

Registration number: 00769666

Rolls-Royce International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023

Rolls-Royce International Limited

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Rolls-Royce International Limited

Company Information

Directors	Steven McNabola Richard Guy
Registration number	00769666
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2023

The Directors present their Strategic Report on Rolls-Royce International Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2023.

Principal activities

The principal activities of the Company are:

- To provide administration services for employees who work in its branch network and for certain employees employed by the Rolls-Royce Holdings plc group (the Group) who are required to work on overseas assignments; and
- The management of an external contract from the Qatar branch.

As part of the administration services provision, the Company recharges (at a mark-up of 6.52%) multiple entities within the Group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research, commercial information and strategies for the development of business opportunities.

The external contract is to provide engineering services to a customer and work began in 2022. The contract is set to run until 2028.

Business review

During the year, the Company has continued to support its global network of branches. The Company operates across a number of different international branches and representative offices (see page 6).

Revenue in the Company is generated through charges made to entities within the Group for the provision of services provided by the Company and from contracted engineering services provided to an external customer. Revenue generated from the provision of services to other entities within the Group is charged based on costs incurred plus an agreed and fixed mark up. Revenue generated from engineering services provided to a third party is recognised based on the proportion of contract costs incurred to total expected contracted costs.

Revenue has increased by £2,969,000 to £21,917,000 (2022 restated ¹: £18,948,000) which is predominately driven by cost inflation, increased revenue recognised on the engineering contract in Qatar in its first full year of operation, and as a result of a revision of forecasted contract costs.

Profit after taxation for the year is £2,032,000 (2022: profit after taxation of £399,000) largely due to the profit margin earned on the external contract, bank interest received of £1,868,000 due to an increased cash balance and higher interest rates (2022: £475,000) and foreign exchange gains of £395,000 (2022: losses of £239,000).

Net assets at the balance sheet date have increased to £8,821,000 (2022: £6,556,000) largely driven by an increase in cash and cash equivalents from the activity of the Company. Cash and cash equivalents decreased in the prior year due to the dividend payment of £20,000,000 to its parent undertaking.

¹The previously reported 2022 revenue and cost of sales have been restated due to costs and associated revenue being incorrectly recognised. See note 2 for more details.

Key performance indicators

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

	2023	Restated ¹ 2022
	£ 000	£ 000
Revenue ¹	21,917	18,948
Profit after taxation	2,032	399
Net assets	8,821	6,556

¹The previously reported 2022 revenue and cost of sales have been restated due to costs and associated revenue being incorrectly recognised. See note 2 for more details.

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2023 (continued)

Key performance indicators(continued)

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

Principal risks and uncertainties

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 21. 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.

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

The Group has an extensive compliance programme, which is applied within the Company. This programme and the Global Code of Conduct are promulgated throughout the Group and are updated and reinforced from time to time, to ensure their continued relevance, and to ensure that they are complied with. The Global Code of Conduct and the Group's compliance programme are supported by appropriate training. A Group legal and compliance team has been put in place to manage ethics and compliance issues.

Section 172(1) statement

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

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

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

The Company's key stakeholders are its parent company Rolls-Royce plc, the employees who work in the branch offices, other employees who are employed by the Group who are required to work on overseas assignments and the external customer for the long-term contract. The Company engages with its parent Company, Rolls-Royce plc, through a variety of channels including face-to-face consultations, Board updates and regular communication between teams on joint projects. The Directors use skills learnt during their director training to consider the impact decisions have on stakeholders and the wider community. The Directors then consider the stakeholder impacts against long-term strategy and principal risks. The Directors ensure principal risks are mitigated by adopting the Group Global Code of Conduct. In respect of the long-term contract, communications with the external customer are managed through regular meetings facilitated by the local Qatar branch.

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2023 (continued)

Section 172(1) statement (continued)

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

Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in board decision-making. The Directors consider business relationships with the Company's wider stakeholders, the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year. As a Group company, the Company complies and acts in accordance with the Group policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 21.

The Company Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2023.

The Directors ensure that when making principal decisions they factor in the principal risks of the Company and the interests of all stakeholders. When any principal decisions are made and discussed, the Directors ensure that the consequences of the decisions over the long term to other stakeholders including employees' interests and relationships with other suppliers and customers are considered. An example of this is a Director of the Company being the Company's SME in respect of international working; secondly a key stakeholder in ensuring employees are placed in locations where relevant security concerns have been adhered.

