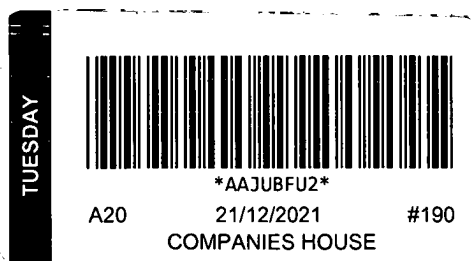


Registration number: 02658963

# Rolls-Royce Overseas Holdings Limited

Annual Report and Financial Statements

for the year ended 31 December 2020



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

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

### **Company Information**

**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 2020**

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 2020.

#### **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 therefore 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 2020 and 2019.

The profit for the financial year after taxation amounted to £312,458,000 (2019: £376,462,000).

The Company has net assets of £878,496,000 (2019: £917,610,000).

Revenue of £26,651,000 (2019: £45,999,000) decreased significantly in 2020. Techjet, the largest of the Company's joint operations, involved in compressor aerofoil manufacture, saw revenue decrease in the year, from £37,071,000 in 2019 to £20,494,000 in 2020 and in IAMPL, revenue decreased from £8,927,000 in 2019 to £6,157,000 in 2020 driven by load reductions as a result of market conditions from COVID-19.

The profit for the financial year after taxation has decreased by £64,004,000 compared to prior year due to the decrease in revenue as a result of market conditions and reduction in dividend income. In addition, an impairment charge of £10,073,000 has been recognised from the operational impact of COVID-19. Income from participating interests was £31,502,000 in 2020 (2019: £52,870,000).

Current borrowings of £1,996,000 (2019: £3,580,000) 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. Non-current borrowings of £nil (2019: £185,000) related to external loans held by IAMPL, which are due in greater than one year.

#### **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 Rolls-Royce Holdings plc's group risk management procedures and detailed within the Rolls-Royce Holdings plc's Annual Report which can be obtained from the address in note 24.

**Rolls-Royce Overseas Holdings Limited**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Principal risks and uncertainties (continued)**

*COVID-19* – In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and global governments continue to implement measures to address the outbreak. The COVID-19 pandemic caused a reduction in revenue and operating margin due to the reduction in load volumes from the results of the Company's two joint operations.

*Carrying value of investments* - The Company holds significant investments in subsidiaries of the Rolls-Royce Holdings plc 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 are set out in note 14.

*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 below financial risk management policies:

**Financial risk management**

The following financial risk is considered key by the Directors:

*Liquidity risk*

The Company has net current liabilities of £450,295,000 (2019: £424,084,000) 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.

*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**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Financial risk management (continued)**

*Cash flow risk*

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.

**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 considered to be necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business.

**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 Company's 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 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 2004 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.

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.

**Rolls-Royce Overseas Holdings Limited**  
**Strategic Report**  
**for the year ended 31 December 2020 (continued)**

**Section 172(1) statement (continued)**

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.

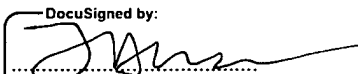
The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020. 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 annual 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 Rolls-Royce Holdings plc group company, the Company complies and acts in accordance with the Rolls-Royce Holdings plc policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which can be obtained from the address in note 24.

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

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 Rolls-Royce Holdings plc 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.

Approved by the Board on 17 December 2021 and signed on its behalf by:

DocuSigned by:  
  
JF16K...BC7E47E...  
Director

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

### **Directors' Report for the year ended 31 December 2020**

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

#### **Directors**

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

J H Luke

G Sampson (appointed 18 August 2020)

I R Hetherington (appointed 13 May 2019 and resigned 28 August 2020)

#### **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 this report.

#### **Results**

The profit for the year, after taxation, amounted to £312,458,000 (2019: £376,462,000).

#### **Dividends**

On the 26 June 2020, the Company paid an interim dividend of £350,000,000 to its parent undertaking (Rolls-Royce plc).

