
Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROLLS-ROYCE HOLDINGS PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Rolls-Royce Holdings plc's consolidated financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2024 and of the group's profit and the group's cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2024; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

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 group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the financial statements, including the impact of climate change, we subjected 32 individual components (including three joint ventures) to full scope audits for group reporting purposes, which, with an element of sub-consolidation, equates to 15 group reporting opinions. In addition, 13 components performed targeted specified audit procedures contributing to audit coverage.
- The group engagement team audited the company and other centralised functions and balances including those covering the group treasury operations, corporate taxation, post-retirement benefits, and certain goodwill and intangible asset impairment assessments. The group engagement team performed audit procedures over the group consolidation and financial statements disclosures.
- The components on which we performed full scope audit procedures, together with the work performed by the group engagement team as identified above, accounted for 92% of revenue and 79% of profit before taxation.
- For non-full scope components, which were not considered inconsequential components, we either performed audit procedures over specific account balances or targeted risk assessment procedures.
- Some centralised audit testing was performed for certain reporting components who are supported by the group's Finance Service Centres (FSCs).
- As part of the group audit supervision process, the group engagement team met with and discussed the approach and results of audit procedures with component teams and reviewed their audit files and final deliverables. In person site visits to components in the UK, Germany, US, Hong Kong and Singapore were also performed.

Key audit matters

- Long-term contract accounting and associated provisions (group)
- Deferred tax asset recognition and recoverability (group)
- Translation of foreign currency denominated transactions and balances (group)
- Presentation and accuracy of underlying results and disclosure of other one-off items (including exceptional items) (group)
- Recoverability of the company's investments in subsidiary undertakings (company)

Materiality

- Overall group materiality: £178m (2023: £93m) based on approximately 1.0% of underlying revenue (2023: approximately 0.6% of underlying revenue).
- Overall company materiality: £149m (2023: £147m) based on approximately 1.0% of total assets.
- Performance materiality: £110m (2023: £70m) (group) and £111m (2023: £110m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter

Long-term contract accounting and associated provisions (group)

Audit Committee report and note 1 to the consolidated financial statements – Accounting policies – Revenue recognition and contract assets and liabilities

The Civil Aerospace and Defence businesses operate primarily with long-term customer contracts that span multiple periods. These long-term contracts require a number of assumptions to be made in order to determine the expected lifetime revenue and costs of the contract and the amounts of revenue and profit/loss that are recognised in each reporting period.

Small adjustments in assumptions can have a significant impact on the results of an individual financial year. Changes to the profile of shop visits or operating conditions of engines can result in different performance assumptions and hence cost profiles. Some contracts include inflation linked price escalations which require judgement to determine the extent to which future price increases are highly probable not to reverse and therefore can be recognised. These changes to forecasts can result in revisions to the revenue previously recognised.

For Defence, long-term contracts tend to be for a fixed price or based on a cost plus or target cost reimbursement for qualifying costs and there are also some flying hours arrangements. For Civil Aerospace aftermarket contracts, income is earned based on engine flying hours (EFH). Management is required to estimate this to determine the total income expected over the life of a contract. The group expects large engine EFH to grow to 110-115% of pre-pandemic levels during 2025.

In addition, the profitability of Civil Aerospace aftermarket contracts typically assumes that there will be significant cost improvements over the lifetime (eight to 15 years) of the contracts. Significant assumptions need to be made in determining time-on-wing, whether incremental costs should be treated as wastage or are part of the ongoing cost of servicing a contract, future exchange rates used to translate foreign currency income and costs and other operating parameters used to calculate the projected life cycle. These future costs are also risk adjusted to take into account forecasting accuracy which represents an additional judgement.

At the development stage of a programme, agreements are entered into with certain Civil Aerospace suppliers to share in the risk and rewards of the contracts (Risk and Revenue Sharing Agreements – 'RRSA'). This can involve upfront participation fees from the RRSA that are amortised over the engine production phase. In addition, certain revenue and costs are recorded in the consolidated income statement net of the amounts received from the RRSA.

The nature of the Civil Aerospace business gives rise to a number of contractual guarantees, warranties and potential claims, including the in-service issues of the Trent 1000 programme. The accounting for these can be complex and judgemental and may impact the consolidated income statement immediately or over the life of the contract. The valuation of provisions for the associated amounts are judgemental and need to be considered on a contract by contract basis.

How our audit addressed the key audit matter

We focused our work on a number of contracts where we consider there to be the highest degree of management judgement or estimation and designed specific procedures over the long-term contract accounting targeted at the associated risks. We also sample tested the remaining population of contracts. The audit procedures performed included:

- We attended meetings with Civil Aerospace and Defence engine programme and customer contract managers in order to understand the operational matters impacting the performance of specific contracts and any amendments to contractual arrangements that could have an impact on performance;
- We obtained and read the relevant sections of a sample of contracts to understand the key terms including performance obligations and pricing structures;
- We assessed how management had forecast engine flying hours including by considering the downside scenarios modelled and comparing the assumptions to industry data;
- We challenged management's judgments and associated risk adjustments relating to the risk of engine flying hours, costs and technical items;
- We re-performed the calculations used to determine the degree of completion for a sample of contracts and this was also used in assessing the magnitude of any catch-up adjustments;
- We compared the previously forecast results of a sample of contracts with the actual results to assess the performance of the contract and the historical accuracy of forecasting;
- We verified a sample of costs incurred to third party documentation to assess the validity of the forecast costs to complete;
- We assessed the assumptions relating to life cycle cost reductions to determine the likelihood of realisation and where relevant the speed at which they would be achieved, including the impact on the number of shop visits, validating these assumptions directly with the senior programme engineers;
- We obtained support for the risk adjustments made in respect of future costs and challenged management's assumptions through assessment against historical performance, known technical issues and the stage of completion of the programme;
- We recalculated the price escalation included within the contracts;
- We challenged the assessment of provisions for onerous contracts to determine the completeness of the unavoidable costs to fulfil the contractual obligations. We also validated the rates used to discount the future cash flows;
- We assessed the sensitivity of the Trent 1000 programme to reasonable changes in estimates, particularly in respect of the repair and overhaul facility capacity, technical cost creep on the known issues and cost outturns against previous similar matters, including whether any costs should be treated as wastage, in determining whether the judgements were supportable;
- We read and understood the key terms of a sample of RRSA contracts to assess whether revenue and costs had been appropriately reflected, net of the share attributable to the RRSA in the consolidated income statement;

