

Registration number: 00542021

Vinters International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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Vinters International Limited
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Vinters International Limited

Company Information

Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Vinters International Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their Strategic Report for the year ended 31 December 2018.

Principal activity

The principal activity of the Company during the year was that of a holding company.

Business review

The Company holds investments in subsidiaries within the commercial marine business and Power Systems sector of Rolls-Royce Holdings plc group ('the Group').

On 6 July 2018, the Rolls-Royce Holdings plc group announced the sale of its commercial marine business to KONGSBERG. The Company holds 100% shareholding in investments in Rolls-Royce Marine AS and Rolls-Royce Oy AB, two of the companies included within the commercial marine disposal. Accordingly, these investments were reclassified to assets held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. A subsequent review of the carrying value of these assets held for sale was performed as at 31 December 2018 and an impairment charge of £157,246 thousand (2017: £178,073 thousand) was identified in relation to Rolls-Royce Marine AS.

The impairment reversal of £26,524 thousand in 2018 relates to the reassessment of the carrying value of the Company's investment in Kamewa Holdings AB as the result of its direct shareholding in commercial marine companies which are being disposed.

The Company's loan terms were amended during the year, with interest being charged from 1 January 2018 on the loan at the Bank of England base interest rate + 0.35% and repayable in full on loan maturity date. Maturity date is 25 May 2031. Accordingly the loan has been reclassified as a non-current liability at 31 December 2018 and interest paid during the year of £31,550 thousand (2017: £Nil).

The Company received for the year ended 31 December 2018 dividend income from its subsidiary undertakings totalling £25,173 thousand (2017: £104,037 thousand).

Financial performance

The loss for the financial year, after taxation, amounted to £131,791 thousand (2017: loss after taxation of £77,567 thousand).

The net liabilities of the Company at 31 December 2018 were £297,692 thousand (2017: net liabilities of £165,901 thousand).

Future developments

The outlook of the companies in which Vinters International Limited holds an investment remain strong, with improved order coverage. This is underpinned by the companies continuing to invest in business-appropriate R&D and capital expenditure to revitalise current products and innovate new technologies.

With the exception of the sale of the commercial marine investments, the Directors do not expect any change to the present level of the Company in the foreseeable future.

Brexit

The Directors are monitoring the impact of the Brexit vote on the Company and the terms on which the United Kingdom may withdraw from the European Union. As the principal activity of the Company is that of a holding company, the Directors believe that the Company has limited exposure to any Brexit implications. However, any adverse impact upon the Company's subsidiary undertakings could potentially lead to an impairment in the carrying value of the Company's investment in its subsidiary undertakings. This is considered to be low risk as the majority of the Power Systems sector operations are outside of the UK.

Vinters International Limited

Strategic Report for the Year Ended 31 December 2018 (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 Holdings plc's group risk management procedures and detailed within the Group's Annual Report, which can be obtained from the address in note 17.

Carrying value of investments

The Company holds significant investments in subsidiaries within the Power Systems sector of the Rolls-Royce Holdings plc group. A decline in one or more subsidiary undertakings could materially impact upon the carrying value of investments in the Company's balance sheet. The Company undertakes an impairment review of the carrying value of investments if any trigger event is identified.

Financial risk management

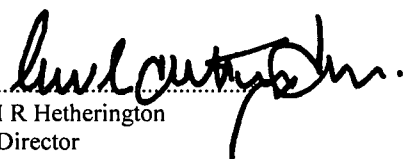
The following risks are considered key by the Directors:

Financial

The Company has a loan with a group undertaking which is held at a floating rate and is therefore exposed to movements in interest rates which is mitigated by the Group managing the overall interest rate risk at a group level.

The Company's credit risk is primarily attributable to its trade receivables. The amounts in the balance sheet are presented net of allowances for doubtful debts. Since all of the trade receivables are due from fellow group undertakings which are supported by Rolls-Royce plc if required, the overall credit risk to the Company is deemed to be low.

