

Registration number: 00769666

## **Rolls-Royce International Limited**

Annual Report and Financial Statements

for the year ended 31 December 2020



## **Rolls-Royce International Limited**

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## **Rolls-Royce International Limited**

### **Company Information**

**Registered office**

Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

**Rolls-Royce International Limited**  
**Strategic Report**  
**for the year ended 31 December 2020**

The Directors present their Strategic Report on Rolls-Royce International Limited (the Company) together with the audited financial statements for the year ended 31 December 2020.

**Principal activities**

The Company provides administration services for employees who work in its branch network and for certain employees employed by the Rolls-Royce Holdings plc group who are required to work on overseas assignments. The Company recharges multiple entities within the Rolls-Royce Holdings plc group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research and commercial information and strategies for the development of business opportunities.

**Business review**

The Company has continued to support its global network of branches throughout the financial year. The Company operates branches in the following geographical locations: Spain, Germany, Belgium, South Korea, Sri Lanka, Hong Kong, Ethiopia, Colombia, Qatar, Dubai, Bahrain, France and Abu Dhabi. The Company also has representative offices in Italy, Vietnam and Taiwan.

Revenue in the Company is generated through charges made to entities within the Rolls-Royce Holdings plc group for the provision of services provided by the Company. Revenue has decreased by £6,465,000 from £17,852,000 in 2019 to £11,387,000 in 2020 due to a reduction in recharges to group companies as a result of the impact of COVID-19. This has also resulted in no bonus recharges, minimal in-country and assignee travel by employees, and reduced rent and related charges whilst offices were closed due to the COVID-19 pandemic.

Operating profit margin has remained stable at 6%. Profit after taxation for the year is £96,000 (2019: profit after taxation of £1,743,000) which has declined due to the impact of COVID-19 on operating profit and reduction in bank interest received.

Net assets recognised at the balance sheet date were £26,203,000 (2019: £26,064,000). This is largely due to an increase in cash at bank offset by a reduction in the net trade receivable balance.

In 2020, the End of Service Benefit (EOSB) provision, which was transferred to the Company as part of the transfer of the Abu Dhabi branch during 2018, has been recharged as part of the service agreements between the Company and other companies within the Rolls-Royce Holdings plc group and costs of £165,615 have been recognised in cost of sales (2019: £181,000).

**Future developments**

The Directors do not expect any change to the activities carried out by the Company and the Company will continue to consider where the Rolls-Royce Holdings plc group customers require the services of the Company. This may necessitate the opening of additional branches in new locations or closure of branches as the Groups footprint is reviewed and reduced or resized accordingly. In 2020 the Company's Qatar branch signed a new contract with BAE Systems Qatar, the branch will expand its operations in 2022 to fulfil the contractual terms. The Directors anticipate that the Company will react to the changes experienced across the Rolls-Royce Holdings group, as this is the customer base in which they serve. The Directors continue to monitor the Company's performance during 2021 and take any mitigating actions if required to reduce the cash outflow requirements on the Company.

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

**Principal risks and uncertainties**

The Company is subject to a range of legislation or other regulatory requirements in the locations in which it operates, compromising the Company's ability to conduct business in certain jurisdictions and exposing the Company to potential: reputational damage; financial penalties; debarment from government contracts for a period of time; any of which could have a material adverse effect. The Company has in-country experts and contacts who provide support and have controls in place to manage the risks noted above.

The Company is supported by a variety of Rolls-Royce Holdings plc group risk management procedures. In addition, the group has an extensive compliance programme which is reinforced by a legal and compliance team.

**COVID-19**

In terms of the Company's financial and liquidity position in relation to COVID-19, the impacts of the pandemic are directly led by the strategic decisions of the businesses within the Rolls-Royce Holdings plc group, as the Company's direct customer. As noted in the Business Review section above, the financial performance has declined in line with the requirements of the Rolls-Royce Holdings plc group. The Company has maintained a strong liquidity position throughout the financial year, due to regular settlement of intercompany balances. The pandemic had an understandable affect upon business travel and unsurprisingly on international moves, a number of which were cancelled or paused and hence volume of transactions decreased. Representation on the Rolls-Royce Plc Incident Support Team continued until November 2020 when this group stood down. The Directors continue to monitor the Company's performance and will take any mitigating actions if required to reduce the cash outflow requirements on the Company.

