

Registered number: 3543

Vinters Engineering plc

**Annual report and financial statements
for the year ended 31 December 2011**

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Vinters Engineering plc

Company Information

Directors	G Allan D J Goma R Orgill
Company secretary	D J Goma
Company number	3543
Registered office	Moor Lane Derby DE24 8BJ

Vinters Engineering plc

Contents

	Page
Directors' report	1 - 3
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 20

Vinters Engineering plc

Directors' report for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

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

Defence Systems

Turnover at £12.4 million has fallen by 39% (2010 - £20.3 million) due to a smaller provision release of £2 million (2010 - £10.6 million)

In the year, a £24 million order was secured with the Ministry of Defence to provide new tactical generators and power distribution system. In addition the contract also provides for 5 years managed service encompassing all general purpose power assets for the MoD.

The business is now focusing on entry into the military vehicle secondary power market and has secured a position on the SV-Scout vehicle to provide a highly capable silent watch Auxiliary Power Unit (APU). 2012 will focus on the design and validation of the APU by working closely with our customer General Dynamics.

In preparing for the future, investments have started on a Small Tactical Engine development to access the US market opportunity for light weight generators, the returns from this investment being driven by the STEP programme run by the Department of Defense (DoD). A small contract with the DoD has been secured to investigate a range of the possible type solutions to support the longer term STEP programme.

In addition to this work has continued with the DoD supporting the Intelligent Power Management System (iPMDS) which is now undergoing proving trials.

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.

Vinters Engineering plc

Directors' report for the year ended 31 December 2011

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 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 (2010 - £369.9 million) at year-end, of which £273 million (2010 - £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.

Results and dividends

The loss for the year, after taxation, amounted to £5,400 thousand (2010 - profit £77,600 thousand).

A dividend of £Nil was paid during the year (2010 - £125,000 thousand).

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 20 days at December 31, 2011 (2010 - 22 days).

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.

Vinters Engineering plc

**Directors' report
for the year ended 31 December 2011**

Auditors

The auditor, KPMG Audit Plc, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

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



D J Goma

Secretary

Date 22/6/12

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,
- 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 plc

We have audited the financial statements of Vinters Engineering plc for the year ended 31 December 2011, set out on pages 6 to 20. 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, 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 Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 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.



A J Sykes (Senior statutory auditor)

for and on behalf of

KPMG Audit Plc

Chartered Accountants

15 Canada Square

London

E14 5GL

Date 22/6/12

Vinters Engineering plc

**Profit and loss account
for the year ended 31 December 2011**

	Note	2011 £000	2010 £000
Turnover		12,400	20,300
Cost of sales		(8,700)	(12,600)
Gross profit		3,700	7,700
Administrative expenses		(11,400)	(8,000)
Operating loss	4	(7,700)	(300)
Income from shares in group undertakings		400	77,600
Finance income (net)	3	100	200
(Loss)/profit on ordinary activities before taxation		(7,200)	77,500
Tax on (loss)/profit on ordinary activities	6	1,800	100
(Loss)/profit for the financial year	16	(5,400)	77,600

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account


The notes on pages 8 to 20 form part of these financial statements

Vinters Engineering plc
Registered number 3543

Balance sheet
as at 31 December 2011

	Note	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	8		5,400		5,600
Investments	9		369,900		369,900
			375,300		375,500
Current assets					
Stocks	10	3,800		4,400	
Debtors - due within one year	11	85,900		86,700	
Cash at bank and in hand		24,500		25,900	
		114,200		117,000	
Creditors , amounts falling due within one year	12	(127,600)		(129,100)	
Net current liabilities			(13,400)		(12,100)
Total assets less current liabilities			361,900		363,400
Provisions for liabilities and charges					
Other provisions	13		(28,500)		(24,700)
Net assets			333,400		338,700
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		86,200		91,500
Total shareholders' funds	17		333,400		338,700

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

22 June 2012 by


G Allan
 Director

The notes on pages 8 to 20 form part of these financial statements

Vinters Engineering plc

Notes to the financial statements for the year ended 31 December 2011

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

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 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

1.6 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

**Notes to the financial statements
for the year ended 31 December 2011**

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. Current asset investments are stated at the lower of cost and net realisable value.

