

Registration number: 04060767

Rolls-Royce Overseas Investments Limited

Unaudited Annual Report and Financial Statements

for the Year Ended 31 December 2022

Rolls-Royce Overseas Investments Limited

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Rolls-Royce Overseas Investments Limited
Company Information

Directors Tiziana Iacolino
Edward Prince
Janeen Wise

Registered number 04060767

Registered office Moor Lane
Derby
Derbyshire
DE24 8BJ

Rolls-Royce Overseas Investments Limited

Strategic Report

For the year ended 31 December 2022

The Directors present their Strategic Report on Rolls-Royce Overseas Investments Limited (the Company), together with the Directors' Report and the unaudited Financial Statements for the year ended 31 December 2022.

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 financial position of the Company at 31 December 2022 is shown in the Balance Sheet on page 9, with the results shown in the Income Statement on page 7.

The profit for the year after taxation amounted to \$33,943,000 (2021 audited: \$46,128,000).

The Company received interest of \$44,366,000 (2021 audited: \$58,060,000) on amounts due from Group undertakings, and received a loan arrangement fee of \$5,700,000 (2021 audited: \$nil). The Company recognised a net impairment charge on amounts due from Group undertakings of \$4,419,000 (2021 audited: reversal of \$2,923,000).

The Company has net assets of \$2,408,013,000 (2021 audited: \$2,374,070,000). The increase in net assets has arisen primarily due to the refinancing of intercompany loan agreements. A new loan facility of \$1,100,000,000 was established during the year, following the termination of facilities held at 31 December 2021 of \$700,000,000. This increase in receivables was offset by an increase in the intercompany loan due to Rolls-Royce plc of \$350,000,000. For further details see notes 10 and 11.

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

Rolls-Royce Holdings plc group (the Group) has an established and structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report, which is publicly available from the address in note 14. The Company acts in accordance with this policy to manage and mitigate the risks identified below.

The Directors have determined that the principal risks and uncertainties facing the Company are as follows:

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 9.

Climate change

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.

Rolls-Royce Overseas Investments Limited

Strategic Report

For the year ended 31 December 2022 (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 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 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 2022.

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 a Company in its activities and relations with its 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 14.

Rolls-Royce Overseas Investments Limited
Strategic Report

For the year ended 31 December 2022 (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 31 to 35. 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 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 pages 31 to 35. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

Approved by the Board on 17 May 2023

and signed on its behalf by:

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Tiziana Iacolino

Director

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2022

The Directors present their Directors' Report on the Company, together with the Strategic Report and the unaudited Financial Statements for the year ended 31 December 2022.

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 (resigned 13 February 2023)

Tiziana Iacolino

Edward Prince (appointed 28 February 2023)

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 this Annual Report and Financial Statements.

Results and dividends

The profit after taxation for the year ended 31 December 2022 amounted to \$33,943,000 (2021 audited: \$46,128,000).

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. One drawn interest bearing loan of \$1,100,000,000 (2021 audited: two interest bearing loans totalling \$700,000,000) is due from fellow Group undertakings. These are supported by Rolls-Royce plc. A loan facility with value of \$500,000,000 was also agreed during the year, but remains undrawn at 31 December 2022. The Company also provided a short term loan of \$7,200,000 (2021 audited: \$17,000,000) to Rolls-Royce plc, however this was repaid on 3 January 2023. Therefore the overall credit risk to the Company is considered to be low.

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 \$1,086,756,000. 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.

Rolls-Royce Overseas Investments Limited

Directors' Report

For the year ended 31 December 2022 (continued)

Engagement with suppliers, customers, and others

The Company aims to foster enduring relationships with its stakeholders as identified in the Section 172 statement in the Strategic Report (see page 2).

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.

Approved by the Board on 17 May 2023

and signed on its behalf by:

DocuSigned by:
Tiziana Iacolino
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Tiziana Iacolino

Director

Rolls-Royce Overseas Investments Limited
Income Statement
For the year ended 31 December 2022

	Note	2022 Unaudited \$ 000	2021 Audited \$ 000
Net impairment (losses)/reversal of financial assets		(4,419)	2,923
Administrative income		1,486	143
Operating (loss)/profit	3	(2,933)	3,066
Finance income	6	50,652	58,069
Finance costs	7	(4,551)	(4,906)
Profit before taxation		43,168	56,229
Tax on profit	8	(9,225)	(10,101)
Profit for the financial year		33,943	46,128

The above results were derived from continuing operations.

