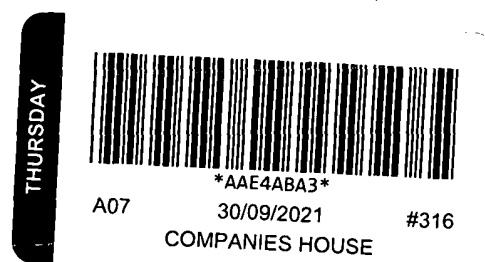


Registration number: 04060767

Rolls-Royce Overseas Investments Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2020



Rolls-Royce Overseas Investments Limited

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Rolls-Royce Overseas Investments Limited**Company Information****Registered office**

Moor Lane
Derby
Derbyshire
DE24 8BJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Rolls-Royce Overseas Investments Limited

Strategic Report For the year ended 31 December 2020

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

Principal activities

The principal activity of the Company during the year was that of a holding company. The Company principally holds investments in subsidiaries within the Civil and Defence Aerospace sectors located in North America as part of the Rolls-Royce Holdings plc group.

Business review

The Company received interest of \$27,930 thousand (2019: \$42,555 thousand) on amounts owed by Rolls-Royce Holdings plc group undertakings. During the year there was a loan repayment of \$360,000 thousand (2019: \$370,000 thousand). The Company recognised an impairment on amounts owed from group undertakings of \$9,559 thousand (2019: reversal of \$986 thousand).

A dividend of \$366,146 thousand was paid during the year (2019: \$403,215 thousand).

The profit for the year after taxation amounted to \$16,828 thousand (2019: profit of \$34,995 thousand).

The Company has net assets of \$2,327,942 thousand (2019: \$2,677,260 thousand). The reduction in net assets has arisen primarily due to the dividend paid during the year to the Company's immediate parent company, Rolls-Royce Overseas Holdings Limited. During the year, the Company entered into a loan agreement with Rolls-Royce plc for \$600,000,000 repayable in 2024 and subsequently issued a loan to a group undertaking for \$600,000,000. Further detail can be obtained from note 12 and 13.

Principal risks and uncertainties

The Company acts in accordance with the policies set by Rolls-Royce Holdings plc. The Rolls-Royce Holdings plc group has an established, structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report.

The Directors have determined that the following risks have the most material potential impact on the Company. Mitigating activities are described for each risk. These risks are specific to the nature of the business notwithstanding that there are other risks that may occur and may impact the achievement of the Company's objectives. Where relevant these are managed within the Rolls-Royce Holdings plc's group risk management procedures details of which may be found in the Rolls-Royce Holdings plc Annual Report which can be obtained from the address in note 16.

Carrying value of investments

The Company holds significant investments in subsidiaries located in North America within the Civil and Defence Aerospace sectors of the Rolls-Royce Holdings plc group. A decline in the value of one or more subsidiary undertakings could materially impact upon the carrying value of the investments held on the Company's Balance Sheet. The Company undertakes an impairment review of the carrying value of investments if any trigger event is identified. Further details have been disclosed in note 11.

Rolls-Royce Overseas Investments Limited
Strategic Report
For the year ended 31 December 2020 (continued)

Financial risk management

The following risks are considered key by the Directors:

Financial

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts in the Balance Sheet are stated after provisions for impairment. Three interest bearing loans totalling \$968,024 thousand are due from fellow Rolls-Royce Holdings plc group undertakings which are supported by Rolls-Royce plc therefore the overall credit risk to the Company is considered to be low.

Key performance indicators

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

Section 172(1) statement

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

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

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

The Company's key stakeholder is its immediate parent, Rolls-Royce Overseas Holdings Limited. 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.

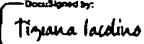
Rolls-Royce Overseas Investments Limited
Strategic Report
For the year ended 31 December 2020 (continued)

Section 172(1) statement (continued)

From the perspective of the Company's Directors, as a result of the Rolls-Royce Holdings plc group governance structure, the Rolls-Royce Holdings plc Board of Directors have taken the lead in carrying out the duties of a board in respect of the Company's other stakeholders. The Company's Directors have also considered relevant matters where appropriate to the Company through ad hoc board meetings. As the Company is an immediate holding company and has no employees, consideration of the business relationships with the Company's wider stakeholders; the impact of the Company's operations on the environment and communities in which it operates; and the Company's compliance in relation to safeguarding of human rights and community relationships is not applicable.