During the year the Company received total income from shares in group undertakings of £297,849,000 (2019: £324,111,000). This was largely made up of dividends from 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 (2019: Rolls-Royce Overseas Investments Limited of £316,820,000, Rolls-Royce Nuclear Services France S.A.S of £5,884,000, Rolls-Royce Malaysia SDN BHD of £386,000 and Rolls-Royce Technical Support Sarl of £345,000).

#### **Future developments**

The outlook of the joint operation companies which are proportionally consolidated in the Company's financial results remains positive, with strong order books. Following the impact of COVID-19 on the Civil Aerospace industry, the cash flows of certain businesses in which the Company holds an investment 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 increased risk of impairment to the carrying value of investments. The Directors will continue to monitor the performance of the Company's investments during 2020 and assess whether an impairment charge is required to be recognised.

#### **Financial risk management**

The details of the Company's financial risk management are set out in more detail on page 3.



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

### **Directors' Report for the year ended 31 December 2020 (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, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

#### **Streamlined Energy & Carbon Reporting (SECR)**

The Company is a subsidiary of the Rolls-Royce Holdings plc group and therefore the SECR disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc Annual Report on page 205. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

#### **Post balance sheet events**

On 19 May 2021, the Company paid an interim dividend of £135,000,000 to its parent undertaking (Rolls-Royce plc).

On 8 November 2021, the Company disposed of its investment in Rolls-Royce Nuclear France SAS for a consideration of £84,044,000.

#### **Customers, Suppliers and Others Statement**

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172 Statement in the Strategic Report (see page 4).

The Company's activities affect a wide range of stakeholders and the Company engages with these stakeholders and listens to their differing inputs and priorities as an everyday part of its business and uses the input and feedback to form its decision-making process. The Company utilises various engagement methods with IAMPL and Techjet which include regular engagement meetings at lower management levels. The Directors recognise that communication is key as IAMPL and Techjet operate from more than one geographical location, including India and Israel. In relation to COVID-19 decisions have been considered in light of all country-specific requirements. The regular engagement and involvement with IAMPL and Techjet enable the Company to effect change, examples of how this has occurred when there was a decrease in demand is outlined in the Section 172(1) Statement in the Strategic Report (see page 4).

From the perspective of the Company's Directors, as outlined in the Section 172 Statement in the Strategic Report (see page 4), as a result of the Rolls-Royce Holdings plc group governance structure, and the Company being a holding company, the Rolls-Royce Holdings plc Board of Directors have taken the lead in carrying out the duties of a board in respect of the Company's other stakeholders. The Company's Directors have also considered relevant matters where appropriate in relation to communication and engagement with IAMPL and Techjet. An explanation of how the Rolls-Royce Holdings plc Board of Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is set out in the Rolls-Royce Holdings plc Annual Report (see note 24) and does not form part of this report.

#### **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.

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

### **Directors' Report for the year ended 31 December 2020 (continued)**

#### **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.

#### **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 17 December 2021 and signed on its behalf by:

DocuSigned by:  
  
6D4E6F24BC7E47E...  
J H Luke  
Director

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

### **Independent Auditors' 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 2020 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 2020; 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 Auditors' Report to the members of Rolls-Royce Overseas Holdings Limited (continued)**

#### **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 2020 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 Auditors' Report to the members of Rolls-Royce Overseas Holdings Limited (continued)**

#### *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 assessment. 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 fraud and non-compliance with laws and regulations;
- 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;
- Assess completeness of journal entries to identify unusual journal entries for testing. As a holding company and given the nature of its transactions all journals have been audited;
- Adopting a risk based approach to testing significant and material share in assets, liabilities, revenue and expenses recognised from share 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 assessment.

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.

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

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *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

17 December 2021

**Rolls-Royce Overseas Holdings Limited****Income Statement  
for the year ended 31 December 2020**

	<b>Note</b>	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Revenue	3	26,651	45,999
Cost of sales		<u>(30,110)</u>	<u>(43,652)</u>
<b>Gross (loss)/profit</b>		<b>(3,459)</b>	<b>2,347</b>
Administrative expenses	4	<u>(8,520)</u>	<u>(3,195)</u>
<b>Operating (loss)/profit</b>	4	<b>(11,979)</b>	<b>(848)</b>
Income from shares in group undertakings	14	297,849	324,111
Income from participating interests	14	31,502	52,870
Disposal of investment	14	-	3,112
Finance income	5	372	483
Finance costs	6	<u>(3,673)</u>	<u>(835)</u>
<b>Profit before taxation</b>		<b>314,071</b>	<b>378,893</b>
Taxation	10	<u>(1,613)</u>	<u>(2,431)</u>
<b>Profit for the financial year</b>		<b>312,458</b>	<b>376,462</b>

The above results were derived from continuing operations.