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.

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 32 to 43. 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.

Approved by the Board on 23 December 2024

and signed on its behalf by:

Signed by:

54CE68E58DA643C.....
 Richard Guy
 Director

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2023

The Directors present their Directors' Report on the Company, together with the Strategic Report and the audited Financial Statements for the year ended 31 December 2023.

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:

Richard Guy

Peter Knight (resigned on 30 June 2023)

Steven McNabola (appointed on 24 July 2024)

Alex Quinn (appointed on 1 July 2023, resigned on 24 July 2024)

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 profit after taxation for the year ended 31 December 2023 amounted to £2,032,000 (2022: £399,000). The net assets of the Company are £8,821,000 (2022: £6,556,000).

During the year, the Company paid no dividends (2022: interim dividend of £20,000,000) to its parent undertaking. The Directors do not recommend the payment of a final dividend (2022: £nil).

Future developments

The Directors do not expect any change to the activities carried out by the Company following the start of the long-term contract in 2022. For the offering of administrative services to employees on assignment, the Company will continue to consider where the Group customers require the services of the Company. This may necessitate the opening of additional branches in new locations or closure of branches as the Group's footprint is reviewed and reduced or resized accordingly. The long-term contract is expected to run until 2028 and at the end of 2023 was operating with a full complement of field service representatives as per the terms of the contract. In 2024 the Company also employed a Country manager to oversee operations in Qatar.

The Directors continue to monitor the Company's performance and will take any mitigating actions if required to reduce the Company's cash outflows.

Financial risk management

The following financial risks are considered key by the Directors:

Interest risk

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

Foreign exchange risk

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

Credit risk

The Company's credit risk is primarily attributable to its intercompany and external receivables. The amounts presented in the Statement of Financial Position are net of provisions for impairment. The main customers of the Company are other subsidiary undertakings of the Group, who will be supported by Rolls-Royce plc if required. There are standard supplier checks for external customers (including credit checks) conducted as part of the onboarding process and throughout the duration of a contract. Therefore, the overall credit risk to the company is low.

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2023 (continued)

Financial risk management (continued)

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

Going concern

The Financial Statements have been prepared on a going concern basis. The Company has net current assets of £8,961,000 (2022: £6,861,000) which is largely the result of the positive cash position, offset by net trade and intercompany payables.

The Directors have considered the cash flow forecasts directly related to the contract offering engineering services to an external customer and are satisfied that these forecasts are sufficient to cover working capital requirements in respect of the contract.

The administrative business activities of the Company are directly linked to the requirements of Rolls-Royce plc, its immediate parent company, and other group undertakings. As such the Company is reliant on group companies settling the significant level of intercompany balances recognised and operates as part of cash pooling arrangements with Rolls-Royce plc. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

Rolls-Royce plc, a parent undertaking, has provided written confirmation of its intention to continue to provide financial support, as necessary, for a period of at least 12 months from the date of signing these financial statements, to ensure the Company has adequate resources to maintain its operational existence and to meet its financial demands for the foreseeable future.

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

Branches

The Company has branches registered in Abu Dhabi, Bahrain, Belgium, Colombia, Dubai, Ethiopia, France, Germany, Hong Kong, Qatar, South Korea, Spain and Sri Lanka. The Company also has representation offices in Italy, Taiwan and Vietnam.

Relationships with suppliers

The Directors have disclosed information regarding the Company's relationships with suppliers in the Strategic Report on page 4.

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.

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2023 (continued)

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.

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 steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 23 December 2024 and signed on its behalf by:

Signed by:

5TCE68E33DAC43C.....
 Richard Guy
 Director

Rolls-Royce International Limited

Independent auditor's report to the members of Rolls-Royce International Limited

Report on the audit of the Financial Statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 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, including 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 Statement of Financial Position as at 31 December 2023; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Rolls-Royce International Limited

Independent auditor's report to the members of Rolls-Royce International Limited

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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Rolls-Royce International Limited

Independent auditor's report to the members of Rolls-Royce International Limited

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 employment laws, 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 and tax compliance legislation specific to jurisdictions where the company and its branches operate. 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 including improper creation or inclusion of transactions in revenue through inappropriate journal entries or inappropriate recognition of costs to reimburse, and management bias in accounting estimates and judgemental areas of the financial statements.. Audit procedures performed by the engagement team included:

- Discussions throughout the audit with management and the company's in-house legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing them to supporting documentation to assess compliance with applicable requirements;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our audit testing;
- Testing a sample of journals posted during the financial year that meets risk based criteria, for example, unusual journal entries due to unexpected account combinations;
- Responding to the risk of fraud in revenue recognition, for example, for improper creation or inclusion of transactions in revenue by testing journal entries with unusual credits to revenue account combinations for further investigation and testing the allocation of costs for reimbursement; and
- Challenging assumptions and judgements made by management in determining accounting estimates, such as those used for contract accounting (because of the risk of management bias).

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

Rolls-Royce International Limited

Independent auditor's report to the members of Rolls-Royce International Limited

Auditors' responsibilities for the audit of the financial statements (continued)

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Terry Shah (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 December 2024

Rolls-Royce International Limited

Income Statement for the year ended 31 December 2023

		2023	Restated ¹
	Note	£ 000	2022
			£ 000
Revenue ¹	3	21,917	18,948
Cost of sales ¹		(21,349)	(18,696)
Operating profit	4	568	252
Finance income	7	2,299	557
Finance costs	8	(35)	(252)
Profit before taxation		2,832	557
Income tax expense	9	(800)	(158)
Profit for the financial year		2,032	399

¹The previously reported 2022 revenue and cost of sales have been restated due to costs and associated revenue being incorrectly recognised. See note 2 for more details.

The above results were derived from continuing operations.

The notes on pages 16 to 32 form an integral part of these Financial Statements.

Rolls-Royce International Limited

Statement of Comprehensive Income
for the year ended 31 December 2023

	2023 £ 000	2022 £ 000
Profit for the financial year	2,032	399
Foreign exchange movement in the year	(66)	(184)
Total comprehensive income for the year	1,966	215

Rolls-Royce International Limited

Statement of Financial Position as at 31 December 2023 (Registration number: 00769666)

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Right-of-use assets	10	616	487
Investments	11	22	22
Deferred tax assets	9	491	239
		1,129	748
Current assets			
Trade and other receivables	12	40,300	53,649
Cash and cash equivalents	13	12,276	8,021
		52,576	61,670
Current liabilities			
Lease liabilities	14	(151)	(92)
Trade and other payables	15	(43,464)	(54,717)
		(43,615)	(54,809)
Net current assets		8,961	6,861
Total assets less current liabilities		10,090	7,609
Non-current liabilities			
Lease liabilities	14	(513)	(426)
Provisions for liabilities and charges	17	(756)	(627)
		8,821	6,556
Net assets		8,821	6,556
Equity			
Called up share capital	18	200	200
Other reserves		(446)	(380)
Retained earnings		9,067	6,736
Total equity		8,821	6,556

The Financial Statements were approved and authorised for issue by the Directors on 23 December 2024 and signed on its behalf by:

Signed by:

 51CE68E53DAC43C...
 Richard Guy
 Director

The notes on pages 16 to 32 form an integral part of these Financial Statements.

Rolls-Royce International Limited

Statement of Changes in Equity for the year ended 31 December 2023

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	200	(380)	6,736	6,556
Profit for the financial year	—	—	2,032	2,032
Foreign exchange movement in the year	—	(66)	—	(66)
Total comprehensive (expense)/income	—	(66)	2,032	1,966
Transactions with owners in their capacity as owners				
Share-based payment transactions – direct to equity	—	—	109	109
Related tax movements	—	—	190	190
At 31 December 2023	200	(446)	9,067	8,821
	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	200	(196)	26,188	26,192
Profit for the financial year	—	—	399	399
Foreign exchange movement in the year	—	(184)	—	(184)
Total comprehensive (expense)/income	—	(184)	399	215
Transactions with owners in their capacity as owners				
Share-based payment transactions – direct to equity	—	—	149	149
Dividends paid	—	—	(20,000)	(20,000)
At 31 December 2022	200	(380)	6,736	6,556

On 16 December 2022, the Company paid a dividend of £20,000,000 to its parent undertaking.

Other reserves relates to the transfer of an End of Services Benefit provision of £196,000 in 2018 from Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited to the Company and was treated as a capital distribution. In addition, other reserves includes £250,000 (2022: £184,000) which relates to foreign exchange losses on translation of foreign operations.

