

COMPANY NUMBER 2658963

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

**Annual Report
for the Year Ended 31 December 2004**

Directors on
25 May 2005 :

D J Goma
M M Sufrin
J E Warren

Secretary :

D J Goma

Registered Office : Moor Lane, Derby DE24 8BJ



ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their Annual Report for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

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

RESULTS

The results for the year are given on page 5 of the financial statements. During the year an interim dividend of £93,119,297 was paid. The directors do not recommend payment of a final dividend. (2003: £nil)

DIRECTORS

The directors of the Company during the year were as follows.

J R Ashfield - resigned as a director on 5 March 2004
M M Sufrin
J Warren
D J Goma

DIRECTORS' SHARE INTERESTS

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of Rolls-Royce Overseas Holdings Limited at the beginning or at the end of the financial year; neither did they have any beneficial interest in the shares of any subsidiary within the Rolls-Royce group of companies.

The directors holding office at the end of the financial year who had beneficial interests, including options in the share capital of the ultimate holding company, Rolls-Royce plc, requiring disclosure in this report are detailed below:

	Rolls-Royce Group plc Ordinary 20p Shares		Options over Rolls-Royce Group plc Ordinary Shares			
	Ordinary shares of 20p each as at 1 January 2004	Ordinary shares of 20p each as at 31 December 2004	as at 1 January 2004	Share options granted in 2004	Share options exercised in 2004	Total share options as at 31 December 2004
D J Goma	380*	458*	4,811	-	-	4,811
M M Sufrin	43,799*	51,856*	415,730	-	-	415,730
J Warren	15,770*	17,478*	214,808	-	-	214,808

*The above interests under ordinary 20p shares include shares held in trust for the following directors:

	Annual Performance Related Award Plan ¹		Profit Sharing Share Scheme ²		Share Purchase Plan ³	
	1.1.2004	31.12.2004	1.1.2004	31.12.2004	1.1.2004	31.12.2004
D J Goma	-	-	-	-	380	458
M M Sufrin	27,484	24,400	2,166	1,203	-	-
J Warren	14,237	12,598	-	-	-	-

¹ Under the Annual Performance Related Award Plan, shares vest after two years.

² Under the Profit Sharing Share Scheme, shares vest after three years

³ Under the Share Purchase Plan, shares vest after five years

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

REPORT OF THE DIRECTORS (continued)

Conditional awards were granted under the Rolls-Royce Group plc Performance Share Plan (PSP) whereby shares released are dependent upon certain performance criteria being achieved over a three year performance period.

	PSP	
	1.1.2004	31.12.2004
M M Sufrin	-	21,037
J E Warren	-	10,197

AUDITORS

Elective Resolutions are in force to dispense with the obligation of laying the Annual Report before the Company in general meeting, appointing auditors annually, and holding Annual General Meetings.

By Order of the Board



D J Goma
Secretary
25 May 2005

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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
ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 12.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

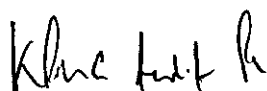
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 May 2005
London

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	<u>2004</u> £000	<u>2003</u> £000
Operating costs		(4)	(143)
Write down of investment in subsidiary undertaking		(3,000)	-
Operating (loss)		<u>(3,004)</u>	<u>(143)</u>
Income from participating interests		4,858	
Income from shares in subsidiary undertakings		107,948	10,193
Profit before interest		<u>109,802</u>	<u>10,050</u>
Interest receivable and similar income/(expenditure)		(77)	8
Profit on ordinary activities before taxation		<u>109,725</u>	<u>10,058</u>
Taxation on profit on ordinary activities	5	(1,721)	(213)
Profit on ordinary activities after taxation		<u>108,004</u>	<u>9,845</u>
Profit attributable to ordinary shareholders		<u>108,004</u>	<u>9,845</u>
Dividends	6	(93,119)	-
Retained profit for the year		<u>14,885</u>	<u>341</u>
Retained profit brought forward		10,186	-
Retained profit carried forward		<u>25,071</u>	<u>10,186</u>

The results for both years are derived from continuing operations. There are no recognised gains or losses other than those disclosed in the profit and loss account above.

The results for the year have been derived on an unmodified historical cost basis.