The notes on pages 17 to 42 form an integral part of these financial statements.

**Rolls-Royce Overseas Holdings Limited**

**Statement of Comprehensive Income  
for the year ended 31 December 2020**

	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Profit for the year	<u>312,458</u>	<u>376,462</u>
<b>Total comprehensive income for the year</b>	<u><u>312,458</u></u>	<u><u>376,462</u></u>

The notes on pages 17 to 42 form an integral part of these financial statements.

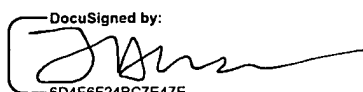


# Rolls-Royce Overseas Holdings Limited

## Balance Sheet as at 31 December 2020 (Registration number: 02658963)

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Intangible assets	11	285	416
Property, plant and equipment	12	11,175	24,710
Right-of-use assets	13	3,906	6,766
Investments	14	1,317,339	1,316,599
Deferred tax asset	10	98	-
		<u>1,332,803</u>	<u>1,348,491</u>
<b>Current assets</b>			
Inventories	15	14,607	16,647
Trade and other receivables	16	33,041	62,355
Cash and cash equivalents		<u>13,505</u>	<u>9,885</u>
		<u>61,153</u>	<u>88,887</u>
<b>Current liabilities</b>			
Trade and other payables	18	(508,982)	(508,879)
Loans and borrowings	17	<u>(2,466)</u>	<u>(4,092)</u>
		<u>(511,448)</u>	<u>(512,971)</u>
Net current liabilities		<u>(450,295)</u>	<u>(424,084)</u>
Total assets less current liabilities		<b>882,508</b>	<b>924,407</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(569)	-
Loans and borrowings	17	(3,443)	(6,439)
Deferred tax liabilities	10	<u>-</u>	<u>(358)</u>
<b>Net assets</b>		<u><b>878,496</b></u>	<u><b>917,610</b></u>
<b>Equity</b>			
Called up share capital	21	399,499	399,499
Share premium		133,961	133,961
Other reserves		1,786	3,350
Retained earnings		<u>343,250</u>	<u>380,800</u>
<b>Total equity</b>		<u><b>878,496</b></u>	<u><b>917,610</b></u>

The financial statements on pages 13 to 42 were approved and authorised for issue by the Directors on 17 December 2021 and signed on its behalf by:

DocuSigned by:  
  
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 J H Luke

Director

The notes on pages 17 to 42 form an integral part of these financial statements.

## Rolls-Royce Overseas Holdings Limited

### Statement of Changes in Equity for the year ended 31 December 2020

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

	<b>Called up share capital £ 000</b>	<b>Share premium reserve £ 000</b>	<b>Other reserves £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total equity £ 000</b>
At 1 January 2019	399,499	133,961	4,826	370,338	908,624
Profit for the financial year	-	-	-	376,462	376,462
Total comprehensive income	-	-	-	376,462	376,462
Foreign exchange movement in year	-	-	(1,476)	-	(1,476)
Dividends (note 14)	-	-	-	(366,000)	(366,000)
At 31 December 2019	399,499	133,961	3,350	380,800	917,610

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 42 form an integral part of these financial statements.

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

### **Notes to the Financial Statements for the year ended 31 December 2020**

#### **1 General information**

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

The address of its registered office is:

Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

#### **Principal activity**

The principal activity of the Company is 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 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**

No new standards and interpretations issued by the IASB had a financial impact on the 2020 financial statements.