The notes on pages 16 to 32 form an integral part of these Financial Statements.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023

1 General information

The Company is a private company limited by shares, incorporated and domiciled in the East Midlands, United Kingdom.

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

Principal activities

The principal activities of the Company are:

- To provide administration services for employees who work in its branch network and for certain employees employed by the Rolls-Royce Holdings plc group (the Group) who are required to work on overseas assignments; and
- The management of an external contract from the Qatar branch.

As part of the administration services provision, the Company recharges (at a mark-up of 6.52%) multiple entities within the Group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research, commercial information and strategies for the development of business opportunities.

The external contract is to provide engineering services to a customer and work began in 2022. The contract is set to run until 2028.

2 Significant accounting policies

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

Basis of preparation

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

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

- The following paragraphs of IAS 1, *Presentation of Financial Statements*:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 134 to 136 (capital management disclosures); and
 - 111 (statement of cash flows information).
 - 10(f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.
- IAS 7, *Statement of cash flows*;
- IFRS 7, *Financial instruments: disclosures*;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a), 120 to 127 and 129 of IFRS 15: *Revenue from Contracts with Customers*;
- Paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraph 38 of IAS 1, *Presentation of Financial Statements* – comparative information requirements;
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Basis of preparation (continued)

- 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 errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

Prior year restatement

This prior year restatement is due to interim operating facility costs and associated revenue relating to 2022 being initially recognised in 2023 rather than 2022. This also subsequently impacted the accruals and contract liabilities for 2022 as the costs and associated revenue should have been recognised in 2022. A prior year restatement has therefore been made to adjust the 2022 revenue, cost of sales, accruals and contract liabilities figures as follows:

	Restated 2022 figures £ 000	Adjustment amount £ 000	Signed 2022 Financial Statements £ 000
Income statement			
Revenue	18,948	552	18,396
Cost of sales	(18,696)	(552)	(18,144)
Operating profit	252	0	252
Revenue (note 3)			
Middle East & Africa	9,564	552	9,012
External revenue	9,466	552	8,914

Statement of Financial Position

Trade and other payables (note 15)

Accruals	5,649	454	5,195
Contract liabilities	2,446	(454)	2,900

Different foreign exchange rates are used to translate the relevant amounts shown on the Income Statement and Statement of Financial Position. Income statement items are translated using the average exchange rate but the exchange rate at the balance sheet date is used for the items in the Statement of Financial Position. This correction had no impact on the previously reported profit for the financial year, net assets and equity for 2022.

Exemption from preparing group accounts

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Exemption from preparing group accounts

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 by full consolidation 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 21.

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 2023 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 has net current assets of £8,961,000 (2022: £6,861,000) which is largely the result of the positive cash position, offset by trade and net intercompany payables.

The Directors have considered the cash flow forecasts directly related to the contract offering engineering services to an external customer and are satisfied that these forecasts are sufficient to cover working capital requirements in respect of the contract.

The administrative business activities of the Company are directly linked to the requirements of Rolls-Royce plc, its immediate parent company, and other group undertakings. As such the Company is reliant on group companies settling the significant level of intercompany balances recognised and operates as part of cash pooling arrangements with Rolls-Royce plc. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

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

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 Financial Statements are not considered to contain any area involving a higher degree of judgement or complexity and therefore no further considerations are required.

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 'Pound Sterling' (£), which is also the Company's functional currency.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Foreign currency transactions and balances (continued)

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when performance obligations have been satisfied and will be classified as at a point in time or over time.

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

The Company is deemed to have two statutory revenue streams; i) activities undertaken by the Company's employees which are derived from costs incurred plus an agreed mark up and ii) revenue from a long-term contract providing engineering services to an external company.

The Company does not have exposure to significant risk and rewards associated with the rendering of the services provided by employees on assignment. The revenue represents commission charged on costs relating to these employees, which is predetermined based on agreements with Group entities and is often a percentage of the costs incurred. Revenue is recognised when services have been rendered, or costs incurred, where the Company is entitled to be reimbursed, by the network of branches. This is considered to be at a point in time.

For the servicing contract, the amount of revenue attributable to the stage of completion of this long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. This is considered to be over time. Revenue for the contract is stated at the cost appropriate to its stage of completion plus attributable profits, less amounts recognised in previous years. A contract asset/liability is recognised where payment is received in arrears/advance of the revenue recognised in meeting performance obligations. Provision is made for any losses as soon as they are foreseen.