Approved by the Board on 22/10/19 and signed on its behalf by:


I R Hetherington
Director

Vinters International Limited
Directors' Report for the Year Ended 31 December 2018

The Directors present their report and the audited financial statements for the financial year ended 31 December 2018.

Principal activity

The principal activity of the Company is that of a holding company.

Directors of the Company

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

W S Mansfield

Rolls-Royce Industries Limited

I R Hetherington (appointed 13 May 2019)

Results and Dividends

The loss for the financial year, after taxation, amounted to £131,977 thousand (2017: £77,567 thousand).

The Directors do not recommend the payment of a dividend (2017: £NIL).

Principal risks and uncertainties

The Rolls-Royce Holdings plc group has an established, structured approach to risk management, which is detailed in the Annual Report of Rolls-Royce Holdings plc. The Company acts in accordance with this policy. Further details are set out in the Strategic Report on page 3.

Financial risk management

Further details of the financial risk management are set out in the Strategic Report on page 3.

Future developments

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

Going concern

These financial statements have been prepared on a going concern basis.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company is able to meet its liabilities as they fall due.

Events after the end of the financial reporting period

On 1 April 2019, the Rolls-Royce Holdings plc group disposed of all its commercial marine business to KONGSBERG for a cash consideration of £547,544 thousand. The Company holds 100% shareholding in investments in Rolls-Royce Marine AS and Rolls-Royce Oy AB, two of the companies included within the commercial marine disposal. Management have assessed the carrying value of the assets held for sale based on relative fair values as a proportion of the total proceeds that relates to each entity calculated on their discounted cash flow forecasts. This has resulted in an impairment charge of £157,246 thousand during the year on the Company's asset held for sale in Rolls-Royce Marine AS. Under the Sale and Purchase Agreement, the cash consideration may be adjusted based upon finalisation of the allocation statement of the total proceeds, expected to be finalised by 31 December 2019. This could result in a gain or loss on disposal.

Qualifying Third Party Indemnity Provisions

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

Vinters International Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

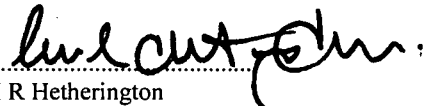
Disclosure of information to the auditors

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 auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent auditors

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

Approved by the Board on 23/10/19 and signed on its behalf by:


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I R Hetherington
Director

Vinters International Limited

Statement of Directors' Responsibilities

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

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

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

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

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

Vinters International Limited

Independent Auditors' Report to the members of Vinters International Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

Vinters International Limited

Independent Auditors' Report to the members of Vinters International Limited (continued)

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Vinters International Limited

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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Rachel Cletheroe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

Date: 23 October 2019

Vinters International Limited

Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Administrative expenses		<u>(205)</u>	<u>(7)</u>
Operating loss		(205)	(7)
Reversal/(Impairment) of investments	9	26,524	(178,073)
Impairment of assets held for sale	3	<u>(157,246)</u>	<u>-</u>
Loss before financing and taxation		(130,927)	(178,080)
Income from shares in group undertakings		25,173	104,037
Finance Income	4	99	15
Finance Costs	5	<u>(32,261)</u>	<u>(4,363)</u>
Loss before taxation		(137,916)	(78,391)
Tax on Loss	8	<u>6,125</u>	<u>824</u>
Loss for the financial year		<u><u>(131,791)</u></u>	<u><u>(77,567)</u></u>

All amounts relate to continuing operations for both financial years.