The notes on pages 11 to 23 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited
Statement of Comprehensive Income
For the year ended 31 December 2022

	2022 Unaudited \$ 000	2021 Audited \$ 000
Profit for the financial year	33,943	46,128
Total comprehensive income for the year	33,943	46,128

The notes on pages 11 to 23 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited
Balance Sheet
As at 31 December 2022
(Registration number: 04060767)

	Note	2022 Unaudited \$ 000	2021 Audited \$ 000
Non-current assets			
Investments	9	1,964,757	1,964,757
Current assets			
Trade and other receivables (of which \$1,100,000,000 (2021 audited: \$450,000,000) is due after 12 months)	10	1,097,341	712,575
Cash and cash equivalents		27	274
		<u>1,097,368</u>	<u>712,849</u>
Current liabilities			
Trade and other payables	11	(10,612)	(10,036)
Net current assets		<u>1,086,756</u>	<u>702,813</u>
Total assets less current liabilities		<u>3,051,513</u>	<u>2,667,570</u>
Non-current liabilities			
Trade and other payables	11	(643,500)	(293,500)
Net assets		<u>2,408,013</u>	<u>2,374,070</u>
Equity			
Called up share capital	12	579,444	579,444
Share premium		534,558	534,558
Retained earnings		1,294,011	1,260,068
Total equity		<u>2,408,013</u>	<u>2,374,070</u>

For the year ending 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 (the Act) relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The Financial Statements were approved and authorised for issue by the Board and signed on its behalf on 17 May 2023 by:

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Tiziana Iacolino

Director

The notes on pages 11 to 23 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited
Statement of Changes in Equity
For the year ended 31 December 2022

	Called up share capital Unaudited \$ 000	Share premium Unaudited \$ 000	Retained earnings Unaudited \$ 000	Total Unaudited \$ 000
At 1 January 2022	579,444	534,558	1,260,068	2,374,070
Profit for the financial year	–	–	33,943	33,943
Total comprehensive income	–	–	33,943	33,943
At 31 December 2022	579,444	534,558	1,294,011	2,408,013

	Called up share capital Audited \$ 000	Share premium Audited \$ 000	Retained earnings Audited \$ 000	Total Audited \$ 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

The notes on pages 11 to 23 form an integral part of these Financial Statements.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1 General information

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

The principal activity of the Company is 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 Group.

The address of its registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

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

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 2022 that have a material impact on the Company's Financial Statements.

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 \$1,086,756,000. 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.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the 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:

Key source of estimation uncertainty - Impairment of amounts owed by group undertakings

The Company makes an estimate of the recoverable value of amounts due from group undertakings. When assessing the impairment of amounts due from 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, a net impairment charge of \$4,419,000 (2021 audited: reversal of \$2,923,000) has been recognised. See note 10 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 the Company as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of a group 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 14.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Foreign currency transactions and balances

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'US dollars' (\$), which is also the Company's functional currency.

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.

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 Company 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 date the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences arising on translation are recorded in net financing in the income statement.

Finance income and costs

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

Tax on profit/loss

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

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

Investments

Investments held as non-current assets are shown at cost less accumulated impairment losses.

Impairment of non-financial assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets*. Intangible assets that are not yet available for use are tested for impairment annually. Other intangible assets and property, plant and equipment 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. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be below the carrying value, the carrying value is reduced to the recoverable amount and the impairment loss recognised as an expense. The recoverable amount is the higher of value in use or fair value less costs to sell if this is readily available. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Financial assets and liabilities

Classification

Financial assets

Financial assets primarily include intercompany loan receivables, and cash and cash equivalents (comprising cash at bank). These financial assets are calculated as follows:

- Intercompany loan receivables are classified as held to collect and measured at amortised cost; and
- Cash and cash equivalents are subject to low market risk. Cash balances are measured at fair value through profit and loss (FVPL).

Financial liabilities

Financial liabilities primarily consist of intercompany loan payables and are classified and measured at amortised cost.

Impairment

IFRS 9 *Financial Instruments* sets out the basis for the accounting of expected credit losses (ECLs) on financial assets. The Company measures the loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. These are incorporated in the simplified model adopted by using credit ratings which are publicly available or through internal risk assessments derived using customer's latest available financial information. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. ECLs are calculated for all financial assets in scope, regardless of whether or not they are overdue.

The Company makes an estimate of the recoverable value of amounts due from group undertakings. When assessing the impairment of amounts due from 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.

Trade and other receivables

Trade and other receivables consist of loans made to group undertakings. If collection is expected in one year or less, or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

Cash and cash equivalents

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

Trade payables

Trade and other payables represent amounts due to group undertakings. Trade payables are classified as current liabilities if payment is due within one year or less, or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

2 Significant accounting policies (continued)

Called up share capital

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

Dividends

Final 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.

