

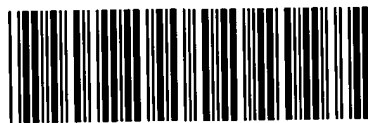
Registration number: 02658963

# Rolls-Royce Overseas Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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## **Rolls-Royce Overseas Holdings Limited**

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## **Rolls-Royce Overseas Holdings Limited**

### **Company Information**

**Company Secretary** A Harvey-Wrate

**Registered office** Moor Lane  
Derby  
DE24 8BJ

## **Rolls-Royce Overseas Holdings Limited**

### **Strategic Report for the Year Ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **Introduction**

Rolls-Royce Overseas Holdings Limited is a holding company and is part of the Rolls-Royce group. The company holds its subsidiaries and joint ventures at cost less provision for impairment. The company has an investment in two joint operations and consolidates their results on a proportional basis.

#### **Fair review of the business**

The company consolidates the results of its 2 joint operations: Techjet Aerofoils Limited and International Aerospace Manufacturing Private Limited. The trading results in the accounts relate entirely to these two entities.

The company has net assets of £845,071 thousand (2016: £828,066 thousand).

The profit for the year, after taxation, amounted to £250,641 thousand (2016: £130,365 thousand).

The directors do not consider that there will be any material changes to the business in the foreseeable future.

#### **Principal risks and uncertainties**

The company is a holding company and its investments are exposed to a number of risks which may affect the company's carrying value of its investments and therefore the recoverability of amounts owed to it.

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 group's (Group) risk management procedures.

**Compliance - Non-compliance** by the company with legislation or other regulatory requirements in the regulated environment in which it operates (for example: export controls; offset; use of controlled chemicals and substances; and anti-bribery and corruption legislation) compromising our ability to conduct business in certain jurisdictions and exposing the company to potential: reputational damage; financial penalties; debarment from government contracts for a period of time; and/or suspension of export privileges or export credit financing, any of which could have a material adverse effect.

- An uncompromising approach to compliance is now, and should always be, the only way to do business.
- The Group has an extensive compliance programme. This programme and the Global Code of Conduct are promulgated throughout the Group and are updated and reinforced from time to time, to ensure their continued relevance, and to ensure that they are complied with both in spirit and to the letter. The Global Code of Conduct and the company's compliance programme are supported by appropriate training.
- A legal and compliance team has been put in place to manage the current specific issue through to conclusion and beyond.
- Lord Gold has reviewed the Group's current compliance procedures and an improvement plan is being implemented.

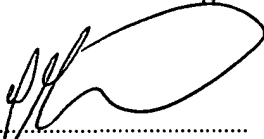
**Market shock** - The company is exposed to a number of market risks, some of which are of a macro-economic nature, for example, foreign currency exchange rates, and some that are more specific to the company, for example liquidity and credit risks, or disruption to other customer operations. Significant extraneous market events could also materially damage the Group's competitiveness and/or credit worthiness. This would affect operational results or the outcomes of financial transactions.

- Maintaining a strong Group balance sheet, through healthy cash balances and a continuing low level of debt.
- Providing financial flexibility by the Group maintaining high levels of liquidity and an investment grade 'A' credit rating.
- The portfolio effect from our business interests, both in terms of original equipment to aftermarket split and our different segments provide a natural shock absorber since the portfolios are not correlated.
- Deciding where and what currencies to source in, where and how much credit risk is extended or taken and hedging residual risk through the financial derivatives markets (foreign exchange, interest rates and commodity price risk).

Approved by the Board on 26/09/2018 and signed on its behalf by:

**Rolls-Royce Overseas Holdings Limited**

**Strategic Report for the Year Ended 31 December 2017 (continued)**

A handwritten signature in black ink, consisting of stylized initials and a surname, positioned above a dotted line.

W S Mansfield  
Director

## **Rolls-Royce Overseas Holdings Limited**

### **Directors' Report for the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

#### **Results**

Revenue in 2017 was £43,276 thousand (2016: £40,824 thousand) and gross profit was lower than the previous year at £5,868 thousand (2016: £6,415 thousand).

