

Registration number: 04060767

Rolls-Royce Overseas Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Rolls-Royce Overseas Investments Limited

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Rolls-Royce Overseas Investments Limited

Company Information

Directors	Marcus Dix Tiziana Iacolino Janeen Wise
Registered number	04060767
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 2021

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 2021.

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 (the Group).

Business review

The profit for the year after taxation amounted to \$46,128,000 (2020: \$16,828,000).

The Company received interest of \$58,060,000 (2020: \$27,930,000) on amounts owed by Group undertakings. The Company recognised an impairment reversal on amounts owed from Group undertakings of \$2,923,000 (2020: impairment charge of \$9,559,000).

No dividend was paid during the year (2020: \$366,146,000).

The Company has net assets of \$2,374,070,000 (2020: \$2,327,942,000). The increase in net assets has arisen primarily due to the repayment of \$304,407,000 on amounts due to Group undertaking offset by a repayment of \$250,000,000 on amounts due from Group undertakings.

Key performance indicators

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

Principal risks and uncertainties

The Company acts in accordance with the policies set by Rolls-Royce Holdings plc. The 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 Group's risk management procedures, details of which may be found in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 16.

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

Carrying value of Investments

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

Rolls-Royce Overseas Investments Limited

Strategic Report

For the year ended 31 December 2021 (continued)

Section 172(1) statement

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

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

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

The Company's key stakeholder is its immediate parent, Rolls-Royce Overseas Holdings Limited. The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2021.

From the perspective of the Directors, as a result of the Group's 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 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 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.

Rolls-Royce Overseas Investments Limited

Strategic Report

For the year ended 31 December 2021 (continued)

Climate-related corporate reporting

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

Streamlined Energy & Carbon Reporting (SECR)

The Company is a subsidiary of the Rolls-Royce Holdings plc group and therefore the SECR disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc Annual Report on page 212. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

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

DocuSigned by:

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Tiziana Iacolino

Director

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2021

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

Directors

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

Marcus Dix (appointed 16 April 2021)

James Harvey (resigned 31 March 2021)

Tiziana Iacolino

Janeen Wise

Qualifying third-party indemnity provisions

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

Results and dividends

The Company made \$46,128,000 profit after taxation for the year (2020: \$16,828,000). The net assets of the Company are \$2,374,070,000 (2020: \$2,327,942,000).

The Company did not pay or declare any dividends during the year. In the year to 31 December 2020, the Company paid an interim dividend of \$366,146,000, \$1.19 per ordinary share to its parent undertaking, Rolls-Royce Overseas Holdings Limited.

Future developments

The Directors do not expect any change to the Company's principal activities. 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.

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 \$717,000,000 are due from fellow Group undertakings which are supported by Rolls-Royce plc. Therefore the overall credit risk to the Company is considered to be low.

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2021 (continued)

Going concern

The Financial Statements have been prepared on a going concern basis. The Company is non-trading, with no foreseeable working capital requirements and has net current assets of \$702,813,000. 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 to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Financial Statements on a going concern basis.

Independent auditors

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

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

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

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

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

Rolls-Royce Overseas Investments Limited

Directors' Report

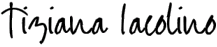
For the year ended 31 December 2021 (continued)

Directors' confirmations

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

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

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

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Tiziana Iacolino

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Rolls-Royce Overseas 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Rolls-Royce Overseas 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;
- Testing a selection of journal entries posted during the period at the holding entity level; 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.

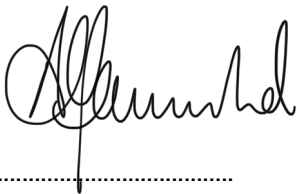
Other required reporting

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

10 June 2022

Rolls-Royce Overseas Investments Limited

Income Statement For the year ended 31 December 2021

	Note	2021 \$ 000	2020 \$ 000
Net impairment reversal/(losses) of financial assets		2,923	(9,559)
Administrative income/(costs)		143	(499)
Operating profit/(loss)	6	3,066	(10,058)
Dividend income	7	–	4,381
Profit/(loss) before financing and taxation		3,066	(5,677)
Finance costs	8	(4,906)	(203)
Finance income	9	58,069	27,987
Profit before taxation		56,229	22,107
Taxation	10	(10,101)	(5,279)
Profit for the financial year		46,128	16,828

The above results were derived from continuing operations.