**Financial risk management**

The following financial risks are considered key by the Directors:

*Interest risk*

Cash balances are held at floating rates and the Company is therefore exposed to movements in interest rates. The risk is mitigated by the Rolls-Royce Holdings plc group managing the overall interest rate risk at a group level by transacting interest rate swaps to fix interest rates.

*Foreign exchange risk*

Cash balances are held in both Sterling and in local currency and therefore these balances are exposed to movements in foreign exchange rates. To mitigate this risk at the Company level, both sales and purchases are made in local currencies.

*Credit risk*

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for impairment. The main customers of the Company are other subsidiary undertakings of the Rolls-Royce Holdings plc group, who will be supported by Rolls-Royce plc if required, and therefore the overall credit risk to the Company is low.

The Company's is also exposed to credit risk attributable to the overseas financial institutions who hold the Company's cash balances. The Company operates under the Rolls-Royce Holdings plc's credit policy which ordinarily requires counterparties to have a public long-term senior unsecured rating of 'BBB' or higher. Where this is not possible an alternative counterparty is chosen based upon either its reputation or whether the Rolls-Royce Holdings plc group has an existing relationship. On a quarterly basis, all counterparties that have both cash deposits and a credit rating below 'BBB' are reported to the Treasury Review Meeting. Action is taken to transfer cash to other counterparties with a better credit rating if the amounts are considered to be material to the Company.

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

**Key performance indicators**

The key performance indicators monitored by the Company during the year were as follows:

Revenue - 2020: £11,387,000 (2019: £17,852,000)

Profit after taxation - 2020: £96,000 (2019: profit of £1,743,000)

Net assets - 2020: £26,203,000 (2019: £26,064,000)

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

**Section 172(1) statement**

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

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

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

The Company's key stakeholders are its parent company Rolls-Royce plc, the employees who work in the branch offices and other employees who are employed by the Rolls-Royce Holdings plc group who are required to work on overseas assignments. The numbers of overseas assignments managed have reduced as a result of business restructuring brought on by the impact of the COVID-19 pandemic, but it is expected to continue to be a key activity as the business has growth areas which rely upon the use of overseas assignments. Further information on how the Company engages with the employees is outlined in the Directors Report on page 7. The Company engages with its parent Company, Rolls-Royce plc, through a variety of channels including face to face consultations, regular board updates and regular communication between teams on joint projects. The Directors use skills learnt during their director training to consider the impact decisions have on stakeholders and the wider community. The Directors then consider the stakeholder impacts against long-term strategy and principal risks. The Directors ensure principal risks are mitigated by adopting the Rolls-Royce Holdings plc Global Code of Conduct.

When the Company makes principal decisions it engages with its parent to ensure the interests of the wider stakeholders, which include the Rolls-Royce Holdings plc group, are taken into account. For example, the Company engages with its' parent in the event that a business unit is required to set up operations in a country where Rolls-Royce plc has a limited presence; based on advice and guidance from external advisers, the Company assesses whether an entity should be registered in the form of a branch, representative office, or commercial registration office of the Company (subject to local laws, regulations and statutory requirements). This reduces the number of the Company's subsidiary undertakings. For example, the Abu Dhabi branch was set up as a branch of the Company as opposed to a separate subsidiary of Rolls-Royce plc.

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

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

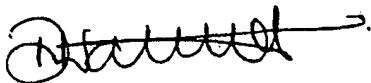
Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in board decision-making. The Directors consider business relationships with the Company's wider stakeholders, the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year. As a Rolls-Royce Holdings plc group company, the Company complies and acts in accordance with the Rolls-Royce Holdings plc policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which can be obtained from the address in note 22.

The Company Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020. Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in Board decision-making. The Directors utilise their annual director training which highlights the importance of taking stakeholders into account during long-term decision making.

The Directors ensure that when making principal decisions they factor in the principal risks of the Company and the interests of all stakeholders. When any principal decisions are made and discussed, the Directors ensure that the consequences of the decisions over the long term to other stakeholders including employees' interests and relationships with other suppliers and customers are considered. An example of this is a Director of the Company being part of the Rolls-Royce Holdings plc group Incident Support Team that has been responsible for the formulation of the group's strategy and management of activities in relation to the COVID-19 pandemic, in particular in relation to ensuring that the welfare of employees based overseas, including those on overseas assignments, is taken care of.

