Registered number: 3543

Vinters Engineering plc

Annual report and financial statements
for the year ended 31 December 2009

Directors on 28th June 2010:	**G Allan**
	D J Goma
	R Orgill
Secretary:	**D J Goma**

Registered Office: Moor Lane, Derby DE24 8BJ

Contents

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2009

Business review

Defence Systems

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

2009 saw turnover fall by 7% to £21 2 million (2008 £22 8 million), with operating profit also decreasing to £3 5 million (2008 £4 4 million)

The year on year decrease in turnover was due to operational delays in our major Ministry of Defence stock replacement project that suppressed turnover at year-end

The business continues to be underpinned by two long-term service contracts, FEPS and Deltic, which together account for circa 30% of the current year turnover

Throughout 2009 the business continued to develop products including its IPMDS (Intelligent Power Management & Distribution System) where we secured a place on a USA Department of Defence development programme during the year

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

Provisions

The company incurs costs in relation to employer-liability claims following the insolvency of an insurance company The provision at year-end was £20 5 million (2008 25 0 million) This provision is based on an actuarial report in respect of the potential liability for claims which led to a £4 7m provision release during 2009

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 Group 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 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 £370 million (2008 £370 million) at year-end, of which £273 million (2008 £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

Directors' report

Dividends

No dividends were paid during the year (2008 £nil)

Directors

The directors, who served throughout the year except as noted, were as follows

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 23 days at December 31, 2009 (2008 55 days)

Directors' indemnities

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

So far as each of the persons who were directors of the company at the date of approval of this directors' report is aware, there is no relevant audit information of which the company's auditors are individually unaware Each director has taken all the steps that s/he ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting

Approved by the Board and signed on its behalf by

DJGoma

D J Goma
Secretary
28th June 2010

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 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, 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 auditors' report to the members of Vinters Engineering plc

We have audited the financial statements of Vinters Engineering plc for the year ended 31st December 2009 set out on pages 5 to 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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 auditors

As explained more fully in the Statement of directors' responsibilities 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 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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 31st December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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

A J Sykes (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London

28 June 2010

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

Profit and loss account

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Turnover	2	21 2	22 8
Cost of sales		(16 9)	(16 7)
Gross profit		4 3	6 1
Administrative expenses		(0 8)	(1 7)
Operating profit		3 5	4 4
Income from shares in group undertakings		145 8	-
Profit on ordinary activities before finance charges		149 3	4 4
Finance charges (net)	3	0 1	-
Profit on ordinary activities before taxation	4	149 4	4 4
Tax on profit on ordinary activities	6	(1 1)	(1 3)
Profit for the financial year	17	148 3	3 1

All results have been derived from continuing activities

There were no recognised gains or losses in either the current year or the previous year, other than the profit for the year and for the prior year as shown above

Balance sheet
31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	8	5 9	5 7
Investments	9	369 9	369 9
		375 8	375 6
Current assets			
Stocks	10	4 3	5 0
Debtors - due within one year	11	108 8	3 3
Cash at bank and in hand		52 4	33 1
		165 5	41 4
Creditors: Amounts falling due within one year	12	(134 7)	(135 1)
Net current assets / (liabilities)		30 8	(93 7)
Total assets less current liabilities		406 6	281 9
Creditors Amounts falling due after more than one year	13	-	(19 1)
Provisions for liabilities and charges	14	(20 6)	(25 1)
Net assets		386 0	237 7
Capital and reserves			
Called-up share capital	16	171 6	171 6
Share premium account	17	65 1	65 1
Revaluation reserve	17	2 1	2 1
Other reserves	17	8 4	8 4
Profit and loss account	17	138 8	(9 5)
Total shareholders' funds	18	386 0	237 7

The financial statements on pages 5 to 21 were approved by the board of directors on 28th June 2010 and signed on its behalf by

D Goma
Director

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, on the historical cost basis except where FRS requires an alternative treatment

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 FRS 8 not to disclose related party transactions with other group companies

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

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

Research and development

Research and development expenditure is written off as incurred

Pension costs

Contributions to Rolls-Royce plc 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 Significant accounting policies (continued)

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

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

See note 7 for further description of the share-based payment plans

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

Interest

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

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

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 Significant accounting policies (continued)

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

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

Leases

i) As Lessee
Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at their fair value and depreciation is provided on the basis of the Company depreciation policy The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element, having been allocated to accounting periods to give a constant periodic rate of charge on the outstanding liability, is charged to the profit and loss account The annual payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account on a straight-line basis

ii) As Lessor
Amounts receivable under finance leases are included within debtors and represent the total amount outstanding under the lease agreements less unearned income Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net investment, is included in turnover

Rentals receivable under operating leases are included in turnover on an accruals basis