The notes on pages 16 to 27 form an integral part of these Financial Statements.

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

	2021 \$ 000	2020 \$ 000
Profit for the financial year	46,128	16,828
Total comprehensive income for the year	46,128	16,828

The notes on pages 16 to 27 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited

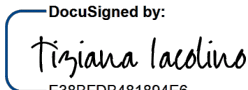
Balance Sheet

As at 31 December 2021

(Registration number: 04060767)

	Note	2021 \$ 000	2020 \$ 000
Non-current assets			
Investments	11	1,964,757	1,964,757
Current assets			
Trade and other receivables - falling due after more than one year \$450,000,000 (2020: \$700,000,000)	12	712,575	968,024
Cash at bank and in hand		274	979
		<u>712,849</u>	<u>969,003</u>
Current liabilities			
Trade and other payables	13	(10,036)	(5,818)
Net current assets		<u>702,813</u>	<u>963,185</u>
Total assets less current liabilities		<u>2,667,570</u>	<u>2,927,942</u>
Non-current liabilities			
Trade and other payables	13	(293,500)	(600,000)
Net assets		<u>2,374,070</u>	<u>2,327,942</u>
Equity			
Called up share capital	14	579,444	579,444
Share premium account		534,558	534,558
Retained earnings		1,260,068	1,213,940
Total equity		<u>2,374,070</u>	<u>2,327,942</u>

The Financial Statements on pages 12 to 27 were approved and authorised for issue by the Directors on 9 June 2022 and signed on its behalf by:

DocuSigned by:

 Tiziana Iacolino
 Director

The notes on pages 16 to 27 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited

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

	Called up share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2021	579,444	534,558	1,213,940	2,327,942
Profit for the financial year	–	–	46,128	46,128
Total comprehensive income	–	–	46,128	46,128
At 31 December 2021	579,444	534,558	1,260,068	2,374,070

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

The notes on pages 16 to 27 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited

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

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 that of a holding company.

The address of its registered office is:

Moor Lane
Derby
Derbyshire
DE24 8BJ
England

2 Significant accounting policies

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all years 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);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- 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 in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- 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 2021 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 2021 (continued)

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty - 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 reversal of \$2,923,000 (2020: charge of \$9,559,000) has been recognised. See note 12 for the net carrying amount of the receivables and associated impairment provision.

Critical accounting judgements

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 16.

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 \$702,813,000. 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 to the Company such that the Company is able to operate as a going concern and to settle their liabilities as they fall due for a period of at least 12 months from the date of signing these Financial Statements. After considering the above, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

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.

Foreign currency transactions and balances

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

Finance income/costs

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

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.

Investments

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

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.

Financial assets and liabilities

Classification

All recognised financial assets that are within the scope of IFRS 9 are initially recognised at fair value and 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.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial liabilities

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

Trade and other receivables

Trade and other receivables consist of loans made to group undertakings. Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses. Loans receivable are classified as financial assets and are subject to IFRS 9's expected credit loss model. 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.

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.

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 had no employees during the years ending 31 December 2021 or 31 December 2020.

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 2021 (continued)

5 Auditors' remuneration

The fees for the audit of the Company's Financial Statements were \$48,000 (2020: \$41,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged.

No (2020: no) amounts were paid to the Company's auditors for non-audit services.

6 Operating profit/(loss)

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

	2021	2020
	\$ 000	\$ 000
(Reversal of)/charge for impairment of trade receivables	(2,923)	9,559
Foreign exchange (gain)/loss	(143)	499

7 Dividends

The Company did not pay or receive any dividends during the year. In the year to 31 December 2020, the Company paid an interim dividend of \$366,146,000, \$1.19 per ordinary share to its parent undertaking, Rolls-Royce Overseas Holdings Limited and received a dividend of \$4,381,000 from its subsidiary undertaking Rolls-Royce Saudi Arabia Limited.

