

Registered number 2658963

Rolls-Royce Overseas Holdings Limited

Annual report and financial statements
for the year ended 31 December 2006

**Directors on
25 April 2007:**

**D J Goma
M M Sufrin
J E Warren**

Secretary :

D J Goma

WEDNESDAY



L7JA4PLZ

LD4

16/05/2007

201

COMPANIES HOUSE

Registered Office : Moor Lane, Derby DE24 8BJ

Contents

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

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2006

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

Principal activities

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

Dividends

A dividend of £52,680,000 (2005 £36,291,000) was paid during the year

Directors

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

D J Goma

M M Sufrin

J E Warren

Directors' interests

None of the directors who held office at the end of the financial year, or their immediate family, had any beneficial interest in the shares of Rolls-Royce Overseas Holdings Limited at the beginning or at the end of the financial year. Details of the interests of those directors, including immediate family, in the share capital of the ultimate holding company were as follows

	Rolls-Royce Group plc Ordinary 20p Shares	
	1 January 2006	31 December 2006
D J Goma	-	1,593*
M M Sufrin	31,551*	30,288*
J E Warren	12,280*	13,423*

*The above interests include shares held in trust for the directors listed below

	Annual Performance Related Award Plan ¹		Share Purchase Plan ²	
	1 January 2006	31 December 2006	1 January 2006	31 December 2006
D J Goma	-	-	-	74
M M Sufrin	13,958	12,004	-	-
J E Warren	7,241	6,235	-	-

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

² Under the Share Purchase Plan, shares vest on the fifth anniversary of each monthly purchase

Directors' report

	Options over Rolls-Royce Group plc Ordinary Shares of 20p each		
	1 January 2006	Exercised in 2006	31 December 2006
D J Goma	5,803	1,747	4,056
M M Sufrin	414,195	311,451	102,744
J E Warren	215,059	200,112	14,947

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 January 2006	31 December 2006
M M Sufrin	42,140	58,422
J E Warren	20,443	29,198

The market price of the ordinary shares of the Company's ultimate parent company, Rolls-Royce Group plc at December 31, 2006, was 447 75p and the range during 2006 was 379 50p to 490p

Directors' indemnities

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

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Auditors

In accordance with section 386 of the Companies Act 1985, a resolution has been passed dispensing with the obligation to appoint auditors annually and KPMG Audit Plc will therefore continue in office

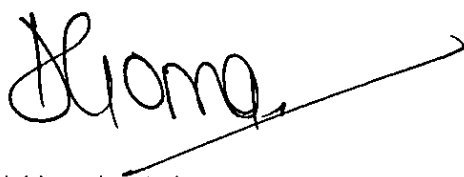
Annual General Meetings

In accordance with section 366A of the Companies act 1985, a resolution has been passed dispensing with the holding of Annual General Meetings

In accordance with section 252 of the Companies Act 1985, an elective resolution has been passed to dispense with the laying of the Annual Report before the Company in General Meetings

Approved by the Board and signed on its behalf by

D J Goma
Secretary
25 April 2007



Rolls-Royce Overseas Holdings Limited

Statement of directors' responsibilities in respect of the directors' report and 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)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with 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 (the "financial statements") of Rolls-Royce Overseas Holdings Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page number 3.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

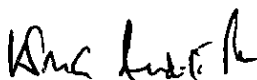
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

1 May 2007

Profit and loss account

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Administrative expenses		(480)	(164)
Operating loss		(480)	(164)
Income from shares in group undertakings		59,438	37,105
Income from participating interests		23,688	23,285
Profit on ordinary activities before finance charges		82,646	60,226
Interest receivable and similar income		333	79
Profit on ordinary activities before taxation	2	82,979	60,305
Tax on profit on ordinary activities	4	301	517
Profit on ordinary activities after taxation and profit for the financial year	13	83,280	60,822

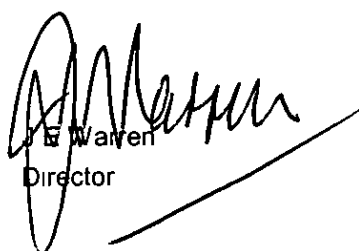
All results have been derived from continuing activities