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

Approved by the Board on 23 September 2021 and signed on its behalf by:



H Walker  
Director

**Rolls-Royce International Limited**  
**Directors' Report**  
**for the year ended 31 December 2020**

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

**Directors**

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

A G Bowden (resigned 25 February 2020)

H Walker (appointed 25 February 2020)

P A Knight

**Qualifying third party indemnity provisions**

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

**Results**

The Company made £96,000 profit after taxation for the year (2019: £1,743,000 profit after taxation) and had net assets of £26,203,000 (2019: £26,064,000). Further details on the Company's results are given in the Strategic Report on page 2.

**Dividends**

The Directors do not recommend the payment of a dividend (2019: £nil). No dividends were paid during the year (2019: £nil).

**Principal risks and uncertainties**

The details of the Company's principal risks and uncertainties are set out in more detail on pages 2 and 3.

**Financial risk management**

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

**Going concern**

The financial statements have been prepared on a going concern basis. The Company has net current assets of £26,053,000 (2019: £25,803,000) as the result of settlements of intercompany receivables and payables during the financial year. The principal activities of the Company are linked to the requirements of Rolls-Royce plc, its immediate parent company. As such the Company has a significant level of intercompany balances within the Rolls-Royce Holdings plc group and operates as part of cash pooling arrangements which is reliant on Rolls-Royce plc settling these balances. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

Rolls-Royce plc has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future. The Directors have considered the forecast cash flows and liquidity of Rolls-Royce Holdings plc group, the ultimate parent of Rolls-Royce plc for a period to February 2023 and are satisfied they have the potential to provide financial support as required.

After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company's financial statements on a going concern basis.



**Rolls-Royce International Limited**  
**Directors' Report**  
**for the year ended 31 December 2020 (continued)**

**Employees**

The Company is committed to continuing communication and dialogue with employees. The existence of a group wide intranet enables engagement and communication with employees throughout the group on a single platform. The Company and employee representatives continue to work closely together to improve the quality of employee engagement and participation in the development of the business.

The Company's investment in training and development programmes ensures that all employees have the opportunity to attain the highest level of skill and employees are encouraged to take responsibility for their personal development. Opportunities are available to extend their competency levels using a range of the latest education and training techniques. The use of Appraisal Systems and Personal Development Planning enabled managers to support employees in their careers.

The Company's policy on diversity and equality continues to develop in consultation with employee representatives and the Company continues to be committed to equal opportunities and developing a diverse and inclusive workforce. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Independent auditors**

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

**Statement of Directors' Responsibilities in respect of the financial statements**

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

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

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

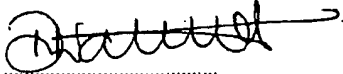
**Rolls-Royce International Limited**  
**Directors' Report**  
**for the year ended 31 December 2020 (continued)**

**Directors' confirmations**

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

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

Approved by the Board on 23 September 2021 and signed on its behalf by: ,



H Walker  
Director

## **Rolls-Royce International Limited**

### **Independent auditors' report to the members of Rolls-Royce International Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### **Independence**

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

##### **Conclusions relating to going concern**

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

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

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

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

## **Rolls-Royce International Limited**

### **Independent auditors' report to the members of Rolls-Royce International Limited (continued)**

#### **Reporting on other information**

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

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

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

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

#### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Rolls-Royce International Limited**

### **Independent auditors' report to the members of Rolls-Royce International Limited (continued)**

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices and tax compliance legislation in the jurisdictions where the business operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, the improper creation or inclusion of transactions in revenue through inappropriate journal entries or inappropriate recognition of costs to reimburse, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions throughout the audit with management and the company's in-house legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Assess completeness of journal entries using data analysis tools and adopting a risk based approach by setting criteria to identify journals entries for testing, for example unusual journal entries due to unexpected account combinations and unusual words, including in respect of transactions with related parties;
- Auditing the risk of fraud in revenue recognition of improper creation or inclusion of transactions in revenue by using our data analysis tools to identify unusual credits to revenue for further investigation and auditing the allocation of costs for reimbursement as well as assessing unusual debits to expense accounts; and
- Challenging assumptions and judgements made by management in determining accounting estimates (because of the risk of management bias).