Key audit matter	How our audit addressed the key audit matter
<p>Long-term contract accounting and associated provisions (group) continued</p> <p>Management have modelled the potential impact of climate change on its forecasts and has incorporated these estimates into the long-term contracts for Civil Aerospace, which is the business with the highest expected exposure to the impact of climate change. This included incorporating the potential impact of carbon prices on the group's direct emissions including engine testing and those of its suppliers and the potential impact of climate change on commodity prices in cost estimates. The impact of climate change on long-term contracts is highly uncertain and requires estimates on carbon prices, the cost and speed of decarbonisation, the ability of the group and its suppliers to pass on incremental costs and assessing the associated impact on aviation demand.</p>	<ul style="list-style-type: none"> – With assistance from our valuation experts, we considered the appropriateness of the key assumptions used by management to model the impact of climate change, including deploying valuation experts to benchmark the carbon and commodity price forecasts utilised. We validated management's assertions on the ability of suppliers and the group to pass on incremental costs by reviewing supplier and customer contracts for price change mechanisms. Where appropriate we performed independent sensitivity analysis to determine to what extent reasonably possible changes in these assumptions could result in material changes to the revenue recorded in the year and assessed the appropriateness of the associated disclosures; – We read and challenged management's accounting papers that were prepared to explain the positions taken in respect of their key contract judgements; – We considered whether there were any indicators of management bias in arriving at their reported position; and – We assessed the adequacy of disclosures in note 1 of the key judgements and estimates involved in long-term contract accounting. <p>Based on the work performed, we concur that management's estimates for long-term contract accounting and associated provisions are materially appropriate, in the context of the financial statements taken as a whole.</p>
<p>Deferred tax asset recognition and recoverability (group)</p> <p><i>Audit Committee report, note 1 to the consolidated financial statements – Accounting policies – Taxation and note 5 to the consolidated financial statements – Taxation</i></p> <p>The recognition and recoverability of deferred tax assets in Rolls-Royce plc, where there have been significant taxable losses in the past, is based on a number of significant assumptions. Deferred tax assets can be recognised in relation to these losses to the extent it is probable that there will be sufficient future taxable profits to utilise them. Significant deferred tax assets have been recognised relating to Rolls-Royce plc on the basis of expected future levels of profitability. The magnitude of the assets recognised necessitates the need for a number of assumptions in assessing the future levels of profitability in the UK over an extended period. This requires assumptions on future profits from the group's aftermarket and original equipment sales including EFH, associated costs and the future exchange rates used to translate foreign currency denominated amounts.</p> <p>At 31 December 2024, the group recognised £3,099m (2023: £2,399m) of deferred tax assets in the UK of which £2,472m (2023: £1,476m) relate to tax losses. £1,033m of additional deferred tax assets related to tax losses have been recognised in the year as a result of the latest assessment which incorporates the impact of Civil Aerospace large engine orders in 2024, the outcomes of strategic initiatives, continued growth in Civil Aerospace flying hours and other macro-economic factors. £629m of potential deferred tax assets in relation to UK losses remain unrecognised on the basis that management have judged there are not yet sufficient probable future taxable profits for them to be utilised against.</p>	<p>We evaluated management's methodology for assessing the recognition and recoverability of deferred tax assets, which remains consistent with the prior year, including the ability to offset certain deferred tax liabilities and deferred tax assets. Where recognition is supported by the availability of sufficient probable taxable profits in future periods against which brought forward tax losses can be utilised, our evaluation of these future profits considered both the business model and the applicable UK tax legislation.</p> <p>We assessed the future profit forecasts of the UK tax group and the underpinning assumptions including management's risk weighting of particular profit streams in Rolls-Royce plc and tested that the assumptions, including the forecasts for periods beyond the normal five year forecasting horizon, were reasonable. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable.</p> <p>Where applicable we assessed the consistency of the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business, including for long-term contract accounting, for the going concern assessment and longer term viability statement. We also assessed the risk adjustments applied by management to these profit forecasts to future periods that are significantly further in time than the group's normal five year forecasting process and considered whether these appropriately reflect the estimation risk in the longer term forecasts.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Deferred tax asset recognition and recoverability (group) continued</p> <p>The existence of tax losses brought forward from prior periods and other deductible temporary differences in Rolls-Royce plc, combined with the impact of climate change on future forecasts, presents a heightened risk that deferred tax assets previously recognised may not be recoverable. Since the recognised deferred tax asset is recoverable over a long period, management have reflected their assessment of the impact of climate change within the model forecasting probable taxable profits. This incorporates multiple assumptions including future carbon prices, commodity prices, the impact of government action on aviation demand, the cost and speed of decarbonisation and the ability of suppliers and Rolls-Royce plc to pass on price changes. To assess the impact of inherent uncertainty management have performed sensitivities over key estimates.</p>	<p>We considered the appropriateness of the climate change assumptions modelled as part of their probability weighted scenarios to forecast probable profit levels and performed consistent procedures to those set-out in the long-term contract accounting and associated provisions key audit matter.</p> <p>We also performed additional sensitivity analysis to understand whether reasonably possible changes to these assumptions could lead to a material change in the recognised asset and where appropriate ensured that adequate disclosure was provided.</p> <p>We also assessed the adequacy of disclosures over this area, particularly the impact of changes in key estimates of the asset recognised and this has been disclosed in notes 1 and 5.</p> <p>We did not identify any material uncorrected exceptions from our audit work.</p>
<p>Translation of foreign currency denominated transactions and balances (group)</p> <p><i>Note 1 to the consolidated financial statements – Accounting policies – Foreign currency translation</i></p> <p>Foreign exchange rate movements influence the reported consolidated income statement, the consolidated cash flow statement and consolidated balance sheet. One of the group's primary accounting systems that is used by a number of their subsidiaries translates transactions and balances denominated in foreign currencies at a fixed budget rate for management information purposes. Foreign currency denominated transactions and balances are then re-translated to actual average and closing spot rates through manual adjustments. Due to the manual nature of the process and significance of the recurring adjustments needed there is a risk that transactions and balances denominated in foreign currencies are incorrectly translated in the consolidated financial statements.</p>	<p>We performed the following specific audit procedures over this area:</p> <ul style="list-style-type: none"> – Obtained an understanding of the process employed by management to correctly record the translation of foreign currency balances and transactions; – Tested system reports identifying transactions and balances in transaction currency by agreeing these to general ledger balances; – Tested, on a sample basis, the manual calculations of the adjustment needed to correctly record the translation of the foreign currency denominated transactions and balances; – Sampled balances and transactions requiring adjustment by transaction currency and tested to source data and assessed the completeness of these balances and transactions; – Performed procedures at a group level to understand the work undertaken by management to identify any unusual movements or balances; and – Agreed the exchange rates used in management's translation adjustments to an independent source. <p>There were no material uncorrected errors from our audit work.</p>

Key audit matter

Presentation and accuracy of underlying results and disclosure of other one-off items (including exceptional items) (group)

Note 1 to the consolidated financial statements – Accounting policies – Presentation of underlying results, note 2 to the consolidated financial statements – Segmental analysis and note 28 to the consolidated financial statements – Derivation of summary funds flow statement

In addition to the performance measures prescribed by International Financial Reporting Standards, the group also presents their results on an underlying basis, as the Directors believe this better reflects the performance of the group during the year. The group also presents a free cash flow metric which the Directors believe reflects the cash generated from underlying trading. This differs from the cash flows presented in the consolidated cash flow statement.

The underlying results differ significantly from the reported statutory results and are used extensively to explain performance to shareholders. Alternative performance measures can provide investors with additional understanding of the group's performance if consistently calculated, properly used and presented. However, when improperly used and presented, these non-GAAP measures can mislead investors and may mask the real financial performance and position. There is judgement in determining whether items should be excluded from underlying profit or free cash flow.

A key adjustment between the statutory results and the underlying results relates to the foreign exchange rates used to translate foreign currency transactions and balances. The underlying results reflect the achieved rate on foreign currency derivative contracts settled in the period and retranslates assets and liabilities at the foreign currency rates at which they are expected to be realised or settled in the future. As the group can influence which derivative contracts are settled in each reporting period it has the ability to influence the achieved rate and hence the underlying results.

One of the items excluded from underlying profit is exceptional restructuring costs associated with the transformation programme. Judgement is required to determine what costs are related to this programme to warrant exclusion from underlying profit.

Recoverability of the company's investments in subsidiary undertakings (company)

Note 2 to the company financial statements – Investments – subsidiary undertakings

Investments in subsidiary undertakings of £14,905m (2023: £14,810m) are accounted for at cost less provision for impairment in the company balance sheet at 31 December 2024.

Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement.

A review of potential indicators of impairment was performed by management focusing on the developments in the year, concluding that no such indicators were present and therefore that the investments' carrying values remain recoverable.

How our audit addressed the key audit matter

We have considered the judgements taken by management to determine what should be treated as an exceptional item and the translation of foreign currency amounts and obtained corroborative evidence for these.

We also considered whether there were items that were recorded within underlying profit that are exceptional in nature and should be reported as an exceptional item. No such material items were identified. As part of this assessment we challenged management's rationale for the designation of certain items as exceptional or one-off and assessed such items against the group's accounting policy, considering the nature and value of those items.

Within underlying results, foreign currency transactions are presented at rates achieved on derivative contracts hedging the net operating cash flows of the group and monetary assets and liabilities are retranslated at rates forecast to be achieved on derivative contracts when the associated cash flows occur. We have agreed these forecast rates to the profile of the derivatives that are expected to mature in the future and tested their application to the relevant monetary assets and liabilities.

We tested the reconciling items between the underlying operating profit and free cash flow disclosed in note 28 including verifying that the items adjusted for are consistent with the prior year. This included validating a sample of restructuring costs and verifying that the costs were sufficiently related to the transformation programme. We also considered whether free cash flow contains material one-off items which require further disclosure.

We assessed the appropriateness and completeness of disclosures of the impact of one-off or non-underlying items primarily in notes 1, 2 and 28 to the consolidated financial statements and found them to be appropriate. This included assessing the explanations management provided on the reconciling items between underlying performance and statutory performance in note 2.

Overall we found that the classification judgements made by management were in line with their policy for underlying results and exceptional items, had been consistently applied and there are no material uncorrected misstatements resulting from our testing.

We have evaluated management's assessment around recoverability of the investment in subsidiary undertakings. In doing so we have considered whether any potential indicators of impairment existed at 31 December 2024. In doing this, we considered the market capitalisation of the company at 31 December 2024, which exceeded the carrying value of investments in subsidiary undertakings. We have compared the performance of the group against the 2023 forecasts.

Overall, we found that management's judgement that there has been no indicator of potential impairment to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Our scoping is based on the group's consolidation structure. We define a component as a single reporting unit which feeds into the group consolidation. Of the group's approximately 350 reporting components, 32 individual components (including three joint ventures) were subject to full scope audits, which, with an element of sub-consolidation, equates to 15 group reporting opinions; 13 components performed targeted specified audit procedures contributing to audit coverage.

Under our audit methodology, we test both the design and operation of relevant business process controls over significant risks and perform substantive testing over each financial statement line item.

The group operates Finance Service Centres (FSCs) to bulk process financial transactions in Derby (UK), Indianapolis (US) and Bengaluru (India). Based on our assessment it is not possible to fully test revenue and profit centrally as certain key processes, such as long-term contracting, remain within the business due to their nature and are not handled by the FSCs.

