark)	Vaerftsvej 23 , 2300, Aalborg, Denmark	100%	100%
Rolls-Royce Marine AS	Sjogata 80, 6065 Ulsteinvik, Norway	100%	100%
Rolls-Royce Marine Asia Limited	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong	100%	100%
Rolls-Royce Marine Australia Pty Limited	Unit 2/8 Wallace Way, Fremantle WA 6160, Australia	100%	100%
Rolls-Royce Marine Benelux BV	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%	100%
Rolls-Royce Marine Deutschland GmbH	Fahrstieg 9, 21107, Hamburg, Germany	100%	100%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

Rolls-Royce Marine Espana S.A.	Poligono Industrial de Constanti, 43120 Constanti, Tarragona, Spain	100%	100%
Rolls-Royce Marine France Sarl	4 Place Des Etats Unis, Imm Monaco Silic 261, Rungis France	100%	100%
Rolls-Royce Marine Hellas S.A.	25 Atki Poseidonos & Makrigianni corner, Athens 18344, Greece	100%	100%
Rolls-Royce Marine Hong Kong Limited	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong	100%	100%
Rolls-Royce Marine India Private Limited	PLOT D-505, TTC Industrial Area, MIDC, Sharaya Hyundai Lane Turbhe, Navi Mumbai, Maharashtra, 400710, India	100%	100%
Rolls-Royce Marine Korea Limited	197 Noksansaneopbung-ro , Gangseogu, Busan, Republic of Korea	100%	100%
Rolls-Royce Marine Manufacturing (Shanghai) Limited	1 Xuanzhong Rd, Xuanqiao Town, Pudong New Area, Shanghai 201399, China	100%	100%
Rolls-Royce Oy AB	PO Box 220, Suojantie 5, 26101, Rauma, Finland	100%	100%
Rolls-Royce Poland Sp Zoo	GNIEW 83-140, ul. Kopernika 1, Poland	100%	100%
Rolls-Royce Power Systems AG	1 Maybachplatz, 88045, Friedrichshafen, Germany	100%	100%
Rolls-Royce Vietnam Limited	Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City Ba Ria - Vung Tau Province, Vietnam	100%	100%
Ross Ceramics Limited	Derby*	100%	100%
Scandinavian Electric Gdansk Sp. Z.O.O.	M. Reja 3, Gdansk, 80-404, Poland	67%	67%
Scandinavian Electric Systems DO Brazil Limitada	Rua Sao Jose 90, salas 1406-07, Rio de Janeiro, RJ, Brazil	66%	66%
Stone Vickers Limited	Derby*	100%	100%
Timec 1847 Ltd (was Michell Bearings Limited)	Derby*	100%	100%
Trigno Energy S.R.L.	Zona Industrial, San Salvo, 66050, Italy	100%	100%
Ulstein Holding AS	Sjøgata 80, 6065 Ulsteinvik, Norway	100%	100%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

12 Investments (continued)

Ulstein Maritime Limited	96 North Bend St, Coquitlam, BC V3K 6H1, Canada	100%	100%
Ulstein Trading Limited AS	Sjøgata 80, 6065, Ulsteinvik, Norway	100%	100%
Vickers Pension Trustees Limited	Derby*	100%	100%
Vickers Pressings Limited	Derby*	100%	100%
Vinters Defence Systems Limited	Derby*	100%	100%
Vinters International Limited	Derby*	100%	100%
Vinters-Armstrongs (Engineers) Limited	Derby*	100%	100%

* "Derby" refers to Moor Lane, Derby, Derbyshire, England DE24 8BJ

Joint ventures

Details as at 31 December 2015 are as follows:

Company name	Class of shares	Address	Proportion of ownership interest and voting rights held	
			2015	2014
Hovden Klubbhaus AS	Ordinary	Stalhaugen 5, Ulsteinvik, 6065 Norway	69%	69%
Offshore Simulator Centre AS	Ordinary	4 Larsgardsvegen, 6009, Alesund, Norway	25%	25%
Shanxi North MTU Diesel Co Ltd	Ordinary	97 Daqing West Rd, Datong, Shanxi Province, China	49%	49%
Viking Reisebyra AS	Ordinary	Saunesvn. 10, Ulsteinvik, NO-6067, Norway	50%	50%

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

13 Income tax

Tax (credited)/charged in the income statement

	2015	2014
	£ 000	£ 000
Current taxation		
Group relief	(1,400)	3,100
Deferred taxation		
Adjustments in respect of prior periods	<u>200</u>	<u>-</u>
Tax (receipt)/expense in the income statement	<u><u>(1,200)</u></u>	<u><u>3,100</u></u>