The profit for the year, after taxation, amounted to £250,641 thousand (2016: £130,365 thousand).

During the year the company paid a dividend of £230,000 thousand (2016: £nil).

#### **Directors of the company**

The directors who held office during the year were as follows:

J H Luke

W S Mansfield

#### **Directors' liabilities**

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 the auditors**

Each director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. Each director confirms that there is no relevant information that he knows of and of which he knows the auditor is unaware.

#### **Change of auditors**

Following changes in the legislation requiring mandatory rotation of the audit firm, RR Holdings plc, ultimate parent company, is rotating its statutory auditor from KPMG LLP. Consequently, the subsidiaries within the Rolls-Royce group will follow the ultimate parent company in changing auditor. Following the issuance of their audit report for the year ended 31 December 2017 KPMG LLP will be resigning as the company's auditor and will, therefore, cease to hold office. In accordance with section 485 of the Act, the directors intend to appoint PricewaterhouseCoopers LLP as the company's auditor.

Approved by the Board on 26/09/2018 and signed on its behalf by:



W S Mansfield  
Director

## **Rolls-Royce Overseas Holdings Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 Reduced Disclosure Framework. 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 these 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and 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 Auditor's Report to the members of Rolls-Royce Overseas Holdings Limited**

### **Opinion**

We have audited the financial statements of Rolls-Royce Overseas Holdings Limited ("the company") for the year ended 31st December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## **Independent Auditor's Report to the members of Rolls-Royce Overseas Holdings Limited (continued)**

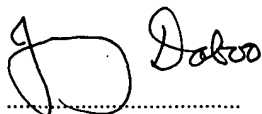
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



.....  
Jimmy Daboo (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor, Statutory Auditor

Chartered Accountants  
15 Canda Square  
London  
E14 5GL

Date: 29/6/2018

## Rolls-Royce Overseas Holdings Limited

### Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue	3	43,276	40,824
Cost of sales		<u>(37,408)</u>	<u>(34,409)</u>
Gross profit		5,868	6,415
Commercial and administrative expenses		<u>(1,006)</u>	<u>(1,701)</u>
Operating profit		<u>4,862</u>	<u>4,714</u>
Income from shares in group undertakings		212,045	3,719
Income from participating interests		33,750	124,839
Financing income	5	1,337	1
Financing costs	6	<u>(271)</u>	<u>(920)</u>
		<u>246,861</u>	<u>127,639</u>
Profit before tax		251,723	132,353
Taxation	10	<u>(1,082)</u>	<u>(1,988)</u>
Profit for the year		<u><u>250,641</u></u>	<u><u>130,365</u></u>

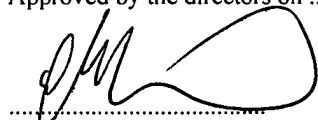
The above results were derived from continuing operations.

# Rolls-Royce Overseas Holdings Limited

(Registration number: 02658963)  
Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
<b>Non-current assets</b>			
Intangible assets	11	455	663
Property, plant and equipment	12	27,709	29,915
Investments	13	<u>1,296,233</u>	<u>1,263,429</u>
		<u>1,324,397</u>	<u>1,294,007</u>
<b>Current assets</b>			
Inventories	14	17,426	17,904
Trade and other receivables	15	9,467	18,463
Cash and cash equivalents		<u>11,977</u>	<u>13,021</u>
		38,870	49,388
<b>Current liabilities</b>			
Trade and other payables	16	<u>(517,120)</u>	<u>(514,318)</u>
Net current liabilities		<u>(478,250)</u>	<u>(464,930)</u>
Total assets less current liabilities		846,147	829,077
Provisions for liabilities and charges	10	<u>(1,076)</u>	<u>(1,011)</u>
Net assets		<u>845,071</u>	<u>828,066</u>
<b>Equity</b>			
Called up share capital	18	399,499	399,499
Share premium reserve		133,961	133,961
Other reserves		1,894	5,530
Retained earnings		<u>309,717</u>	<u>289,076</u>
		<u>845,071</u>	<u>828,066</u>