8 Finance costs

	2021	2020
	\$ 000	\$ 000
Interest payable to group undertakings	4,906	203

9 Finance income

	2021	2020
	\$ 000	\$ 000
Interest receivable from group undertakings	58,060	27,930
Other interest receivable	9	57
	58,069	27,987

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

10 Taxation

Tax charged in the income statement:

	2021	2020
	\$ 000	\$ 000
Analysis of tax charge in the year		
Group relief payable at 19% (2020: 19%)	10,101	5,279
Factors affecting tax charge for the year		

The tax expense for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK of 19% (2020 - 19%).

The differences are reconciled below:	2020	2019
	\$ 000	\$ 000
Profit before taxation	56,229	22,107
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	10,684	4,200
(Income not taxable)/expenses not deductible	(583)	1,079
Total taxation	10,101	5,279

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

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

11 Investments

Subsidiaries	\$ 000
Cost	
At 1 January and 31 December 2021	2,205,788
Accumulated provisions	
At 1 January and 31 December 2021	241,031
Net book value	
At 31 December 2021	1,964,757
At 31 December 2020	1,964,757

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 reviewed for indicators of impairment. Where such indicators are present, a quantified impairment test would be required and the value in use calculated based upon a discounted cash flow methodology using the most recent forecasts available to management. The Directors have considered the impact of climate change when assessing for trigger events that could lead to a change in the carrying value of assets, this includes both growth opportunities and climate related risks to costs and revenues as a result of climate change.

At 31 December 2021, no indicators of impairment have been identified. At 31 December 2020, no impairment charge was required and the Directors determined that no reasonable change in the assumptions used for the value in use calculation would result in an impairment charge being required.

Rolls-Royce Overseas Investments Limited

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

11 Investments (continued)

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

**indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2021
PT Rolls-Royce**	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma, Jakarta, 13610, Indonesia	100%
Rolls-Royce Control Systems Holdings Co ¹	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 ¹	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 2021 (continued)

11 Investments (continued)

Company name	Share class	Address	% Holding 2021
Rolls-Royce Finance Company Limited ¹	Deferred Ordinary	Kings Place, 90 York Way, London, N1 9FX	100%
Rolls-Royce Finance Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce High Temperature Composites Inc	Ordinary	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 Placements Limited**	Ordinary	Kings Place, 90 York Way, London, N1 9FX	100%
Rolls-Royce Saudi Arabia Limited**	Cash Shares	PO Box 88545, Riyadh, 11672, Saudi Arabia	95%
Vessel Lifter Inc ¹	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%

¹ Dormant

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2021 (continued)

11 Investments (continued)

Joint ventures

Details as at 31 December 2021 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%
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%
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 2021 (continued)

12 Trade and other receivables

	2021	2020
	\$ 000	\$ 000
Amounts due from group undertakings	712,575	968,024

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

A loan facility with an initial value 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 and is repayable in instalments. As at 31 December 2021, the available facility was fully drawn down. \$100,000,000 (2020: \$100,000,000) is repayable within 1 year and \$150,000,000 (2020: \$250,000,000) is repayable after 1 year. Interest accrued and payable on demand is \$2,360,000 (2020: \$3,254,000).

A loan facility with an initial value 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 and repayable in instalments. As at 31 December 2021, the available facility was fully drawn down. \$150,000,000 (2020: \$150,000,000) is repayable within 1 year and \$300,000,000 (2020: \$450,000,000) is repayable after 1 year. Interest accrued and payable on demand is \$1,434,000 (2020: \$1,913,000).

The Company also provided a short term loan of \$17,000,000 (2020: \$24,000,000) 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 2022.

Amounts due from group undertakings are shown net of expected credit losses of \$8,219,000 (2020: \$11,142,000).

13 Trade and other payables

	2021	2020
	\$ 000	\$ 000
<i>Amounts due in less than one year:</i>		
Amounts owed to group undertakings	140	203
Group relief payable	9,896	5,615
	10,036	5,818
<i>Amounts due in greater than one year:</i>		
Amounts owed to group undertakings	293,500	600,000

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. During the year, a repayment of \$306,500,000 was made against the facility. The remaining facility drawn down is repayable after 1 year. Interest accrued and payable on demand is \$140,000 (2020: \$203,000).

Other amounts due to group undertakings for group relief payable 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 2021 (continued)

14 Called up share capital

Allotted and fully paid shares

	2021		2020	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of £1 each	307,414	579,444	307,414	579,444

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

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

15 Contingent liabilities

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

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.