Vinters International Limited

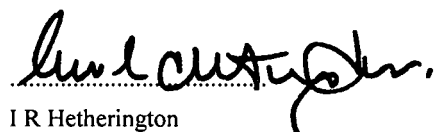
Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Loss for the financial year		<u>(131,791)</u>	<u>(77,567)</u>
Total comprehensive expense for the year		<u><u>(131,791)</u></u>	<u><u>(77,567)</u></u>

Vinters International Limited
(Registration number: 00542021)
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Non-current assets			
Investments	9	2,434,637	2,651,390
Current assets			
Trade and other receivables	11	50,210	1,084
Cash and cash equivalents	10	832	457
Assets held for sale	3	86,031	-
		137,073	1,541
Current liabilities			
Trade and other payables	12	-	(2,818,832)
Net current assets/(liabilities)		137,073	(2,817,291)
Total assets less current liabilities		2,571,710	(165,901)
Creditors: Amounts falling due after more than one year			
Loans and borrowings	13	(2,869,402)	-
Net liabilities		(297,692)	(165,901)
Equity			
Called up share capital	14	230,125	230,125
Share premium		42,862	42,862
Accumulated losses		(570,679)	(438,888)
Total equity		(297,692)	(165,901)

The financial statements on page 10 to 28 were approved and authorised for issue by the Board on 22/10/19 and signed on its behalf by:



I R Hetherington
Director

Vinters International Limited
Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2018	230,125	42,862	-	(438,888)	(165,901)
Loss for the financial year	-	-	-	(131,791)	(131,791)
At 31 December 2018	<u>230,125</u>	<u>42,862</u>	<u>-</u>	<u>(570,679)</u>	<u>(297,692)</u>

	Called up share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Accumulated losses £ 000	Total equity £ 000
At 1 January 2017	230,125	42,862	34,738	(396,059)	(88,334)
Loss for the financial year	-	-	-	(77,567)	(77,567)
Reserve transfer on impairment of previously revalued asset	-	-	(34,738)	34,738	-
Total comprehensive expense	-	-	(34,738)	(42,829)	(77,567)
At 31 December 2017	<u>230,125</u>	<u>42,862</u>	<u>-</u>	<u>(438,888)</u>	<u>(165,901)</u>

The notes on pages 14 to 28 form an integral part of these financial statements.
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Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

Vinters International Limited is a private, limited company incorporated and domiciled in the East Midlands in the United Kingdom.

The principal activity of the Company is a holding company

The address of its registered office is:

Moor Lane
Derby
Derbyshire
DE24 8BJ
England

2 Significant accounting policies

Basis of preparation

The financial statements of Vinters International Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006.

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 effects of new but not yet effective IFRSs.

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

Going concern

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The Company has net liabilities of £297,692 thousand (2017: £165,901 thousand) 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, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company is able to meet its liabilities as they fall due.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions

Key estimate - Carrying value of assets held for sale

Where a subsidiary undertaking is held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the held for sale asset is measured at the lower of its carrying value or the fair value less cost of disposal. Disposal cash consideration of £547,544 thousand represents the amounts payable for all of the Rolls-Royce Holdings plc group's commercial marine companies. Management have calculated the relative fair value of each asset held for sale as a proportion of the total proceeds that relate to each entity based on their discounted cash flow forecasts. As at 31 December 2018, this has resulted in an impairment charge of £157,246 thousand for Rolls-Royce Marine AS.

Assumptions made in the discounted cash flow calculation, in particular the pre-tax discount rate applied to cash flow projections and the growth rate used to extrapolate projected cash flows beyond the five year forecasts are considered to be significant estimates. Further details have been included in note 3.

Key estimate - Carrying value of investments

The carrying value of investments is assessed on an annual basis by either comparing the carrying value of the investment against the net assets of the subsidiary undertaking or comparing the carrying value of the investment against the estimate of future cash flows arising from the subsidiaries' operations. The assessment of whether investments are impaired is dependent on the present value of the future cash flows expected to be generated by the relevant subsidiary.

Assumptions made in the discounted cash flow calculation, in particular the pre-tax discount rate applied to cash flow projections and the growth rate used to extrapolate projected cash flows beyond the five year forecasts are considered to be significant estimates. Further details have been included in note 9.

