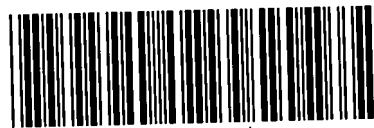


Registration number: 02658963

Rolls-Royce Overseas Holdings Limited

Annual Report and Financial Statements
for the year ended 31 December 2021

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Rolls-Royce Overseas Holdings Limited

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Rolls-Royce Overseas Holdings Limited

Company Information

Directors	Jason Luke Gary Sampson
Registered number	02658963
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Chamberlain Square Birmingham B3 3AX

Rolls-Royce Overseas Holdings Limited

Strategic Report for the year ended 31 December 2021

The Directors present their Strategic Report on Rolls-Royce Overseas Holdings Limited (the Company), together with the audited Financial Statements for the year ended 31 December 2021.

Principal activities

The principal activities of the Company relate to holding investments in its subsidiaries and joint ventures. The Company holds investments in two joint operations which are proportionally consolidated. The Financial Statements include the trading results of the two joint operations: Techjet Aerofoils Limited ("Techjet") and International Aerospace Manufacturing Private Limited ("IAMPL").

Business review

The Company holds investments in its subsidiaries and joint ventures at cost less accumulated impairment losses. The revenue and cost of sales of the Company relate entirely to the proportionally consolidated results of the joint operations for both years ended 31 December 2021 and 2020.

The profit for the financial year after taxation amounted to £362,132,000 (2020: £312,458,000). The Company has net assets of £886,117,000 (2020: £878,496,000).

Revenue of £16,891,000 (2020: £26,651,000) decreased significantly in 2021. The decline in revenue was due to Techjet, the largest of the Company's joint operations, involved in compressor aerofoil manufacture, of which revenue continued to decrease in 2021, from £20,494,000 in 2020 to £10,856,000 in 2021, driven by continued load reductions in the year as a result of market conditions from COVID-19.

The profit for the financial year after taxation has increased by £49,674,000 compared to prior year due to the profit on disposal of £82,334,000 from the Company's investment in Rolls-Royce Civil Nuclear SAS offset by a reduction in dividend income. Income from participating interests was £23,012,000 in 2021 (2020: £31,502,000) and income from shares in Rolls-Royce Holdings plc's group (Group) undertakings was £265,780,000 in 2021 (2020: £297,849,000).

Current borrowings of £2,109,000 (2020: £1,996,000) relate to the element of the external loans held by the Company's joint operation, IAMPL. The borrowings relate to packing credit secured on IAMPL's trade receivables and inventory.

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that there are no key performance indicators which are necessary or appropriate for an understanding of the Company's specific development, performance, or the position of its business.

Principal risks and uncertainties

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 Group risk management procedures and detailed within the Rolls-Royce Holdings plc's Annual Report which is publicly available from the address in note 23.

The Directors have considered the potential impact of climate change when preparing the Financial Statements and whether climate change should be considered to be a principal risk to the Company. The Company operates as part of the Group, which has set decarbonisation commitments and identified longer-term considerations related to climate change. There is no material impact to the Company from climate change in the short-term or that would materially impact these Financial Statements.

COVID-19 – In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and has continued to cause a reduction in revenue and operating margin due to the reduction in load volumes from the results of the Company's two joint operations.

Rolls-Royce Overseas Holdings Limited

Strategic Report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties (continued)

Carrying value of investments - The Company holds significant investments in subsidiaries of the Group. A decline in the value of one or more subsidiary undertakings could materially impact upon the carrying value of the investments held on the Company's balance sheet. The Company undertakes an impairment review of the carrying value of investments if any trigger event is identified. Further details of the post balance sheet review are set out in note 14.

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; 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. The mitigating activities for the risks are:

The Group has an extensive compliance programme, which is applied within the Company. 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 ethics and compliance issues.

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. The Company implements the financial risk management policies as shown in the Directors' Report.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

To discharge their Section 172 duties, the Directors had regard to the factors set out above in making the principal decisions taken by the Company.

Although the Company's principal activity is that of a holding company, the Company holds investments in two joint operations which are proportionally consolidated. The Company's key stakeholders are therefore its joint operations, namely IAMPL and Techjet. Each joint operation will use both the Rolls-Royce Sales and Operation Review Board (SORB) demand profile from the SORB process and external demand signals to regularly engage with external suppliers to discuss their latest requirements; this involves support from the Company where necessary. Communication with stakeholders takes many forms including face to face meetings and consultation from the Rolls-Royce designated statutory directors.