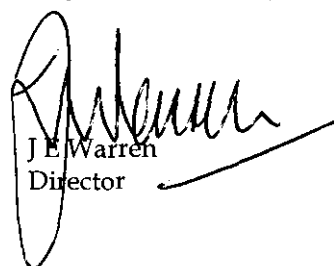
The notes on pages 8 to 12 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	<u>2004</u> £000	<u>2003</u> £000
Fixed assets			
Investments - subsidiary undertakings	8	988,172	983,758
- joint ventures	8	31,433	31,776
		<hr/> 1,019,605	<hr/> 1,015,534
Current assets			
Debtors	9	796	5,574
Cash at bank and in hand		22,236	15,297
		<hr/> 23,032	<hr/> 20,871
Creditors - amounts falling due within one year	10	(502,212)	(809,955)
Net current liabilities		<hr/> (479,180)	<hr/> (789,084)
Total assets less current liabilities		540,425	226,450
Provisions for liabilities and charges	11	(239)	-
Net assets		<hr/> 540,186	<hr/> 226,450
Capital and reserves			
Called up share capital	12	383,865	85,014
Share premium account	13	131,250	131,250
Profit and Loss account		25,071	10,186
Equity shareholders' funds		<hr/> 540,186	<hr/> 226,450

These financial statements were approved by the Board of Director on 25 May 2005 and are signed on its behalf by :


 J E Warren
 Director

The notes on pages 8 to 12 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>2004</u> £000	<u>2003</u> £000
Profit for the financial year	14,885	9,845
Share Capital issued	<u>298,851</u>	<u>-</u>
Net addition to shareholders' funds	313,736	9,845
Opening shareholders' funds	<u>226,450</u>	<u>216,605</u>
Closing shareholders' funds	<u>540,186</u>	<u>226,450</u>

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

a) Basis of accounting

The financial statements have been prepared on the historical cost basis, and in accordance with applicable accounting standards.

b) Cash Flow Statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

c) Related Party Transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with the Rolls-Royce group and its associates on the grounds that it is a wholly owned subsidiary undertaking.

d) Taxation

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.

e) Group accounts exemption

The Company is exempted from preparing group accounts under Section 228, Companies Act 1985, as it is a wholly-owned subsidiary of Rolls-Royce plc.

2. Employee Information

The Company had no employees during the year ended 31 December 2004 (2003: nil). All necessary services are provided by Rolls-Royce Group plc.

3. Auditors' Remuneration

Auditors' remuneration was borne by the company's parent undertaking Rolls-Royce plc in both 2004 and 2003.

In 2004 Rolls-Royce Overseas Holdings Limited paid the audit fee for one of its subsidiaries – Rolls-Royce (Ireland) £4k

4. Directors' Emoluments

No emoluments were paid to the directors by the company in respect of their services. (2003: £nil)

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation on Profit on Ordinary Activities

	<u>2004</u> £000	<u>2003</u> £000
In respect of the year:		
Corporation Tax payable @ 30%	2,255	433
Double Taxation Relief	(773)	(220)
	<u>1,482</u>	<u>213</u>
Deferred tax- origination and reversal of timing differences	239	-
	<u>1,721</u>	<u>213</u>
Reconciliation of tax charge:		
Profit/(loss) on ordinary activities before taxation	109,725	10,058
Nominal charge at UK Corporation tax rate of 30%	32,918	3,017
Expenses not deductible for tax purposes	1,112	86
Income not taxable	(31,536)	(2,670)
Other timing differences in the period	(239)	-
Double tax relief	(773)	(220)
	<u>1,482</u>	<u>213</u>

6. Dividends - Ordinary Shares

	<u>2004</u> £000	<u>2003</u> £000
Interim Dividend paid	93,119	-
Final Dividend Paid	-	-
	<u>93,119</u>	<u>-</u>

7. Directors' Emoluments

No emoluments were paid to the directors by the company in respect of their services. (2003 £nil)

8. Fixed Asset Investments

	Shares in Subsidiary Undertakings £000	Shares in Joint Ventures £000	Loans to Joint Ventures £000	Total £000
<u>Cost</u>				
At beginning of year	983,758	20,163	11,613	1,015,534
Additions	7,414	-	-	7,414
Disposals	-	(343)	-	(343)
Write downs	(3,000)	-	-	(3,000)
At end of year	<u>988,172</u>	<u>19,820</u>	<u>11,613</u>	<u>1,019,605</u>

The principal subsidiary undertakings are listed on page 12.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Debtors – amounts due within one year

	2004 £000	2003 £000
Amounts owed by other group undertakings:	-	999
Amounts owed by parent undertaking	796	4,575
	<u>796</u>	<u>5,574</u>