Critical judgements in applying the entities accounting policies

Key judgement - Classification of assets held for sale

The Directors have assessed IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and are satisfied that the criteria has been met to classify the commercial marine investments as assets held for sale as at 31 December 2018. On 6 July 2018, the Rolls-Royce Holdings plc group announced the sale of its commercial marine business to KONGSBERG and the disposal was completed on 1 April 2019.

New standards, amendments and IFRIC interpretations

IFRS 9 *Financial Instruments* is a new accounting standards that is effective for the year ended 31 December 2018. On transitioning to the new accounting standard, the Directors evaluated the impact on the financial statements and considered that there is not a material impact.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant accounting policies (continued)

Investments

Investments held as non-current assets are shown at cost less accumulated impairment losses.

Assets held for sale

Non-current assets are reclassified as current when they meet the held for sale criteria in IFRS 5. A current asset held for sale is measured annually at the lower of its carrying amount or fair value less costs to sell, any impairment is recognised through the Income Statement.

Impairment of non-current assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets* and are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount.

Exemption from preparing group accounts

The financial statements contain information about Vinters International 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 Annual Report of a group parent, Rolls-Royce plc, a company incorporated in United Kingdom, which is publicly available. The address of the parent company's registered office is set out in note 17.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the income statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax changes or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant accounting policies (continued)

Trade and other receivables

Trade and other receivables consist of amounts due from fellow group undertakings. The Company makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Cash and cash equivalents

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

Loans and borrowings

All borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Assets held for sale

On 6 July 2018, the Rolls-Royce Holdings plc group announced the sale of its commercial marine business to KONGSBERG. The disposal of all the Rolls-Royce Holdings plc group's commercial marine entities completed on 1 April 2019 for a total cash consideration of £547,544 thousand. Under the Sale and Purchase Agreement, the cash consideration for each commercial marine business may be adjusted based upon finalisation of the allocation statement of the total proceeds, expected to be finalised by 31 December 2019. This could result in a gain or loss on disposal.

The Company holds 100% shareholding in investments in Rolls-Royce Marine AS and Rolls-Royce Oy AB, two of the companies included within the commercial marine disposal.

The transaction meets the criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations that where the carrying value of the asset is expected to be recovered through a sale transaction, the disposal asset should be treated as held for sale, presented separately on the balance sheet measured at the lower of carrying value or fair value less costs to dispose.

As a result of the decision to classify the commercial marine investments as assets held for sale, the carrying value has been assessed in accordance with IAS 36 Impairment of Assets. No impairment was identified and £240,352 thousand transferred to assets held for sale.

Subsequently, management have assessed the carrying value of the assets held for sale based on relative fair values as a proportion of the total proceeds that relates to each entity calculated on their discounted cash flow forecasts. An impairment charge of £157,246 thousand has been recognised on Rolls-Royce Marine AS in the income statement to reflect its carrying value of £63,186 thousand. The year end carrying value is £86,031 thousand remaining in asset held for sale for each commercial marine business.

The principal assumptions in calculating the discounted cash flows of Rolls-Royce Marine AS and Rolls-Royce Oy AB considered to be significant in determining the carrying value are as follows:

- Trading assumptions (e.g volume of equipment deliveries, capture of aftermarket and cost escalation) are based on current and known future programmes, estimates of customers' fleet requirements and long-term economic forecasts, in particular the cyclical recovery of the commercial marine market.
- Discounted cash flows have been calculated with reference to a five year forecast.
- Cash flows beyond the 5-year forecast are assumed to grow at 2.0%.
- Pre-tax discount rate of 10%.

4 Finance Income

	2018 £ 000	2017 £ 000
Interest receivable	99	15

5 Finance Costs

	2018 £ 000	2017 £ 000
Interest payable	31,550	-
Foreign exchange losses	711	4,363
	<u>32,261</u>	<u>4,363</u>

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

6 Auditors' remuneration

The fees for the audit of the Company financial statements were £7,000 (2017 - £5,000) and were paid on its behalf by Rolls-Royce plc. £Nil (2017: £Nil) was paid to the Company's auditors for non audit services.