Further specific audit procedures over central functions, the group consolidation and areas of significant judgement (including corporate taxation, certain goodwill balances and intangible assets, treasury and post-retirement benefits) were performed by the group audit team.

This scope of work, together with the additional procedures performed at a group level as identified above, covered 92% of revenue and 79% of profit before tax.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. These interactions included attending certain component clearance meetings and holding regular conference calls, as well as reviewing and assessing any matters reported. The group engagement team also reviewed selected audit working papers for certain component teams to evaluate the sufficiency of audit evidence obtained and fully understand the matters arising from the component audits.

In addition, senior members of the group engagement team have visited component teams across all the group's major segments in the UK, Germany, US, Hong Kong and Singapore. These visits were in person for these locations. They included meetings with the component auditor and with local management.

Reflective of its nature, our audit of the company financial statements focused on the investments in subsidiary undertakings and validating amounts owed to subsidiary undertakings.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they adopted to assess the extent of the potential impact of climate risk on the group's and company's financial statements and to support the disclosures made within the Sustainability section of the Strategic report. In addition to enquiries with management, we understood the governance process in place to assess climate risk, reviewed the group's assessment of climate related risk including both physical and transition risks and read additional reporting made on climate related matters, including its CDP public submission and the group's disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

We held meetings with management including the group's sustainability team to consider the completeness of management's climate risk assessment and its consistency with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks. We also considered the consistency with the group's communications on climate related impacts. We challenged how management had considered longer term physical risks such as severe weather related impacts, and shorter-term transitional risks such as the introduction of carbon taxes.

We considered the following areas which depend on medium to long-term profit or cash flow forecasts to potentially be materially impacted by climate risk and consequently we focused our audit work in these areas: long-term contract accounting in the UK Civil business (including contract loss provisions); the recoverability of deferred tax assets in the UK and the recoverability of the carrying value of goodwill and certain intangible assets. Our findings were reported to and discussed with the Audit Committee and management. Where significant, further details of how climate change has been considered in these areas and our audit response is given in the key audit matters above.

To respond to the audit risks identified in these areas we tailored our audit approach to address these, in particular, we:

- Deployed our valuation experts to benchmark carbon pricing and key commodity price forecasts against forecasts of future prices and found them to be materially reasonable. These have been incorporated by management in their forecasts of the group's future cost base for long-term contract accounting and associated provisions as well as scenarios utilised in assessing the recoverability of deferred tax assets, goodwill and other assets;
- Considered the reasonableness of management's assertion that climate change is unlikely to have a material impact on aviation demand by comparing management's EFH forecasts against other industry benchmarks and considering the sensitivity of EFH to different GDP growth rates expected under differing climate scenarios;
- Verified that estimates of capital and cash costs from reductions to the group's scope 1 and scope 2 emissions have been incorporated in the group's forecasts including those used for going concern and the disclosures around the viability of the group that are included in the Strategic Report;
- Validated management's judgement that climate change is unlikely to have a material impact on other estimates at 31 December 2024 including the recoverability of inventory or the expected credit loss provision associated with trade receivables and contract assets by considering the short timeframe these assets are expected to be utilised in compared to the period over which transition and physical risks are expected to arise; and
- Where appropriate, performed independent sensitivity analysis to determine to what extent reasonably possible changes in the climate related assumptions in the group's forecasts could result in material changes to the impacted balances and assessed the appropriateness of the associated disclosures.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Sustainability section of the Strategic Report) within the Annual Report and our knowledge obtained from our audit. This included considering the models management used in the TCFD scenario analysis and if the assumptions in those models are consistent with the assumptions used elsewhere in the financial statements.

As disclosed within the Sustainability section of the Strategic Report the achievement of net zero by 2050 will require significant change across the aviation sector in particular, including widespread adoption of Sustainable Aviation Fuels or other alternative fuel sources. Management have not included the incremental cost of this in its longer term forecasts, based on the assumptions that such costs can be passed onto customers and will occur after the average life of the current existing contracts.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole for the year ended 31 December 2024. The future estimated financial impacts of climate risk are clearly uncertain given the medium to long-term time frames involved and their dependency on how governments, global markets, corporations and society respond to the issue of climate change and the speed of technological advancements that may be necessary. Accordingly, financial statements cannot capture all possible future outcomes as these are not yet known.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£178m (2023: £93m).	£149m (2023: £147m).
How we determined it	Approximately 1.0% of underlying revenue (2023: approximately 0.6% of underlying revenue)	Approximately 1.0% of total assets
Rationale for benchmark applied	We have consistently used underlying revenue to determine materiality as opposed to a profit based benchmark. This is because there is considerable volatility in profit before tax as a result of revenue recognition under IFRS 15 and from the fair value movement in the group's derivatives. Underlying revenue continues to be a key performance metric for the group and is more stable than the profit metric. We have increased the percentage revenue measure used to determine materiality to 1.0% compared to 0.6% for 2023. This reflects the growth in the business following the post-COVID 19 pandemic recovery and further stabilisation of the industry. This is also a commonly used benchmark level for revenue based materiality. In conjunction with this increase we reduced our performance materiality level to 62.5% (2023: 75%) in order to limit the impact of the overall materiality increase on the extent of our detailed audit testing.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the company is an investment holding company for the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £6m and £75m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 62.5% (2023: 75%) of overall materiality, amounting to £110m (2023: £70m) for the group financial statements and 75% (2023: 75%) of overall materiality, amounting to £111m (2023: £110m) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7m (group audit) (2023: £3m) and £7m (company audit) (2023: £7m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the model used for management's going concern assessment which is primarily a liquidity assessment given there are no significant financial covenants in its committed debt facilities. Management's assessment covered the 18 months from the balance sheet date to 30 June 2026. We focused on this period and also considered the subsequent six months to the end of 2026;
- Management's base case forecasts are based on its normal budget and forecasting process for each of its businesses for the next five years. We understood and assessed this process by business including the assumptions used for 2025 and 2026 and assessed whether there was adequate support for these assumptions. We also considered the reasonableness of the monthly phasing of cash flows. A similar assessment was performed on the downside cash flows, including understanding of the scenarios modelled by management, how they were quantified and the resultant monthly phasing of the downside cash flow forecast;
- We have read and understood the key terms of all committed debt facilities to understand any terms, covenants or undertakings that may impact the availability of the facility;
- Using our knowledge from the audit and assessment of previous forecasting accuracy we conducted our own stress tests to apply to management's cash flow forecasts. We overlaid these tests on management's forecasts to form our own view on management's downside forecasts. This included consideration of management's assessment of the impact of climate change and the likelihood of any downside risks crystallising in the period to 30 June 2026;
- We considered the potential mitigating actions that management may have available to it to reduce costs, manage cash flows or raise additional financing and assessed whether these were within the control of management and possible in the period of the assessment; and
- We assessed the adequacy of disclosures in the Going concern statement and statements in note 1 of the consolidated and company financial statements and found these appropriately reflect the key areas of uncertainty identified.

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 group's and 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 group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

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 2024 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the regulations of country aviation authorities such as the Civil Aviation Authority, import and export restrictions including sanctions, and the UK Bribery Act, 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 Listing Rules of the UK Financial Conduct Authority, the Companies Act 2006 and tax legislation. 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 (1) posting inappropriate journal entries to manipulate financial results; (2) management bias in significant accounting estimates such as long-term contract accounting and associated provisions; (3) the sale of Civil engines to joint ventures for no clear commercial purpose or above market prices; and (4) inappropriately including or excluding transactions from the group's underlying or free cash flow alternative performance metrics. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions throughout the year with management, internal audit, the group's legal counsel, and the head of ethics and compliance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the minutes of the group's Safety, Energy Transition & Tech Committee and assessment of 'speak-up' matters reported through the group's Ethics Line and the results of management's investigation of such matters;
- Verifying sales of spare engines to joint ventures are in line with the approved timetable and are at a price supported by external valuation;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing legal expense accounts to identify significant legal spend that may be indicative of non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to long-term contract accounting and associated provisions,
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals; and
- Challenging why certain items are excluded or included from underlying profit or free cash flow and review of disclosures included in the Annual Report explaining and reconciling alternative performance measures to statutory metrics.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

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 company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 3 May 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2018 to 31 December 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2025

Sustainability assurance statement

Independent assurance report

To the stakeholders of Rolls-Royce Holdings plc

1. Introduction and objectives of work

Bureau Veritas UK Limited (Bureau Veritas) has been engaged by Rolls-Royce Holdings plc (Rolls-Royce) to provide limited assurance of its selected sustainability performance indicators for inclusion in its 2024 Annual Report (the 'Report'). The objective is to provide assurance to Rolls-Royce and its stakeholders over the accuracy and reliability of the reported information and data.

2. Scope of work

The scope of our work was limited to assurance over the following information included within the Report for the period 1 January to 31 December 2024 (the 'Selected Information'):

- Total Energy Consumption;
- Total Scope 1 and 2 Greenhouse Gas (GHG) Emissions (market based): Operations, Facility, and Product Testing activities;
- Total Solid and Liquid Waste Generated;
- Recycling and Recovery Rate (%);
- Number of Total Reportable Injuries;
- Number of People Reached Through Science, Technology, Engineering, and Mathematics (STEM) Education Outreach Programmes; and
- Employee Engagement Score – % Response Rate.