**Rolls-Royce Overseas Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

**Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*Key estimate – Impairment of non-current assets*

In accordance with IAS 36, COVID-19 is considered to be a trigger event to reassess whether an asset is impaired. The carrying value of non-current assets, where a value in use is performed to calculate recoverable amount, is dependent on the estimates of future cash flow forecasts which are influenced by assumptions such as forecast load volumes and future demand. In some cases, the investments in subsidiary undertakings have been reviewed for impairment based upon their net asset values. See note 12 and note 14 for further detail of the reviews performed.

**Critical accounting judgements in applying the entities accounting policies**

The financial statements are not considered to contain any area involving a higher degree of judgement in applying the Company's accounting policies and therefore no further consideration is 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 18 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, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

**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 24.

**Rolls-Royce Overseas Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**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.

**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.

**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.

**Deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, 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.

**Rolls-Royce Overseas Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**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, 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.

**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:

Land and buildings - freehold buildings - 2.5%, leasehold over the remaining lease term

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.

**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.

**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.

**Rolls-Royce Overseas Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**2 Significant accounting policies (continued)**

**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.

**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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

*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.

**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.

**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.

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 2 Significant accounting policies (continued)

##### 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.

##### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

##### 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.



## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### Leases (continued)

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.

#### 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.

#### 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.

### 3 Revenue

The geographical analysis of revenue by country is as follows:

	2020	2019
	£ 000	£ 000
Germany	3,586	8,185
United States	1,902	2,040
United Kingdom	11,284	18,260
Australasia and Pacific	9,714	15,540
Middle East and Asia	165	1,974
	<u>26,651</u>	<u>45,999</u>

# Rolls-Royce Overseas Holdings Limited

## Notes to the Financial Statements for the year ended 31 December 2020 (continued)

### 4 Operating loss

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation expense (see note 12)	3,825	4,297
Amortisation expense (see note 11)	99	225
Charge for impairment of property, plant and equipment	10,073	-
Inventory recognised as an expense	8,605	11,238
Impairment of inventory	96	244
Wages and salaries	9,467	10,292
Social security costs	459	587
Other pension costs	922	1,199
Net (reversal)/charge for impairment of investments (see note 14)	(740)	844
Depreciation of right-of-use assets (see note 13)	526	581

### 5 Finance income

	2020 £ 000	2019 £ 000
Bank and loan interest receivable	325	483
Impairment reversal of intercompany loans	47	-
	<u>372</u>	<u>483</u>

### 6 Finance costs

	2020 £ 000	2019 £ 000
Other interest payable	8	288
Impairment of intercompany loans	-	13
Foreign exchange losses	3,665	534
	<u>3,673</u>	<u>835</u>

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 7 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).

#### 8 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 to the Company cannot be reliably estimated. No charge has been made in the current or prior year for the services of the Directors.

#### 9 Auditors' remuneration

The fees for the audit of the Company financial statements were £35,000 (2019: £28,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged.

£Nil (2019: £nil) was paid to the Company's auditors for non-audit services.

#### 10 Taxation

Tax charged in the income statement:

	2020 £ 000	2019 £ 000
<b>Current tax</b>		
UK corporation tax charge on profit for the year	2,421	2,071
Group relief payable/(receivable) for the year at 19.00% (2019: 19.00%)	196	(379)
Adjustments in respect of prior periods	(71)	-
Foreign tax on income for the year	<u>(463)</u>	<u>1,022</u>
Total current tax charge	2,083	2,714
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(470)</u>	<u>(283)</u>
<b>Tax expense in the income statement</b>	<u>1,613</u>	<u>2,431</u>

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 10 Taxation (continued)

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
<b>Profit before tax</b>	<u>314,071</u>	<u>378,893</u>
Corporation tax at standard rate of 19% (2019: 19%)	59,673	71,990
Effects of:		
Income not taxable	(57,526)	(70,581)
Adjustments in respect of prior periods	(71)	-
Foreign tax	<u>(463)</u>	<u>1,022</u>
<b>Total tax charge</b>	<u>1,613</u>	<u>2,431</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% rather than reducing to 17%. This new law was substantively enacted on 17 March 2020.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax asset by £333k.