7 Staff and Director costs

The Company has no employees.

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

8 Taxation

Tax credited in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	<u>(6,125)</u>	<u>(824)</u>

The tax on loss for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are explained below:

	2018 £ 000	2017 £ 000
Loss before tax	<u>(137,916)</u>	<u>(78,391)</u>
Corporation tax at standard rate	(26,204)	(15,090)
Expenses not deductible	<u>20,079</u>	<u>14,266</u>
Total tax credit	<u>(6,125)</u>	<u>(824)</u>

Factors that may affect future tax charges

The UK Corporation tax rate reduced to 19% from 1 April 2017.

The Budget 2016 announced that the UK tax rate will reduce to 17% with effect from 1 April 2020. The rate reduction to 17% has been substantively enacted on 6 September 2016.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2018	3,951,901
Transferred to assets held for sale	<u>(487,759)</u>
At 31 December 2018	<u>3,464,142</u>
Provisions	
At 1 January 2018	1,300,511
Transferred to assets held for sale	<u>(244,482)</u>
Impairment reversal	<u>(26,524)</u>
At 31 December 2018	<u>1,029,505</u>
Net book value	
At 31 December 2018	<u><u>2,434,637</u></u>
At 31 December 2017	<u><u>2,651,390</u></u>

On July 2018, the Rolls-Royce Holdings plc group announced the sale of its commercial marine business to KONGSBERG. The Company holds investments in Rolls-Royce Marine AS and Rolls-Royce Oy AB which are part of the Rolls-Royce Holdings plc group's disposal. Accordingly, these investments were reclassified to assets held for sale in accordance with IFRS 5 (see note 3).

The impairment reversal of £26,524 thousand in 2018 relates to the reassessment of the carrying value of the Company's investment in Kanewa Holdings AB as the result of its direct shareholding in commercial marine companies which are being disposed.

In accordance with the requirements of IAS 36 Impairment of Assets, the carrying value of the Company's investment in Rolls-Royce Power Systems AG has been assessed by reference to value in use. These have been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions.

The principal value in use assumptions considered to be individually significant are:

- Trading assumptions (e.g. volume of equipment deliveries, pricing achieved and cost escalation) are based on current and known future programmes, estimates of capture of market share and long-term economic forecasts;
- cash flows beyond the five-year forecasts are assumed to grow at 1.8% (2017: 1.8%); and
- pre-tax discount rate 12% (2017: 11.7%).

The Directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use to fall below its investments carrying value.

Vinters International Limited
Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

The following were subsidiary undertakings / participating interest of the Company as at 31 December 2018:

*indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2018
Bergen Engines AS	Ordinary	Hordvikneset 125, N-5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines Bangladesh Private Limited	Ordinary	Green Grandeur, 6th Floor, Plot n.58E, Keamal Ataturk Avenue Banani, C/A Dhaka, 1213, Bangladesh	100%
Bergen Engines BV	Ordinary	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands	100%
Bergen Engines Denmark A/S	Ordinary	Værftsvej 23, 9000 Alborg, Denmark	100%
Bergen Engines India Private Limited	Ordinary	52-b Okhla Industrial Estate, Phase III, New Delhi 110-020, India	100%
Bergen Engines Limited	Ordinary	Moor Lane, Derby, Derbyshire, DE24 8BJ, England	100%
Bergen Engines Property Co AS	Ordinary	Hordvikneset 125, N-5108 Hordvik, Bergen, 1201, Norway	100%
Bergen Engines SL	Social Participation	Calle Dinamarca, 43120 Constanti, Tarragona, Spain	100%
Bergen Engines SRL	Social Capital	13 Via Castel Morrone, 16161, Genoa, Italy	100%
Kamewa AB	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Kamewa Do Brazil Equipmentos Maritimos Limitada	Quotas	401 Rua Visconde de Pitaja 433, Rio de Janeiro, Brazil	100%