Approved by the directors on 26/09/2018



W S Mansfield  
Director

**Rolls-Royce Overseas Holdings Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2017**

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	399,499	133,961	5,530	289,076	828,066
Profit for the year	-	-	-	250,641	250,641
Total comprehensive income	-	-	-	250,641	250,641
Foreign exchange movement in year	-	-	(3,636)	-	(3,636)
Dividends	-	-	-	(230,000)	(230,000)
At 31 December 2017	399,499	133,961	1,894	309,717	845,071

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	399,499	133,961	-	124,837	658,297
Profit for the year	-	-	-	130,365	130,365
Total comprehensive income	-	-	-	130,365	130,365
Reclassification of joint ventures to joint operations	-	-	-	33,874	33,874
Foreign exchange movement in year	-	-	(221)	-	(221)
Foreign exchange on reclassification of joint ventures to joint operations	-	-	5,751	-	5,751
	-	-	5,530	33,874	39,404
At 31 December 2016	399,499	133,961	5,530	289,076	828,066

The notes on pages 11 to 30 form an integral part of these financial statements.

## **Rolls-Royce Overseas Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in UK.

The address of its registered office is:

Moor Lane  
Derby  
DE24 8BJ

#### **2 Accounting policies**

##### **Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with 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; and
- Disclosures in respect of the compensation of Key Management Personnel.
- The effects of new but not yet effective IFRSs

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

There were no changes to accounting standards that had a material impact on the 2017 financial statements.

##### **Going concern**

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities of £478,250,000 (2016 - £464,930,000) 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 has stated that its current policy is to ensure that the company is managed so that it maintains adequate financial resources and is in a position to meet its financial obligations arising from its normal trading activities. Based on the directors' assessment of the company's future financial requirements, the ability of Rolls-Royce plc to support the company if necessary and the statement referred to above, the directors consider that the company will have sufficient financial resources to meet its obligations for the foreseeable future, that is for at least 12 months from the date of approval of these financial statements.

##### **Exemption from preparing group accounts**

The financial statements contain information about Rolls-Royce Overseas Holdings 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 consolidated financial statements of a group parent, Rolls-Royce plc, a company incorporated in United Kingdom.

## **Rolls-Royce Overseas Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **Investments**

Non current investments are shown at cost less provision for impairment. Joint operations are consolidated on a proportionate basis.

In 2016 the Company reassessed the categorisation of joint arrangements. As a result of this review, certain entities, previously accounted for as joint ventures were reclassified as joint operations from 1 January 2016. Therefore, they were included in the accounts on a proportional basis, rather than at their investment value.

#### **Deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

#### **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.

The trading results of the joint operations are translated into sterling at the average exchange rates for the year. The assets and liabilities of the joint operations, on initial consolidation, were translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of the opening net investments, and from the translation of the profits or losses at average rates, are recognised in other reserves.

#### **Property, plant and equipment**

Property, plant and equipment assets are stated at cost less accumulated depreciation and any provision for impairment in value.

#### **Intangible assets**

Intangible assets consist of amounts paid in respect of long-term project and know-how, primarily relating to the Trent 500 engine. These amounts are stated at cost and amortised over 15 years in equal annual instalments, commencing on the day of payment in respect of the project.

#### **Cash and cash equivalents**

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

## **Rolls-Royce Overseas Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Inventories**

Inventories and work in progress are valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, including depreciation of property, plant and equipment, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **Financial Instruments**

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

IAS 39 Financial Instruments: Recognition and Measurement requires the classification of financial instruments into separate categories for which the accounting requirement is different. The Company has classified its financial instruments as follows:

- short-term investments are generally classified as available for sale;
- short-term deposits (principally comprising funds held with banks and other financial institutions), trade receivables and short-term investments not designated as available for sale are classified as loans and receivables;
- borrowings and trade payables are classified as other liabilities; and
- derivatives, comprising foreign exchange contracts, interest rate swaps and commodity swaps are classified as fair value through profit or loss.