All costs borne by the Company directly or indirectly relate to the two statutory revenue streams noted above and accordingly all costs borne by the Company are classified as cost of sales within the Income Statement.

Finance income

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Income tax expense/(credit)

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

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

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

The carrying amount of deferred tax assets are reviewed at each reporting date and are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Investments

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

Financial assets and liabilities

Classification

Financial assets

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

- Trade receivables and intercompany 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 trade payables, intercompany payables and contract liabilities, and are classified and measured at amortised cost.

Impairment

IFRS 9 sets out the basis for the accounting of expected credit losses (ECLs) on financial assets and contract assets resulting from transactions within the scope of IFRS 15. The Company has adopted the simplified approach to provide for ECLs, measuring the lifetime 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 amounts due from group undertakings, 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.

Trade and other receivables

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

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less any ECLs.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Contract assets and liabilities

Contract assets, mainly comprising of accrued income, primarily relate to the Company's right to consideration for work completed but not yet invoiced at the reporting date in accordance with IFRS 15. Contract liabilities, mainly comprising of deferred income, primarily relate to the consideration received from customers in advance of transferring goods or services. The Company has chosen not to present contract assets and contract liabilities as a separate line item on the balance sheet but to include them within the trade and other receivables note (note 12) and the trade and other payables note (note 15).

Cash and cash equivalents

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

Leases

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

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

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

Where leases commence after the initial IFRS 16 *Leases* transition date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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 International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Significant accounting policies (continued)

Provisions for liabilities and charges

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

Share-based payments

The parent company on behalf of the Company provides share-based payment arrangements to certain employees. These are equity-settled arrangements and are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

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

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

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

- i) ShareSave plans – using a pricing model that assumes that participants will exercise their options at the beginning of the six-month window if the share price is greater than the exercise price. Otherwise, it assumes that options are held until the expiration of their contractual term; and
- ii) Long-term incentive plan – using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and market-based performance conditions, if applicable.

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 Pound Sterling unless otherwise stated.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

3 Revenue

A geographical analysis of revenue is presented as follows:

	2023 £ 000	Restated ¹ 2022 £ 000
Middle East & Africa ¹	11,287	9,564
United Kingdom	8,643	7,579
United States	900	1,130
Rest of Europe	760	592
Rest of World	327	83
	<u>21,917</u>	<u>18,948</u>
Internal revenue	10,621	9,482
External revenue ¹	<u>11,296</u>	<u>9,466</u>
	<u>21,917</u>	<u>18,948</u>

¹ The previously reported 2022 revenue and cost of sales have been restated due to costs and associated revenue being incorrectly recognised. See note 2 for more details.

All revenue is generated from the sale of services.

4 Operating profit

Arrived at after charging:

	2023 £ 000	2022 £ 000
Depreciation charge of right-of-use assets	<u>156</u>	<u>140</u>

5 Staff and Directors costs

The aggregate payroll costs were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	5,997	5,222
Social security costs	701	498
Other pension costs	190	156
Share-based payment expenses	<u>109</u>	<u>149</u>
	<u>6,997</u>	<u>6,025</u>

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

5 Staff and Directors costs (continued)

Staff costs and the number of employees disclosed in these Financial Statements relate to employees of the Company only. Employees on international assignment from other Group companies are excluded from these Financial Statements.

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

	2023 No.	2022 No.
Engineering	39	38
Administration and support	37	37
	<u>76</u>	<u>75</u>

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

6 Auditors' remuneration

The fees for the audit of the Company Financial Statements for the year ended 31 December 2023 were £201,000 (2022: £84,000) and were paid by Rolls-Royce plc and not recharged.

No (2022: no) amounts were paid to the Company's auditors for non-audit services.