Interim 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 paid 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 Operating (loss)/profit

Arrived at after charging/(crediting):

	2022 Unaudited \$ 000	2021 Audited \$ 000
Net impairment loss/(reversal of impairment) of trade receivables	4,419	(2,923)
Foreign exchange gain	(1,486)	(143)

4 Staff and Directors costs

The Company has no employees (2021 audited: nil). The Directors did not receive any remuneration (2021 audited: \$nil) for qualifying services to the Company.

All Directors fees or emoluments were paid by Rolls-Royce plc or Rolls-Royce North America, Inc. as 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.

5 Auditors' remuneration

During the year no (2021 audited: \$48,000) fees were incurred for the audit of the Company Financial Statements following the accounts being exempt from audit under section 479A. In the year to 31 December 2021, the fees were paid by Rolls-Royce plc, its immediate parent company, on behalf of the Company and not recharged. No (2021 audited: no) amounts were paid to the auditors for non-audit services.

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2022 (continued)

6 Finance income

	2022 Unaudited \$ 000	2021 Audited \$ 000
Interest receivable from group undertakings	44,366	58,060
Loan arrangement fee	5,700	—
Other interest receivable	586	9
	<u>50,652</u>	<u>58,069</u>

7 Finance costs

	2022 Unaudited \$ 000	2021 Audited \$ 000
Interest payable to group undertakings	<u>4,551</u>	<u>4,906</u>

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2022 (continued)

8 Tax on profit

Tax charged in the income statement:

	2022 Unaudited \$ 000	2021 Audited \$ 000
Current tax		
Group relief payable at 19% (2021 audited: 19%)	9,225	10,101

The tax on profit before tax for the year is higher than (2021 audited: lower than) the standard rate of corporation tax in the UK of 19% (2021 audited: 19%).

The differences are reconciled below:

	2022 Unaudited \$ 000	2021 Audited \$ 000
Profit before taxation	43,168	56,229
Corporation tax at standard rate of 19% (2021 audited: 19%)	8,202	10,684
Expenses not deductible/(income not taxable)	1,023	(583)
Total tax charge	9,225	10,101

Rolls-Royce Overseas Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2022 (continued)

9 Investments

Subsidiaries	\$ 000
Cost	
At 1 January and 31 December 2022	2,205,788
Provision for impairment	
At 1 January and 31 December 2022	241,031
Carrying amount	
At 31 December 2022 (Unaudited)	1,964,757
At 31 December 2021 (Audited)	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 on an annual basis. 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 of Rolls-Royce North America (USA) Holdings Co. The Directors have considered updated forecasts including new business opportunities, movement in discount rates, refinancing loan arrangements and the impact of the Russia-Ukraine conflict.

In addition, the Directors have assessed the impact of climate change when assessing for trigger events. The Directors believe there are significant business growth opportunities to come with Rolls-Royce North America (USA) Holdings Co. playing a leading role in the transition to net zero. At the same time climate change poses potentially significant risks. The main areas that have been considered are demand for green technologies, utilisation of products whilst in service and the impact of market and regulatory change. The investment required to ensure new products will be compatible with net zero operation by 2030 is reflected in the forecasts considered.

At 31 December 2022, no (2021 audited: no) indicators of impairment have been identified. 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 2022 (continued)

9 Investments (continued)

As at 31 December 2022, the companies listed below and on the following pages were subsidiary undertakings/participating interests of the Company. The financial year end of each company listed below is 31 December unless otherwise indicated.

* indicates a direct shareholding by the Company.

Company name	Share class	Address	% Holding 2022
PT Rolls-Royce *	Ordinary	Secure Building Blok B, JL. Raya Protokol Halim, Perdanakusuma, Jakarta, 13610, Indonesia	100%
Rolls Royce Corporation	Common Stock	Wilmington ¹	100%
Rolls-Royce Crosspointe LLC	Partnership (no equity)	Wilmington ¹	100%
Rolls-Royce Defense Products and Solutions Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce Defense Services Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce Engine Services Holdings Co	Common Stock	Wilmington ¹	100%
Rolls-Royce Energy Systems Inc ²	Common Stock	Wilmington ¹	100%
Rolls-Royce Finance Company Limited ²	Deferred Ordinary	London ³	100%
Rolls-Royce Finance Holdings Co	Common Stock	Wilmington ¹	100%
Rolls-Royce High Temperature Composites Inc	Ordinary	Wilmington ¹	100%
Rolls-Royce Marine North America Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce North America Holdings Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce North America (USA) Holdings Co. *	Common Stock	Wilmington ¹	100%
Rolls-Royce North America Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce North America Ventures Inc	Common Stock	Wilmington ¹	100%
Rolls-Royce North American Technologies Inc	Common Stock	Wilmington ¹	100%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