3. Reporting criteria

The Selected Information needs to be read and understood together with the Rolls-Royce 'Sustainability Data Basis of Reporting', as set out at <https://www.rolls-royce.com/sustainability/performance/reporting-approach.aspx>. These internal definitions draw on externally available guidance, the Greenhouse Gas Protocol Corporate Accounting and Reporting standard (revised edition).

4. Limitations and exclusions

Excluded from the scope of our work is assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements of a descriptive or interpretative nature, or of opinion, belief, aspiration or commitment to undertake future actions; and
- Other information included in the Report other than the Selected Information, including but not limited to normalised figures, total reportable injury rate etc.

The following limitations should be noted:

- This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails.
- The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance.
- This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

5. Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Rolls-Royce.

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of Rolls-Royce.

6. Assessment standard

We performed our work to a limited level of assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

7. Summary of work performed

As part of our independent assurance, our work included:

1. Conducting interviews with relevant personnel of Rolls-Royce – including the central corporate team and representatives from a selection of sites;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;

3. Reviewing documentary evidence provided by Rolls-Royce;
4. Agreeing a selection of the Selected Information to the corresponding source documentation;
5. Reviewing Rolls-Royce systems for quantitative data aggregation and analysis;
6. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information;
7. Carrying out 6 remote site visits to Inchinnan Scotland, Oberursel Germany, Cypress USA, Indianapolis Test Cell #157 USA, Turkey, Liege Belgium, and three physical site visits to Bristol UK, Friedrichshafen Germany, and Augsburg Germany, selected on a risk-based basis, following discussion between Bureau Veritas and Rolls-Royce, with consideration of the contribution to assured data, geographical contribution, and type of operations;
8. Reperforming a selection of aggregation calculations of the Selected Information; and
9. Reperforming greenhouse gas emissions conversions calculations.

A 5% materiality threshold was applied to this assurance. It should be noted that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

8. Conclusion

On the basis of our methodology and the activities and limitations described above nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

KPI	Value
Total Energy Consumption (MWh)	1,624,298
Total Scope 1 Greenhouse Gas (GHG) Emissions (tCO ₂ e)	235,170
Total Scope 2 Greenhouse Gas (GHG) Emissions, market-based (tCO ₂ e)	65,941
Total Solid and Liquid Waste ('000 metric tonnes)	60.8
Recycling and Recovery Rate (%)	61.2
Number of Total Reportable Injuries	126
Number of People Reached Through STEM Education Outreach Programmes	1,026,401
Employee Engagement Score – Response Rate (%)	74

9. Statement of independence, integrity and competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified¹ Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, quality reviews and applicable legal and regulatory requirements which we consider to be equivalent to ISQM 1 & 2².

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)³, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities. We consider this to be equivalent to the requirements of the IESBA code⁴. The assurance team for this work does not have any involvement in any other Bureau Veritas projects with Rolls-Royce.



Bureau Veritas UK Ltd
Registered in England & Wales, Company Number: 1758622
Registered Office: Suite 206 Fort Dunlop, Fort Parkway,
Birmingham, B24 9FD
London, 25 February 2025

- 1 Certificate available on request
- 2 International Standard on Quality Management 1 (Previously International Standard on Quality Control 1) & International Standard on Quality Management 2
- 3 International Federation of Inspection Agencies – Compliance Code – Third Edition
- 4 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants

Greenhouse gas emissions

In 2024, our total gross Scope 1 + 2 greenhouse gas (GHG) emissions were 384,561 tonnes of carbon dioxide equivalent (tCO₂e). This represents an increase of 17% compared with 327,875 tCO₂e in 2023.

Aspect	tCO ₂ e	2019	2020	2021	2022	2023	2024
Emissions from activities for which the Company own or control including the combustion of fuel and operation of facilities. [Direct GHG Emissions (Scope 1)]	Global (excluding UK)	137,504	129,050	139,360	123,807	106,275	99,924
	UK	90,522	84,606	72,279	101,987	72,238	135,246
	Total	228,027	213,656	211,639	225,794	178,513	235,170
Emissions from the purchase of electricity, heat, steam and cooling purchased for our own use. [Indirect GHG Emissions (Scope 2) location-based]	Global (excluding UK)	170,526	145,140	115,421	97,612	91,176	90,319
	UK	80,023	60,568	53,210	52,762	58,185	59,071
	Total	250,549	205,708	168,631	150,374	149,361	149,391
Total gross GHG emissions (Scope 1 + Scope Location Based)	Global (excluding UK)	308,031	274,190	254,781	221,420	197,451	190,243
	UK	170,545	145,175	125,489	154,749	130,424	194,317
	Total	478,576	419,365	380,270	376,168	327,875	384,561
Energy consumption used to calculate above emissions – kWh	Global (excluding UK)	1,084,719,815	985,357,932	954,056,653	856,063,249	781,982,344	750,899,511
	UK	738,001,393	655,550,629	590,689,817	732,077,990	648,552,229	873,398,863
	Total	1,822,721,208	1,640,908,561	1,544,746,470	1,588,141,239	1,430,534,573	1,624,298,374
Intensity Ratio (total GHG emissions per £m revenue)	Total	29.9	36.5	33.9	27.9	19.9	20.3
Emissions from the purchase of electricity, heat, steam and cooling purchased for our own use. [Indirect GHG Emissions (Scope 2) market-based]	Global (excluding UK)	132,030	92,249	90,871	77,578	70,598	41,673
	UK	21,594	1,628	1,484	1,293	1,365	24,268
	Total	153,624	93,877	92,355	78,871	71,963	65,941
Total gross GHG emissions (Scope 1 + Scope Market Based)	Global (excluding UK)	269,535	221,299	230,232	201,386	176,872	141,547
	UK	112,116	86,235	73,763	103,280	73,603	159,514
	Total	381,651	307,534	303,995	304,665	250,476	301,061
Outside of Scopes	Global (excluding UK)	4,329	–	–	1,350	42	2,898
	UK	–	–	–	–	7,712	991
	Total	4,329	–	–	1,350	7,754	3,889
Additional supporting information Electricity purchased from renewable sources – kWh	Global (including UK)	321,775,488	379,246,175	303,672,640	301,419,960	315,822,645	285,504,613
Energy generated on-site from renewable sources – kWh	Global (including UK)	6,791,044	6,730,570	8,237,037	8,120,644	6,313,137	9,524,077

The numbers included in this table in respect of our greenhouse gas emissions for the years 2019 to 2023 have been re-presented following the identification of a miscalculation of some of the data previously reported. The impact is on voluntary Scope 2 market-based emissions data only, and has required minor updates to other figures in this table. The information presented in this table can be compared to the table on page 210 of the 2023 Annual Report. The mandatory reported emissions data disclosed in the strategic report for the relevant years on progress against Scope 1 + 2 targets are unaffected and remain accurate. There has been no impact to tax liabilities.

The above figures include 285,504,613 kWh of renewable energy purchases either backed by the Renewable Energy Guarantees of Origin (REGO) scheme in the UK or the Guarantees of Origin (GoO) from a relevant EU Member State. This energy is used by the majority of our facilities in the UK, US and Germany. Our EACs have been sourced mainly from solar and wind with some hydro included for EU locations. In addition, the above figures include 9,524,077 kWh of electricity and heat generated on-site from renewable energy sources, including solar panels and ground source heat pumps.

We include the reporting of fugitive emissions of hydrofluorocarbons (HFCs), associated with air conditioning equipment, into our GHG emissions figures. In 2024, these emissions have been included from our global portfolio.

With the exceptions noted above, we have reported on the underlying energy use and emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) as of 31 December 2014 utilising the operational control approach, supplemented by the GHG Reporting Guidance for the Aerospace Industry (version 3) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2024. We report our emissions of: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons and perfluorocarbons on a carbon dioxide equivalent basis. We have no emissions of sulphur hexafluoride or nitrogen trioxide.

Further details on our methodology for reporting and the criteria used can be found within our basis of reporting, available at www.rolls-royce.com

Other financial information

Foreign exchange

Foreign exchange rate movements influence the reported income statement, the cash flow and closing net cash/(debt) balance. The average and spot rates for the principal trading currencies of the Group are shown in the table below:

		2024	2023	Change
USD per GBP	Year-end spot rate	1.25	1.27	-2%
	Average spot rate	1.28	1.24	+3%
EUR per GBP	Year-end spot rate	1.21	1.15	+5%
	Average spot rate	1.18	1.15	+3%

The Group's global corporate income tax contribution

The Group's total corporation tax payments in 2024 were £380m. Around 95% of this was paid in the US, Germany, UK, Singapore and Canada. The balance of tax payments were made in around 40 other countries.