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

Kamewa Holding AB*	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Karl Maybach-Hilfe GmbH	Capital Stock	Maybachplatz 1, 88045, Friedrichshafen, Germany	100%
MTU Africa (Proprietary) Limited	Capital Stock	36 Marconi Street, Montague Gardens, Cape Town, 7441, South Africa	100%
MTU America Inc.	Ordinary	251 Little Falls Drive, Wilmington DE19808, United States	100%
MTU Asia Pte Ltd	Ordinary	10 Tukang Innovation Drive, Singapore 618302	100%
MTU Benelux BV	Ordinary	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands	100%
MTU China Company Limited	Ordinary	Room 1704 No. 1155 Fang Dian Road. Puddong New Area, China	100%
MTU Do Brasil Limitada	Ordinary	Via Anhanguera, KM 29203, 05276-000 Sao Paulo SP Brazil	100%
MTU Engineering (Suzhou) Co Limited	Ordinary	9 Long Yun Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China	100%
MTU France SAS	Ordinary	Immeuble Colorado, 8/10 Rue Rosa Luxembourg-Parc des Bellevues, 95610 Eragny-sur-Oise, France	100%
MTU Friedrichshafen GmbH	Capital Stock	1 Maybachplatz, 88045 Friedrichshafen, Germany	100%
MTU Hong Kong Ltd	Ordinary	Room 1006, 10/F, Hang Seng Tsimshatsui Building, 18 Camarvon Road, Tsimshatsui, Kowloon, Hong Kong	100%
MTU Iberica Propulsion Y Energia SL	Ordinary	26-28 Calle Copernico, 28823 Coslada, Madrid, Spain	100%

Vinters International Limited
Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

MTU India Private Limited	Ordinary	HM Geneva House, Unit No. 303, 3rd Floor, No. 14 Cunningham Road, Bangalore, KA 560052, India	100%
MTU Israel Limited	Ordinary	4 Ha'Alon Street, South Building, Third Floor, 4059300 Kfar Neter, Israel	100%
MTU Italia SRL	Capital Stock	Via Aurelia Nord, 328, 19021 Arcola (SP), Italy	100%
MTU Japan Co Limited	Ordinary	Resorttrust Building 4-14-3, Nishitenma Kita-ku, Osaka, Japan	100%
MTU Korea Limited	Ordinary	22nd Floor, Olive Tower, 41 Sejongdaero 9 gil, Junggo, 100-737, Seoul, Republic of Korea	100%
MTU Middle East FZE	Ordinary	Showroom No. S3B5SR06 , Jebel Ali Free Zone, P.O. Box 61141 Dubai, United Arab Emirates	100%
MTU Motor Turbin Sanayi Ve Ticaret. A.S.	Ordinary	Hatira Solak, No. 5, Omerli Mahellesi, 34555 Arnavutköy, Istanbul, Turkey	100%
MTU Onsite Energy GmbH	Capital Stock	11 Dasinger Strasse, 86165, Augsburg, Germany	100%
MTU Onsite Energy Systems GmbH	Capital Stock	8 Rotthofer Straße, 94099 Ruhstorf a.d. Rott, Germany	100%
MTU Polska Sp. Zoo	Ordinary	Ul. Slaska, Nr 9. Raum, Stargard Szczecinski, 73-110, Potsdam Stargard Szczecinski, Poland	100%
MTU Reman Technologies GmbH	Capital Stock	8 Friedrich-List-Strabe, 39122 Magdeburg, Germany	100%
MTU RUS LLC	Ordinary	Shabolovka Street 2, 119049, Moscow, Russian Federation	100%

Vinters International Limited
Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