10. Creditors - amounts due within one year

	2004 £000	2003 £000
Amounts owed to other group undertakings:	500,730	523,728
Amount owed to parent undertaking	1,482	286,227
	<u>502,212</u>	<u>809,955</u>

11. Provisions for liabilities and charges

	At January 1 2004 £000	Charges to profit and loss account £000	At December 31 2004 £000
Deferred taxation	<u>-</u>	<u>239</u>	<u>239</u>

All the provision for deferred taxation relates to other short term timing differences.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Share Capital

	2004 £000	2003 £000
Authorised Ordinary shares of £1 each at 1 January	10,000	10,000
Increase in authorised ordinary shares during the year	290,000	-
Authorised ordinary shares	<u>300,000</u>	<u>10,000</u>
Issued Ordinary shares of £1 each at 1 January	17	17
Issued during the year	298,851	-
at 31 December	<u>298,868</u>	<u>17</u>

On 31st March an extraordinary general meeting was held and a special resolution passed, increasing authorised share capital by 290,000 to 300,000. On the same day 298,851,275 ordinary shares of £1 each were issued at par.

	\$000	\$000
Authorised 'A' shares of US\$1 each	240,000	240,000
Issued 'A' shares of US\$1 each	120,756	120,756

The 'A' shares do not carry the right to a dividend (fixed or otherwise), other than as a class dividend at the discretion of the directors.

The 'A' shares carry the same right to assets on the winding up or other repayment of Capital as the Ordinary Shares. The 'A' shares shall not confer the right to any further or other participation in the profits of the assets of the Company.

The 'A' shares shall not entitle the holders to receive notice of or attend or vote at any general meeting unless the business of the meeting includes the consideration of a resolution for:

- a) winding up of the Company or reducing its authorised share capital; or
- b) sale of the undertaking of the Company; or
- c) varying or abrogating any of the rights attached to the 'A' shares.

All issued shares are fully paid up.

13. Reserves Reconciliation

	Share Premium	Profit and Loss Account	Total
	£000	£000	£000
At January 1 2004	131,250	10,186	141,436
Retained profit for the year	-	14,885	14,885
At December 31 2004	<u>131,250</u>	<u>25,071</u>	<u>156,321</u>

14. Ultimate Holding Companies

The Company's ultimate parent is Rolls-Royce Group plc incorporated in England. This is the largest group in which the results of the Company are consolidated. The smallest group into which the results are consolidated is that headed by Rolls-Royce plc, a company incorporated in England. Copies of both groups' consolidated financial statements can be obtained from 65 Buckingham Gate, London, SW1E 6AT.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

Principle Subsidiary Undertakings

		Civil aerospace	
	France	Rolls-Royce Technical Support SARL	Project Support
(a)	USA	Rolls-Royce Corporation	Design development and manufacture of gas turbine engines
(b)	USA	Rolls-Royce Engine Services - Oakland Inc	Repair and overhaul
		Marine systems	
(b)	USA	Rolls-Royce Commercial Marine Inc.	Aftermarket support services
(b)	USA	Rolls-Royce Naval Marine Inc.	Design and manufacture of ships propellers
(b)	USA	Syncrolift Inc.	Shiplift systems
		Energy	
	India	Rolls-Royce Energy Systems India Private Limited	Project management and customer support
	Singapore	Rolls-Royce Pte Limited	Engine and turbine compression systems, spares
(b)	USA	Rolls-Royce Energy Systems Inc	Turbine generator packages
		Financial services and corporate	
	UK	Rolls-Royce Overseas Investments Limited	Holding company
	Guernsey	Nightingale Insurance Limited	Insurance services
(c)	USA	Rolls-Royce North America (USA) Holdings Co.	Holding company
(d)	USA	Rolls-Royce North America Holdings Inc	Holding company
(e)	USA	Rolls-Royce Capital Inc	Financial services

- (a) The interest is held by Rolls-Royce Asset Management Inc.
- (b) The interests are held by Rolls-Royce North America Ventures I Inc
- (c) The interest is held by Rolls-Royce Overseas Investments Limited
- (d) The interest is held by Rolls-Royce North America (USA) Holdings Co
- (e) The interest is held by Rolls-Royce North America Ventures II Inc.

All principle subsidiaries are 100% owned except for Rolls-Royce Energy Systems India Private Limited which is 99% owned.