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

Balance sheet
31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	6	1,021,395	1,021,395
Current assets			
Debtors			
- due within one year	7	5,127	3,782
- due after one year	7	489	458
Cash at bank and in hand		69,595	40,960
		75,211	45,200
Creditors. Amounts falling due within one year	8	(500,800)	(501,165)
Net current liabilities		(425,589)	(455,965)
Total assets less current liabilities		595,806	565,430
Creditors. Amounts falling due after more than one year	9	(489)	(458)
Provisions for liabilities and charges	10	-	(255)
Net assets		595,317	564,717
Capital and reserves			
Called-up share capital	11	383,865	383,865
Share premium account	12	131,250	131,250
Profit and loss account	12	80,202	49,602
Shareholders' funds	13	595,317	564,717

The financial statements on pages 5 to 14 were approved by the board of directors on 25 April 2007 and signed on its behalf by


J. E. Warren
Director

Notes to the financial statements

31 December 2006

1 Significant accounting policies

The principal accounting policies are summarised below

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £425,589,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Rolls-Royce plc, a parent of the company. Rolls-Royce plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements.

As permitted by Financial Reporting Standard 1 "Cash flow statements" (Revised 1996), no cash flow statement has been prepared, as a consolidated cash flow statement has been prepared by the ultimate parent company.

Changes in accounting policy

FRS 28 'Corresponding Amounts' has been adopted and corresponding amounts have been shown in the primary financial statements and the notes to the accounts where applicable.

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.

Interest

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

Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax.

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the balance sheet date.

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.

Notes to the financial statements

31 December 2006

2 Auditors' remuneration

The fees for the audit of the company financial statements were £6,000 (2005 £5,000) and were paid by Rolls-Royce plc

Rolls-Royce Overseas Holdings Limited paid the audit fee for one of its subsidiaries – Rolls-Royce (Ireland) - £3,000 (2005 £4,000)

3 Staff costs and directors remuneration

The Company had no employees during the year ended 31 December 2006 (2005 Nil)

No remuneration has been received by the directors in respect of their services to the Company (2005 £Nil)

Notes to the financial statements

31 December 2006

4 Tax on profit on ordinary activities

The tax credit comprises

	2006 £'000	2005 £'000
Current tax		
UK corporation tax	11,640	8,524
Double tax relief	(11,640)	(8,524)
Group relief (receivable)/payable	(46)	125
	<u>(46)</u>	<u>125</u>
Adjustments in respect of prior years		
- UK corporation tax	-	(658)
Total current tax	<u>(46)</u>	<u>(533)</u>
Deferred tax		
Origination and reversal of timing differences	(255)	16
Total deferred tax (see note 10)	<u>(255)</u>	<u>16</u>
Total tax on profit on ordinary activities	<u>(301)</u>	<u>(517)</u>

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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	<u>82,979</u>	<u>60,305</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 - 30%)	24,894	18,092
Effects of		
Expenses not deductible for tax purposes	-	150
Income not taxable	(15,805)	(11,029)
Gross up of foreign income for underlying tax	2,250	1,452
Other timing differences	255	(16)
Double tax relief	(11,640)	(8,524)
Adjustments to tax charge in respect of previous periods	-	(658)
Current tax credit for period	<u>(46)</u>	<u>(533)</u>

Notes to the financial statements

31 December 2006

5 Dividends

The aggregate amount of dividends comprises

	2006 £'000	2005 £'000
Interim dividends paid in respect of the current year	<u>52,680</u>	<u>36,291</u>

6 Fixed asset investments

	2006 £'000	2005 £'000
Subsidiary undertakings	989,743	989,743
Joint ventures	31,433	31,433
Other investments	219	219
	<u>1,021,395</u>	<u>1,021,395</u>

Subsidiary undertakings

£'000

Cost

At 1 January 2006 & 31 December 2006	<u>992,772</u>
--------------------------------------	----------------

Provisions for impairment

At 1 January 2006 & 31 December 2006	<u>(3,029)</u>
--------------------------------------	----------------

Net book value

At 1 January 2006 & 31 December 2006	<u>989,743</u>
--------------------------------------	----------------

Joint ventures

Shares at cost £'000	Loans £'000	Total £'000
----------------------------	----------------	----------------

Cost

At 1 January 2006 & 31 December 2006	<u>24,219</u>	<u>11,613</u>	<u>35,832</u>
--------------------------------------	---------------	---------------	---------------

Provisions for impairment

At 1 January 2006 & 31 December 2006	<u>(4,399)</u>	<u>-</u>	<u>(4,399)</u>
--------------------------------------	----------------	----------	----------------