7 Finance income

	2023 £ 000	2022 £ 000
Bank interest receivable	1,868	475
Foreign exchange gains	395	-
Fair value gains on foreign currency contracts	-	82
Intercompany interest receivable	36	—
	<u>2,299</u>	<u>557</u>

8 Finance costs

	2023 £ 000	2022 £ 000
Interest charge on lease liabilities	35	13
Foreign exchange loss	-	239
	<u>35</u>	<u>252</u>

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

9 Income tax expense

Tax charged in the income statement:

	2023 £ 000	2022 £ 000
Current tax		
UK corporation tax charge on profit for the year	—	113
Double taxation relief	—	(113)
Group relief payable at 23.5% (2022: 19%)	651	67
	651	67
Foreign tax	211	113
Total current income tax	862	180
Deferred taxation		
Arising from origination and reversal of temporary differences	(37)	(22)
Adjustments in respect of previously recognised temporary differences	(25)	—
Total deferred taxation	(62)	(22)
Tax expense in the income statement	800	158

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 23.5% (2022: 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before taxation	2,832	557
Corporation tax at standard rate of 23.5% (2022: 19%)	665	106
Adjustments in respect of prior periods	(25)	—
Adjustments from effect of (income non taxable)/expenses not deductible	(50)	56
Tax rate differential on temporary differences	(1)	(4)
Unrelieved overseas tax	211	—
Total tax charge	800	158

The entity is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which the entity is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the entity has no related current tax exposure. The entity applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

9 Income tax expense (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income statement £ 000	Recognised in OCI £ 000	At 31 December 2023 £ 000	Recognised as DTA £ 000	Recognised as DTL £ 000
Accelerated tax depreciation	57	(10)	—	47	47	—
Other items	182	72	190	444	444	—
Net tax assets	239	62	190	491	491	—

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income statement £ 000	Recognised in OCI £ 000	At 31 December 2022 £ 000	Recognised as DTA £ 000	Recognised as DTL £ 000
Accelerated tax depreciation	57	—	—	57	57	—
Other items	160	22	—	182	182	—
Net tax assets	217	22	—	239	239	—

Other items above relate to share-based payments, pension costs and IFRS 9 adjustments in respect of prior years. The deferred tax asset has been recognised to the extent that the Company expects to make sufficient taxable profits against which it could be offset in future years.

10 Right-of-use assets

	Land and buildings Total £ 000
Cost	
At 1 January 2023	1,177
Additions	285
At 31 December 2023	1,462
Accumulated depreciation	
At 1 January 2023	690
Charge for the year	156
At 31 December 2023	846
Carrying amount	
At 31 December 2023	616
At 31 December 2022	487

Depreciation of £156,000 (2022: £140,000) is included in cost of sales in the income statement.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

11 Investments

	Total £ 000
Subsidiaries	
Cost	
At 1 January 2023	32
At 31 December 2023	32
Provision for impairment	
At 1 January 2023	10
At 31 December 2023	10
Carrying amount	
At 31 December 2023	22
At 31 December 2022	22

As at 31 December 2023, the companies listed below are 100% directly owned by the Company. The financial year end of each company listed below is 31 December unless otherwise indicated.

Company name	Share class	Address	% Holding 2023
Rolls-Royce India Limited ¹	Ordinary	Moor Lane, Derby, Derbyshire, DE24 8BJ	100%
Rolls-Royce (Thailand) Limited	Ordinary	989 Floor 12A, Unit B1, B2, Siam Piwat Tower, Rama 1, Pathumwan, Bangkok, 10330, Thailand	100%

¹ Reporting year end is 31 March

12 Trade and other receivables

	2023 £ 000	2022 £ 000
Trade receivables	908	156
Amounts due from group undertakings	31,475	47,563
Prepayments and accrued income	7,468	5,852
Other receivables	221	60
Amounts due from related party undertakings (note 20)	228	18
	40,300	53,649

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

Amounts due from group undertakings are stated after provisions for impairment of £nil (2022: £601,000) for expected credit losses in accordance with IFRS 9.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

13 Cash and cash equivalents

	2023 £ 000	2022 £ 000
Cash at bank	12,276	8,021

As at 31 December 2023, £157,000 (2022: £166,000) of cash was held at banks who had a credit rating below the recommended level as set by Rolls-Royce Holdings plc.

Following an assessment by the Company, no provision for impairment (2022: none) has been recognised for expected credit losses in accordance with IFRS 9.

14 Lease liabilities

Leases are fixed term and do not have the right to extend or purchase the leased assets. The use of the assets enables the Company to provide the administrative support to their parent company.