Rolls-Royce Overseas Holdings Limited

Strategic Report for the year ended 31 December 2021 (continued)

Section 172(1) statement (continued)

The Company engages with IAMPL to look at options to reduce the impact the demand reductions are having on the joint operations. The Company engages with IAMPL via board to board and management meetings. The Directors receive information on engagement through board papers which outline the impact of decisions on key stakeholders, they then use skills learnt during their director training to consider the impact decisions have on stakeholders and the wider community. The Directors then consider the stakeholder impacts against long-term strategy and principal risks. The Directors ensure principal risks are mitigated by adopting the Rolls-Royce Holdings plc Global Code of Conduct. The Company provided constructive challenge to IAMPL when looking at their cost base and implemented mitigating actions to reduce costs in light of COVID-19. Examples of this include: headcount right sizing, operating cost reductions and the request of rent discounts from the other shareholder, Hindustan Aeronautics Limited, who own the property. The Company engages with Techjet to ensure the impact of demand reductions on the joint operation is, where possible, mitigated through ensuring headcount is right sized, operating costs are flexed and inventory holdings are commensurate to load.

The Directors ensure that when making principal decisions they factor in the principal risks of the Company and the interests of all stakeholders. When any principal financial decisions are made and discussed, the Directors ensure that the consequences of the decisions over the long-term to other stakeholders including employees' interests and relationships with other suppliers and customers are considered. An example of this is during dividend payments whereby the Directors must consider how the payment of a dividend impacts the Company's ability to pay suppliers, fulfil contract obligations and any employees' remuneration.

The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2021. Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in Board decision-making. The Directors utilise their director training which highlights the importance of taking stakeholders into account during long-term decision making.

The Directors consider business relationships with the Company's wider stakeholders, the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year. As a Group company, the Company complies and acts in accordance with the Group's policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 23.

Culture is a combination of the values, attitudes and behaviours demonstrated by the Company in its activities and relations with stakeholders. The Company embodies and demonstrates the desired culture of the Group to maintain a reputation for high standards of business conduct through the adoption of the Group Policy manual which ensures that the Company embodies the philosophy to act with integrity and is trusted to deliver excellence. Further details on the Group Policy manual and the policies the Company adopts can be found in the Rolls-Royce Holdings plc Annual Report.

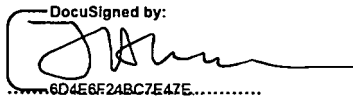
Rolls-Royce Overseas Holdings Limited

Strategic Report for the year ended 31 December 2021 (continued)

Climate-related corporate reporting

The Company adopts the policies and frameworks set by the Group which include the sustainability measures set out in the Rolls-Royce Holdings plc Annual Report on pages 34 to 45. The Company is aligned to the objectives of the Group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment.

Approved by the Board on 9 June 2022 and signed on its behalf by:

DocuSigned by:

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Jason Luke

Director

Rolls-Royce Overseas Holdings Limited

Directors' Report for the year ended 31 December 2021

The Directors present their Directors' Report on the Company, together with the audited Financial Statements for the year ended 31 December 2021.

Directors

The Directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

Jason Luke

Gary Sampson

Qualifying third-party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of the approval of the Annual Report and Financial Statements.

Results and dividends

The Company made £362,132,000 profit after taxation for the year (2020: £312,458,000). The net assets of the Company are £886,117,000 (2020: £878,496,000).

On 19 May 2021, the Company paid a dividend of £135,000,000 and on 22 December 2021 paid a dividend of £220,000,000 to its parent undertaking, Rolls-Royce plc (2020: £350,000,000).

During the year, the Company received total income from shares in Group undertakings of £265,780,000 (2020: £297,849,000). This was made up of dividends from Rolls-Royce Australia Pty Limited of £1,085,000; Rolls-Royce Singapore Pte. Limited of £222,911,000; Rolls-Royce Civil Nuclear S.A.S. of £30,953,000; Rolls-Royce India Private Limited of £10,491,000; and Rolls-Royce Technical Support Sarl of £340,000 (2020: Rolls-Royce Overseas Investments Limited of £295,136,000; Rolls-Royce Technical Support Sarl of £436,000; and Rolls-Royce Australia Pty Limited of £2,277,000).

Future developments

Following the impact of COVID-19 on the Civil Aerospace industry, the cash flows of certain businesses in which the Company holds an investment in have been reduced and as a result, the ability to pay dividends to the Company in the short term may be reduced. The Directors are also aware that a reduction in cash flows in these businesses could lead to an increase risk of impairment to the carrying value of investments. The Directors will continue to monitor the performance of the Company's investments during 2022 and assess whether an impairment charge is required to be recognised.

Financial risk management

The following financial risk is considered key by the Directors:

Liquidity risk

The Company has net current liabilities of £438,212,000 (2020: £450,295,000) and a liquidity risk, which is primarily attributable to amounts due to Group undertakings in trade and other payables. Since the amounts due are to a fellow Group undertaking the risk that the Company will be called upon to settle its debts as they fall due is considered to be low.

The Company is reliant on its parent company for continued financial support and has received written confirmation that the parent company will continue to provide financial support for at least 12 months from the date of approval of these financial statements. The Company also has some external borrowings through its joint operations. The Company through its joint operations monitors on a periodic basis the cash flows to ensure it can fulfil its repayment obligations as they fall due.