MTU South Africa (Pty) Ltd	Ordinary	Corner Marconi Rd and 3rd St, Montague Gardens, Western Cape, 7441 South Africa	100%
MTU UK Limited	Ordinary	Moor Lane, Derby, Derbyshire, England, DE24 8BJ	100%
Navis Consult d.o.o	Ordinary	Ul. Bartola Kasica 5/4, HR-51000, Rijeka, Croatia	75%
Offshore Simulator Centre AS	Ordinary	4 Larsgardsvegen, 6009, Alesund, Norway	25%
Prokura Diesel Services Ltd	Ordinary	Corner Marcony Rd and 3rd St, Western Cape, 7441 South Africa	100%
PT MTU Indonesia	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia	100%
Rolls-Royce AB	Ordinary	Box 1010, S-68129, Kristinehamn, Sweden	100%
Rolls-Royce Asia Ltd	Ordinary	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong	99.9%
Rolls-Royce Italia SRL	Ordinary	Via Castel Morrone 13,16161, Genova, Italy	100%
Rolls-Royce Japan Co, Ltd*	Ordinary	31 fr, Kasumigaseki bldg, Chiyoda-Ku, Tokyo 100-6031, Japan	100%
Rolls-Royce Marine A/S (Denmark)	Ordinary	Ostre Havnepromenade 34, 9000, Aalborg, Denmark	100%
Rolls-Royce Marine AS*	Ordinary	340 Borgundvegen, Alesund, 6009, Norway	100%
Rolls-Royce Marine Benelux BV	Ordinary	2 Werfdijk, 3195HV Pernis, Rotterdam, Netherlands	100%
Rolls-Royce Marine Deutschland GmbH	Capital Stock	Fahrstieg 9, 21107, Hamburg, Germany	100%
Rolls-Royce Marine Espana SA	Ordinary	Poligono Industrial de Constanti, 43120 Constanti, Tarragona, Spain	100%
Rolls-Royce Marine France SARL	Ordinary	122 avenue Charles de Gaulle, 92200 Neuilly sur Seine, France	100%
Rolls-Royce Marine Hellas SA	Ordinary	25 Atki Poseidonos & Makrigianni corner, Athens 18344, Greece	100%
Rolls-Royce Marine Hong Kong Ltd	Ordinary	No. 1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong	100%

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

Rolls-Royce Marine India Pvt Ltd	Ordinary	Birla Tower West, 2nd Floor, 25 Barakhamba Road, New Delhi 110001, India	100%
Rolls-Royce Marine (Shanghai) Limited	Ordinary	1st Floor Building 14, Lane 8666, Hu Nan Road, Pudong District, Shanghai, PRC	100%
Rolls-Royce Korea Ltd	Ordinary	197 Noksan SanEop Buk-Ro (Songjeong-dong), Gangseo-gu, Busan 46753, Republic of Korea	100%
Rolls-Royce Oy AB*	A Shares	PO Box 220, Suojantie 5, 26101, Rauma, Finland	100%
Rolls-Royce Poland Sp z.o.o	Ordinary	GNIEW 83-140, ul. Kopernika 1, Poland	99.9%
Rolls-Royce Power Systems AG*	Ordinary	1 Maybachplatz, 88045, Friedrichshafen, Germany	100%
Rolls-Royce Vietnam Ltd	Capital Stock	Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City Ba Ria - Vung Tau Province, Vietnam	100%
Scandinavian Electric Gdansk Sp z.o.o	Ordinary	M. Reja 3, Gdansk, 80-404, Poland	67%
Scandinavian Electric Systems Do Brazil Ltda	Quotas	Rua Sao Jose 90, salas 1406-07, Rio de Janeiro, RJ, Brazil	66%
Trigno Energy SRL	Ordinary	Zona Industriale, San Salvo, 66050, Italy	100%
Ulstein Holding AS	Ordinary	Sjøgata 80, 6065 Ulsteinvik, Norway	100%
Ulstein Maritime Ltd	Common	96 North Bend St, Coquitlam, BC V3K 6H1, Canada	100%

Vinters International Limited
Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Investments (continued)