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

Classes of business

	Defence Systems		Unallocated		Company	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Turnover	21 2	22 8	-	-	21 2	22 8
Profit on ordinary activities before finance charges	2 2	4 4	147 1	-	149 3	4 4
Finance charges (net)					0 1	-
Profit on ordinary activities before taxation					**149.4**	**4 4**
Segment net assets	22 2	20 2	363 8	217 5		
Net assets					**386.0**	**237.7**

3 Finance charges (net)

	2009 £m	2008 £m
Interest receivable and similar income	0 1	-
	0 1	-

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting)

	2009 £m	2008 £m
Depreciation of tangible fixed assets - owned	0 3	0 3
Research and development - current year expenditure	0 5	0 5
Operating lease charges - land and buildings	0 3	0 4
Auditors' remuneration - fees for the audit of the company	0 1	0 1

5 Staff costs and directors remuneration

The average monthly number of employees (including executive directors) was

	2009 Number	2008 Number
Defence Systems	92	87

	2009 £m	2008 £m
Their aggregate remuneration comprised		
Wages and salaries	3 2	2 9
Social security costs	0 3	0 2
Share based payments	0 1	0 1
Other pension costs (see note 15)	0 3	0 3
	3 9	3 5

No remuneration has been received by the directors in respect of their services to the Company (2008 £Nil)

6 Tax on profit on ordinary activities

	2009 £m	2008 £m
Current tax		
UK corporation tax – group relief payable	1 1	1 2
Total current tax	1 1	1 2
Deferred tax		
Origination and reversal of timing differences	-	0 1
Total deferred tax	-	0 1
Total tax on profit on ordinary activities	1 1	1 3

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation tax to the profit before tax is as follows

	2009 £m	2008 £m
Profit on ordinary activities before tax	149 4	4 4
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 28 5%)	41 8	1 2
Effects of		
Income not taxable	(40 7)	-
Current tax charge for period	1 1	1 2

7 Share-based payments

Share-based payment plans in operation during the year

The company had the following share-based payment plans in operation during the year

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 (TSR)

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

Deferred shares are awarded as part of the APRA plan One third of the value of any annual bonus 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 For deferred share awards made from 2010 onwards, 40% of the value of any annual bonus will be delivered in the form of a deferred share award

Share Incentive Plan (SIP)

There is a 'Free Share' element of the UK Share Incentive Plan Eligible employees may receive shares with a value of up to one and a half weeks' salary as part of any bonus paid There are no conditions attached to the shares

During the year the Company recognised a total expense of £0 1m (2008 £0 1m)

The movements in awards under the various share plans are shown in the tables below

	Number of shares	
	2009	2008
PSP	Thousands	Thousands
Outstanding at January 1	14	7
Awarded during the year	-	7
Forfeited during the year	-	-
Additional entitlements arising from TSR performance	-	-
Vested during the year	(4)	-
Outstanding at December 31	10	14

ShareSave	2009 Number of share options Thousands	2009 Weighted average exercise price Pence	2008 Number of share options Thousands	2008 Weighted average exercise price Pence
Outstanding at January 1	113	266p	367	180p
Granted during the year	35	387p	-	-
Forfeited during the year	(9)	309p	(6)	142p
Exercised during the year	(48)	197p	(248)	142p
Outstanding at December 31	91	372p	113	266p
Exercisable at December 31	-	-	-	-

Deferred shares under APRA	Number of shares 2009 Thousands	Number of shares 2008 Thousands
Outstanding at January 1	6	5
Awarded during the year	5	2
Forfeited during the year	-	-
Vested during the year	(3)	(1)
Outstanding at December 31	8	6

Free shares under SIP	Number of shares 2009 Thousands	Number of shares 2008 Thousands
Awarded during the year	3	5

Options were exercised on a regular basis during the year The average share price during the year was 386p (2008 382p)

Fair values

The weighted average fair values per share for PSP awards, ShareSave grants, APRA deferred share awards, and SIP Free Share awards included in the expense for the year were as follows

	2009 Pence	2008 Pence	2007 Pence	2006 Pence	2005 Pence
PSP awards – 25% TSR uplift	253	458	557	494	282
PSP awards – 50% TSR uplift	282	N/a	N/a	N/a	N/a
ShareSave - 3 year grants	144	-	230	-	131
ShareSave - 5 year grants	167	-	264	-	154
APRA deferred share awards	290	440	502	448	260
SIP Free Share awards	330	439	499	462	257

Details of the assumptions used in the calculation of these fair values are set out below Expected volatility was based on the historical volatility of the Rolls-Royce Group plc share price over the seven years prior to the grant or award date Until 2007, expected dividends were based on Rolls-Royce Group plc's payments to shareholders over the five years prior to the grant or award date From 2008, expected dividends were based on the payments to shareholders in respect of the prior year