Financial instruments are recognised at the contract date and initially measured at fair value. Their subsequent measurement depends on their classification:

- Available for sale assets are held at fair value. Changes in fair value arising from changes in exchange rates are included in the income statement. All other changes in fair value are taken to equity. On disposal, the accumulated changes in value recorded in equity are included in the gain or loss recorded in the income statement.
- Loans and receivables and other liabilities are held at amortised cost and not revalued (except for changes in exchange rates and forecast contractual cash flows, which are included in the income statement) unless they are included in a fair value hedge accounting relationship. Where such a hedging relationship exists, the instruments are revalued in respect of the risk being hedged, with the change in value included in the income statement.
- Fair value through profit or loss items are held at fair value. Changes in fair value are included in the income statement unless the instrument is included in a cash flow hedge. If the instruments are included in an effective cash flow hedging relationship, changes in value are taken to equity. When the hedged forecast transaction occurs, amounts previously recorded in equity are recognised in the income statement.

Financial instruments are derecognised on expiry or when all contractual rights and obligations are transferred.

### 3 Revenue

A geographical analysis of revenue is as follows:

	2017 £ 000	2016 £ 000
Germany	11,772	3,858
Japan	1,026	10,692
United States	2,659	2,083
United Kingdom	27,819	24,191
	<u>43,276</u>	<u>40,824</u>

### 4 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Gain (loss) from disposals of investments	<u>-</u>	<u>634</u>



## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 5 Financing income

	2017 £ 000	2016 £ 000
Bank and loan interest receivable	11	1
Foreign exchange gains	1,326	-
	<u>1,337</u>	<u>1</u>

#### 6 Financing costs

	2017 £ 000	2016 £ 000
Foreign exchange losses	-	584
Other interest payable	271	336
	<u>271</u>	<u>920</u>

#### 7 Staff costs

The company has no employees.

#### 8 Directors' remuneration

The directors did not receive any remuneration (2016 - £Nil) for qualifying services to the company.

#### 9 Auditors' remuneration

The fees for the audit of the company financial statements were £7,000 (2016: £7,000) and were paid by Rolls-Royce plc.

#### 10 Income tax

Tax charged in the income statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax charge on profit for the year	-	1,757
Group relief payable / (receivable) for the period at 19.25% (2016: 20.00%)	260	(93)
Foreign tax on income for the year	883	303
Total current tax charge	<u>1,143</u>	<u>1,967</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(61)	21
Tax expense in the income statement	<u>1,082</u>	<u>1,988</u>

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	251,723	132,353
Corporation tax at standard rate	48,457	26,471
Effects of: non-taxable income	(48,258)	(24,786)
Increase from effect of foreign tax rates	883	303
Total tax charge	1,082	1,988

#### Factors that may affect future tax charges

Following announcements in the Summer Budget 2015 and the Budget 2016, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 17% from 1 April 2020. The rate reduction to 17% was substantively enacted on 6 September 2016.

#### Deferred tax

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in other comprehensive income £ 000	At 31 December 2017 £ 000
Other items	(515)	61	(454)
Foreign exchange differences on foreign operations	(52)	48	(4)
Net tax assets/(liabilities)	(567)	109	(458)

The deferred taxation balance arises due to temporary differences.

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2016 £ 000
Other items	-	(21)	(494)	(515)
Foreign exchange differences on foreign operations	-	(52)	-	(52)
Net tax assets/(liabilities)	-	(73)	(494)	(567)

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 11 Intangible assets

	<b>Other intangible assets £ 000</b>
<b>Cost</b>	
At 1 January 2017	9,539
Additions	85
Foreign exchange movements	<u>(777)</u>
At 31 December 2017	<u>8,847</u>
<b>Amortisation</b>	
At 1 January 2017	8,876
Amortisation charge	266
Foreign exchange movements	<u>(750)</u>
At 31 December 2017	<u>8,392</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>455</u>
At 31 December 2016	<u>663</u>

