

COMPANY NUMBER 2658963

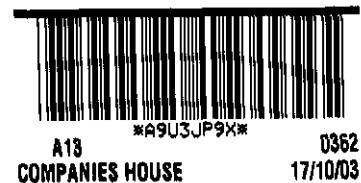
ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

**Annual Report
for the Year Ended 31 December 2002**

Directors on
10 October 2003 : J R Ashfield
D J Goma
M M Sufrin
J E Warren

Secretary : J R Ashfield

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 2002.

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.

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 no interim dividends were paid. The directors do not recommend payment of a final dividend.

DIRECTORS

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

J R Ashfield
M M Sufrin
J Warren
D J Goma

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

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:

	Ordinary 20p Shares		Options over Ordinary Shares				Total share options as at 31 December 2002
	Ordinary shares of 20p each as at 1 January 2002 or date of appointment if later	Ordinary shares of 20p each as at 31 December 2002	as at 1 January 2002 or date of appointment if later	Share options granted in 2002	Share options exercised or cancelled in 2002		
J R Ashfield	461	484	3,386	-	-		3,386
D J Goma	-	61	4,560	-	-		4,560
M M Sufrin	18,772	25,438	203,560	61,170	-		264,730
J Warren	2,341	6,977	42,436	48,538	-		90,974

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

	Annual Performance Related Award Scheme ¹		Profit Sharing Share Scheme ²		Share Purchase Plan ³	
	1.1.2002	31.12.2002	1.1.2002	31.12.2002	1.1.2002	31.12.2002
D J Goma	-	-	-	-	-	61
M M Sufrin	7,228	12,508	1,879	3,054	-	-
J Warren	2,341	6,459	-	-	-	-

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

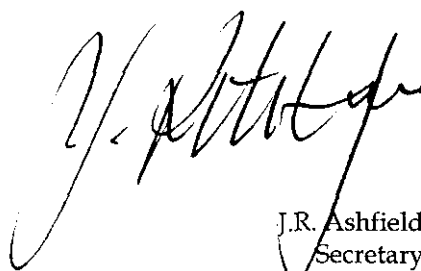
² Under the Profit Sharing Share Scheme, shares vest after three years

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

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


 J.R. Ashfield
 Secretary
 10 October 2003

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 11.

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 2, 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc

KPMG Audit plc
Chartered Accountants
Registered Auditor

London

14 October 2003

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	<u>2002</u> £000	<u>2001</u> £000
Operating costs		(77)	-
Operating (loss)		<u>(77)</u>	<u>-</u>
Dividends received		6,618	41,366
Interest receivable and similar income		13	-
Write (down) of investment in joint venture		(4,399)	-
Write back/(down) of investment in subsidiary undertaking		42	(7,803)
Profit on ordinary activities before taxation		<u>2,197</u>	<u>33,563</u>
Taxation on profit on ordinary activities	3	(1,856)	-
Profit on ordinary activities after taxation		<u>341</u>	<u>33,563</u>
Dividends paid		-	(36,464)
Retained profit/(loss) for the financial year		<u>341</u>	<u>(2,901)</u>
Retained profit brought forward		-	2,901
Retained profit carried forward		<u>341</u>	<u>-</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 11 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	<u>2002</u> £000	<u>2001</u> £000
Fixed assets			
Investments - subsidiary undertakings	5	471,004	453,112
- joint ventures	5	32,159	34,297
		<hr/> 503,163	<hr/> 487,409
Current assets			
Debtors	6	5,574	6,411
Cash at bank and in hand		7,042	-
		<hr/> 12,616	<hr/> 6,411
Creditors - amounts falling due within one year	7	(299,174)	(277,556)
Net current liabilities		<hr/> (286,558)	<hr/> (271,145)
Net assets		<hr/> 216,605	<hr/> 216,264
Capital and reserves			
Called up share capital	9	85,014	85,014
Share premium account	10	131,250	131,250
Profit and Loss account		341	-
Equity shareholders' funds		<hr/> 216,605	<hr/> 216,264

These financial statements were approved by the Board of Directors 10 October 2003 and are signed on its behalf by :


 J R Ashfield
 Director

The notes on pages 8 to 11 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>2002</u> £000	<u>2001</u> £000
Profit/(Loss) for the financial year	341	(2,901)
New share capital subscribed	-	84,997
	<hr/>	<hr/>
Net addition to shareholders' funds	341	82,096
Opening shareholders' funds	216,264	134,168
	<hr/>	<hr/>
Closing shareholders' funds	216,605	216,264
	<hr/>	<hr/>

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

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 2002(2001: NIL). All necessary services are provided by Rolls-Royce plc.

3. Taxation on Profit on Ordinary Activities

	<u>2002</u>	<u>2001</u>
	£000	£000
In respect of the year:		
Corporation Tax payable @ 30%	2,218	12,410
Group Relief not paid for	-	(8,306)
Double Taxation Relief	(362)	(4,104)
	<hr/> 1,856	<hr/> -
Reconciliation of tax charge:		
Profit/(loss) on ordinary activities before taxation	2,197	33,563
Nominal charge at UK Corporation tax rate of 30%	659	10,069
Expenses not deductible for tax purposes	1,559	2,341
Group Relief not paid for	-	(8,306)
Double tax relief	(362)	(4,104)
	<hr/> 1,856	<hr/> -

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

4. Directors' Emoluments

No emoluments were paid to the directors by the company in respect of their services.

