

COMPANY NUMBER 2658963

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

**Annual Report
for the Year Ended 31 December 2000**

Directors on
9 October 2001 : J R Ashfield
D J Goma
M M Sufrin
J 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 2000.

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. The directors do not recommend payment of a dividend.

DIRECTORATE

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

J R Ashfield
M M Sufrin
J Warren

D J Goma was appointed a director of the Company on 24 May 2001.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

DIRECTORS' SHARE INTERESTS

None of the directors, or their immediate family, had any beneficial interest in the shares of the Company during the year.

The beneficial interests of directors holding office at 31 December 2000, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows.

	<u>HOLDINGS</u>		<u>OPTIONS</u>			
	<u>1. 1. 2000</u>	<u>31. 12. 2000</u>	<u>1. 1. 2000</u>	<u>Granted</u>	<u>Exercised/ Lapsed</u>	<u>31.12.2000</u>
J R Ashfield	421	421	3,386	-	-	3,386
M M Sufrin	5,665	14,705	27,073	39,962	10,648	56,387
J Warren	-	803	9,155	15,444	-	24,599

The share options for M M Sufrin include awards made under the 1999 Long Term Incentive Plan which are conditional upon performance criteria.

The above interests under Holdings include shares held in trust for the following directors:

	<u>Annual Performance Related Award Scheme¹</u>		<u>Profit Sharing Share Scheme²</u>	
	<u>1.1.2000</u>	<u>31.1.2000</u>	<u>1.1.2000</u>	<u>31.1.2000</u>
M M Sufrin	-	4,152	-	888
J Warren	-	803	-	-

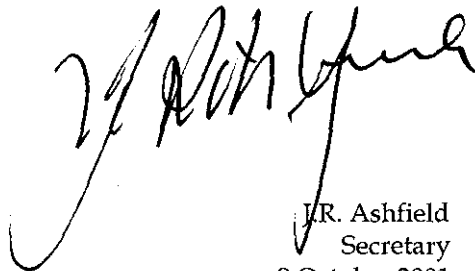
¹ Under the Annual Performance Related Award Scheme, shares vest after two years.

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

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
9 October 2001

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 10

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. 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 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit 712

KPMG Audit plc
Chartered Accountants
Registered Auditor

31 October

London

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	<u>2000</u> £000	<u>1999</u> £000
Profit on sale of businesses		1,391	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,391	-
		<hr/>	<hr/>
Taxation on profit on ordinary activities	3	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,391	-
		<hr/>	<hr/>
Dividends paid and proposed		-	-
		<hr/>	<hr/>
Retained Profit for the financial year		1,391	-
		<hr/>	<hr/>
Retained profit brought forward		1,510	1,510
		<hr/>	<hr/>
Retained profit carried forward		<u>2,901</u>	<u>1,510</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.

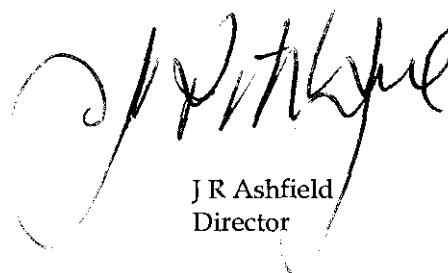
The notes on pages 8 to 10 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	<u>2000</u> £000	<u>1999</u> £000
Fixed assets			
Investments - subsidiary undertakings	5	460,432	128,481
- joint ventures	5	27,587	25,496
		<u>488,019</u>	<u>153,977</u>
Current assets			
Debtors	6	1,510	1,510
Creditors - amounts falling due within one year	7	(355,361)	(22,710)
Net current liabilities/assets		<u>(353,851)</u>	<u>(21,200)</u>
Total assets less current liabilities		<u>134,168</u>	<u>132,777</u>
Provisions for liabilities and charges - deferred taxation		-	-
Net assets		<u>134,168</u>	<u>132,777</u>
Capital and reserves			
Called up share capital	9	17	17
Share premium account	10	131,250	131,250
Profit and Loss account		2,901	1,510
Equity shareholders' funds		<u>134,168</u>	<u>132,777</u>

These financial statements were approved by the Board of Directors on 9 October 2001, and are signed on its behalf by :


 J R Ashfield
 Director

The notes on pages 8 to 10 form part of these financial statements.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>2000</u> £000	<u>1999</u> £000
Profit for the financial year	1,391	-
New share capital subscribed	-	-
	<hr/>	<hr/>
Net addition to shareholders' funds	1,391	-
Opening shareholders' funds	132,777	132,777
	<hr/>	<hr/>
Closing shareholders' funds	134,168	132,777
	<hr/>	<hr/>

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

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 is made at the rate for the year for United Kingdom Corporation Tax, for overseas taxation on profits of overseas branches and for deferred taxation at the projected rate on all timing differences, where a liability is expected to arise in the foreseeable future.