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 12 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2017	7,965	67,883	75,848
Additions	-	4,332	4,332
Foreign exchange movements	(711)	(4,498)	(5,209)
At 31 December 2017	<u>7,254</u>	<u>67,717</u>	<u>74,971</u>
<b>Depreciation</b>			
At 1 January 2017	1,663	44,270	45,933
Charge for the year	272	4,667	4,939
Foreign exchange movements	(161)	(3,449)	(3,610)
At 31 December 2017	<u>1,774</u>	<u>45,488</u>	<u>47,262</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>5,480</u>	<u>22,229</u>	<u>27,709</u>
At 31 December 2016	<u>6,302</u>	<u>23,613</u>	<u>29,915</u>

#### 13 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2017	1,148,889
Additions	5,000
At 31 December 2017	<u>1,153,889</u>
<b>Provision</b>	
At 1 January 2017	1,433
At 31 December 2017	<u>1,433</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>1,152,456</u>
At 31 December 2016	<u>1,147,456</u>

# Rolls-Royce Overseas Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

The following were subsidiary undertakings / participating interest of the company as at 31 December 2017:

\*\* denotes a direct shareholding by the company

Company name	Share class	Address	% Holding 2017
Data Systems & Solutions, LLC	Partnership	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Nightingale Insurance Limited**	Ordinary	Maison Trinity, Trinity Square, St. Peter Port, GY1 4AT, Guernsey	100%
PKMJ Technical Services, Inc	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
PT Rolls-Royce	Ordinary	Mid Plaza 2, Lantai 16 Jl. Jenderal Sudirman 10-11, Jakarta, Pusat, 10220, Indonesia	100%
Rolls-Royce Australia Limited* **	Ordinary	Suite 102, 2-4 Lyonpark Rd, Macquarie Park, NSW-2113, Australia	100%
Rolls-Royce Australia Services Pty Limited**	Ordinary	Suite 102, 2-4 Lyonpark Rd, Macquarie Park, NSW-2113, Australia	100%
Rolls-Royce Civil Nuclear SAS**	Ordinary	23 chemin du Vieux Chêne, 38240, Meylan, France	100%
Rolls-Royce Control Systems Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Controls and Data Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Rolls-Royce Corporation	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Cote D'Ivoire SARL**	Ordinary	7 Boulevard Latrille, 25 BP 945, Abidjan, Cote d'Ivoire	100%
Rolls-Royce Crosspointe LLC	Partnership	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Venezuela SA**	Registered Shares	Avenida 3E, entre Calles 78 y 79, Torre Empresarial Claret, Piso 10, Oficina 10-3, Sector Valle Frio, Maracaibo, Estado Zulia, Venezuela	100%
Rolls-Royce Defense Products And Solutions Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Defence Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Energy Angola Limitada**	Quota	Rua Rei Katyavala, Edificio Rei Katyavalo, Entrada B, Piso 8, Luanda, Angola	100%
Rolls-Royce Energy Systems Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Engine Services Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Engine Services Limitada Inc**	Capital Stock	Bldg 06 Berthaphil Compound, Jose Abad Santos Avenue, Clark Special Economic Zone Clark Pampanga Philippines	100%
Rolls-Royce Finance Company Limited	Deferred & Ordinary	Moor Lane, Derby, England DE24 8BJ	100%

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Rolls-Royce Finance Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce (Ireland) Unlimited Company**	Ordinary	Ulster International Financial, 1st Floor, IFSC House, Dublin 1, Ireland	100%
Rolls-Royce High Temperature Composites Inc	Common Stock	Corporation Service Company, 2710 Gateway Oaks Dr, Suite 150N, Sacramento, CA 95833, United States	100%
Rolls-Royce India Private Limited**	Equity	Birla Tower West 2nd Floor 25, Barakhamba Rd, New Delhi, 110001, India	100%
Rolls-Royce International LLC**	Ordinary	Office 41N, Lit. A, 32-34 Nevsky Prospect, St. Petersburg, 19186, Russian Federation	100%
Rolls-Royce International s.r.o**	Ordinary	Pobrezni 620/3, 186 00, Karlín - Prague 8, Czech Republic	100%
Rolls-Royce JSF Holdings Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Malaysia Sdn Bhd**	Ordinary	Suite 13.03, 13th floor, Menara Tan&Tan, 207 Jalan Tun Razak 50400 Kuala Lumpur, Malaysia	100%
Rolls-Royce Marine Chile SA**	Ordinary	Alcantara 200, Office 1303, Las Condes, Santiago, Chile	100%
Rolls-Royce Marine North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Mexico Administration S De RL de CV**	Ordinary	Boulevard Adolfo Ruiz Cortinez 3642-403, Fracc Costa de Oro, Veracruz CP 94299 6, Mexico	100%
Rolls-Royce Mexico S De RI De Cv**	Ordinary	Boulevard Adolfo Ruiz Cortinez 3642-403, Fracc Costa de Oro, Veracruz CP 94299 6, Mexico	100%