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

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

## **Rolls-Royce International Limited**

### **Independent auditors' report to the members of Rolls-Royce International Limited (continued)**

#### **Use of this report**

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Rachel Cletheroe (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
25 September 2021

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

	Note	2020 £ 000	2019 £ 000
Revenue	3	11,387	17,852
Cost of sales		<u>(10,701)</u>	<u>(16,841)</u>
<b>Operating profit</b>	4	<b>686</b>	<b>1,011</b>
Finance income	8	65	762
Finance costs	9	<u>(305)</u>	<u>(16)</u>
<b>Profit before taxation</b>		<b>446</b>	<b>1,757</b>
Taxation	10	<u>(350)</u>	<u>(14)</u>
<b>Profit for the financial year</b>		<b><u>96</u></b>	<b><u>1,743</u></b>

The above results were derived from continuing operations.

The notes on pages 17 to 34 form an integral part of these financial statements.

**Rolls-Royce International Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2020**

	2020 £ 000	2019 £ 000
Profit for the financial year	<u>96</u>	<u>1,743</u>
<b>Total comprehensive income for the year</b>	<u><b>96</b></u>	<u><b>1,743</b></u>

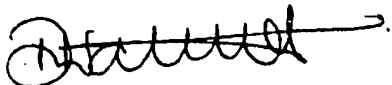
The notes on pages 17 to 34 form an integral part of these financial statements.



**Rolls-Royce International Limited**  
**Balance Sheet**  
**as at 31 December 2020**  
**(Registration number: 00769666)**

	Note	2020 £ 000	2019 £ 000
<b>Non-current assets</b>			
Right-of-use assets	11	1,134	871
Investments	12	22	22
Deferred tax assets	10	176	238
		<u>1,332</u>	<u>1,131</u>
<b>Current assets</b>			
Trade and other receivables	13	27,362	48,522
Cash at bank and in hand	14	5,840	5,232
		<u>33,202</u>	<u>53,754</u>
<b>Current liabilities</b>			
Trade and other payables	17	(6,732)	(27,471)
Lease liabilities	15	(417)	(480)
		<u>(7,149)</u>	<u>(27,951)</u>
<b>Net current assets</b>		<u>26,053</u>	<u>25,803</u>
Total assets less current liabilities		<u>27,385</u>	<u>26,934</u>
<b>Non-current liabilities</b>			
Lease liabilities	15	(775)	(360)
Provisions	18	(407)	(510)
		<u>26,203</u>	<u>26,064</u>
<b>Net assets</b>		<u>26,203</u>	<u>26,064</u>
<b>Equity</b>			
Called up share capital	20	200	200
Other reserves		(196)	(196)
Retained earnings		26,199	26,060
<b>Total equity</b>		<u>26,203</u>	<u>26,064</u>

The financial statements on pages 13 to 34 were approved and authorised for issue by the Directors on 23 September 2021 and signed on its behalf by:



H Walker  
Director

The notes on pages 17 to 34 form an integral part of these financial statements.

**Rolls-Royce International Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2020**

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	200	(196)	26,060	26,064
Profit for the financial year	-	-	96	96
Total comprehensive income	-	-	96	96
Share-based payment transactions	-	-	70	70
Related tax movements	-	-	(27)	(27)
At 31 December 2020	200	(196)	26,199	26,203

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	200	(196)	24,157	24,161
Profit for the financial year	-	-	1,743	1,743
Total comprehensive income	-	-	1,743	1,743
Share based payment transactions	-	-	135	135
Related tax movements	-	-	25	25
At 31 December 2019	200	(196)	26,060	26,064

Other reserves relates to the transfer of an End of Services Benefit provision of £196,000 from Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited to the Company and treated as a capital distribution.

The notes on pages 17 to 34 form an integral part of these financial statements.

**Rolls-Royce International Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2020**

**1 General information**

Rolls-Royce International Limited is a private company limited by shares, incorporated and domiciled in the East Midlands, UK.

The address of the Company's registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

**Principal activities**

The Company provides administration services for employees who work in its branch network and for certain employees employed by the Rolls-Royce Holdings plc group who are required to work on overseas assignments. The Company recharges multiple entities within the Rolls-Royce Holdings plc group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research and commercial information and strategies for the development of business opportunities.

**2 Significant accounting policies**

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

**Basis of preparation**

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

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

- The following paragraphs of IAS 1, *Presentation of financial statements*:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 134 to 136 (disclosures in respect of capital management); and
  - 111 (statement of cash flows information).
- IAS 7, *Statement of cash flows*;
- Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and error (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements of paragraph 52 of IFRS 16 *Leases* to disclose information about its leases in a single note;
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- Paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraph 38 of IAS 1, *Presentation of financial statements* – comparative information requirements in respect of paragraph 73(e) of IAS 16 *Property, plant and equipment*;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a), 120 to 127 and 129 of IFRS 15: *Revenue from Contracts with Customers*;
- IFRS 7 *Financial Instruments: Disclosures*; and
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation).