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 which are publicly available from the address in note 16.

Approved by the Board on 27 September 2021 and signed on its behalf by:

DocuSigned by:

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T Jacolino
Director

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2020

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

Directors

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

J H Luke (resigned 9 September 2020)

I R Hetherington (resigned 28 August 2020)

J Harvey (appointed 18 August 2020 and resigned 31 March 2021)

J Wise (appointed 18 August 2020)

T Iacolino (appointed 26 August 2020)

M Dix (appointed 16 April 2021)

Qualifying third party indemnity provisions

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

Results

The profit for the year, after taxation, amounted to \$16,828 thousand (2019: profit of \$34,995 thousand). Further details on the Company's results for the year are set out in more detail on page 2.

Dividends

On 25 June 2020, the Company paid an interim dividend of \$366,146 thousand (2019: \$403,215 thousand), \$1.19 per ordinary share (2019: \$1.31) to its parent undertaking, Rolls-Royce Overseas Holdings Limited.

Future developments

As the Company is a holding company, it expects to continue to receive financial income on loans provided to fellow subsidiary undertakings until the loans are repaid. Following the impact of COVID-19 on the Civil Aerospace industry, the cash flows of certain businesses in which the Company holds an investment have been reduced. The Directors are also aware that a reduction in cash flows in these businesses could lead to an increased risk of impairment to the carrying value of investments. As a result, the Directors have carried out an impairment review over the carrying value of investments. No impairment charge has been required. Further details have been disclosed in note 11.

Financial risk management

Further details of the financial risk management are set out in the Strategic Report on page 3.

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2020 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The Company is non-trading, with no foreseeable working capital requirements and has net current assets of \$963,185,000. The Directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these financial statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 18 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. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis.

Independent auditors

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

Rolls-Royce Overseas Investments Limited

Directors' Report

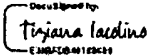
For the year ended 31 December 2020 (continued)

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 27 September 2021 and signed on its behalf by:

DocuSigned by:

E 386F-CB-46112629
.....
T Jacolino
Director

Rolls-Royce Overseas Investments Limited

Independent auditors' report to the members of Rolls-Royce Overseas Investments Limited

Report on the audit of the financial statements

Opinion

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

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Rolls-Royce Overseas Investments Limited

Independent auditors' report to the members of Rolls-Royce Overseas Investments Limited (continued)

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Rolls-Royce Overseas Investments Limited

Independent auditors' report to the members of Rolls-Royce Overseas Investments Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions throughout the audit with management and the company's in-house legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Assess completeness of journal entries to identify unusual journal entries for testing. As there are limited transactions given the nature of the Company's activities, all journals have been audited; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular impairment assessments and expected credit loss provisions.

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

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

Rolls-Royce Overseas Investments Limited

Independent auditors' report to the members of Rolls-Royce Overseas Investments 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.

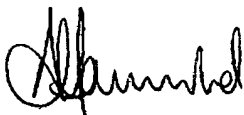
Other required reporting

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.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 September 2021

Rolls-Royce Overseas Investments Limited

Income Statement For the year ended 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Net impairment (losses)/reversal of financial assets		(9,559)	986
Administrative costs		<u>(499)</u>	<u>(494)</u>
Operating (loss)/profit	6	(10,058)	492
Dividend income	7	<u>4,381</u>	–
(Loss)/profit before financing and taxation		(5,677)	492
Finance costs	8	(203)	–
Finance income	9	<u>27,987</u>	<u>42,596</u>
Profit before taxation		22,107	43,088
Tax on (loss)/profit	10	<u>(5,279)</u>	<u>(8,093)</u>
Profit for the financial year		<u>16,828</u>	<u>34,995</u>

The above results were derived from continuing operations.

The notes on pages 16 to 30 form an integral part of these financial statements.

Rolls-Royce Overseas Investments Limited

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

	2020 \$ 000	2019 \$ 000
Profit for the financial year	<u>16,828</u>	<u>34,995</u>
Total comprehensive income for the year	<u>16,828</u>	<u>34,995</u>

The notes on pages 16 to 30 form an integral part of these financial statements.