5. Fixed Asset Investments

	Shares in Subsidiary Undertakings	Shares in Joint Ventures	Loans to Joint Ventures	Total
	£000	£000	£000	£000
<u>Cost</u>				
At beginning of year	453,112	22,684	11,613	487,409
Additions	17,850	2,261	-	20,111
Write back/(down)	42	(4,399)	-	(4,357)
At end of year	<u>471,004</u>	<u>20,546</u>	<u>11,613</u>	<u>503,163</u>

During the year the Company acquired/disposed of shares in the subsidiary undertakings and joint ventures listed below:

<u>Subsidiary Undertakings</u>	<u>Number of Shares acquired/(disposed)</u>	<u>Class</u>	<u>Cost of Investment £000</u>
Vickers-Armstrongs Limited	17,500,000	Ordinary B	17,500
Rolls-Royce Overseas Investments Limited	1	Ordinary	0
Rolls-Royce Pte Limited	1,000,000	Ordinary	350
<u>Joint Ventures</u>			
Singapore Aero Engine Services Limited	3,600,000	Ordinary	2,261
			<u>20,111</u>

A full list of the Company's interest in subsidiary undertakings and joint ventures is contained in the attached Group Hierarchy.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

6. Debtors

	2002 £000	2001 £000
Amounts owed by group undertakings:		
Fellow subsidiary undertakings	999	1,327
Parent undertaking	4,575	5,084
	<u>5,574</u>	<u>6,411</u>

7. Creditors: Amounts falling due within one year

	2002 £000	2001 £000
Amounts owed to group undertakings:		
Parent Company	288,176	262,385
Fellow subsidiary undertakings	10,998	15,171
	<u>299,174</u>	<u>277,556</u>

8. Auditors' Remuneration

Auditors' remuneration is borne by the company's parent undertaking Rolls-Royce plc.

9. Share Capital

	2002 £000	2001 £000
Authorised Ordinary shares of £1 each	10,000	10,000
Issued Ordinary shares of £1 each	17	17
	\$000	\$000
Authorised 'A' shares of US\$1 each	240,000	240,000
Issued 'A' shares of US\$1 each	120,756	120,756

All issued shares are fully paid with the exception of 1,233 shares issued at a premium of £11,353.42 per share of which £1,621.03 per share is paid up.

10. Share Premium

	£000
At January 1, 2002	131,250
Arising on share issues	-
At December 31, 2002	<u>131,250</u>

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

11. Pooling Arrangement

In September 2002 The Group Treasurership Agreement ceased to exist and was replaced by a Pooling Arrangement. Under the Pooling Arrangement the Company would benefit from more favourable interest rates than would be available outside the Pooling Arrangement as well as more streamlined treasury functions.

12. Deferred Taxation

No potential deferred taxation liability existed as at 31 December 2002 or 31 December 2001.

13. Ultimate Parent Company

The Company's ultimate parent company is Rolls-Royce Group plc and its immediate parent is Rolls-Royce plc, both of which are registered in England. Copies of accounts for both of these Companies are available from PO Box 31, Derby, DE24 8BJ.

Rolls-Royce Overseas Holdings Limited - Investments as at 31 December 2002

Company	Share Class	Shares Held
Diamond Microelectronics Corporation	Class A Common Stock	100,000
Hong Kong Aero Engine Services Limited	Ordinary Shares of HS \$10 each	9
International Engine Component Overhaul Pte Ltd	Ordinary Shares of HS \$10 each	5,000,000
Nightingale Insurance Limited	Ordinary Shares of £1 each	9,999,993
Rolls-Royce (European Investments) Limited	Ordinary Shares of £1 each	1
Rolls-Royce (International Investments) Limited	Ordinary Shares	1
Rolls-Royce (Ireland)	Ordinary Shares Of US\$1 each	301,720,999
Rolls-Royce Australia Limited	Ordinary Shares of AU\$ 2 each	3,781,379
Rolls-Royce De Venezuela Sa	Ordinary Shares of 1,000 bolivares each	1,000
Rolls-Royce Energia Limitada	Quotas of R\$1 each	50
Rolls-Royce Energy Systems (Tanzania) Limited	Ordinary Shares of 1 Schilling each	999,990
Rolls-Royce Energy Systems Bv	Ordinary Euro Shares	200
Rolls-Royce Energy Systems India Private Limited	Equity Shares Of 10 Rupees Each	103,718
Rolls-Royce Engine Services Limitada Inc	Ordinary Shares of 100 Philippine Pesos each	319,493
Rolls-Royce Overseas Investments Limited	Ordinary Shares	1
Rolls-Royce Pte Limited	Ordinary Shares	1,000,000
Rolls-Royce Technical Support Sarl	Ordinary Shares	500
Singapore Aero Engine Services Private Limited	Ordinary	16,200,000
Techjet Aerofoils Limited	Ordinary A	62,511
Techjet Aerofoils Limited	Ordinary B	20
Temro Limited	Ordinary Shares	45
Vickers America Holdings Inc	Common stock	1
Vickers-Armstrongs Limited	Ordinary 'B' Shares of £1 each	17,500,000