In common with most multinational groups, the total profits for corporate income tax purposes are not the same as the consolidated profit before taxation reported on page 114.

The main reasons for this are:

- (i) the consolidated income statement is prepared under IFRS, whereas the corporate income tax profits and losses for each company are determined by local tax accounting rules;
- (ii) accounting rules require certain income and costs relating to our commercial activities to be eliminated from, or added to, the aggregate of all the profits of the Group companies when preparing the consolidated income statement (consolidation adjustments); and
- (iii) specific tax rules including exemptions or incentives as determined by the tax laws in each country.

In most cases, paragraphs (i) and (ii) above are only a matter of timing and therefore tax will be paid in an earlier or later year. The impact of paragraph (iii) above will often be permanent, depending on the relevant tax law. Further information on the tax position of the Group can be found as follows:

- Audit Committee Report (page 82) – updates given to the Audit Committee during the year;
- note 1 to the Consolidated Financial Statements (page 130) – details of key areas of uncertainty and accounting policies for tax;
- note 5 to the Consolidated Financial Statements (pages 145 to 148); and
- Details of the tax balances in the Consolidated Financial Statements together with a tax reconciliation. This explains the main drivers of the tax rate and the impact of our assessment on the recovery of UK deferred tax assets.

Information on the approach to managing the Group's tax affairs can be found at www.rolls-royce.com

Investments and capital expenditure

The Group subjects all major investments and capital expenditure to a rigorous examination of risks and future cash flows. Investments and capital expenditure must align to the Group's strategy and create shareholder value. All major investments, including the launch of major programmes, require Board approval.

The Group has a portfolio of projects at different stages of their lifecycles. All of our major investments and projects are assessed using a range of financial metrics, including discounted cash flow and return on investment.

Financial risk management

The Board has established a structured approach to financial risk management. The Financial risk committee (Frc) is accountable for managing, reporting and mitigating the Group's financial risks and exposures. These risks include the Group's principal counterparty, currency, interest rate, commodity price, liquidity and credit rating risks outlined in more depth in note 20. The Frc is chaired by the Chief Financial Officer. The Group has a comprehensive financial risk policy that advocates the use of financial instruments to manage and hedge business operations risks that arise from movements in financial, commodities, credit or money markets. The Group's policy is not to engage in speculative financial transactions. The Frc sits quarterly to review and assess the key risks and agree any mitigating actions required.

Capital structure

£m	2024	2023
Total equity	(881)	(3,629)
Cash flow hedges	(13)	(12)
Group capital	(894)	(3,641)
Net cash/(debt)	475	(1,952)

Operations are funded through various shareholders' funds, bank borrowings, bonds and notes. The capital structure of the Group reflects the judgement of the Board as to the appropriate balance of funding required. Funding is secured by the Group's continued access to the global debt markets. Borrowings are funded in various currencies using derivatives where appropriate to achieve a required currency and interest rate profile. The Board's objective is to retain sufficient financial investments and undrawn facilities to ensure that the Group can both meet its medium-term operational commitments and cope with unforeseen obligations and opportunities.

The Group holds cash and short-term investments which, together with the undrawn committed facilities, enable it to manage its liquidity risk.

During the year to 31 December 2024, the Group repaid a €550m bond at its maturity and cancelled its £1bn undrawn UKEF-supported loan facility, which was due to mature in 2027. This facility had remained undrawn during the year. In addition, the Group extended its undrawn £2.5bn revolving credit facility by one year to November 2027, with the Group having the option to exercise a further one-year extension option, subject to bank agreement at the time of exercise.

At the year end, the Group retained aggregate liquidity of £8.1bn, including cash and cash equivalents of £5.6bn and undrawn borrowing facilities of £2.5bn.

The Group has one material debt maturity in October 2025. The maturity profile of the borrowing facilities is regularly reviewed to ensure that refinancing levels are manageable in the context of the business and market conditions. There are no rating triggers in any borrowing facility that would require the facility to be accelerated or repaid due to an adverse movement in the Group's credit rating. The Group conducts some of its business through a number of joint ventures. A major proportion of the debt of these joint ventures is secured on the assets of the respective companies and is non-recourse to the Group. This debt is further outlined in note 17.

Credit rating

£m	Rating	Outlook
Moody's Investors Service	Baa3	Positive
Standard & Poor's	BBB	Positive
Fitch	BBB-	Positive

The Group subscribes to Moody's, Standard & Poor's and Fitch for independent long-term credit ratings, with the ratings in the table above being applicable at the date of this report.

Accounting

The Consolidated Financial Statements have been prepared in accordance with IFRS, as adopted by the UK.

New disclosure requirements resulting from amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments* relating to Supplier Finance Arrangements (SFAs) were effective from 1 January 2024. The objective of the new amendments is to provide enhanced information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and its exposure to liquidity risk. The Group's suppliers have access to a supply chain financing (SCF) programme that is considered to be within the scope of the Standard's SFA definition. The new prescriptive disclosure requirements have necessitated some additional information being disclosed on page 164 in relation to the value of trade payables that were within the scope of the Group offered SCF scheme. This has been presented alongside the value of received payments which suppliers had drawn, this being information which the Group has previously disclosed in its Annual Reports.

There are no other new standards or interpretations issued by the IASB that had a significant impact on the Consolidated Financial Statements.

The Group does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable will have a significant impact on the Consolidated Financial Statements in 2024.

Reconciliation of alternative performance measures

Alternative performance measures (APMs)

Business performance is reviewed and managed on an underlying basis. These alternative performance measures reflect the economic substance of trading in the year. In addition, a number of other APMs are utilised to measure and monitor the Group's performance.

Definitions and reconciliations to the relevant statutory measure are included below. All comparative periods relate to 31 December 2023.

Underlying results

Underlying results are presented by recording all relevant revenue and cost of sales transactions at the average exchange rate achieved on effective settled derivative contracts in the period that the cash flow occurs. Underlying results also exclude: the effect of acquisition accounting and business disposals, impairment of goodwill and other non-current assets where the reasons for the impairment are outside of normal operating activities, exceptional items and certain other items which are market driven and outside of managements control. Further detail can be found in note 2.

	2024 £m	2023 £m
Revenue		
Statutory revenue	18,909	16,486
Derivative and FX adjustments	(1,061)	(1,077)
Underlying revenue	17,848	15,409
Gross profit		
Statutory gross profit	4,221	3,620
Derivative and FX adjustments	(186)	(461)
Programme exceptional (credits)	-	(21)
Exceptional transformation and restructuring charges	147	55
Acquisition accounting and M&A	43	46
Impairment reversal	(2)	(8)
Civil Aerospace programme asset impairment reversal	(132)	-
Underlying gross profit	4,091	3,231
Commercial and administrative costs		
Statutory commercial and administrative (C&A) costs	(1,284)	(1,110)
Derivative and FX adjustments	-	1
Exceptional transformation and restructuring charges	70	47
Other underlying adjustments	17	(2)
Underlying C&A costs	(1,197)	(1,064)
Research and development costs		
Statutory research and development (R&D) costs	(203)	(739)
Derivative and FX adjustments	(8)	(4)
Exceptional transformation and restructuring charges	17	-
Acquisition accounting	2	4
Civil Aerospace programme asset impairment reversal	(413)	-
Underlying R&D costs	(605)	(739)
Operating profit		
Statutory operating profit	2,906	1,944
Derivative and FX adjustments	(191)	(475)
Programme exceptional credits	-	(21)
Exceptional transformation and restructuring charges	234	102
Acquisition accounting and M&A	45	50
Civil Aerospace programme asset impairment reversal	(545)	-
Impairment reversal	(2)	(8)
Other underlying adjustments	17	(2)
Underlying operating profit	2,464	1,590
Underlying operating margin	13.8%	10.3%

	2024 pence	2023 pence
Basic EPS		
Statutory basic EPS	30.05	28.85
Effect of underlying adjustments to profit/(loss) before tax	0.70	(13.94)
Related tax effects	(6.34)	(1.16)
Adjustment for net recognition of deferred tax assets ¹	(4.12)	–
Basic underlying EPS	20.29	13.75

¹ Underlying profit attributable to ordinary shareholders has been adjusted for the one-off non-cash impact of £346m related to the net recognition of deferred tax assets on UK tax losses, see note 5, page 148 for further details

Organic change

Organic change is the measure of change at constant translational currency applying full year 2023 average rates to 2024. The movement in underlying change to organic change is reconciled below.

All amounts below are shown on an underlying basis and reconciled to the nearest statutory measure above.