Rolls-Royce Overseas Investments Limited**Balance Sheet****As at 31 December 2020****(Registration number: 04060767)**

	Note	2020 \$ 000	2019 \$ 000
Non-current assets			
Investments	11	1,964,757	1,964,757
Current assets			
Trade and other receivables - amounts due after one year \$700,000,000 (2019: \$350,000,000)	12	968,024	720,176
Cash at bank and in hand		979	700
		<u>969,003</u>	<u>720,876</u>
Current liabilities			
Trade and other payables	13	(5,818)	(8,373)
Net current assets		<u>963,185</u>	<u>712,503</u>
Non-current liabilities			
Trade and other payables	13	(600,000)	-
Net assets		<u>2,327,942</u>	<u>2,677,260</u>
Equity			
Called up share capital	14	579,444	579,444
Share premium account		534,558	534,558
Retained earnings		1,213,940	1,563,258
Total equity		<u>2,327,942</u>	<u>2,677,260</u>

The financial statements on pages 11 to 30 were approved and authorised for issue by the Directors on 27 September 2021 and signed on its behalf by:

DocuSigned by:

 Tiziana Iacolino
 Director

The notes on pages 16 to 30 form an integral part of these financial statements.

Rolls-Royce Overseas Investments Limited

Statement of Changes in Equity For the year ended 31 December 2020

	Called up share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2020	<u>579,444</u>	<u>534,558</u>	<u>1,563,258</u>	<u>2,677,260</u>
Profit for the financial year	<u>-</u>	<u>-</u>	<u>16,828</u>	<u>16,828</u>
Total comprehensive income	-	-	16,828	16,828
Dividends (note 7)	<u>-</u>	<u>-</u>	<u>(366,146)</u>	<u>(366,146)</u>
At 31 December 2020	<u>579,444</u>	<u>534,558</u>	<u>1,213,940</u>	<u>2,327,942</u>

	Called up share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2019	<u>579,444</u>	<u>534,558</u>	<u>1,931,478</u>	<u>3,045,480</u>
Profit for the financial year	<u>-</u>	<u>-</u>	<u>34,995</u>	<u>34,995</u>
Total comprehensive income	-	-	34,995	34,995
Dividends (note 7)	<u>-</u>	<u>-</u>	<u>(403,215)</u>	<u>(403,215)</u>
At 31 December 2019	<u>579,444</u>	<u>534,558</u>	<u>1,563,258</u>	<u>2,677,260</u>

The notes on pages 16 to 30 form an integral part of these financial statements.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements For the year ended 31 December 2020

1 General information

Rolls-Royce Overseas Investments Limited is a private company limited by shares, incorporated and domiciled in the East Midlands in the United Kingdom.

The principal activity of the Company is a holding company.

The address of its registered office is:

Moor Lane
Derby
Derbyshire
DE24 8BJ
England

2 Significant accounting policies

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:

- IAS 7 Statement of cash flows;
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- The requirements of IFRS 7 *Financial Instruments: Disclosures*; and
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

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

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.

Critical accounting judgements and key sources of estimation uncertainty

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

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

2 Significant accounting policies (continued)

Critical accounting estimates and assumptions

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

Key estimate - Impairment of amounts owed by group undertakings

The Company makes an estimate of the recoverable value of amounts owed by group undertakings. When assessing the impairment of amounts owed by group undertakings, management considers factors including the credit rating of the receivables, the ageing profile of receivables and historical experience. The Company applies IFRS 9 to measuring expected credit losses which uses a 12 month expected loss allowance for all amounts due from group undertakings under loan agreements which are recognised as stage 1 loans. During the year an impairment charge of \$9,559 thousand has been recognised. See note 12 for the net carrying amount of the receivables and associated impairment provision.

Critical accounting judgements in applying the entities accounting policies

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

Exemption from preparing group accounts

The financial statements contain information about Rolls-Royce Overseas Investments 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 1.

Going Concern

The financial statements have been prepared on a going concern basis. The Company is non-trading, with no foreseeable working capital requirements and has net current assets of \$963,185,000. The directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future that is for at least 12 months from the date of approval of these financial statements.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis.

Rolls-Royce Overseas Investments Limited

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

2 Significant accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into USD at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into USD at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the income statement.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Functional and presentation currency

Both the Company's functional and presentational currency is US dollars.

The Company's primary activity is that of a holding company. The investment holdings are primarily denominated in US dollars and cash flows in the form of dividends paid and interest received are denominated in US dollars.

Investments

Fixed asset investments are shown at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables consist of loans made to group undertakings. The loans are classed as financial assets and are subject to IFRS 9's expected credit loss model.

Impairment of non-current assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of assets* and are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount.