The Company has lease contracts for various offices which are used in its operations. The amounts recognised in the Financial Statements in relation to the leases are as follows:

Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Right-of-use assets		
Land and buildings	616	487
Lease liabilities		
Current lease liabilities	151	92
Non-current lease liabilities	513	426
	664	518
	2023 £ 000	2022 £ 000
Future minimum lease payments on leases at 31 December:		
Within one year	182	103
In one to five years	506	321
After five years	65	133
Total gross payments	753	557
Impact of finance expense	(89)	(39)
Carrying amount of liability	664	518

The total cash outflow for leases was £169,000 (2022: £170,000). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2023 was 5.34% (2022: 2.25%).

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

14 Lease liabilities (continued)

Amounts recognised in income statement:

The income statement includes the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Depreciation charge on right-of-use assets (included in cost of sales)	156	140
Interest expense (included in finance cost)	35	13

15 Trade and other payables

	2023 £ 000	Restated ¹ 2022 £ 000
Trade payables	4,620	844
Amounts due to group undertakings	31,952	43,837
Accruals ¹	2,810	5,649
Other payables	2,032	1,800
Amounts due to group undertakings for group relief	651	67
Overseas tax payable	70	-
Social security and other taxes	83	74
Contract liabilities ¹	1,238	2,446
Amounts owed to related parties (note 20)	8	-
	43,464	54,717

¹ The previously reported 2022 revenue and cost of sales have been restated due to costs and associated revenue being incorrectly recognised. See note 2 for more details.

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

16 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2023 were £109,000 (2022: £149,000). During the year, the Company participated in the following share-based payment plans operated by Rolls-Royce Holdings plc:

Long Term Incentive Plan (LTIP)

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

16 Share-based payments (continued)

ShareSave share option plan

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

As share options are exercised throughout the year, the weighted average share price during the year of 159p (2022: 95p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2023 was 300p (2022: 93p). There were no exercisable options as at 31 December 2023 (2022: nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date (31 January)	Exercise price in pence per share option	ShareSave share options	
			2023	2022
Grant - vest				
2017 - 2023	2023	260	—	17,765
2019 - 2023	2023	232	—	6,215
2019 - 2025	2025	232	5,645	6,146
2021 - 2025	2025	97	146,012	153,392
			151,657	183,518

The weighted average remaining contractual life for cash-settled options at 31 December 2023 was 1.1 years (2022: 1.8 years).

17 Provisions for liabilities and charges

	Employee benefits £ 000
At 1 January 2023	627
Additional provisions	211
Amounts utilised	(34)
Foreign exchange	(48)
At 31 December 2023	756
Current liabilities	—
Non-current liabilities	756

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

18 Called up share capital

Allotted and fully paid

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	200	200	200	200

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.

19 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.

The Directors of the Company have considered whether it is probable a tax dispute with the Indian Tax Authorities for income tax related to recharges of employee costs for assignee employees to the host entity would result in a cash outflow for the Company. The Directors have concluded that based on the evidence and facts available supporting the Company's position that it is probable that the conclusion of the tax dispute will be in favour of the Company and there will be no cash outflow. As such, in line with IAS 37 *Provisions, contingent liabilities and contingent assets* no provision has been made.

The Directors of the Company have considered whether it is probable that ongoing tax matters specific to the Bahrain branch would result in cash outflows for the Company. The Directors have conducted an assessment based on the information presently available and have estimated a possible outflow of £315,000. However, after considering the status of discussions with the Bahrain Tax Authorities, the Directors have concluded that an outflow of resources is not probable. As such, in line with IAS 37 *Provisions, contingent liabilities and contingent assets* a provision for the potential outflow has not been recognised. The Directors anticipate the resolution of this matter, including the realisation of any outflows, by the year 2025.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

20 Related party transactions

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

Income from related party undertakings for the year ended 31 December

	2023 £ 000	2022 £ 000
EPI Europrop International GmbH	835	1,077
Hong Kong Aero Engine Services Limited	159	82
Aero Gearbox International SAS	550	14
N3 Engine Overhaul Services GmbH & Co KG	—	2
Aerospace Transmission Technologies GmbH	2	—
	<u>1,546</u>	<u>1,175</u>

Receivables from and (payables) to related party undertakings at 31 December

	2023 £ 000	2022 £ 000
Aero Gearbox International SAS	21	(1)
EPI Europrop International GmbH	207	8
Hong Kong Aero Engine Services Limited	—	11
Aerospace Transmission Technologies GmbH	(8)	—
	<u>220</u>	<u>18</u>

21 Parent and ultimate parent undertaking

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

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

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