Credit risk

The Company's joint operations make sales on a credit basis and are therefore exposed to the risks of non-payment. Each joint operation regularly reviews the credit levels afforded to its customers and adjusts these where appropriate.

Rolls-Royce Overseas Holdings Limited

Directors' Report for the year ended 31 December 2021 (continued)

Going concern

The Financial Statements have been prepared on a going concern basis. 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.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Financial Statements on a going concern basis.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Rolls-Royce Overseas Holdings Limited

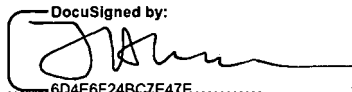
Directors' Report for the year ended 31 December 2021 (continued)

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 9 June 2022 and signed on its behalf by:

DocuSigned by:

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Jason Luke
Director

Rolls-Royce Overseas Holdings Limited

Independent auditor's report to the members of Rolls-Royce Overseas Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rolls-Royce Overseas Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Rolls-Royce Overseas Holdings Limited

Independent auditor's report to the members of Rolls-Royce Overseas Holdings Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Rolls-Royce Overseas Holdings Limited

Independent auditor's report to the members of Rolls-Royce Overseas Holdings Limited

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices and tax compliance legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates, in particular in relation to impairment assessments. Also the creation or inclusion of transactions in revenue of joint operations where the proportion consolidated is a material financial statement line item.. Audit procedures performed by the engagement team included:

- Discussions throughout the audit with management and the company's in-house legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Testing a selection of journal entries posted during the period at the holding entity level;
- Adopting a risk based approach to testing relevant shares in assets, liabilities, revenue and expenses recognised from shares held in Joint Operations. This included setting criteria to identify journal entries for testing, for example unusual journal combinations relating to revenue, which is also relevant to the fraud in revenue recognition risk and incorporating element of unpredictability to respond to risk of management override of control; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias) in particular in relation to impairment assessments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Rolls-Royce Overseas Holdings Limited

Independent auditor's report to the members of Rolls-Royce Overseas Holdings Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

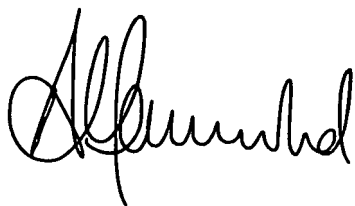
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Hammond (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

10 June 2022

Rolls-Royce Overseas Holdings Limited

Income Statement for the year ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	3	16,891	26,651
Cost of sales		<u>(22,138)</u>	<u>(30,110)</u>
Gross loss		(5,247)	(3,459)
Administrative expenses	4	<u>(39)</u>	<u>(8,520)</u>
Operating loss	4	(5,286)	(11,979)
Income from shares in group undertakings	14	265,780	297,849
Income from participating interests	14	23,012	31,502
Profit on disposal of investment	14	<u>82,334</u>	<u>-</u>
Profit before financing and taxation		365,840	317,372
Finance income	8	19	372
Finance costs	9	<u>(1,198)</u>	<u>(3,673)</u>
Profit before taxation		364,661	314,071
Taxation	10	<u>(2,529)</u>	<u>(1,613)</u>
Profit for the financial year		<u>362,132</u>	<u>312,458</u>

The above results were derived from continuing operations.

The notes on pages 17 to 39 form an integral part of these Financial Statements.

Rolls-Royce Overseas Holdings Limited**Statement of Comprehensive Income
for the year ended 31 December 2021**

	2021 £000	2020 £000
Profit for the financial year	362,132	312,458
Amounts that may be reclassified to income statement:		
Foreign exchange movement in year	<u>489</u>	<u>(1,572)</u>
Total comprehensive income for the year	<u>362,621</u>	<u>310,886</u>

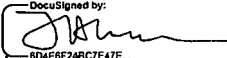
The notes on pages 17 to 39 form an integral part of these Financial Statements.

Rolls-Royce Overseas Holdings Limited

Balance Sheet as at 31 December 2021 (Registration number: 02658963)

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Intangible assets	11	837	285
Property, plant and equipment	12	7,840	11,175
Right-of-use assets	13	3,575	3,906
Investments	14	1,314,628	1,317,339
Deferred tax assets	10	719	98
		1,327,599	1,332,803
Current assets			
Inventories	15	12,580	14,607
Trade and other receivables	16	47,757	33,041
Cash and cash equivalents		11,353	13,505
		71,690	61,153
Current liabilities			
Trade and other payables	18	(507,307)	(508,982)
Loans and borrowings	17	(2,595)	(2,466)
		(509,902)	(511,448)
Net current liabilities		(438,212)	(450,295)
Total assets less current liabilities		889,387	882,508
Non-current liabilities			
Trade and other payables	18	(165)	(569)
Loans and borrowings	17	(3,105)	(3,443)
		(3,270)	(4,012)
Net assets		886,117	878,496
Equity			
Called up share capital	19	399,499	399,499
Share premium		133,961	133,961
Other reserves		2,275	1,786
Retained earnings		350,382	343,250
Total equity		886,117	878,496

The Financial Statements on pages 13 to 39 were approved and authorised for issue by the Directors on 9 June 2022 and signed on its behalf by:

DocuSigned by:

 8DAE8F24BCE7E
 Jason Luke
 Director

The notes on pages 17 to 39 form an integral part of these Financial Statements.