Vinters Engineering plc

Notes to the financial statements for the year ended 31 December 2011

1. Significant accounting policies (continued)

1.13 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.

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 2011 £000	Defence Systems 2010 £000	Unallocated 2011 £000	Unallocated 2010 £000	Company 2011 £000	Company 2010 £000
Turnover	12,400	20,300	-	-	12,400	20,300
Operating profit/(loss)	700	5,700	(8,400)	(6,000)	(7,700)	(300)
Income from shares in group undertakings	-	-	400	77,600	400	77,600
Profit on ordinary activities before finance charges	700	5,700	(8,000)	71,600	(7,300)	77,300
Finance income (net)					100	200
Profit on ordinary activities before taxation					(7,200)	77,500
Segment net assets	29,200	28,400	304,200	310,300	333,400	338,700

Vinters Engineering plc

**Notes to the financial statements
for the year ended 31 December 2011**

3. Finance income (net)

	2011	2010
	£000	£000
Interest receivable and similar income	100	200

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011	2010
	£000	£000
Depreciation of tangible fixed assets		
- owned by the company	200	300
Auditor's remuneration - fees for the audit of the Company	100	100
Operating lease charges		
- land and buildings	300	300
Research and development - current year expenditure	500	300

During the year, no director received any emoluments (2010 - £NIL)

5. Staff costs and directors remuneration

Staff costs were as follows

	2011	2010
	£000	£000
Wages and salaries	3,500	3,600
Social security costs	300	300
Other pension costs	400	300
Total expense recognised for equity-settled share-based payment transactions	100	100

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

	2011	2010
	No	No
Defence Systems	94	97

No remuneration has been received by the directors in respect of their services to the Company (2010 - £Nil)

Vinters Engineering plc

**Notes to the financial statements
for the year ended 31 December 2011**

6. Tax on profit on ordinary activities

	2011 £000	2010 £000
Analysis of tax (credit)/charge in the year		
Current tax		
Group relief payable at 26.5% (2010 - 28%)	(1,800)	-
Deferred tax - Origination and reversal of timing differences		
In respect of prior periods	-	(100)
Tax on (loss)/profit on ordinary activities	(1,800)	(100)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £000	2010 £000
(Loss)/profit on ordinary activities before tax	(7,200)	77,500
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	(1,900)	21,700
Effects of:		
Income not taxable	100	(21,700)
Current tax (credit)/charge for the year (see note above)	(1,800)	-

Factors that may affect future tax charges

The 2010 Emergency Budget and the 2011 and 2012 Budgets announced that the UK corporation tax rate will reduce from 28 per cent to 22 per cent over a period of four years from 2011. The reductions to 26% effective from April 1, 2011 and 25 per cent effective from April 1, 2012 were substantively enacted on March 29, 2011 and July 5, 2011 respectively. As the rate change to 25 per cent was 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 24% was announced in March 2012 and is also effective from April 1, 2012. Had this and the other tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the closing deferred tax liability as at 31 December 2011 by £2,000.

Notes to the financial statements
for the year ended 31 December 2011

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 2010	91	372	10	8
Granted	-	-	4	1
Additional entitlements arising from TSR performance	-	-	3	-
Forfeited	(2)	389	-	-
Exercised	(1)	350	(5)	(3)
Outstanding at 31 December 2010	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

As share options are exercised throughout the year, the weighted average share price during the year of 642p (2010 - 579p) is representative of the weighted average share price at the date of exercise

Vinters Engineering plc

**Notes to the financial statements
for the year ended 31 December 2011**

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
	<hr/> 86 <hr/>	<hr/> 2.9 <hr/>
At 31 December 2010		
200p - 299p	24	0.1
300p - 399p	34	3.3
400p - 499p	30	1.5
	<hr/> 88 <hr/>	<hr/> 1.8 <hr/>

The range of exercise prices of options outstanding at December 31, 2011 was between 387p and 525p (2010 - 298p and 416p)