PSP awards

The fair value of shares awarded under the PSP are calculated using the market value of shares at the time of the award, adjusted to take into account non-entitlement to dividends (or equivalent) during the vesting period and the TSR performance condition The PSP fair values were calculated using the following assumptions

	2009	2008	2007	2006	2005
Weighted average share price	260p	430p	501p	444p	262p
Expected dividends	14 70p	13 00p	8 30p	7 92p	7 81p
Volatility	32%	29%	29%	32%	34%
Correlation	35%	29%	26%	19%	19%
Expected life	3 years	3 years	3 years	3 years	3 years
Risk free interest rate	1 9%	4 1%	5 2%	4 3%	4 9%

The PSP has a TSR market-based performance condition, such that the Rolls-Royce Group plc TSR over the performance period will be compared with the TSR of the companies constituting the FTSE 100 index on the date of grant If the Rolls-Royce Group plc TSR exceeds the median TSR of the FTSE 100, the number of shares that vest will be increased by 25 per cent For conditional awards made from 2009 onwards, a further stretch was incorporated for certain senior executives, such that if TSR performance exceeds the upper quartile of the FTSE 100 index, awards are increased by 50%, with straight-line vesting between median and upper quartile performance The fair value of an award of shares under the PSP has been adjusted to take into account this market-based performance condition using a pricing model based on expectations about volatility and the correlation of share price returns in the group of FTSE 100 companies and which incorporates into the valuation the interdependency between share price performance and TSR vesting This adjustment increases the fair value relative to the share price at the date of grant

ShareSave awards

The fair value of options granted under the ShareSave plan are calculated using a binomial pricing model with the following assumptions

		2009	2007	2005	2003
Weighted average share price		462p	553p	351p	173p
Exercise price		387p	416p	298p	142p
Volatility		36%	37%	40%	43%
Expected dividends		14 30p	8 80p	7 86p	7 61p
Expected life [1]	- 3 year ShareSave	3 3-3 8 years	3 3-3 8 years	3 3-3 8 years	3 2-3 7 years
	- 5 year ShareSave	5 3-5 8 years	5 3-5 8 years	5 3-5 8 years	5 2-5 7 years
Risk free interest rate		2 4%	5 0%	4 4%	4 6%

[1] The binomial pricing model assumes that participants will exercise 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

Deferred shares under APRA and Free Shares under SIP

The fair value of shares awarded under these plans is calculated as the share price on the date of award

8 Tangible fixed assets

	Land and buildings			
	Freehold £m	Long leasehold £m	Plant and machinery £m	Total £m
Cost or valuation				
At 1 January 2009	5 5	1 1	3 5	10 1
Additions	0 2	-	0 3	0 5
At 31 December 2009	5 7	1 1	3 8	10 6
Depreciation				
At 1 January 2009	1 3	0 6	2 5	4 4
Charge for the year	0 2	-	0 1	0 3
At 31 December 2009	1 5	0 6	2 6	4 7
Net book value				
At 31 December 2009	4 2	0 5	1 2	5 9
At 31 December 2008	4 2	0 5	1 0	5 7

The cost of non-depreciable land included above is £0 7m (2008 £0 7m)

Land and buildings

Land and buildings at cost or valuation comprise	2009 £m	2008 £m
Cost	5 2	5 0
Valuation	1 6	1 6
	6 8	6 6

9 Fıxed asset ınvestments

	2009 £m	2008 £m
Subsıdiary undertakıngs	369 9	369 9

Subsıdiary undertakings

	£m
Cost	
At 1 January 2009 and 31 December 2009	371 0
Provısıons for ımpairment	
At 1 January 2009 and 31 December 2009	1 1
Net book value	
At 1 January 2009 and 31 December 2009	369 9

Prıncıpal ınvestments

The company has ınvestments ın the followıng subsıdıary undertakıngs To avoıd a statement of excessıve length, detaıls of ınvestments, whıch are not sıgnıfıcant, have been omıtted

Prıncıpal ınvestments

The company has ınvestments ın the followıng subsıdıary undertakıngs

Company name	Country of ıncorporatıon or prıncıpal busıness address	Prıncıpal actıvıty
Vınters Internatıonal Lımıted	UK	Holdıng Company
Powerfıeld Specıalıst Engınes Lımıted	UK	Defence Systems
Powerfıeld Lımıted	UK	Defence Systems
Ross Ceramıcs Lımıted	UK	Turbıne Components
Rolls-Royce AB *	Sweden	Marıne
Rolls-Royce OY AB *	Fınland	Marıne
Rolls-Royce Marıne AS *	Norway	Marıne
Ulsteın Turbıne AS *	Norway	Marıne

The whole of the share capıtal of each of the companıes shown ıs held by Vınters Engıneerıng plc or, where ındıcated by an asterısk, by one of ıts wholly-owned subsıdıary undertakıngs