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Rolls-Royce Namibia (Proprietary) Limited**	Ordinary	2nd Floor, Unit 4, LA Chambers, Ausspenn Plaza, Dr Agostinho Neto Rd, Asspennplatz, Windhoek, Namibia	100%
Rolls-Royce New Zealand Limited**	Ordinary	Level 7 Bauleys Building, 36 Brandon Street, Wellington 6011 New Zealand	100%
Rolls-Royce Nigeria Limited**	Ordinary	Civic Towers, Plot GA1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria	100%
Rolls-Royce North America (USA) Holdings Co.	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce North America Holdings Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce North America Ventures Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce North American Technologies Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Nuclear Field Services France SAS	Ordinary	ZA Notre-Dame, 84430, Mondragon, France	100%
Rolls-Royce Nuclear Field Services Inc	Common Stock	Corporation Service Company, 80 State Street, Albany, NY 12207, United States	100%
Rolls-Royce Oman LLC**	Ordinary	Bait Al Reem, Business Office, #131, Building No. 81 Way No. 3409, Block No. 234, Al Thaqafa Street, Al Khuwair, PO Box 20 Postal Code 103, Oman	100%
Rolls-Royce Operations (India) Private Limited**	Ordinary	Birla Tower West, 2nd Floor, 25 Barakhamba Road, New Delhi, 110001, India	100%
Rolls-Royce Overseas Investments Limited**	Ordinary	Moor Lane, Derby, England DE24 8BJ	100%
Rolls-Royce Placements Limited	Ordinary	Moor Lane, Derby, England DE24 8BJ	100%



# **Rolls-Royce Overseas Holdings Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

Rolls-Royce Saudi Arabia Limited	Cash Shares	PO Box 88545, Riyadh, 11672, Saudi Arabia	100%
Rolls-Royce Singapore PTE. Ltd **	Ordinary	1 Marina Boulevard, #28-00 One Marina Boulevard, 018989, Singapore	100%
Rolls-Royce Technical Support sari**	Ordinary	Centrada 1, Avenue Didier Daurat, 31700 Blagnac, Toulouse, France	100%
Rolls-Royce Turkey Power Solutions Industry And Trade Limited**	Cash Shares	Meclis i Mebusan Cad No. 1, Ekemen Han 34427, Kabataş, Istanbul, Turkey	100%
Vessel Lifter Inc	Common Stock	Corporation Service Company, 1201 Hays Street, Tallahassee, FL32301, United States	100%
Vinters-Armstrongs Limited**	Ordinary B	Moor Lane, Derby, England DE24 8BJ	100%

\* Rolls-Royce Australia Limited changed its name to Rolls-Royce Australia Pty Limited on 9 January 2017.

## **Rolls-Royce Overseas Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **Joint ventures**

**£ 000**

#### **Cost or valuation**

At 1 January 2017	115,974
Additions	<u>27,803</u>
At 31 December 2017	143,777

#### **Impairment**

At 31 December 2017	<u>-</u>
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#### **Carrying amount**

At 31 December 2017	<u><u>143,777</u></u>
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# Rolls-Royce Overseas Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Details as at 31 December 2017 are as follows:

\*\* denotes a direct shareholding of the company

Company name	Class of shares	Address	Proportion of ownership interest and voting rights held 2017
Alpha Leasing (US) (No.2) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.4) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.5) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.6) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.7) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.8) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing Limited	Ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Alpha Partners Leasing Limited**	A ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%
Egypt Aero Management Services**	Ordinary	EgyptAir Engine Workshop, Cairo International Airport, Cairo, Egypt	50%
GE Rolls-Royce Fighter Engine Team LLC	Partnership (no equity held)	The Corporation Trust Company, 1209 Orange Street, Wilmington, DE19801, United States	40%
Hong Kong Aero Engine Services Limited**	Ordinary	33rd Floor, One Pacific Place, 88 Queensway, Hong Kong	50%
International Aerospace Manufacturing Private Limited**	Ordinary	3 Survey Number, 3 Kempapura Village, Varthur Hobli, Bangalore, KA 560037, India	50%
Light Helicopter Turbine Engine Company	Partnership (no equity held)	Suite 119, 9238 Madison Boulevard, Madison, AL35758, United States	50%
Omega Leasing (US) (No.2) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing (US) (No.4) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing (US) (No.5) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing (US) (No.6) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing (US) (No.7) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing (US) (No.8) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%

# Rolls-Royce Overseas Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

Omega Leasing (US) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Omega Leasing Limited	Ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%
Rolls-Royce & Partners Finance (US) (No.2) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Rolls-Royce & Partners Finance (US) LLC	Partnership (no equity held)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Rolls-Royce & Partners Finance Limited	Ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%
Rolls-Royce Engine Leasing (Labuan) (No.2) Limited	Ordinary	Unit Level 13(A), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	50%
Rolls-Royce Engine Leasing (Labuan) Limited	Ordinary	Unit Level 13(A), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia	50%
RRPF Engine Leasing (No.2) Limited	Ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%
RRPF Engine Leasing (US) (No.2) LLC	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
RRPF Engine Leasing (US) LLC	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
RRPF Engine Leasing Limited	Ordinary	62 Buckingham Gate, London, England, SW1E 6AT	50%
Singapore Aero Engine Services Private Limited	Ordinary	11 Calshot Road, 509932, Singapore	50%
Techjet Aerofoils Limited**	Ordinary A & Ordinary B	Tefen Industrial Zone, PO Box 16, 24959, Israel	50%

**Rolls-Royce Overseas Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

Texas Aero Engine Services LLC	Partnership (no equity held)	The Corporation Trust Company, 1209 Orange St. Wilmington, DE19801, United States	50%
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## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 14 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	5,595	7,910
Work in progress	2,220	6,210
Finished goods and goods for resale	9,611	3,784
	<u>17,426</u>	<u>17,904</u>

#### 15 Trade and other receivables: amounts due less than one year

	2017 £ 000	2016 £ 000
Trade receivables	7,178	5,325
Amounts owed by group undertakings	-	11,441
Prepayments and accrued income	-	587
Other receivables	2,289	1,110
	<u>9,467</u>	<u>18,463</u>

#### 16 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	9,503	9,113
Amounts owed to group undertakings	505,625	501,264
Social security and other taxes	1,145	1,408
Group relief payable	260	1,664
Other payables	587	869
	<u>517,120</u>	<u>514,318</u>

#### 17 Dividends

During the year a dividend of £230,000 thousand was paid (2016 - £Nil).

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 18 Share capital

##### Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	314,502	314,502	314,502	314,502

##### Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
'A' shares of \$1 each	120,756	84,997	120,756	84,997

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 for;
- b) sale of the undertaking of the company;
- c) varying or abrogating any of the rights attached to the 'A' shares.

#### 19 Contingent liabilities

In January 2017, after full cooperation, Rolls-Royce Holdings plc (RRH plc) the ultimate parent company of the company) concluded deferred prosecution agreements with the Serious Fraud Office (SFO), an independent United Kingdom government department, and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow and other investigations or enforcement action may be commenced. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRH plc are not currently aware of any matters that are likely to lead to a financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements on this company.

#### 20 Parent and ultimate parent undertaking

The company's immediate parent is Rolls-Royce plc.

The ultimate parent is Rolls-Royce Holdings plc.

Rolls-Royce Holdings plc is the ultimate controlling party and 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.

The consolidated financial statements of these groups are available to the public and may be obtained from 62 Buckingham Gate, London, SW1E 6AT.