**New standards, amendments and IFRIC interpretations**

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

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

**2 Significant accounting policies (continued)**

**Key accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

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

*Impairment of trade receivables*

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables, management considers the key assumptions to be:

- the credit rating of the receivable;
- the ageing profile of receivables; and
- historical experience.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The value of trade receivables at 31 December 2020 is £20,773,000 (2019: £36,930,000). An ECL provision of £705,000 (2019: £613,000) has been applied.

**Critical judgements in applying the Company's accounting policies**

The financial statements are not considered to contain any area involving a higher degree of judgement in applying the Company's accounting policies and therefore no further consideration is required.

**Going concern**

The financial statements have been prepared on a going concern basis. The Company has net current assets of £26,053,000 (2019: £25,803,000) as the result of settlements of intercompany receivables and payables during the financial year. The principal activities of the Company are linked to the requirements of Rolls-Royce plc, its immediate parent company. As such the Company has a significant level of intercompany balances within the Rolls-Royce Holdings plc group and operates as part of cash pooling arrangements which is reliant on Rolls-Royce plc settling these balances. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

Rolls-Royce plc has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future. The Directors have considered the forecast cash flows and liquidity of the Rolls-Royce Holdings plc group, the ultimate parent of Rolls-Royce plc for a period to February 2023 and are satisfied they have the potential to provide financial support as required.

After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company's financial statements on a going concern basis.

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

**2 Significant accounting policies (continued)**

**Exemption from preparing group financial statements**

The financial statements contain information about Rolls-Royce International Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its parent, Rolls-Royce plc, a company incorporated in the United Kingdom, which are publicly available. The address of the parent company's registered address is set out in note 23.

**Revenue recognition**

Revenue represents the amounts (excluding value added tax) derived from the provision of services to entities within the Rolls-Royce Holdings plc group during the year. The Company recognises revenue when performance obligations have been satisfied, which is when services have been rendered, or costs incurred, where the Company is entitled to be reimbursed, by the network of branches. This is considered to be at a point in time.

Management consider there to be one statutory revenue stream, in line with activities undertaken by Rolls-Royce International Limited's employees. This is derived from costs incurred plus an agreed mark-up.

The Company does not have exposure to significant risk and rewards associated with the rendering of the services provided by employees on assignment. Therefore, the revenue is just the commission charged on costs relating to these employees, which is predetermined based on agreements with Group entities and is often a percentage of the costs incurred.

Revenue is recognised when services have been provided to the customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenue when (or as) each performance obligation is satisfied. The revenue of the Company comes from the provision of services that are recognised at a point in time. Revenue in the income statement is recognised in the accounting period in which the service is rendered.

**Finance income**

Interest receivable is credited to the income statement using the effective interest method.

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

**Functional and presentational currency**

The functional and presentational currency of the Company is Pound Sterling.

All amounts in the financial statements and notes have been rounded to the nearer thousand Pounds Sterling unless otherwise stated.

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

**2 Significant accounting policies (continued)**

**Taxation**

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

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

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

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

**Investments**

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

**Cash and cash equivalents**

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

**Trade receivables**

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

**Financial assets and liabilities**

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

*Impairment of financial assets*

The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

*Financial assets*

Financial assets primarily include trade and other receivables and cash and cash equivalents. Trade and other receivables are generally classified as 'held to collect' and measured at amortised cost. Cash and cash equivalents (consisting of balances with banks) are measured at fair value through profit and loss (FVTPL).

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

**2 Significant accounting policies (continued)**

**Financial assets and liabilities (continued)**

*Financial liabilities*

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

**Trade payables**

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

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**Provisions**

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

**Leases**

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

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

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

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

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

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

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

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

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

**2 Significant accounting policies (continued)**

**Share capital**

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

**Defined contribution pension obligation**

Payments to defined contribution schemes are charged as an expense as they fall due.

**Share-based payments**

The parent company on behalf of the Company provides share-based payment arrangements to certain employees.

These are equity-settled arrangements and are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest, except where additional shares vest as a result of the Total Shareholder Return (TSR) performance condition in the Performance Share Plan.