#### Deferred tax

Deferred tax movement during the year:

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

**Rolls-Royce Overseas Holdings Limited**

**Notes to the Financial Statements**

**for the year ended 31 December 2020 (continued)**

**10 Taxation (continued)**

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2019 £ 000
Other items	(616)	283	-	(333)
Foreign exchange differences on foreign operations	(36)	-	11	(25)
Net tax liabilities	(652)	283	11	(358)

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

**11 Intangible assets**

	Other intangible assets £ 000
<b>Cost</b>	
At 1 January 2020	9,483
Disposals	(26)
Foreign exchange movements	(308)
At 31 December 2020	9,149
<b>Accumulated amortisation</b>	
At 1 January 2020	9,067
Amortisation charge	99
Foreign exchange movements	(302)
At 31 December 2020	8,864
<b>Net book value</b>	
At 31 December 2020	285
At 31 December 2019	416

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 2020 (continued)

#### 12 Property, plant and equipment

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost</b>			
At 1 January 2020	7,426	73,802	81,228
Additions	–	964	964
Foreign exchange movements	(242)	(2,464)	(2,706)
At 31 December 2020	<u>7,184</u>	<u>72,302</u>	<u>79,486</u>
<b>Accumulated depreciation</b>			
At 1 January 2020	2,355	54,163	56,518
Charge for the year	274	3,551	3,825
Impairment charge for the year	–	10,073	10,073
Foreign exchange movements	(68)	(2,037)	(2,105)
At 31 December 2020	<u>2,561</u>	<u>65,750</u>	<u>68,311</u>
<b>Carrying amount</b>			
At 31 December 2020	<u>4,623</u>	<u>6,552</u>	<u>11,175</u>
At 31 December 2019	<u>5,071</u>	<u>19,639</u>	<u>24,710</u>

Included within Freehold land and buildings is land with a cost of £356,000 (2019: £386,000).

Following the impact of COVID-19 and in accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the non-current assets relating to the Techjet business have been assessed by reference to value in use. 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. load volume expectations, pricing and cost inflation) are based on current estimates of load volumes and long-term economic forecasts;
- cash flows outside of most recent forecasts are based on expected trends in sales volume and a long term growth rate of 2.0%; and
- a pre-tax discount rate 11.0%.

An impairment charge of £10,073,000 (2019: £nil) has been recognised. No reasonable change in the assumptions above would result in a material change to the impairment charge.

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 13 Right-of-use assets

	Land and buildings £ 000
<b>Cost</b>	
At 1 January 2020	7,281
Additions/modifications of lease	(2,283)
Foreign exchange movements	(101)
At 31 December 2020	<u>4,897</u>
<b>Accumulated depreciation</b>	
At 1 January 2020	515
Charge for the year	526
Foreign exchange movements	(50)
At 31 December 2020	<u>991</u>
<b>Net book value</b>	
At 31 December 2020	<u>3,906</u>
At 31 December 2019	<u>6,766</u>

Depreciation of £526,000 (2019: £581,000) is included in cost of sales in the income statement.

#### 14 Investments

The Company's investments comprise investments in subsidiaries of £1,162,651,000 (2019 - £1,161,911,000) and investments in joint ventures of £154,688,000 (2019 - £154,688,000). The Company's total carrying amount of investments are £1,317,339,000 (2019 - £1,316,599,000).

	£ 000
<b>Cost</b>	
At 1 January and 31 December 2020	<u>1,173,540</u>
<b>Provision for impairment</b>	
At 1 January 2020	11,629
Provision in year	453
Reversal of impairment	(1,193)
At 31 December 2020	<u>10,889</u>
<b>Net book value</b>	
At 31 December 2020	<u>1,162,651</u>
At 31 December 2019	<u>1,161,911</u>

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

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **14 Investments (continued)**

During the year the Company received total income from shares in group undertakings of £297,849,000 (2019: £324,111,000). This was largely made up of dividends from 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 (2019: £316,820,000, Rolls-Royce Nuclear Services France S.A.S of £5,884,000, Rolls-Royce Malaysia SDN BHD of £386,000 and Rolls-Royce Technical Support Sarl of £345,000).