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 2000(1999: NIL). All necessary services are provided by Rolls-Royce plc.

3. Taxation on Profit on Ordinary Activities

	<u>2000</u> £000	<u>1999</u> £000
In respect of the year:		
Group Relief @ 31.49%	417	-
Group Relief not paid for	(417)	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

4. Directors' Emoluments

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

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

5. Fixed Asset Investments

	Shares in Subsidiary Undertakings	Shares in Joint Ventures	Loans to Joint Ventures	Total
<u>Cost</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At beginning of year	128,481	12,593	12,903	153,977
Foreign Exchange Adjustments	(204)	(24)	-	(228)
Additions	332,155	3,405	-	335,560
Disposals	-	-	(1,290)	(1,290)
At end of year	<u>460,432</u>	<u>15,974</u>	<u>11,613</u>	<u>488,019</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>
Rolls-Royce Ireland Ltd	3	Ordinary	332,155
<u>Joint Ventures</u>			
Hong Kong Aero Engine Services Limited	(1)	Ordinary	(1,290)
Singapore Aero Engine Services Ltd	2,719,200	Ordinary	1,765
Techjet Aerofoils Ltd	10,250	Ordinary A	1,620
Temro AG	45	Ordinary	20
			<u>334,270</u>

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

6. Debtors

	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Amounts owed by group undertakings:		
Fellow subsidiary undertakings	999	999
Parent undertaking	511	511
	<u>1,510</u>	<u>1,510</u>

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

7.	<u>Creditors: Amounts falling due within one year</u>	2000	1999
		£000	£000
	Trade creditors	-	-
	Amounts owed to group undertakings:		
	Parent Company	344,363	11,712
	Fellow subsidiary undertakings	10,998	10,998
		<hr/>	<hr/>
		354,361	22,710
		<hr/>	<hr/>

8. **Auditors' Remuneration**

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

9. **Share Capital**

	2000	1999
	£000	£000
Authorised	10,000	10,000
Issued	17	17

Ordinary shares of £1 each

All issued shares are fully paid with the exception of 1233 shares issued at a premium of £11,353.42 per share of which £1,621.03 per share is paid up.

10.	<u>Share Premium</u>	£000
	At January 1, 2000	131,250
	Arising on share issues	-
	At December 31, 2000	<hr/>
		131,250
		<hr/>

11. **Group Treasurership Agreement**

The Company participates in the Rolls-Royce Group banking agreement under which cleared sterling funds are borrowed from or deposited with the Parent Company via a daily transfer. Under the agreement the Company bears or earns interest at the National Westminster Bank plc base rate.

12. **Deferred Taxation**

No potential deferred taxation liability existed as at 31 December 2000 or 31 December 1999.

13. **Ultimate Parent Company**

The Company's ultimate parent company is Rolls-Royce plc, registered in England and Wales. Copies of Rolls-Royce plc's accounts are available from Rolls-Royce plc, PO Box 31, Derby, DE24 8BJ.

ROLLS-ROYCE OVERSEAS HOLDINGS LIMITED

SHAREHOLDINGS AS AT 31 DECEMBER 2000

Company	Share Class	Shares Held
DIAMOND MICROELECTRONICS CORPORATION	CLASS A COMMON STOCK	100,000
HONG KONG AERO ENGINE SERVICES LIMITED	ORDINARY SHARES	9
INTERNATIONAL ENGINE COMPONENT OVERHAUL PTE LTD	ORDINARY SHARES	5,000,000
NIGHTINGALE INSURANCE LIMITED	ORDINARY SHARES	9,999,993
ROLLS-ROYCE (EUROPEAN INVESTMENTS) LIMITED	ORDINARY SHARES	1
ROLLS-ROYCE (INTERNATIONAL INVESTMENTS) LIMITED	ORDINARY SHARES	1
ROLLS-ROYCE AUSTRALIA LIMITED	ORDINARY SHARES	3,781,379
ROLLS-ROYCE ENERGY SYSTEMS INDIA PRIVATE LIMITED	EQUITY SHARES OF 10 RUPEES EACH	103,718
ROLLS-ROYCE IRELAND	ORDINARY SHARES OF US\$1 EACH	306,820,993
ROLLS-ROYCE PTE LIMITED	ORDINARY SHARES	1,000,000
ROLLS-ROYCE TECHNICAL SUPPORT SARL	ORDINARY FRENCH FRANC SHARES	500
SINGAPORE AERO ENGINE SERVICES PRIVATE LIMITED	ORDINARY	4,669,200
TECHJET AEROFOILS LIMITED	ORDINARY A	56,901
TECHJET AEROFOILS LIMITED	ORDINARY B	20
TEMRO LIMITED	ORDINARY SHARES	45