9 Investments (continued)

Company name	Share class	Address	% Holding 2022
Rolls-Royce Placements Limited * ²	Ordinary	London ³	100%
Rolls-Royce Saudi Arabia Limited *	Cash Shares	3010 – Al Arid, Unit No 1, Riyadh 13332 – 7663, Saudi Arabia	95%
Vessel Lifter Inc ²	Common Stock	Wilmington ¹	100%

Joint ventures

Details as at 31 December 2022 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)	Wilmington ¹	50%
Alpha Leasing (US) (No.4) LLC	Partnership (no equity)	Wilmington ¹	50%
Alpha Leasing (US) (No.5) LLC	Partnership (no equity)	Wilmington ¹	50%
Alpha Leasing (US) (No.6) LLC	Partnership (no equity)	Wilmington ¹	50%
Alpha Leasing (US) (No.7) LLC	Partnership (no equity)	Wilmington ¹	50%
Alpha Leasing (US) (No.8) LLC	Partnership (no equity)	Wilmington ¹	50%
Alpha Leasing (US) LLC	Partnership (no equity)	Wilmington ¹	50%
Light Helicopter Turbine Engine Company (unincorporate partnership)	Partnership (no equity)	Suite 119, 9238 Madison Boulevard, Madison, Alabama 35758, United States	50%
Rolls-Royce & Partners Finance (US) (No.2) LLC	Partnership (no equity)	Wilmington ¹	50%
Rolls-Royce & Partners Finance (US) LLC	Partnership (no equity)	Wilmington ¹	50%
Texas Aero Engine Services LLC ²	Partnership (no equity)	The Corporation Trust Company, 1209, Orange Street, Wilmington, Delaware 19801, United States	50%

¹ Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19809, United States

² Dormant entity

³ Kings Place, 90 York Way, London, N1 9FX, United Kingdom

Rolls-Royce Overseas Investments Limited**Notes to the Financial Statements****For the year ended 31 December 2022 (continued)****10 Trade and other receivables**

	2022 Unaudited \$ 000	2021 Audited \$ 000
Amounts due from group undertakings	1,097,341	712,575

Included in amounts due from group undertakings are two loans (2021 audited: 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 was terminated on 19 December 2022 as part of a refinancing with the counterparty. \$100,000,000 was repaid during the year, with the remaining balance of \$150,000,000 repaid on 19 December 2022. Interest of \$14,163,000 was paid during the year.

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 was terminated and \$450,000,000 was repaid on 19 December 2022. Interest of \$31,219,000 was paid during the year.

A loan facility with value of \$1,100,000,000 was agreed on 19 December 2022 at a rate of interest of 7.58% as part of the refinancing above. The facility expires on 31 December 2032 and is repayable in instalments. At 31 December 2022, the available facility was fully drawn down. \$nil is repayable within 1 year and \$1,100,000,000 is repayable after 1 year. Interest accrued and payable within one year is \$2,779,000.

A loan facility with initial value of \$500,000,000 was agreed on 19 December 2022 at a rate of interest of the US Federal reserve rate plus 3.18%. During the year, an arrangement fee of \$5,700,000 was paid. The facility expires on 19 December 2026. At 31 December 2022, this facility was undrawn.

The Company also provided a short term loan of \$7,200,000 (2021 audited: \$17,000,000) 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 3 January 2023.

Amounts due from group undertakings are shown net of expected credit losses of \$12,638,000 (2021 audited: \$8,219,000).

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

11 Trade and other payables

	2022 Unaudited \$ 000	2021 Audited \$ 000
<i>Amounts due in less than one year:</i>		
Amounts due to group undertakings	1,647	140
Group relief payable	8,965	9,896
	<u>10,612</u>	<u>10,036</u>
<i>Amounts due in greater than one year:</i>		
Amounts due to group undertakings	<u>643,500</u>	<u>293,500</u>

A loan facility of \$600,000,000 was agreed on 11 December 2020 at a rate of interest of 6.75%. The facility was terminated on 19 December 2022.

A loan facility of \$643,500,000 was agreed on 19 December 2022 at a rate of interest of the US Federal reserve rate plus 3.18%. The facility expires on 31 December 2026. Interest accrued and payable on demand is \$1,647,000 (2021 audited: \$140,000).

Other amounts due to group undertakings for group relief payable are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

12 Called up share capital

Allotted and fully paid shares

	2022 Unaudited		2021 Audited	
	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.

13 Contingent liabilities

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, customers' financiers and the Group's current and former investors, including certain potential claims in respect of the Group's historical ethics and compliance disclosures which have been notified to the Group. 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.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements

For the year ended 31 December 2022 (continued)

14 Parent and ultimate parent undertaking

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

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

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