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

2 Significant accounting policies (continued)

Trade payables

Trade and other payables represent amounts owed to group undertakings. The amounts payable are unsecured, non-interest bearing and repayable on demand.

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.

Dividends

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

Financial assets and liabilities

Classification

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

Impairment of financial assets

In relation to the impairment of financial assets, under IFRS 9 the Company is required to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Financial liabilities

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

Rounding of amounts

All amounts in the financial statements have been rounded to the nearest thousand US Dollars, unless otherwise stated.

3 Staff costs

The Company has no employees (2019: Nil).

4 Directors' remuneration

All Directors fees or emoluments were paid by either Rolls-Royce plc or Rolls-Royce North America, Inc. 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 Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

5 Auditors' remuneration

The fees for the audit of the Company's financial statements were \$41,000 (2019: \$43,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged. There were no charges for non-audit fees (2019: \$Nil).

6 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2020 \$ 000	2019 \$ 000
Charge for/(reversal of) impairment of trade receivables	9,559	(986)
Foreign exchange loss	499	494
	<u>499</u>	<u>494</u>

7 Dividends

On the 25 June 2020, the Company paid an interim dividend of \$366,146,000 (2019: \$403,215,000), \$1.19 per ordinary share (2019: \$1.31) to its parent undertaking, Rolls-Royce Overseas Holdings Limited.

On the 16 December 2020, the Company received a dividend of \$4,381,000 (2019: £nil) from its subsidiary undertaking Rolls-Royce Saudi Arabia Limited. The dividend was instructed to be paid to Rolls-Royce Plc and then subsequently to the Company.

8 Finance costs

	2020 \$ 000	2019 \$ 000
Interest payable to group undertakings	203	-
	<u>203</u>	<u>-</u>

9 Finance income

	2020 \$ 000	2019 \$ 000
Interest receivable from group undertakings	27,930	42,555
Other interest receivable	57	41
	<u>27,987</u>	<u>42,596</u>

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

10 Tax on profit/(loss)

Tax charged in the income statement

	2020	2019
	\$ 000	\$ 000
Analysis of tax charge in the year		
Group relief payable at 19% (2019: 19%)	<u>5,279</u>	<u>8,093</u>

Factors affecting tax charge for the year

Profit/(loss) 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
Profit before tax	<u>22,107</u>	<u>43,088</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	4,200	8,187
Expenses not deductible/(income not taxable)	<u>1,079</u>	<u>(94)</u>
Total tax charge on profit	<u>5,279</u>	<u>8,093</u>

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

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

11 Investments

Subsidiaries	\$ 000
Cost	
At 1 January and 31 December 2020	<u>2,205,788</u>
Accumulated provisions	
At 1 January and 31 December 2020	<u>241,031</u>
Net book value	
At 31 December 2020	<u>1,964,757</u>
At 31 December 2019	<u>1,964,757</u>

In accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the Company's investment in Rolls-Royce North America (USA) Holdings Co, has been assessed by reference to value in use. Value in use has been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions.

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

- Trading assumptions (e.g. volume of original equipment deliveries, pricing achieved and cost escalation) are based on current and known future programmes, estimates of capture of market share and long-term economic forecasts;
- cash flows beyond the five-year forecasts for the Defence business and Civil business are assumed to grow at 2.0% and decline of 10% respectively (2019: 2.0%); and
- a pre-tax discount rate 11.0% (2019: 12.7%) has been applied to the Civil business, a 9.6% (2019: 10.6%) has been applied to the Defence business and 11.6% (2019: 12.7%) has been applied to Corporate businesses.

No impairment was identified (2019: no impairment). The Directors do not consider that any reasonable possible changes in the key assumptions would cause the value in use of the investment to fall below its carrying value.

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

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

**indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2020
PT Rolls-Royce**	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma, Jakarta, 13610, Indonesia	100%
Rolls-Royce Control Systems Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Controls and Data Services Inc*	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls Royce Corporation	Common Stock	251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Crosspointe LLC	Partnership	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Defense Products and Solutions Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Defense Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Engine Services Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Energy Systems Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%

*Liquidated during 2021

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

Company name	Share class	Address	% Holding 2020
Rolls-Royce Finance Company Limited	Deferred Ordinary	Moor Lane, Derby, England, DE24 8BJ	100%
Rolls-Royce Finance Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce High Temperature Composites Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Marine North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Holdings Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America (USA) Holdings Co.**	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Ventures Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North American Technologies Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