Total Group income statement

	2024 £m	2023 £m	Change £m	FX £m	Organic change £m	Organic change %
Underlying revenue	17,848	15,409	2,439	(245)	2,684	17
Underlying gross profit	4,091	3,231	860	(67)	927	29
Underlying operating profit	2,464	1,590	874	(35)	909	57
Net financing costs	(171)	(328)	157	(1)	158	(48)
Underlying profit before taxation	2,293	1,262	1,031	(36)	1,067	85
Taxation	(282)	(120)	(162)	10	(172)	143
Underlying profit for the year	2,011	1,142	869	(26)	895	78

Civil Aerospace

	2024 £m	2023 £m	Change £m	FX £m	Organic change £m	Organic change %
Underlying revenue	9,040	7,348	1,692	(61)	1,753	24
Underlying OE revenue	3,105	2,703	402	(29)	431	16
Underlying services revenue	5,935	4,645	1,290	(32)	1,322	28
Underlying gross profit	1,990	1,394	596	(21)	617	44
Commercial and administrative costs	(396)	(354)	(42)	2	(44)	12
Research and development costs	(252)	(343)	91	3	88	(26)
Joint ventures and associates	163	153	10	(1)	11	7
Underlying operating profit	1,505	850	655	(17)	672	79

Defence

	2024 £m	2023 £m	Change £m	FX £m	Organic change £m	Organic change %
Underlying revenue	4,522	4,077	445	(66)	511	13
Underlying OE revenue	1,943	1,766	177	(24)	201	11
Underlying services revenue	2,579	2,311	268	(42)	310	13
Underlying gross profit	908	804	104	(12)	116	14
Commercial and administrative costs	(212)	(173)	(39)	3	(42)	24
Research and development costs	(55)	(72)	17	–	17	(24)
Joint ventures and associates	3	3	–	–	–	–
Underlying operating profit	644	562	82	(9)	91	16

Power Systems

	2024 £m	2023 £m	Change £m	FX £m	Organic change £m	Organic change %
Underlying revenue	4,271	3,968	303	(118)	421	11
Underlying OE revenue	2,942	2,661	281	(81)	362	14
Underlying services revenue	1,329	1,307	22	(37)	59	5
Underlying gross profit	1,199	1,050	149	(33)	182	17
Commercial and administrative costs	(483)	(456)	(27)	12	(39)	9
Research and development costs	(165)	(187)	22	5	17	(9)
Joint ventures and associates	9	6	3	(1)	4	67
Underlying operating profit	560	413	147	(17)	164	40

New Markets

	2024 £m	2023 £m	Change £m	FX £m	Organic change £m	Organic change %
Underlying revenue	3	4	(1)	–	(1)	(25)
Underlying OE revenue	3	2	1	–	1	50
Underlying services revenue	–	2	(2)	–	(2)	(100)
Underlying gross (loss)/profit	(4)	1	(5)	–	(5)	(500)
Commercial and administrative costs	(40)	(24)	(16)	1	(17)	71
Research and development costs	(133)	(137)	4	1	3	(2)
Underlying operating loss	(177)	(160)	(17)	2	(19)	12

Trading cash flow

Trading cash flow is defined as free cash flow (as defined on page 218) before the deduction of recurring tax and post-employment benefit expenses. Trading cash flow per segment is used as a measure of business performance for the relevant segments.

	2024 £m	2023 £m
Civil Aerospace	2,030	626
Defence	591	511
Power Systems	452	461
New Markets	(181)	(63)
Total reportable segments trading cash flow	2,892	1,535
Other businesses	5	5
Corporate and Inter-segment	(60)	(57)
Trading cash flow	2,837	1,483
Underlying operating profit charge exceeded by in excess of contributions to defined benefit schemes	(31)	(26)
Tax ¹	(381)	(172)
Free cash flow	2,425	1,285

¹ See page 117 for tax paid in the statutory cash flow statement

Free cash flow

Free cash flow is a measure of the financial performance of the businesses' cash flows which is consistent with the way in which performance is communicated to the Board. Free cash flow is defined as cash flows from operating activities including capital expenditure and movements in investments, capital elements of lease payments, interest paid, amounts paid relating to the settlement of excess derivatives and excluding amounts spent or received on activity related to business acquisitions or disposals and other material exceptional or one-off cash flows.

Free cash flow from cash flows from operating activities

	2024 £m	2023 £m
Statutory cash flows from operating activities	3,782	2,485
Capital expenditure	(876)	(699)
Investment (including investment from NCI and movement in joint ventures, associates and other investments)	16	69
Capital element of lease payments	(299)	(291)
Interest paid	(298)	(333)
Exceptional transformation and restructuring costs	104	69
M&A costs	1	2
Other	(5)	(17)
Free cash flow	2,425	1,285

Group R&D expenditure

In year gross cash expenditure on R&D excludes contributions and fees, amortisation and impairment of capitalised costs and amounts capitalised during the year. For further detail, see note 3.

Gross capital expenditure

Gross capital expenditure during the year excluding capital expenditure from discontinued operations. All proposed investments are subject to rigorous review to ensure that they are consistent with forecast activity and provide value for money. The Group measures annual capital expenditure as the cash purchases of PPE acquired during the year.

	2024 £m	2023 £m
Purchases of PPE (cash flow statement)	519	429

Key performance indicators

The following measures are key performance indicators and are calculated using alternative performance measures or statutory results. See below for calculation of these amounts.

Order backlog

Total value of firm orders placed by customers for delivery of products and services where there is no right to cancel. Further details are included in note 2 of the Consolidated Financial Statements.

Adjusted return on capital (abbreviated to return on capital)

Return on capital is defined as net operating profit after tax (NOPAT) as a percentage of average invested capital. NOPAT is defined as underlying net profit excluding net finance costs and the tax shield on net finance costs. Invested capital is defined as current and non-current assets less current liabilities. It excludes pension assets, cash and cash equivalents, and borrowings and lease liabilities. Return on capital assesses the efficiency in allocating capital to profitable investments.

	2024 £m	2023 £m
Underlying operating profit	2,464	1,590
Less: taxation ¹	(649)	(151)
Underlying operating profit (post-taxation)	1,815	1,439
Total assets	35,686	31,512
Less: post-retirement scheme surpluses	(790)	(782)
Less: cash and cash equivalents	(5,575)	(3,784)
Current liabilities	(16,860)	(14,926)
Liabilities held for sale	(100)	(55)
Less: borrowings and lease liabilities	1,097	809
Invested capital (closing)	13,458	12,774
Invested capital (average)	13,116	12,722
Return on capital	13.8%	11.3%

¹ Excluding underlying taxation on underlying finance income/(costs) of £21m (2023: £31m) and adjusted for the one-off non-cash impact of £346m related to the net recognition of deferred tax assets on UK tax losses, see note 5, page 148 for further details

Total underlying cash costs as a proportion of underlying gross margin (abbreviated to TCC/GM)

Total underlying cash costs during the year (represented by underlying research and development (R&D) expenditure and underlying commercial and administrative (C&A) costs) as a proportion of underlying gross profit. This measure provides an indicator of total cash costs relative to gross profit. A reduction in total cash costs relative to gross profit indicates how effective the business is at managing and/or reducing its costs.

	2024 £m	2023 £m
Underlying R&D expenditure ¹	745	836
Underlying C&A	1,197	1,064
Total cash costs	1,942	1,900
Underlying gross profit	4,091	3,231
Total cash costs as a proportion of underlying gross profit	0.47	0.59

¹ Excludes £30m (2023: £6m) impact of acquisition accounting, exceptional transformation costs, derivatives and FX

Directors' report

Accounting policies	122	Employment of disabled people	48
Agreements for compensation for loss of office.....	104	Financial instruments and risk management	165
Authority to issue and purchase shares.....	221	Future developments.....	4 to 15, 18 to 31 and 32 to 45
Board of Directors	68	Greenhouse gas emissions	212
Change of control.....	221	Major shareholdings	221
Changes to the Articles of Association	221	Political donations.....	222
Corporate governance statement.....	70	Post-balance sheet events.....	137
Directors' conflicts of interest.....	81	Purchase of own shares	221
Directors' indemnities	220	Related party transactions	184
Directors' service contracts and letters of appointment.....	105	Research and development.....	144
Directors' share interests	104 and 110	Share capital and rights.....	220
Disclosure of information to auditors	112	Shareholder distributions	223
Engagement with employees.....	64	Subsidiaries, joint ventures and associates.....	192
Engagement with suppliers, customers and others in a business relationship with the Company	64	Task force on climate-related financial disclosures	36

Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were Dame Anita Frew, Tufan Erginbilgic, Helen McCabe, Birgit Behrendt, Stuart Bradie, Paulo Cesar Silva, George Culmer, Lord Jitesh Gadhia, Beverly Goulet, Nick Luff, Wendy Mars and Dame Angela Strank.

Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the Articles. In addition, the Directors have been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. Also, throughout the year, the Company purchased and maintained directors' and officers' liability insurance in respect of the Company and its subsidiaries for their directors and officers.

Share price

During the year, the share price increased by 90% from 300p to 569p, compared to a 34% increase in the FTSE aerospace and defence sector and a 6% increase in the FTSE 100. The Company's share price ranged from 295p in January 2024 to 595p in December 2024.

Share capital

On 31 December 2024, the Company's issued share capital comprised:

8,504,896,989	Ordinary shares	20p each
22,505,247,514	C shares	0.1p each
1	Special share	£1

The ordinary shares are listed on the London Stock Exchange.