The costs of these share-based payments are treated as a capital contribution from the parent company. Any payments made by the Company to its parent company, in respect of these arrangements, are treated as a return of this capital contribution.

The fair values of the share-based payment arrangements are measured as follows:

- i) ShareSave plans - using the binomial pricing model;
- ii) Performance Share Plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the TSR market-based performance condition;
- iii) Annual Performance Related Award plan deferred shares and free shares under the Share Incentive Plan - share price on the date of the award excluding expected dividends.

**3 Revenue**

A geographical analysis of revenue is presented as follows:

	2020 £ 000	2019 £ 000
United Kingdom	9,865	15,638
Rest of Europe	551	1,181
United States of America & Canada	688	824
Middle East & Asia	13	10
Rest of the World	270	199
	<u>11,387</u>	<u>17,852</u>

All revenue is generated from the sale of services.



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

**4 Operating profit**

Arrived at after charging

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Impairment of trade receivables	92	613
Depreciation of right-of-use assets	598	859
	<u>          </u>	<u>          </u>

**5 Staff costs**

The aggregate payroll costs including Directors were as follows:

	<b>2020</b> <b>£ 000</b>	<b>2019</b> <b>£ 000</b>
Wages and salaries	5,865	6,745
Social security costs	1,174	1,346
Other pension costs	172	148
Share-based payment expenses	70	135
	<u>7,281</u>	<u>8,374</u>

Staff costs and the number of employees disclosed in these financial statements relate to employees of the Company only. Employees on international assignment from other Rolls-Royce Holdings plc group companies are excluded from these financial statements.

The monthly average number of persons employed by the Company including directors during the year, analysed by category was as follows:

	<b>2020</b> <b>No.</b>	<b>2019</b> <b>No.</b>
Engineering	49	50
Administration and support	37	37
	<u>86</u>	<u>87</u>

**6 Directors' remuneration**

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

**Rolls-Royce International Limited**

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

**7 Auditors' remuneration**

The audit fees of the Company's financial statements of £61,716 (2019: £44,285) were paid by Rolls-Royce plc on behalf of the Company and not recharged. Nil (2019: nil) amounts were paid to the auditors for non-audit services.

**8 Finance income**

	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Bank interest receivable	65	501
Foreign exchange gains	-	261
	<u>65</u>	<u>762</u>

**9 Finance costs**

	<b>2020 £ 000</b>	<b>2019 £ 000</b>
Interest on right-of-use liabilities	(16)	(16)
Foreign exchange losses	(289)	-
	<u>(305)</u>	<u>(16)</u>

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

**10 Taxation**

Tax charged in the income statement:

	2020	2019
	£ 000	£ 000
<b>Current tax</b>		
Group relief payable	86	385
Adjustments in respect of prior periods	–	(552)
	<u>86</u>	<u>(167)</u>
Foreign tax	229	184
Total current income tax	<u>315</u>	<u>17</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	73	19
Arising from reversal of previously recognised temporary differences	(13)	(22)
Adjustments in respect of an increase in tax rate	(25)	–
Total deferred taxation	<u>35</u>	<u>(3)</u>
<b>Tax expense in the income statement</b>	<u>350</u>	<u>14</u>

The tax on profit before tax for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
<b>Profit before tax</b>	<u>446</u>	<u>1,757</u>
Corporation tax at standard rate of 19% (2019: 19%)	85	334
Decrease in current tax from adjustment for prior periods	(13)	(574)
Increase from effect of expenses not deductible in determining taxable profit	74	72
Increase from effect of unrelieved foreign tax	229	184
Tax credit relating to adjustments in respect of change in tax rate	(25)	(2)
<b>Total tax charge</b>	<u>350</u>	<u>14</u>

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

**10 Taxation (continued)**

The Spring Budget 2020 announced that the UK corporation tax rate would remain at 19% rather than reducing to 17% from 1 April 2020. The new law was substantively enacted on 17 March 2020. The prior year deferred tax asset was calculated at 17%, as this was the enacted rate at the 2019 balance sheet date. As the 19% rate has been substantively enacted before 31 December 2020, the deferred tax asset has been re-measured at 19%.

The resulting credit has been recognised in the income statement except to the extent that they relate to items previously credited or charged to equity. Accordingly, in 2020, £25,000 has been credited to the income statement and £3,000 has been credited to equity.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax asset by £55,000.