Net book value

At 1 January 2006 & 31 December 2006	<u>19,820</u>	<u>11,613</u>	<u>31,433</u>
--------------------------------------	---------------	---------------	---------------

Other investments

£'000

Cost & Net book value

At 1 January 2006 & 31 December 2006	<u>219</u>
--------------------------------------	------------

Notes to the financial statements

31 December 2006

6 Fixed asset investments (continued)

Principal investments

The Company has investments in the following subsidiary undertakings and joint ventures. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Principal subsidiary undertakings	Country of incorporation	Principal activity
* Rolls-Royce Technical Support SARL	France	Civil aerospace - Project Support
Rolls-Royce Corporation	USA	Civil aerospace - Design development and manufacture of gas turbine engines
Rolls-Royce Engine Services – Oakland Inc	USA	Civil aerospace - Repair and overhaul
Rolls-Royce Commercial Marine Inc	USA	Marine systems - Aftermarket support services
Rolls-Royce Naval Marine Inc	USA	Marine systems - Design and manufacture of ships propellers and ship lift systems
* Rolls-Royce Energy Systems India Private Limited	India	Energy - Project management and customer support
* Rolls-Royce Pte Limited	Singapore	Energy - Engine and turbine compression systems, spares
Rolls-Royce Energy Systems Inc	USA	Energy - Turbine generator packages
* Rolls-Royce Overseas Investments Limited	UK	Corporate - Holding company
* Nightingale Insurance Limited	Guernsey	Corporate - Insurance services
Rolls-Royce North America (USA) Holdings Co	USA	Corporate - Holding company
Rolls-Royce North America Holdings Inc	USA	Corporate - Holding company

*Held directly by Rolls-Royce Overseas Holdings Limited

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

Joint ventures & principal activity	Country of incorporation	Class	% of class held	% of total equity held
Hong Kong Aero Engine Services Limited – Repair & Overhaul	Hong Kong	Ordinary	45	45
Techjet Aerofoils Limited – Manufacture of compressor aerofoils	Israel	A Ordinary B Ordinary	50 50	} 50
International Engine Component Overhaul Pte Limited - Repair & Overhaul	Singapore	Common	50	
Singapore Aero Engine Services Private Limited (effective interest 39%) - Repair & Overhaul	Singapore	Ordinary	30	30

Notes to the financial statements

31 December 2006

7 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	1,020	92
Amounts owed by parent undertaking	3,909	3,672
Other debtors	198	18
	<u>5,127</u>	<u>3,782</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	489	458
	<u>5,616</u>	<u>4,240</u>

8 Creditors: Amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	500,730	500,948
Amounts owed to parent undertaking	70	217
	<u>500,800</u>	<u>501,165</u>

9 Creditors Amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed to parent undertaking	<u>489</u>	<u>458</u>

Notes to the financial statements

31 December 2006

10 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2006	255
Charged to profit and loss account	(255)
At 31 December 2006	-

Deferred tax

Deferred tax is provided as follows

	2006 £'000	2005 £'000
Other timing differences	-	255

11 Share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
300,000,000 ordinary shares of £1 each	300,000	300,000
	\$'000	\$'000
240,000,000 'A' shares of US\$1 each	240,000	240,000
<i>Allotted, called-up and fully-paid</i>		
298,868,129 ordinary shares of £1 each	298,868	298,868
120,755,983 'A' shares of US\$1 each	84,997	84,997
	383,865	383,865

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

- winding up of the Company or reducing its authorised share capital, or
- sale of the undertaking of the Company, or
- varying or abrogating any of the rights attached to the 'A' shares

Notes to the financial statements

31 December 2006

12 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	131,250	49,602	180,852
Profit for the financial year	-	83,280	83,280
Dividends paid on equity shares	-	(52,680)	(52,680)
At 31 December 2006	<u>131,250</u>	<u>80,202</u>	<u>211,452</u>

13 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Opening shareholders' funds	564,717	540,186
Profit for the financial year	83,280	60,822
Dividends paid on equity shares	(52,680)	(36,291)
Closing shareholders' funds	<u>595,317</u>	<u>564,717</u>

14 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with other group companies

15 Ultimate Parent Company

The Company is a subsidiary undertaking of Rolls-Royce Group plc, incorporated in Great Britain. The largest group in which the results of the Company are consolidated is that headed by Rolls-Royce Group 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.