During the year ended 31 December 2020, a net reversal of an impairment charge of £740,000 which comprises £1,193,000 reversal of previously recognised impairments and £453,000 of impairment charges. The reversal and charges are 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. During the year ended 31 December 2019, an impairment charge was recognised to the carrying value of the Company's investment in Rolls-Royce Oman LLC of £844,000

During the year ended 31 December 2019, the Company disposed of its shareholding in Rolls-Royce Namibia (Proprietary) Limited for a consideration of £3,462,000 which resulted in a gain on disposal of £3,112,000.

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 2020 and at 31 December 2019 and have identified no further impairments.



## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 14 Investments (continued)

The following were subsidiary undertakings / participating interest of the Company as at 31 December 2020:

\*\*indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2020
Nightingale Insurance Limited**	Ordinary	Maison Trinity, Trinity Square, St. Peter Port, GY1 4AT, Guernsey	100%
PT Rolls-Royce	Ordinary	Mid Plaza 2, Lantai 16 Jl. Jenderal Sudirman 10-11, Jakarta, Pusat, 10220, Indonesia	99%
Rolls-Royce Australia Pty 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 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 Defence Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Energy Systems 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 2020 (continued)

#### 14 Investments (continued)

Company name	Share class	Address	% Holding 2020
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 Phillippines	100%
Rolls-Royce Finance Company Limited	Deferred & Ordinary	Moor Lane, Derby, England, DE24 8BJ	100%
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 2 <sup>nd</sup> Floor 25, Barakhamba Rd, New Delhi, 110001, India	99.99%
Rolls-Royce International s.r.o	Ordinary	Pobrezni 620/3, 186 00, Karlin – Prague 8, Czech Republic	100%
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 Chile SpA**	Ordinary	Alcantara 200, Office 1303, Las Condes, Santiago, Chile	99.99%
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 2020 (continued)

#### 14 Investments (continued)

Company name	Share class	Address	% Holding 2020
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	99%
Rolls-Royce Mexico S De RI De Cv**	Ordinary	Boulevard Adolfo Ruiz Cortinez 3642- 403, Fracc Costa de Oro, Veracruz CP 94299 6, Mexico	99%
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**	Ordinary	Birla Tower West 2 <sup>nd</sup> 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 2020 (continued)

#### 14 Investments (continued)

Company name	Share class	Address	% Holding 2020
Rolls-Royce Placements Limited	Ordinary	Moor Lane, Derby, England, DE24 8BJ	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%
Rolls-Royce Turkey Power Solutions Industry And Trade Limited**	Cash Shares	Lavazim Mahallesi, Koru Sokagi, Zorlu Center No:2 Teras Evler T2 D:204, Zincirlikuyu, Besiktas, Istanbul, 3430, Turkey	99%
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 Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 14 Investments (continued)

##### Joint ventures

	£ 000
<b>Cost</b>	
At 1 January and 31 December 2020	154,688
<b>Impairment</b>	
At 1 January and 31 December 2020	-
<b>Carrying amount</b>	
At 31 December 2020	154,688
At 31 December 2019	154,688

During the year, the Company received total income from participating interests of £31,502,000 (2019 - £52,870,000). This was made up of £31,502,000 (2019 - £38,686,000) from Hong Kong Aero Engine Services Limited and £nil (2019 - £14,185,000) from Alpha Partners Leasing Limited.

**Rolls-Royce Overseas Holdings Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**14 Investments (continued)**

<b>Company name</b>	<b>Share class</b>	<b>Address</b>	<b>Proportion of ownership interest and voting rights held 2020</b>
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**	A Ordinary	1 Brewer's Green, London, SW1H 0RH, United Kingdom	50%
Egypt Aero Management Services**	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 2020 (continued)

#### 14 Investments (continued)

Company name	Share class	Address	Proportion of ownership interest and voting rights held 2020
International Aerospace Manufacturing Private Limited**	Partnership (no equity)	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, Limitada	Quota	Rua Rei Katyavala, Edificio Rei Katyavalo, 'Entrada B, Piso 8, Luanda, 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%
Rolls-Royce & Partners Finance Limited	Ordinary	1 Brewer's Green, London, SW1H 0RH, United Kingdom	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**	Ordinary A & Ordinary B	Tefen Industrial Zone, PO Box 16, 24959, Israel	50%
Texas Aero Engine Services LLC	Partnership (no equity)	The Corporation Trust Company, 1209 Orange St, Wilmington, DE19801, United States	50%

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 15 Inventories

	2020 £ 000	2019 £ 000
Raw materials and consumables	5,258	6,298
Work in progress	6,096	8,436
Finished goods and goods for resale	3,253	1,913
	<u>14,607</u>	<u>16,647</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 £1,017,000 (2019 - £921,000).