**Deferred tax**

Deferred tax assets

	<b>Asset</b>
	<b>£ 000</b>
<b>2020</b>	
Accelerated tax depreciation	36
Other items	140
	<u>176</u>
	<b>Asset</b>
	<b>£ 000</b>
<b>2019</b>	
Accelerated tax depreciation	39
Other items	199
	<u>238</u>

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

**10 Taxation (continued)**

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income statement £ 000	Recognised in other comprehensive income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	39	(3)	-	36
Other items	199	(32)	(27)	140
Net tax assets	<u>238</u>	<u>(35)</u>	<u>(27)</u>	<u>176</u>

Other items above relate to share-based payments, pension costs and IFRS 9 adjustments in respect of prior years.

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income statement £ 000	Recognised in other comprehensive income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	48	(9)	-	39
Other items	162	12	25	199
Net tax assets	<u>210</u>	<u>3</u>	<u>25</u>	<u>238</u>

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

**11 Right-of-use assets**

	<b>Land and buildings Total £ 000</b>
<b>Cost</b>	
At 1 January 2020	1,498
Additions/lease modifications	861
Disposals	(12)
At 31 December 2020	<u>2,347</u>
<b>Accumulated depreciation</b>	
At 1 January 2020	627
Charge for the year	598
Eliminated on disposals	(12)
At 31 December 2020	<u>1,213</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>1,134</u>
At 31 December 2019	<u>871</u>

Depreciation of £598,000 (2019: £859,000) is included in cost of sales in the income statement.

**12 Investments**

	<b>Total £ 000</b>
<b>Subsidiaries</b>	
<b>Cost</b>	
At 1 January 2020	<u>32</u>
At 31 December 2020	<u>32</u>
<b>Accumulated impairment</b>	
At 1 January 2020	<u>10</u>
At 31 December 2020	<u>10</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>22</u>
At 31 December 2019	<u>22</u>

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

**12 Investments (continued)**

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

All are direct shareholdings of the Company.

Company name	Share class	Address	% Holding 2020
Rolls-Royce India Limited	Ordinary	Moor Lane, Derby, DE24 8BJ	100%
Rolls-Royce (Thailand) Limited	Ordinary	900, 11th floor, Tonson Tower, Ploenchit Rd, Bangkok, Thailand	100%

**13 Trade and other receivables**

	2020 £ 000	2019 £ 000
Amounts due from group undertakings	22,329	36,930
Amounts due from related party undertakings	34	330
Other receivables	574	659
Prepayments and accrued income	4,425	10,603
	<u>27,362</u>	<u>48,522</u>

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

Amounts due from group undertakings are stated after provisions for impairment of £705,000 (2019: £613,000) for expected credit losses in respect of loans and receivables from group entities in accordance with IFRS 9.

**14 Cash at bank and in hand**

	2020 £ 000	2019 £ 000
Cash at bank	<u>5,840</u>	<u>5,232</u>

As at 31 December 2020, £147,000 (2019: £76,000) of cash was held at banks who had a credit rating below the recommended level as set by Rolls-Royce Holdings plc.

Following an assessment by the Company, no provision for impairment (2019: none) has been recognised for expected credit losses in accordance with IFRS 9 *Financial Instruments*.

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

**15 Lease liabilities**

	2020 £ 000	2019 £ 000
<b>Current</b>		
Lease liabilities	<u>417</u>	<u>480</u>
	2020 £ 000	2019 £ 000
<b>Non-current</b>		
Finance lease liabilities	<u>775</u>	<u>360</u>
Future minimum lease payments on leases at 31 December:		
	2020 £ 000	2019 £ 000
Depreciation of right-of-use assets	<u>598</u>	<u>859</u>
Interest expense (included in finance cost note 9)	<u>16</u>	<u>16</u>
Future minimum lease payments on finance leases at 31 December:		
Within one year	436	480
In one to two years	263	250
In two to five years	278	120
Over five years	<u>286</u>	<u>-</u>
<b>Total gross payments</b>	1,263	850
Impact of finance expense	<u>(72)</u>	<u>(10)</u>
<b>Carrying amount of liability</b>	<u>1,191</u>	<u>840</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2020 was 2.02% (2019: 1.56%).

The leases primarily relate to land and buildings.