Rolls-Royce Overseas Holdings Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Called up share capital £ 000	Share premium reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	399,499	133,961	1,786	343,250	878,496
Profit for the financial year	-	-	-	362,132	362,132
Foreign exchange movement in year	-	-	489	-	489
Total comprehensive income	-	-	489	362,132	362,621
Dividends (note 14)	-	-	-	(355,000)	(355,000)
At 31 December 2021	399,499	133,961	2,275	350,382	886,117

	Called up share capital £ 000	Share premium reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	399,499	133,961	3,350	380,800	917,610
Profit for the financial year	-	-	-	312,458	312,458
Foreign exchange movement in year	-	-	(1,564)	(8)	(1,572)
Total comprehensive income	-	-	(1,564)	312,450	310,886
Dividends (note 14)	-	-	-	(350,000)	(350,000)
At 31 December 2020	399,499	133,961	1,786	343,250	878,496

Other reserves relate to the cumulative translation gain arising from the retranslation of the Company's two joint operations results into the functional currency of the Company.

The notes on pages 17 to 39 form an integral part of these Financial Statements.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021

1 General information

The Company is a private company limited by shares, incorporated and domiciled in the East Midlands, United Kingdom.

The address of its registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

Principal activities

The principal activity of the Company is that of a holding company. However, the Company holds investments in two joint operations which are proportionally consolidated. The financial statements therefore include the trading results of the two joint operations: Techjet Aerofoils Limited ('Techjet') and International Aerospace Manufacturing Private Limited ('IAMPL'). Techjet are engaged in the development and manufacture of blades and IAMPL manufacture products and components used in the Civil Aerospace sector.

2 Significant accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006.

In these Financial Statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The following paragraphs of IAS 1 *Presentation of financial statements*:
 - 10(d) (statement of cash flows);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures);
- IAS 7 *Statement of cash flows*;
- IFRS 7 *Financial Instruments: Disclosures*;
- Paragraph 38 of IAS 1 *Presentation of financial statements* – comparative information requirements in respect of:
 - paragraph 73(e) of IAS 16 *Property, plant and equipment*; and
 - paragraph 118(e) of IAS 38 *Intangible assets* (reconciliations between the carrying amount at the beginning and end of the period);
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group; and
- Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation).

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies. The Financial Statements are not considered to contain any area involving a higher degree of judgement or complexity and therefore no further considerations are required.

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

Going concern

The Financial Statements have been prepared on a going concern basis. 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.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Financial Statements on a going concern basis.

Exemption from preparing group accounts

The financial statements contain information about the Company 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, which are publicly available. The address of the parent company's registered office is set out in note 23.

Functional and presentational currency

Both the Company's functional and presentational currency is Pound Sterling.

All amounts in the Financial Statements and notes have been rounded to the nearest,000 Pounds Sterling, unless otherwise stated.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognised in the income statement.

The trading results of the joint operations, which are proportionally consolidated in accordance with IFRS 11, 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.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Revenue recognition

Revenues comprise sales made by joint operations to other Rolls-Royce Holdings plc group companies and outside customers, excluding value added taxes, in respect of deliveries made during the year. The Company recognises revenue when performance obligations have been satisfied, which is when goods have been transferred to the customer and the customer has control of these. This is considered to be at a point in time.

Revenue is recognised when control of goods is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenue when (or as) each performance obligation is satisfied. The revenue of the Company comes from the sale of goods that are recognised at a point in time. Sales of goods in the Income Statement are recognised by the Company when control of the goods has been transferred, being when the customer takes control of the goods and that all performance obligations have been fulfilled. This is considered to be when the goods are delivered to the customer.

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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Intangible assets

Intangible assets consist of amounts paid in respect of long-term project technical know-how and software, 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.

Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any provision for impairment in value. Depreciation is provided at rates calculated to write off the cost of tangible assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings - 2.5%. Freehold land is not depreciated.

Furniture, fittings and equipment - 10% to 33.3%

Tangible assets are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amounts.

Property, plant and equipment assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as a gain or loss within administrative expenses in the income statement.

Investments

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined that two of its joint arrangements are joint operations: Techjet and IAMPL. Joint operations are consolidated on a proportionate basis.

Investments in subsidiaries and joint ventures are shown at cost less accumulated impairment losses.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value.

The cost of raw materials is determined on a weighted average basis.