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2014 - higher than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015	2014
	£ 000	£ 000
Loss before tax	<u>(3,200)</u>	<u>(258,500)</u>
Corporation tax at standard rate	(600)	(55,600)
Increase (decrease) in current tax from adjustment for prior periods	200	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	<u>(800)</u>	<u>58,700</u>
Total tax (credit)/charge	<u><u>(1,200)</u></u>	<u><u>3,100</u></u>

The 2015 Budget announced that the UK corporation tax rate will reduce to 19 per cent from 1 April 2017 and to 18 per cent from 1 April 2020. These reductions were substantively enacted on 26 October 2015. As the reductions were substantively enacted prior to the year end, the closing deferred tax liability has been restated accordingly and the credit has been recognised in the P&L.

A subsequent reduction in the rate to 17%, effective from 1 April 2020, was announced in the 2016 Budget. Had this been substantively enacted on or before the balance sheet date, it would not have had a significant effect on the closing deferred tax liability.

Deferred tax

Deferred tax assets and liabilities

	Asset
	£ 000
2015	
Accelerated tax depreciation	<u><u>200</u></u>

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

13 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	-	200	200

14 Stocks

	2015 £ 000	2014 £ 000
Raw materials and consumables	1,000	400
Work in progress	200	200
	1,200	600

15 Trade and other debtors

	2015 £ 000	2014 £ 000
Trade debtors	600	700
Amounts owed by undertakings in which the company has a participating interest	1,200	1,000
Amounts owed by group undertakings	11,100	-
Other debtors	100	-
	13,000	1,700

16 Trade and other creditors

	2015 £ 000	2014 £ 000
Trade creditors	200	300
Accruals and deferred income	4,700	2,800
Amounts owed to group undertakings	121,800	123,000
	126,700	126,100

17 Loans and borrowings

	2015 £ 000	2014 £ 000
Current loans and borrowings		
Bank loans and overdrafts	-	2,300

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

18 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £ 000	2014 £ 000
Within one year	100	100
In two to five years	200	300
In over five years	1,800	1,900
	<u>2,100</u>	<u>2,300</u>

The above 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.

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2014 - £Nil)

19 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 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 £0.2m (2014: £0.2m) representing its contributions paid to the Group for the period.

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

20 Share-based payments

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.

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

20 Share-based payments (continued)

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 820p (2014: 1013p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2015 was 575p (2014: 870p).

Share options outstanding

	ShareSave	ShareSave Weighted average remaining contractual life
	Number Thousand	Years
At 31 December 2015		
500p – 599p	19	1.10
600p – 699p	16	4.10
900p – 999p	13	2.20
	<hr/>	<hr/>
	48	2.40

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

20 Share-based payments (continued)

	ShareSave Number Thousand	ShareSave Weighted average remaining contractual life Years
At 31 December 2014		
300p – 399p	19	0.10
500p – 599p	32	1.40
900p – 999p	27	3.20
	78	1.70

The range of exercise prices of options outstanding at 31 December 2015 was between 525p and 962p (2014 - 387p and 962p).

21 Other provisions

	Retained liabilities from disposed companies £ 000
At 1 January 2015	16,200
Additional provisions	9,300
Provisions used	(1,200)
At 31 December 2015	24,300
Current liabilities	24,300

The above provisions comprise numerous liabilities with varying expected utilisation rates.

22 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.50 each	343,298	171,600	343,298	171,600
	343,298 171,600		343,298 171,600	

Vinters Engineering Limited

Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

23 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.

On 6 December 2012, Rolls-Royce Holdings plc (the ultimate parent company of the company) announced that it had passed information to the Serious Fraud Office (SFO), an independent United Kingdom government department, following a request from the SFO for information about allegations of malpractice in overseas markets. On 23 December 2013, Rolls-Royce Holdings plc (RRHPLC) announced that it had been informed by the SFO that it has commenced a formal investigation. Since the initial announcement, RRHPLC has continued its investigations and is engaging with the SFO and other authorities in the UK, the USA and elsewhere in relation to the matters of concern.

The consequence of these disclosures will be decided by the regulatory authorities. It is too early to predict the outcomes, but these could include the prosecution of individuals and of the RRHPLC Group, the potential for fines, penalties or other consequences cannot currently be assessed. As the investigation is ongoing, it is not yet possible to identify the timescale in which these issues might be resolved.

24 Parent and ultimate parent undertaking

The company's immediate parent is Vinters Limited.

The ultimate parent is Rolls-Royce Holdings plc.

The most senior parent entity producing publicly available financial statements is Rolls-Royce Holdings plc. These financial statements are available upon request from 62 Buckingham Gate, London, SW1E 6AT

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 62 Buckingham Gate, London, SW1E 6AT.