Company name	Share class	Address	% Holding 2020
Rolls-Royce Placements Limited**	Ordinary	Moor Lane, Derby, England, DE24 8BJ	100%
Rolls-Royce Saudi Arabia Limited**	Cash Shares	PO Box 88545, Riyadh, 11672, Saudi Arabia	95%
Vessel Lifter Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

Joint ventures

Details as at 31 December 2020 are as follows:

Company name	Share class	Address	Proportion of ownership interest and voting rights held
Alpha Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.4) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.5) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.6) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.7) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.8) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Light Helicopter Turbine Engine Co.	Partnership (no equity)	Suite 119, 9238 Madison Boulevard, Madison, AL35758, USA	50%
Omega Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

Company name	Share class	Address	Proportion of ownership interest and voting rights held
Omega Leasing (US) (No.4) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.5) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.6) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.7) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.8) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Rolls-Royce & Partners Finance (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Rolls-Royce & Partners Finance (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
RRPF Engine Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
RRPF Engine Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Texas Aero Engine Services LLC	Partnership (no equity)	The Corporation Trust Company, 1209, Orange Street, Wilmington, DE19801, USA	50%

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

11 Investments (continued)

Company name	Share class	Address	Proportion of ownership interest and voting rights held
Alpha Leasing Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 4) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 9) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 10) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 11) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 12) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Alpha Leasing (No. 14) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 4) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 9) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 10) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 11) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 12) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%
Omega Leasing (No. 14) Limited	Ordinary	1 Brewer's Green, London SW1H ORH	50%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2020 (continued)

12 Trade and other receivables

	2020 \$ 000	2019 \$ 000
Amounts due from group undertakings	968,024	720,176

Included in amounts due from group undertakings are two loans to a subsidiary undertaking.

A loan facility of \$350,000,000 was agreed on 24 October 2018 at a fixed rate of interest of 5.15%. The facility expires on 24 October 2023. As at 31 December 2020, the facility was fully drawn down. \$100,000,000 (2019: \$nil) is repayable within 1 year and \$250,000,000 (2019: \$350,000,000) is repayable after 1 year. Interest accrued and payable on demand is \$3,254,000 (2019: \$3,355,000).

The Company also provided a short term loan of \$24,000,000 (2019: \$10,000,000) to Rolls-Royce plc which was repayable on demand and accrued interest at 0.075% based on the US Federal reserve base interest rate. The short term loan was repaid in full on 4 January 2021.

A loan facility of \$600,000,000 was agreed on 11 December 2020 at a fixed rate of interest of 6.75%. The facility expires on 14 December 2024. As at 31 December 2020, the facility was fully drawn down. \$150,000,000 is repayable within 1 year and \$450,000,000 is repayable after 1 year. Interest accrued and payable on demand is \$1,913,000 (2019: \$1,913,000).

A loan facility of \$1,000,000,000 was agreed on 24 June 2015 at a fixed rate of interest of 4.55%. As at 31 December 2019, \$350,000,000 was due. The loan facility expired on 24 June 2020 and was repaid in full.

Amounts due from group undertakings are shown net of expected credit losses of \$11,142,000 (2019: \$1,583,000).

13 Trade and other payables

	2020 \$ 000	2019 \$ 000
<i>Amounts due in less than one year:</i>		
Amounts owed to group undertakings	203	-
Group relief payable	5,615	8,373
	5,818	8,373

Amounts due in greater than one year:

Amounts owed to group undertakings	600,000	-
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A loan facility of \$600,000,000 was agreed on 11 December 2020 at a rate of interest of 6.75%. The facility expires on 31 December 2024. As at 31 December 2020, the facility was fully drawn down and is repayable after 1 year. Interest accrued and payable on demand is \$203,000.

Other amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand.

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2020 (continued)

14 Called up share capital

Allotted and fully paid shares

	2020		2019	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of £1 each	<u>307,414</u>	<u>579,444</u>	<u>307,414</u>	<u>579,444</u>

15 Contingent liabilities

In January 2017, after full cooperation, other companies within the Rolls-Royce plc group concluded deferred prosecution agreements with the SFO and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Other authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities relating against those other companies within the Rolls-Royce plc group or individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matter that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

16 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Rolls-Royce Overseas Holdings Limited.

The ultimate parent undertaking is Rolls-Royce Holdings plc.

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

The consolidated financial statements of these groups are available to the public and may be obtained from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.