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

	2011	2010
PSP - 25% TSR uplift	662p	586p
PSP - 50% TSR uplift	737p	654p
ShareSave - 3 year grant	210p	n/a
ShareSave - 5 year grant	238p	n/a
APRA	612p	537p

Vinters Engineering plc

Notes to the financial statements for the year ended 31 December 2011

In estimating these fair values, the following assumptions were used

	PSP 2011	PSP	ShareSave 2011
Weighted average share price	612p	545p	691p
Exercise price	n/a	n/a	525p
Expected dividends	15.4p	14.6p	16.0p
Expected volatility	32%	33%	30%
Correlation	36%	35%	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	1.9%	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 plc

Notes to the financial statements
for the year ended 31 December 2011

8. Tangible fixed assets

	Land and buildings Freehold £000	Land and buildings Long leasehold £000	Plant & machinery £000	Total £000
Cost				
At 1 January 2011 and 31 December 2011	5,600	1,100	2,600	9,300
Depreciation				
At 1 January 2011	1,500	700	1,500	3,700
Charge for the year	-	-	200	200
At 31 December 2011	1,500	700	1,700	3,900
Net book value				
At 31 December 2011	4,100	400	900	5,400
At 31 December 2010	4,100	400	1,100	5,600

The cost of non-depreciable land included above is £0 7 million (2010 - £0 7 million)

Land or buildings at cost or valuation comprise

	2011 £000	2010 £000
Cost	5,100	5,100
Valuation	1,600	1,600
	6,700	6,700

9 Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 January 2011 and 31 December 2011	371,000
Provisions for impairment	
At 1 January 2011 and 31 December 2011	1,100
Net book value	
At 31 December 2011	369,900
At 31 December 2010	369,900

Vinters Engineering plc

Notes to the financial statements for the year ended 31 December 2011

9. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company, or where indicated by an asterisk, by 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

10 Stocks

	2011 £000	2010 £000
Raw materials and consumables	2,800	3,300
Work in progress	1,000	1,100
	<u>3,800</u>	<u>4,400</u>

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

11 Debtors

	2011 £000	2010 £000
Trade debtors	2,800	3,300
Amounts owed by group undertakings	81,200	83,200
Other debtors	1,900	200
	<u>85,900</u>	<u>86,700</u>

Vinters Engineering plc

Notes to the financial statements for the year ended 31 December 2011

12 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	600	300
Amounts owed to group undertakings	120,100	119,500
Other creditors	4,400	8,700
Accruals and deferred income	2,500	600
	<u>127,600</u>	<u>129,100</u>

13. Provisions for liabilities and charges

	Retained liabilities from disposed companies £000	Contract losses £000	Warranties and guarantees £000	Total £000
At 1 January 2011	24,500	100	100	24,700
Charged to profit and loss account	6,400	-	1,500	7,900
Utilised	(3,800)	(100)	-	(3,900)
Amounts reversed	(200)	-	-	(200)
At 31 December 2011	<u>26,900</u>	<u>-</u>	<u>1,600</u>	<u>28,500</u>

14. Pensions

The Company is now 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 them 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 2011 was £0.4m (2010: £0.3m).

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

Vinters Engineering plc

Notes to the financial statements
for the year ended 31 December 2011

15. Share capital

	2011 £000	2010 £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 2011	65,100	2,100	8,400	91,500
Loss for the year	-	-	-	(5,400)
Share based payments	-	-	-	100
At 31 December 2011	<u>65,100</u>	<u>2,100</u>	<u>8,400</u>	<u>86,200</u>

17. Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Opening shareholders' funds	338,700	386,000
(Loss)/profit for the year	(5,400)	77,600
Dividends	-	(125,000)
Share based payments	100	100
Closing shareholders' funds	<u>333,400</u>	<u>338,700</u>

18. Financial commitments

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £000	2010 £000
Expiry date:		
After more than 5 years	<u>300</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

Vinters Engineering plc

**Notes to the financial statements
for the year ended 31 December 2011**

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. 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.