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

**16 Share-based payments**

During the year, the Company participated in the following share-based payment plans operated by Rolls-Royce Holdings plc:

**Long-term Incentive Plan (LTIP)**

**Scheme description**

This plan involves the award of shares to participants subject to performance conditions. Vesting of the performance shares is based on the achievement of both non-market based conditions (EPS and cash flow per share) and a market based performance condition (Total Shareholder Return – TSR) over a three-year period.

**ShareSave share option plan**

**Scheme description**

Based on a three or five year monthly savings contract, eligible employees are granted share options with an exercise price of up to 20% below the share price when the contract is entered into. Vesting of the options is not subject to the achievement of a performance target. The plan is HM Revenue & Customs approved.

**Annual Performance Related Award (APRA) plan deferred shares**

**Scheme description**

A proportion of the APRA annual incentive scheme is delivered in the form of a deferred share award. The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Company for two years from the date of the award in order to retain the full number of shares. During the two year deferral period, participants are entitled to receive dividends, or equivalent, on the deferred shares.

As share options are exercised throughout the year, the weighted average share price during the year of 203p (2019 adjusted: 311p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2020 was 111p (2019 adjusted: 234p), this was rebased due to the rights issue in November 2020. There were no exercisable options as at 31 December 2020 (2019: Nil).

Share-based payment charges incurred by the Company in the year to 31 December 2020 were £70,000 (2019: £135,000).

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

**17 Trade and other payables**

	2020 £ 000	2019 £ 000
Trade payables	1,136	1,560
Accrued expenses	1,028	577
Amounts due to group undertakings	4,240	23,949
Amounts due to group undertakings for intercompany tax	86	-
Amounts due to related party undertakings	-	1
Other payables	242	1,384
	<u>6,732</u>	<u>27,471</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Other payables comprise of corporation tax payable and other accruals.

**18 Provisions**

	Employee benefits £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	480	30	510
Provisions utilised	(232)	(30)	(262)
Decrease due to foreign exchange differences	(7)	-	(7)
Provisions added in year	170	-	170
Unused reversal	(4)	-	(4)
At 31 December 2020	<u>407</u>	<u>-</u>	<u>407</u>
Non-current liabilities	<u>407</u>	<u>-</u>	<u>407</u>

The employee benefit provision relates to an employee End of Service Benefit provision associated with employees in the Abu Dhabi branch. The benefit is paid to employees when their contract of employment comes to an end.

Included within other provisions was an interest and penalties provision made in respect of potential tax liabilities in India. This was fully utilised in the financial year.

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

**19 Contingent liabilities**

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

**20 Called up share capital**

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	200	200	200	200

**21 Related party transactions**

Related party undertakings are joint ventures and joint operations of the Rolls-Royce Holdings plc group. EPI Europrop International GmbH is a 44% joint venture, Hong Kong Aero Engine Services Limited is a 50% joint venture, N3 Engine Overhaul Services GmbH & Co KG is a 50% joint venture; Aero Gearbox International SAS is a 50% joint operation of the group. Related party undertakings also include a subsidiary of the group, where the group controls the entity and as a result consolidates the entity and records a non-controlling interest: Aerospace Transmission Technologies GmbH (50% ownership). The following transactions occurred between the above related parties and the Company:

**Income from related party undertakings for the year ended 31 December**

	2020 £ 000	2019 £ 000
EPI Europrop International GmbH	930	994
Hong Kong Aero Engine Services Limited	163	137
Aero Gearbox International SAS	1,164	1,327
N3 Engine Overhaul Services GmbH & Co KG	1	(13)
Aerospace Transmission Technologies GmbH	100	173
Total	2,358	2,618

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

**21 Related party transactions (continued)**

**Receivables from related party undertakings at 31 December**

	2020 £ 000	2019 £ 000
Hong Kong Aero Engine Services Limited	34	12
Aero Gearbox International SAS	-	301
Aerospace Transmission Technologies GmbH	-	17
<b>Total</b>	<b>34</b>	<b>330</b>

**Payables to related party undertakings at 31 December**

	2020 £ 000	2019 £ 000
N3 Engine Overhaul Services GmbH & Co KG	-	1
<b>Total</b>	<b>-</b>	<b>1</b>

**22 Parent and ultimate parent undertaking**

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

The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, which is the parent undertaking of the largest group to consolidate these financial statements. Rolls-Royce plc is the parent undertaking of the smallest group to consolidate these financial statements.

Both sets of financial statements are available upon request from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.