10 Stocks

	2009 £m	2008 £m
Raw materials and consumables	3 3	3 9
Work in progress	1 0	1 1
	4 3	5 0

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

11 Debtors

	2009 £m	2008 £m
Amounts falling due within one year		
Trade debtors	8 7	3 3
Amounts owed by group undertakings	100 1	-
	108 8	3 3

12 Creditors: Amounts falling due within one year

	2009 £m	2008 £m
Bank loans and overdrafts	-	8 1
Trade creditors	0 5	2 1
Amounts owed to subsidiary undertakings	119 5	100 3
Amounts owed to group undertakings	1 1	1 5
Other creditors	12 9	22 2
Accruals and deferred income	0 7	0 9
	134 7	135 1

13 Creditors: Amounts falling due after more than one year

	2009 £m	2008 £m
Amounts owed to subsidiary undertakings	-	19 1

14 Provisions for liabilities and charges

	Retained liabilities from disposed companies £m	Deferred Taxation £m	Total £m
At 1 January 2009	25 0	0 1	25 1
Charged to profit and loss account	0 2	-	0 2
Unused amounts reversed	(4 7)	-	(4 7)
At 31 December 2009	20 5	0 1	20 6

The provisions above relate to a number of liabilities that are long term in nature and the timing of their utilisation is uncertain

Deferred tax

Deferred tax is provided as follows

	2009 £m	2008 £m
Accelerated capital allowances	0 1	0 1
Other timing differences	-	-
	0 1	0 1

The potential liability for taxation, which has not been provided in the amounts shown above because such tax would become payable only if the properties were sold without it being possible to claim rollover relief is

Capital gains on revaluation of properties and rolled-over gains	0 6	0 6

15 Pensions

The Company ıs now a partıcıpatıng employer of Vıckers Group Pensıon Scheme, The Rolls-Royce Pensıon Fund and Rolls-Royce Group Pensıon Scheme, whıch are multı-employer defıned benefıt schemes The assets of the schemes are held ın separate funds admınıstered by trustees and ınvested ın them ındependently of the fınances of the Group The schemes are funded by annual contrıbutıons from

a) the company
b) scheme members

The employer ıs unable to ıdentıfy the share of the underlyıng assets and lıabılıtıes of the schemes and ın accordance wıth FRS 17 Retırement Benefıts, has accounted for contrıbutıons as ıf the schemes were defıned contrıbutıon schemes

On thıs basıs, the amount of employer contrıbutıons for 2009 was £0 3 m (2008 £0 3m)
The FRS 17 dısclosure relatıng to the schemes ıs gıven ın the fınancıal statements of Rolls-Royce plc

16 Share capıtal

	2009 £m	2008 £m
Authorısed		
457,000,000 ordınary shares of 50p each	228 5	228 5
Allotted, called-up and fully-paıd		
343,297,724 ordınary shares of 50p each	171 6	171 6

17 Reserves

	Share premıum account £m	Revaluatıon reserve £m	Other reserves £m	Profıt and loss account £m
At 1 January 2009	65 1	2 1	8 4	(9 5)
Profıt for the fınancıal year	-	-	-	148 3
Share based payments	-	-	-	-
At 31 December 2009	65 1	2 1	8 4	138 8

18 Reconciliation of movements in shareholders' funds

	2009 £m	2008 £m
Openıng shareholders' funds	237 7	234 5
Profıt for the fınancıal year	148 3	3 1
Share based payments	-	0 1
Closıng shareholders' funds	386 0	237 7

19 Financıal commıtments

Annual commıtments under non-cancellable operatıng leases are as follows

	2009 Land and buıldıngs £m	2008 Land and buıldıngs £m
Expıry date		
- between two and fıve years	-	0 1
- after fıve years	0 3	0 3
	0 3	0 4

Leases of land and buıldıngs are typıcally subject to rent revıews at specıfıed ıntervals and provıde for the lessee to pay all ınsurance, maıntenance and repaır costs

20 Contingent liabılities

Guarantees and contıngencıes arısıng ın the ordınary course of busıness are not expected to result ın any materıal fınancıal loss to the Company

There are lawsuıts outstandıng agaınst the Company for damages ın respect of certaın transactıons The dırectors have been advısed that there are good defences ın all materıal actıons and do not belıeve that the Company ıs lıkely to suffer any materıal loss ın excess of the amounts provıded

21 Ultımate Parent Company

The Company ıs a subsıdıary undertakıng of Rolls-Royce plc, ıncorporated ın Great Brıtaın The largest group ın which the results of the Company are consolıdated ıs that headed by Rolls-Royce Group plc The smallest group ın which the results of the Company are consolıdated ıs that headed by Rolls-Royce plc, ıncorporated ın Great Brıtaın
The consolıdated accounts of these groups are avaılable to the publıc and may be obtaıned from 65 Buckıngham Gate, London, SW1E 6AT