#### 16 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	3,745	8,866
Amounts owed by group undertakings	27,989	51,180
Other receivables	1,307	2,309
	<u>33,041</u>	<u>62,355</u>

Amounts owed by group undertakings are non-interest bearing, unsecured and repayable on demand.

Amounts owed by group undertakings are stated after provision for impairment of £nil (2019: £47,000).

#### 17 Loans and borrowings

	2020 £ 000	2019 £ 000
<b>Current loans and borrowings</b>		
Bank borrowings	1,996	3,580
Lease liabilities	470	512
	<u>2,466</u>	<u>4,092</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 250 basis points and at LIBOR plus 115 basis points. The borrowings also relate to a loan for capital expenditure due for repayment in less than one year.



**Rolls-Royce Overseas Holdings Limited**

**Notes to the Financial Statements**  
**for the year ended 31 December 2020 (continued)**

**17 Loans and borrowings (continued)**

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
<b>Non-current loans and borrowings</b>		
Bank borrowings	-	185
Lease liabilities	<u>3,443</u>	<u>6,254</u>
	<u>3,443</u>	<u>6,439</u>

Non-current borrowings related to external loans held by the Company's joint operation, IAMPL, which are due in greater than one year. The external bank loan was secured on the plant and machinery of the Company. The loan was repaid during the year.

Future minimum lease payments as at 31 December 2020 are as follows:

	<b>£ 000</b>
Less than 1 year	499
Between 1 -2 years	499
Between 2-5 years	1,497
After 5 years	<u>1,513</u>
<b>Total gross payments</b>	<u>4,008</u>
Impact of finance expense	<u>(95)</u>
<b>Carrying value of liability</b>	<u>3,913</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2020 was 0.80% (2019: 1.56%).

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 18 Trade and other payables

	2020 £ 000	2019 £ 000
Trade payables	1,850	4,110
Accruals	662	890
Amounts owed to group undertakings	501,108	500,666
Social security and other taxes	848	1,322
Group relief payable	4,617	1,692
Other payables	466	199
	<u>509,551</u>	<u>508,879</u>

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 £465,000 and social security and other taxes includes amounts due after 12 months of £104,000.

#### 19 Dividends

On 19 May 2021, the Company paid an interim dividend of £135,000,000 to its parent undertaking (Rolls-Royce plc).

#### 20 Commitments

##### **Contractual commitments for the purchase of property, plant and equipment**

At 31 December 2020 the Company had contractual commitments for the purchase of plant and equipment of £72,000 (2019: £199,000).

## Rolls-Royce Overseas Holdings Limited

### Notes to the Financial Statements for the year ended 31 December 2020 (continued)

#### 21 Called up share capital

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	314,502	314,502	314,502	314,502
	314,502	314,502	314,502	314,502

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
'A' shares of \$1 each	120,756	84,997	120,756	84,997
	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.

#### 22 Contingent liabilities

In January 2017, after full cooperation, other companies within the Rolls-Royce plc 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. Following the expiry of its term the DPA with the US DoJ was dismissed by the US District Court on 19 May 2020. Other 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 relating against those other companies within the Rolls-Royce plc group or other individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matter 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.

#### 23 Post balance sheet events

On 19 May 2021, the Company paid an interim dividend of £135,000,000 to its parent undertaking (Rolls-Royce plc).

On 8 November 2021, the Company disposed of its investment in Rolls-Royce Nuclear France SAS for a consideration of £84,044,000.

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

### **Notes to the Financial Statements for the year ended 31 December 2020 (continued)**

#### **24 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.

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