The cost of finished goods and work in progress 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 based on normal operating capacity of the production facilities. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets and liabilities

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Impairment of financial assets

The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets

Financial assets primarily include trade receivables and cash and cash equivalents (comprising cash at bank, money market funds and short-term deposits).

- Trade receivables are generally classified as 'held to collect' and measured at amortised cost.
- Cash and cash equivalents (consisting of balances with banks and short-term deposits) are subject to low market risk. Cash balances are measured at fair value through profit and loss (FVTPL).

Financial liabilities

Financial liabilities primarily consist of trade payables, lease liabilities and borrowings. All other financial liabilities are classified and measured at amortised cost.

Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business.

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 expected credit losses. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. 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.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for termination of the lease, if the lease term reflects the Company exercising that option.

Where leases commence after the initial transition date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Lease liabilities are revalued at each reporting date using the spot exchange rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability or a revaluation of the liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Each right-of-use asset is depreciated over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Company, in which case the asset is depreciated to the end of the useful life of the asset.

Payments associated with the short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

3 Revenue

A geographical analysis of revenue is presented as follows:

	2021 £ 000	2020 £ 000
Germany	3,275	3,586
United States	910	1,902
United Kingdom	9,148	11,284
Australasia and Pacific	3,555	9,714
Middle East and Asia	3	165
	<u>16,891</u>	<u>26,651</u>

Revenue is derived from sale of goods.

4 Operating loss

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense (see note 12)	3,225	3,825
Amortisation expense (see note 11)	113	99
Charge for impairment of property, plant and equipment	–	10,073
Inventory recognised as an expense	4,201	8,605
(Reversal)/charge for impairment of inventory	(548)	96
Wages and salaries	5,813	9,467
Social security costs	277	459
Other pension costs	591	922
Reversal for impairment of investments (see note 14)	–	(740)
Depreciation of right-of-use assets (see note 13)	<u>480</u>	<u>526</u>

5 Staff costs

The Company has no employees, as it is a holding company. However, cost of sales include staff related costs due to the Financial Statements including the proportionate consolidation of the results of the Company's joint operations (see note 4).

6 Directors' remuneration

All Directors fees or emoluments were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Directors of the Company cannot be reliably estimated. No charge has been made in the current or prior years for the service of Directors.

7 Auditors' remuneration

The fee for the audit of these Financial Statements is £45,000 (2020: £35,000) and is borne by the parent company and not recharged to the Company.

£Nil (2020: £nil) was paid to the Company's auditors for non-audit services.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8 Finance income

	2021 £ 000	2020 £ 000
Bank and loan interest receivable	19	325
Impairment reversal of intercompany loans	–	47
	<u>19</u>	<u>372</u>

9 Finance costs

	2021 £ 000	2020 £ 000
Other interest payable	30	8
Foreign exchange losses	1,168	3,665
	<u>1,198</u>	<u>3,673</u>

10 Taxation

Tax charged/(credited) in the income statement:

	2021 £ 000	2020 £ 000
Current tax		
UK corporation tax charge on profit for the year	2,020	2,421
Group relief payable for the year at 19% (2020: 19%)	26	196
Adjustments in respect of prior periods	354	(71)
Foreign tax on income for the year	735	(463)
Total current tax charge	<u>3,135</u>	<u>2,083</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>(606)</u>	<u>(470)</u>
Tax expense in the income statement	<u><u>2,529</u></u>	<u><u>1,613</u></u>

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10 Taxation

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before taxation	<u>364,661</u>	<u>314,071</u>
Corporation tax at standard rate of 19% (2020: 19%)	69,285	59,673
Effects of:		
Income not taxable	(67,845)	(57,526)
Adjustments in respect of prior periods	354	(71)
Foreign tax	<u>735</u>	<u>(463)</u>
Total tax charge	<u>2,529</u>	<u>1,613</u>

The Spring Budget 2020 announced that the UK corporation tax rate would increase from 19% to 25% from 1 April 2023. The new law was substantively enacted on 24th May 2021.

Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2021 £ 000
Other items	137	606	–	743
Foreign exchange differences on foreign operations	<u>(39)</u>	<u>–</u>	<u>15</u>	<u>(24)</u>
Net tax (liabilities)/assets	<u>98</u>	<u>606</u>	<u>15</u>	<u>719</u>

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2020 £ 000
Other items	(333)	470	-	137
Foreign exchange differences on foreign operations	(25)	-	(14)	(39)
Net tax (liabilities)/assets	(358)	470	(14)	98

Other items comprise of accelerated capital allowance losses and other timing differences.

11 Intangible assets

	Other intangible assets £ 000
Cost	
At 1 January 2021	9,149
Additions	651
Foreign exchange movements	129
At 31 December 2021	9,929
Accumulated amortisation	
At 1 January 2021	8,864
Amortisation charge	113
Foreign exchange movements	115
At 31 December 2021	9,092
Carrying amount	
At 31 December 2021	837
At 31 December 2020	285

Intangible assets consist of amounts paid in respect of long-term project technical know-how and software, primarily relating to the Trent 500 engine.