Joint ventures

Details as at 31 December 2018 are as follows:

Company name	Class of shares	Address	Proportion of ownership interest and voting rights held 2018
Hovden Klubbhus	Ordinary	Stalhaugen 5, Ulsteinvik, 6065 Norway	69%
Shanxi North MTU Diesel Co Ltd	Ordinary	No.97 Daqing West Rd, Datong City, Shanxi Province, China	49%
Viking Reisebyra AS	Ordinary	Saunesvn. 10, Ulsteinvik, NO-6067, Norway	50%

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	<u>832</u>	<u>457</u>

11 Trade and other receivables

	2018 £ 000	2017 £ 000
Amounts owed by group undertakings	<u>50,210</u>	<u>1,084</u>

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

12 Trade and other payables

	2018 £ 000	2017 £ 000
Amounts due to group undertakings	-	2,818,028
Other payables	<u>-</u>	<u>804</u>
	<u>-</u>	<u>2,818,832</u>

The Company holds a £2,900,000 thousand intercompany loan facility with Rolls-Royce plc which is unsecured, interest free, have no fixed date of repayment and payable on demand. Amounts drawn down at 31 December 2017 is £2,818,028 thousand. Effective on 1 January 2018 the terms of the loan were amended, as explained in note 13. Accordingly, the balance has been reclassified in 2018 to non-current loans and borrowings.

13 Loans and borrowings

	2018 £ 000	2017 £ 000
Non-current loans and borrowings		
Amounts due to group undertakings	<u>2,869,402</u>	<u>-</u>

The Company holds a £2,900,000 thousand intercompany loan facility with Rolls-Royce plc. Amounts drawn down at 31 December 2018 is £2,837,852 thousand and interest accrued at 31 December 2018 is £31,550 thousand. The loan term was amended, with interest being charged from 1 January 2018 on the loan at the Bank of England base interest rate + 0.35% and repayable in full on loan maturity date. Maturity date is 25 May 2031. Accordingly the loan has been reclassified as a non-current liability at 31 December 2018.

Vinters International Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Called up share capital

Allotted and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>230,125</u>	<u>230,125</u>	<u>230,125</u>	<u>230,125</u>

15 Contingent liabilities

In January 2017, after full cooperation, companies within the Rolls-Royce group concluded deferred prosecution agreements with the SFO and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors ("the agreements"). The Central Bureau of Investigation (CBI) in India has opened a formal investigation naming Rolls-Royce plc, Rolls-Royce India Private Limited and others alleging bribery in relation to historical matters. The companies named will respond appropriately. Action may be taken by other authorities against these or other entities or individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of those companies that are party to the agreements or named in the CBI investigation are not currently aware of any matters that are likely to lead to a material financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of the agreements or the CBI investigation on the Company.

16 Events after the end of the financial reporting period

On 1 April 2019, the Rolls-Royce Holdings plc group disposed of all its commercial marine business to KONGSBERG for a cash consideration of £547,544 thousand. The Company holds 100% shareholding in investments in Rolls-Royce Marine AS and Rolls-Royce Oy AB, two of the companies included within the commercial marine disposal. Management have assessed the carrying value of the assets held for sale based on relative fair values as a proportion of the total proceeds that relates to each entity calculated on their discounted cash flow forecasts. This has resulted in an impairment charge of £157,246 thousand during the year on the Company's asset held for sale in Rolls-Royce Marine AS. Under the Sale and Purchase Agreement, the cash consideration may be adjusted based upon finalisation of the allocation statement of the total proceeds, expected to be finalised by 31 December 2019. This could result in a gain or loss on disposal.

17 Parent and ultimate parent undertaking

The Company's immediate parent is Vinters Engineering Limited.

The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, which is the parent undertaking of the largest group to consolidate these financial statements. Rolls-Royce plc is the parent undertaking of the smallest group to consolidate these financial statements.

Both sets of financial statements are available upon request from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.