The Company has previously issued non-cumulative redeemable preference shares (C shares) as an alternative to paying a cash dividend. Further information on payments to shareholders is on page 223.

Share class rights

The full share class rights are set out in the Company's Articles, which are available at www.rolls-royce.com. The rights are summarised below.

Ordinary shares

Each member has one vote for each ordinary share held. Holders of ordinary shares are entitled to: receive the Company's Annual Report; attend and speak at general meetings of the Company; appoint one or more proxies or, if they are corporations, corporate representatives; and exercise voting rights. Holders of ordinary shares may receive a bonus issue of C shares or a dividend and on liquidation may share in the assets of the Company.

C shares

C shares have limited voting rights and attract a preferential dividend, paid on a twice-yearly basis. On a return of capital on a winding-up, the holders of C shares shall be entitled, in priority to any payment to the holders of ordinary shares, to the repayment of the nominal capital paid-up or credited as paid-up on the C shares held by them, together with a sum equal to the outstanding preferential dividend which will have been accrued but not paid until the date of return of capital. The holders of C shares are only entitled to attend, speak and vote at a general meeting if a resolution to wind up the Company is to be considered, in which case they may vote only on that resolution.

The Company may elect, at its own discretion (and whether or not with the consent of the holders of C shares), to redeem all of the C shares then in issue at their nominal value each together with any accrued but unpaid C preferential dividend on such shares as at the day of redemption, if at any time the Board determines that it would be in the Company's interests to do so.

Special share

Certain rights attach to the special rights non-voting share (special share) issued to the UK Secretary of State for the Department of Business and Trade (special shareholder). These rights are set out in the Articles. Subject to the provisions of the Companies Act 2006 (the Act), the Treasury Solicitor may redeem the Special Share at par value at any time. The special share confers no rights to dividends but, in the event of a winding-up, it shall be repaid at its nominal value in priority to any other shares.

Certain provisions of the Articles (in particular those relating to the foreign shareholding limit, disposals and the nationality of the Company's Directors) that relate to the rights attached to the special share may only be altered with the consent of the special shareholder. The special shareholder is not entitled to vote at any general meeting or any other meeting of any class of shareholders.

Restrictions on transfer of shares and limitations on holdings

There are no restrictions on transfer or limitations on the holding of the ordinary shares or C shares other than under the Articles (as described here), under restrictions imposed by law or regulation (for example, UK Market Abuse Regulations) or pursuant to the Company's inside information and share dealing policy. The Articles provide that the Company should be and remain under UK control. As such, an individual foreign shareholding limit is set at 15% of the aggregate votes attaching to the share capital of all classes (taken as a whole) and capable of being cast on a poll and to all other shares that the Directors determine are to be included in the calculation of that holding. The Special Share may only be issued to, held by and transferred to the Special Shareholder or their successor or nominee.

Shareholder agreements and consent requirements

No disposal may be made to a non-Group member which, alone or when aggregated with the same or a connected transaction, constitutes a disposal of the whole or a material part of either the nuclear propulsion business or the assets of the Group as a whole, without the consent of the Special Shareholder.

Authority to issue shares

At the 2024 AGM, an ordinary resolution was passed authorising the Directors to allot new ordinary shares up to a nominal value of £561,113,133 equivalent to one-third of the issued share capital of the Company as at 21 February 2024. This resolution also authorised the Directors to allot up to two-thirds of the total issued share capital of the Company, although only in the case of a rights issue. A further special resolution was passed to effect a disapplication of pre-emption rights for a maximum of 5% of the issued share capital of the Company. These authorities are valid until the 2025 AGM or 30 June 2025, whichever is sooner. During the year, 88,200,000 ordinary shares were issued to the Employee Benefit Trust to satisfy awards under the Company's share plans. The Directors propose to renew each of these authorities at the 2025 AGM to be held on 1 May 2025. The Board believes that these authorities will allow the Company to retain flexibility to respond to circumstances and opportunities as they arise.

Authority to purchase own shares

At the 2024 AGM, the Company was authorised by shareholders to purchase up to 841,669,698 representing 10% of its issued ordinary share capital.

The authority for the Company to purchase its own shares expires at the conclusion of the 2025 AGM or 30 June 2025, whichever is sooner. A resolution to renew the authority will be proposed at the 2025 meeting.

The Company did not purchase any of its own ordinary shares under this authority during 2024.

Deadlines for exercising voting rights

Electronic and paper proxy appointments, together with voting instructions, must be received by the Registrar not less than 48 hours before a general meeting.

Voting rights for employee share plan shares

Shares are held in an employee benefit trust for the purpose of satisfying awards made under the various employee share plans. For shares held in a nominee capacity or if plan/trust rules provide the participant with the right to vote in respect of specifically allocated shares, the trustee votes in line with the participants' instructions. For shares that are not held absolutely on behalf of specific individuals, the general policy of the trustees, in accordance with investor protection guidelines, is to abstain from voting in respect of those shares.

Major shareholdings

At 31 December 2024, the following shareholders had notified an interest in the issued ordinary share capital of the Company in accordance with section 5.1.2 of the Disclosure and Transparency Rules. No notifications have been received in the period 1 January to 27 February 2025.

Shareholder	Date of change in interest	% of issued ordinary share capital
Blackrock, Inc.	18 December 2023	5.01
Bank of America Corporation	2 May 2024	2.56
Causeway Capital Management LLC	29 September 2023	4.99
Harris Associates L.P.	16 November 2020	4.99
Massachusetts Financial Services Company	28 March 2022	4.94
The Capital Group Companies, Inc.	8 April 2024	5.07

Changes to the Articles of Association

The Articles may be amended or new articles may be adopted by a special resolution of the Company's shareholders, subject to the provisions of the Act.

Change of control

Contracts and joint venture agreements

There are a number of contracts and joint venture agreements which would allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.

Borrowings and other financial instruments

The Group has several borrowing facilities provided by various banks. These facilities generally include provisions which may require any outstanding borrowings to be repaid or the alteration or termination of the facility upon the occurrence of a change of control of the Company. At 31 December 2024, these facilities were 44% drawn (2023: 36%).

The Group has entered into a series of financial instruments to hedge its currency, interest rate and commodity exposures. These contracts provide for termination or alteration in the event that a change of control of the Company materially weakens the creditworthiness of the Group.

Employee share plans

In the event of a change of control of the Company, the effect on the employee share plans would be as follows:

- Incentive Plan – deferred share awards will normally vest immediately, and may be time pro-rated. The new controlling company might offer an award in exchange instead (normally on substantially equivalent terms to the existing award). Awards with performance conditions would normally vest on the change of control subject to the Remuneration Committee's judgement of performance and may be reduced pro rata to service in the vesting period.
- ShareSave – options would become exercisable immediately and can be exercised within six months following the change of control. The new controlling company might offer an equivalent option in exchange for cancellation of the existing option.
- SharePurchase Plan (SPP) – consideration received as shares would be held within the SPP, if possible, otherwise the consideration would be treated as a disposal from the SPP.
- LTIP – awards would vest on the change of control, subject to the Remuneration Committee's judgement of performance and may be reduced pro rata to service in the vesting period. Any applicable holding period will cease in the event of a change of control.
- Global Employee SharePurchase Plan (GESPP) – matching share awards would vest on the date of the change of control; free share awards would vest if and to the extent that the Remuneration Committee decides, and rights to purchase investment shares will lapse.

Political donations

The Company's policy is that it does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party. However, the Act defines political donations very broadly and so it is possible that normal business activities, such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties and support for bodies representing the business community in policy review or reform, which might not be thought of as political expenditure in the usual sense, could be captured. Activities of this nature would not be thought of as political donations in the

ordinary sense of those words. The resolution to be proposed at the 2025 AGM, authorising political donations and expenditure, is to ensure that the Group does not commit any technical breach of the Act.

During the year, expenses incurred by Rolls-Royce North America, Inc. in providing administrative support for the Rolls-Royce North America political action committee (PAC) was USD\$61,886.50 (2023: USD\$60,584.71). PACs are a common feature of the US political system and are governed by the Federal Election Campaign Act. The PAC is independent of the Group and independent of any political party. The PAC funds are contributed voluntarily by employees and the Group cannot affect how they are applied, although under US law, the business expenses are paid by the employee's company. Such contributions do not count towards the limits for political donations and expenditure for which shareholder approval will be sought at the 2025 AGM to renew the authority given at the 2024 AGM.

Disclosures in the Strategic Report

The Board has taken advantage of section 414C(11) of the Act to include disclosures in the Strategic Report including:

- employee involvement;
- the employment of disabled people;
- the future development, performance and position of the Group; and
- research and development activities.

Information required by UK Listing Rule (UKLR) 6.6.1

There are no disclosures to be made under UKLR 6.6.1.

Management report

The Strategic Report and the Directors' Report together are the management report for the purposes of Rule 4.1.8R of the DTR.