Rolls-Royce Overseas Holdings Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

12 Property, plant and equipment

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2021	7,184	72,302	79,486
Disposals	–	(305)	(305)
Foreign exchange movements	91	908	999
At 31 December 2021	<u>7,275</u>	<u>72,905</u>	<u>80,180</u>
Accumulated depreciation			
At 1 January 2021	2,561	65,750	68,311
Charge for the year	–	3,225	3,225
Foreign exchange movements	25	779	804
At 31 December 2021	<u>2,586</u>	<u>69,754</u>	<u>72,340</u>
Carrying amount			
At 31 December 2021	<u>4,689</u>	<u>3,151</u>	<u>7,840</u>
At 31 December 2020	<u>4,623</u>	<u>6,552</u>	<u>11,175</u>

Included within freehold land and buildings is non-depreciable land with a cost of £361,000 (2020: £356,000).

In accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the non-current assets have been assessed by reference to value in use where a trigger event is identified. Value in use has been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions.

The principal value in use assumptions considered to be individually significant are:

- Trading assumptions (e.g. volume of original equipment deliveries, pricing achieved and cost escalation) are based on current and known future programmes, estimates of load volumes and long-term economic forecasts; and
- a pre-tax discount rate 11.5%.

No impairment charge is required (2020: £10,073,000) No reasonable change in the assumptions would result in a material change in the conclusion.

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

13 Right-of-use assets

	Land and buildings £ 000
Cost	
At 1 January 2021	4,897
Additions/lease modifications	108
Foreign exchange movements	64
	<hr/>
At 31 December 2021	5,069
Accumulated depreciation	
At 1 January 2021	991
Charge for the year	481
Foreign exchange movements	22
	<hr/>
At 31 December 2021	1,494
Carrying amount	
At 31 December 2021	<hr/> 3,575
At 31 December 2020	<hr/> 3,906

Depreciation of £481,000 (2020: £526,000) is included in cost of sales in the income statement.

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

14 Investments

The Company's investments comprise investments in subsidiaries of £1,159,940,000 (2020: £1,162,651,000) and investments in joint ventures of £154,688,000 (2020: £154,688,000). The Company's total carrying amount of investments are £1,314,628,000 (2020: £1,317,339,000).

	Total £ 000
Subsidiaries	
Cost	
At 1 January 2021	1,173,540
Disposal of investment	<u>(2,711)</u>
At 31 December 2021	<u>1,170,829</u>
Provision for impairment	
At 1 January 2021	<u>10,889</u>
At 31 December 2021	<u>10,889</u>
Carrying amount	
At 31 December 2021	<u><u>1,159,940</u></u>
At 31 December 2020	<u><u>1,162,651</u></u>

During the year the Company received total income from shares in group undertakings of £265,780,000 (2020: £297,849,000). This was made up of dividends from Rolls-Royce Australia Pty Limited of £1,085,000, Rolls-Royce Singapore Pte. Limited of £222,911,000, Rolls-Royce Civil Nuclear S.A.S. of £30,953,000, Rolls-Royce India Private Limited of £10,491,000 and Rolls-Royce Technical Support Sarl of £340,000 (2020: Rolls-Royce Overseas Investments Limited of £295,136,000, Rolls-Royce Technical Support Sarl of £436,000 and Rolls-Royce Australia Pty Limited of £2,277,000).

The Directors have reassessed the carrying value of the Company's other investments in subsidiary undertakings based upon their net asset values as at 31 December 2021 and have identified no impairment triggers. During the year ended 31 December 2020, a net reversal of an impairment charge of £740,000 was recognised which comprised £1,193,000 reversal of previously recognised impairments and £453,000 of impairment charges. The reversal and charges were due to a review of the carrying value of the investments and historical adjustments on several subsidiary undertakings of which no individual amount was significant.

On 5 November 2021, the Rolls-Royce Holdings plc group completed the sale of its Rolls Royce Civil Nuclear Instrumentation and Control business to Framatome for a cash consideration of £85,045,000. Prior to the disposal, the Company held a carrying value of £2,711,000 in respect of its 100% shareholding Rolls-Royce Civil Nuclear SAS.

The profit/(loss) on disposal of £82,334,000 is derived as follows:

	£ 000
Consideration received in respect of shareholding disposed	85,045
Less: carrying value of investment	<u>(2,711)</u>
Profit on disposal	<u>82,334</u>

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

14 Investments (continued)

The following were subsidiary undertakings / participating interest of the Company as at 31 December 2021:

**indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2021
Nightingale Insurance Limited**	Ordinary	PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey	100%
PT Rolls-Royce	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma, Jakarta, 13610, Indonesia	99%
Rolls Royce Turkey Güç Çözümleri San. ve Tic.Ltd.Şti.**	Cash Shares	Lavazim Mahallesi, Koru Sokagi, Zorlu Center No:2 Teras Evler T2 D:204, Zincirlikuyu, Besiktas, Istanbul, 3430, Turkey	99.9%
Rolls-Royce (Ireland) Unlimited Company**. ¹	Ordinary	Ulster International Financial, 1st Floor, IFSC House, Dublin 1, Ireland	100%
Rolls-Royce Australia Pty Limited**	Ordinary	Level 1, 60 Martin Place, Sydney, NSW, 2000, Australia	100%
Rolls-Royce Australia Services Pty Limited**	Ordinary	Level 1, 60 Martin Place, Sydney, NSW, 2000, Australia	100%
Rolls-Royce Chile SpA**	Ordinary	Alcantara 200, Office 1303, Las Condes, Santiago, Chile	99.99%
Rolls-Royce Control Systems Holdings Co. ¹	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Corporation	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Crosspointe LLC	Partnership	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	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 Defense 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 2021 (continued)

14 Investments (continued)

Company name	Share class	Address	% Holding 2021
Rolls-Royce Energy Systems Inc ¹	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** ¹	Capital Stock	Bldg 06 Berthaphil Compound, Jose Abad Santos Avenue, Clark Special Economic Zone Clark Pampanga Phillippines	100%
Rolls-Royce Finance Company Limited ¹	Deferred & Ordinary	Kings Place, 90 York Way, London, N1 9FX	100%
Rolls-Royce Finance Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce High Temperature Composites Inc	Ordinary	Corporation Service Company, 2710 Gateway Oaks Dr, Suite 150N, Sacramento, CA 95833, United States	100%
Rolls-Royce India Private Limited**	Equity	Birla Tower West 2 nd Floor 25, Barakhamba Rd, New Delhi, 110001, India	99.99%
Rolls-Royce Malaysia Sdn Bhd**	Ordinary	C-2-3A TTDI Plaza, Jalan Wan Kadir 3, Taman Tun Dr Ismail, 60000, Kuala Lumpur, Malaysia	100%
Rolls-Royce Marine North America 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 2021 (continued)

14 Investments (continued)

Company name	Share class	Address	% Holding 2021
Rolls-Royce New Zealand Limited**	Ordinary	C/o Deloitte, 80 Queen Street, Auckland Central, Auckland, 1010, New Zealand	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 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	99%
Rolls-Royce Operations (India) Private Limited**, 1	Ordinary	Birla Tower West 2 nd Floor 25, Barakhamba Rd, New Delhi, 110001, India	99.99%
Rolls-Royce Overseas Investments 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 2021 (continued)

14 Investments (continued)

Company name	Share class	Address	% Holding 2021
Rolls-Royce Placements Limited	Ordinary	Kings Place, 90 York Way, London, N1 9FX	100%
Rolls-Royce Saudi Arabia Limited	Cash Shares	PO Box 88545, Riyadh, 11672, Saudi Arabia	95%
Rolls-Royce Singapore PTE. Ltd **	Ordinary	6 Shenton Way, #33-00 OUE, Downtown, Singapore, 068809, Singapore	100%
Rolls-Royce Technical Support sarl**	Ordinary	Centrada , Avenue Didier Daurat, 31700 Blagnac, Toulouse France	100%
Vessel Lifter Inc ¹	Common Stock	Corporation Service Company, 1201 Hays Street, Tallahassee, FL32301, United States	100%
Vinters- Armstrongs Limited** ¹	Ordinary B	Moor Lane, Derby, England, DE24 8BJ	100%

¹ Dormant² In liquidation

	Total £ 000
Joint ventures	
Cost	
At 1 January 2021 and 31 December 2021	154,688
Impairment	
At 1 January 2021 and 31 December 2021	-
Carrying amount	
At 31 December 2021	154,688
At 31 December 2020	154,688

During the year, the Company received total income from participating interests of £23,012,000 (2020 - £31,502,000). This was made up of £23,012,000 (2020 - £31,502,000) from Hong Kong Aero Engine Services Limited.

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

14 Investments (continued)

Company name	Share class	Address	Proportion of ownership interest and voting rights held 2021
Alpha Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.4) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.5) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.6) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.7) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) (No.8) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Alpha Partners Leasing Limited ^{** , 3}	A Ordinary	1 Brewer's Green, London, SW1H 0RH, United Kingdom	50%
Egypt Aero Management Services ^{** , 2}	Ordinary	EgyptAir Engine Workshop, Cairo International Airport, Cairo, Egypt	50%
Hong Kong Aero Engine Services Limited ^{**}	Ordinary	33rd Floor, One Pacific Place, 88 Queensway, Hong Kong	50%

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

14 Investments (continued)

Company name	Share class	Address	Proportion of ownership interest and voting rights held 2021
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)	Suite 119, 9238 Madison Boulevard, Madison, AL35758, United States	50%
Rolls-Royce Energy Angola, LDA**, ¹	Quota	Luanda, Municipality of Ingombota, Bairro Miramar, Largo Leite Duarte, Casa no. 174, Angola	50%
Rolls-Royce & Partners Finance (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Rolls-Royce & Partners Finance (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	50%
Singapore Aero Engine Services Private Limited	Ordinary	11 Calshot Road, 509932, Singapore	50%
Taec Ucak Motor Sanayi AS**	Cash Shares	Buyukdere Caddesi, Proif. Ahmet Kemal Aru, Sokagi Kaleseramik, Binasi Levent No. 4, Besiktas, Istanbul	49%
Techjet Aerofoils Limited**, ⁴	Ordinary A & Ordinary B	Tefen Industrial Zone, PO Box 16, 24959, Israel	50%
Texas Aero Engine Services LLC ¹	Partnership (no equity)	The Corporation Trust Company, 1209 Orange St, Wilmington, DE19801, United States	50%

¹ Dormant

² In liquidation

³ The Company owns 100% of the A Ordinary share class and 50% of the total share capital

⁴ The Company owns 50% of the Ordinary A share class, 50% of the Ordinary B share class and 50% of the total share capital

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

15 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	4,194	5,258
Work in progress	5,989	6,096
Finished goods and goods for resale	2,397	3,253
	<u>12,580</u>	<u>14,607</u>

There is no significant difference between replacement cost of work in progress and finished goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £469,000 (2020: £1,017,000).

16 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	6,116	3,745
Amounts owed by group undertakings	40,422	27,989
Other receivables	1,219	1,307
	<u>47,757</u>	<u>33,041</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings are stated after provision for impairment of £nil (2020: £nil).

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

17 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank borrowings	2,109	1,996
Lease liabilities	486	470
	<u>2,595</u>	<u>2,466</u>

Current borrowings relate to the element of the external loans held by the Company's joint operation, IAMPL, due less than one year. The borrowings relate to packing credit secured on IAMPL's trade receivables and inventory. The terms of the credit are 6 months from the draw down date and interest is payable half-yearly at LIBOR plus 150 basis points. From 1st January 2022, Secured Overnight Financing Rate (SOFR) has been adopted to replace LIBOR following the IBOR reform. The borrowings also relate to a loan for capital expenditure due for repayment in less than one year.

	2021 £ 000	2020 £ 000
Non-current loans and borrowings		
Lease liabilities	3,105	3,443
	<u>3,105</u>	<u>3,443</u>

Future minimum lease payments on leases as at 31 December 2021 are as follows:

	2021 £ 000	2020 £ 000
Within one year	517	499
In one to two years	525	499
In two to five years	1,575	1,497
After five years	1,059	1,513
Total gross payments	<u>3,676</u>	<u>4,008</u>
Impact of finance expense	(85)	(95)
Carrying amount of liability	<u>3,591</u>	<u>3,913</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2021 was 7.2% (2020: 0.8%).

During the year to 31 December 2021, an interest expense on lease liabilities of £29,000 (2020: £3,000) has been recognised in the income statement.

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

18 Trade and other payables

	2021 £ 000	2020 £ 000
Trade payables	2,136	1,850
Accruals	954	662
Amounts owed to group undertakings	501,040	501,108
Social security and other taxes	808	848
Group relief payable	2,047	4,617
Other payables	487	466
	507,472	509,551

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The social security and other taxes relate to the Company's joint operations, whose results have been proportionately consolidated in the financial statements.

Accruals relate to vacation and recreation pay accrued in the Company's joint operations, IAMPL which is based in India and Techjet which is based in Israel.

Trade payables includes amounts due after 12 months of £nil (2020: £465,000) and social security and other taxes includes amounts due after 12 months of £165,000 (2020: £104,000).

19 Called-up share capital

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	314,502	314,502	314,502	314,502

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
'A' shares of \$1 each	120,756	84,997	120,756	84,997

Rights, preferences and restrictions

Ordinary shares:

Ordinary shares have the following rights, preferences and restrictions:

Any proxy appointed by a member will be entitled to vote on a show of hands or a poll, with each member entitled to one vote. The Company may declare dividends by ordinary resolution but no dividend should exceed the amount recommended by the Directors.

'A' shares:

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.

Rolls-Royce Overseas Holdings Limited
Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

19 Called-up share capital (continued)

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.

20 Contingent liabilities

In January 2017, after full cooperation, the Group concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. The terms of both DPAs have now expired; the DPA with the DoJ was dismissed by the US District Court on 19 May 2020 and the SFO filed notice of discontinuance of proceedings with the UK Court on 18 January 2022. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

21 Commitments

Contractual commitments for the purchase of property, plant and equipment

At 31 December 2021 the Company had contractual commitments for the purchase of plant and equipment of £159,000 (2020: £72,000).

22 Post balance sheet events

There have been no post balance sheet events.

23 Parent and ultimate parent undertaking

The Company's immediate parent is Rolls-Royce 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 Kings Place, 90 York Way, London, United Kingdom, N1 9FX.