By order of the Board

Claire-Marie O'Grady
Chief Governance Officer
27 February 2025

Disclosures required under UK Listing Rule 6.6.6 as at 31 December 2024

Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	6	50%	Chief Executive, SID	7	70%
Women	6	50%	Chair, Chief Financial Officer	3	30%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	11	92%	Chair, Chief Executive, Chief Financial Officer, SID	10	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	8%	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Shareholder information

Managing your shareholding

Your shareholding is managed by Equiniti Limited (the Registrar). When making contact with the Registrar, please quote your shareholder reference number (SRN). This is an 11-digit number that can be found on your share certificate or on any other shareholder correspondence. You can manage your shareholding at www.shareview.co.uk, speak to the Registrar on +44 (0)371 384 2637 (8.30am to 5.30pm, Monday to Friday) or you can write to the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. If you hold your shares in a share dealing account (sometimes referred to as a nominee account) then you must contact your account provider with any questions about your shareholding.

Payments to shareholders

As announced on 27 February 2025, the Group is recommending dividends and, subject to shareholder approval at the AGM to be held on 1 May 2025, the Directors recommend a final cash dividend of 6 pence per ordinary share for the year ended 31 December 2024, to be paid on 16 June 2025 to shareholders on the register on 22 April 2025. The total dividend for the year is 6 pence per ordinary share (2023: nil). The Trustees of the Rolls-Royce Employee Benefit Trust (the EBT) have waived their right to receive dividends over their holding of 106,066,831 shares as at 31 December 2024. The Company will be introducing a dividend reinvestment programme, further details can be obtained from Equiniti Limited.

The Company has previously made payments to shareholders by issuing redeemable C shares of 0.1p each. No distributions in the form of C Shares have been made since 2019. C shareholders wishing to redeem their existing C shares must lodge instructions with the Registrar to arrive no later than 5.00pm on 2 June 2025 (CREST holders must submit their election in CREST by 2.55pm). For the avoidance of doubt, the C share reinvestment programme is no longer available; C shares can only be redeemed for cash. The payment of C Share redemption monies will be made on 4 July 2025. Any entitlement to interest payments by C shareholders will also be paid on 4 July 2025 in accordance with the Company's articles of association.

Share dealing

The Registrar offers ordinary shareholders an internet dealing service at www.shareview.co.uk and a postal dealing service. Real-time dealing is available during market hours, 8.00am to 4.30pm, Monday to Friday excluding bank holidays. Orders can still be placed outside of market hours. The fee for internet dealing is 1.5% of the transaction value, subject to a minimum fee of £45. The fee for telephone dealing is 1.5% of the transaction value, subject to a minimum fee of £60. The fee for postal dealing is 1.9% of the transaction value, subject to a minimum fee of £70. This service is only available to shareholders resident in certain jurisdictions. Before you can trade you must register to use the service. Other share dealing facilities are available, but you should always use a firm regulated by the FCA (see register.fca.org.uk).

Your share certificate

Your share certificate is an important document. If you sell or transfer your shares you must make sure that you have a valid share certificate in the name of Rolls-Royce Holdings plc. If you place an instruction to sell your shares and cannot provide a valid share certificate, the transaction cannot be completed and you may be liable for any costs incurred by the broker. If you are unable to find your share certificate, please inform the Registrar immediately.

American Depositary Receipts (ADR)

ADR holders should contact the depository, JP Morgan, by calling +1(800) 990 1135 (toll free within the US) or +1(651) 453 2128 (outside the US) or via www.adr.com/contact/jpmorgan

Warning to shareholders – investment scams

We are aware that some of our shareholders have received unsolicited telephone calls or correspondence, offering to buy or sell their shares at very favourable terms. The callers can be very persuasive and extremely persistent and often have professional websites and telephone numbers to support their activities. They will sometimes imply a connection to Rolls-Royce and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up. Remember: if it sounds too good to be true, it probably is. You should always check that any firm contacting you about potential investment opportunities is properly authorised by the FCA. If you deal with an unauthorised firm you will not be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website at www.fca.org.uk/scamsmart, or by calling the FCA's consumer helpline on 0800 111 6768 (overseas callers dial +44 207 066 1000). If you have already paid money to share fraudsters, contact Action Fraud immediately on 0300 123 2040, whose website is www.actionfraud.police.uk

Visit Rolls-Royce online

Visit www.rolls-royce.com to find out more about the latest financial results, the share price, payments to shareholders, the financial calendar and shareholder services.

Communication preferences

You can sign up to receive the latest news updates to your phone or email by visiting www.rolls-royce.com and registering for our alert service. If you do not wish to receive a hard copy Annual Report in future, you can do this online at www.shareview.co.uk

Annual general meeting (AGM)

The 2025 AGM will be held at 11.00am on 1 May 2025 as a hybrid meeting. Full details are available on our website at www.rolls-royce.com

Analysis of ordinary shareholders at 31 December 2024

Type of holder	Number of shareholders	% of total shareholders	Number of shares	% of total shares
Individuals	149,908	98.64	169,785,298	2.00
Institutional and other investors	2,069	1.36	8,335,111,691	98.00
Total	151,977	100.00	8,504,896,989	100.00
Size of holding (number of ordinary shares)				
1 – 150	47,168	31.04	4,099,548	0.05
151 – 500	53,682	35.32	14,338,642	0.17
501 – 10,000	47,152	31.03	88,287,272	1.04
10,001 – 100,000	3,055	2.01	75,463,803	0.89
100,001 – 1,000,000	533	0.35	185,636,122	2.18
1,000,001 and over	387	0.25	8,137,071,602	95.67
Total	151,977	100.00	8,504,896,989	100.00

Glossary

AGM	annual general meeting
AI	artificial intelligence
APAC	Asia-Pacific
APM	alternative performance measure
Articles	Articles of Association of Rolls-Royce Holdings plc
AUKUS	Australia, United Kingdom, United States
BESS	battery energy storage system
bps	basis points
C&A	commercial and administrative
CDP	Carbon Disclosure Project
C shares	non-cumulative redeemable preference shares
Our Code	Global Code of Conduct
the Code	2018 UK Corporate Governance Code
the 2024 Code	2024 UK Corporate Governance Code
CMD	capital markets day
Company	Rolls-Royce Holdings plc
CRIP	C Share Reinvestment Plan
D&I	diversity and inclusion
DPAs	deferred prosecution agreements
DTR	the FCA's Disclosure Guidance and Transparency Rules
EFH	engine flying hours
ELG	Enterprise Leadership Group
EPS	earnings per share
ESG	environment, social, governance
ET&S	engineering, technology and safety
EU	European Union
EUR	euro
FCA	Financial Conduct Authority
FLRAA	Future Long Range Assault Aircraft
FPVL	fair value recognised in the income statement as a profit or loss
FRC	Financial Reporting Council
FTE	full time equivalent
FVOCI	fair value recognised through other comprehensive income
FX	foreign exchange
GBP	Great British pound or pound sterling
GCAP	Global Combat Air Programme
GDA	generic design assessment
GDP	gross domestic product
GESPP	Global Employee Share Purchase Plan
GHG	greenhouse gas
Group	Rolls-Royce Holdings plc and its subsidiaries
GW	gigawatt
HPT	high pressure turbine
HSE	health, safety and environment
HVO	hydrotreated vegetable oil
IASB	International Accounting Standards Board
ICAO	International Civil Aviation Organization

IFRS	International Financial Reporting Standards
ISS	Institutional Shareholder Services group of companies
KPIs	key performance indicators
ktCO ₂ e	kilotonnes of carbon dioxide equivalent
kW	kilowatts
LIBOR	London inter-bank offered rate
LTIP	long-term incentive plan
LTSA	long-term service agreement
M&A	mergers and acquisitions
MoU	memorandum of understanding
MRO	maintenance repair and overhaul
MtCO ₂ e	million tonnes of carbon dioxide equivalent
MWh	megawatt-hour
NCI	non-controlling interest
NED	Non-Executive Director
net zero company	net zero carbon emissions from our operations and facilities and our products are compatible with net zero operations by 2050
NOPAT	net operating profit after tax
OCI	other comprehensive income
OE	original equipment
OECD	Organisation for Economic Co-operation and Development
P&L	profit and loss
PBT	profit before tax
PPE	property, plant and equipment
R&D	research and development
Registrar	Equiniti Limited
RMS	risk management system
RRSAs	risk and revenue sharing arrangements
SAF	sustainable aviation fuel
SBTs	Science-Based Targets
Scope 1 + 2 emissions	Group Scope 1 + 2 greenhouse gas emissions
SETT	Safety, Energy Transition & Tech Committee
SID	Senior Independent Director
SMRs	small modular reactors
SPP	SharePurchase Plan
STEM	science, technology, engineering and mathematics
TCC	total cash costs
TCC/GM	total underlying cash costs as a proportion of underlying gross margin
TCFD	Task Force on Climate-related Financial Disclosures
TRI	total reportable injuries
TSR	total shareholder return
UKEF	UK Export Finance
UNSDG	United Nations Sustainable Development Goals
USD/US\$	United States dollar

Trade marks

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