

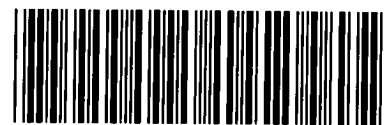
Registration number: 04060767

Rolls-Royce Overseas Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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Rolls-Royce Overseas Investments Limited

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Rolls-Royce Overseas Investments Limited

Company Information

Registered office Moor Lane
Derby
Derbyshire
DE24 8BJ

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

Rolls-Royce Overseas Investments Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report on Rolls-Royce Overseas Investments Limited (the "Company") together with the audited financial statements for the year ended 31 December 2019.

Principal activities

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

Business review

The Company received interest of \$42,555 thousand (2018: \$42,770 thousand) on amounts owed by Rolls-Royce Holdings plc group undertakings. During the year there was a loan repayment of \$370,000 thousand.

A dividend of \$403,215 thousand was paid during the year (2018: \$Nil).

The profit for the year, after taxation amounted to \$34,995 thousand (2018: \$33,259 thousand).

The Company has net assets of \$2,677,000 thousand (2018: \$3,045,000 thousand). The reduction in net assets has arisen primarily due to the dividend of \$403,215 thousand paid during the year to the Company's immediate parent company, Rolls-Royce Overseas Holdings Limited.

Rolls-Royce Overseas Investments Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks & uncertainties

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

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

Carrying value of Investments

The Company holds significant investments in subsidiaries located in North America within the Civil and Defence Aerospace sectors of the Rolls-Royce Holdings plc group. A decline in the value of one or more subsidiary undertakings could materially impact upon the carrying value of the investments held on the Company's Balance Sheet. The Company undertakes an impairment review of the carrying value of investments if any trigger event is identified. Post year end, the businesses in which the Company's investments operate in have been impacted by COVID-19, which whilst a non-adjusting event, in some cases has led to a reduction in future cash flows expected to materialise over the short-medium term. Further details have been disclosed in note 15.

Brexit

Following the United Kingdom's ("UK") exit from the European Union ("EU") on 31 January 2020, the Directors continue to monitor the potential outcomes for the UK's future relationship with the EU through the Rolls-Royce steering group which has remained active during 2019 and will remain active until the outcome is clear and any necessary mitigation plans are in place. It is difficult to evaluate all of the potential implications on the Company and the wider economy. However, the Directors believe the Company has limited exposure to any Brexit implications as the principal businesses in which the Company holds an investment in operate and reside in North America. Further disclosures are given in the Rolls-Royce Holdings plc Annual Report which can be obtained from the address in note 16.

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. Two interest bearing loans totalling \$720,176 thousand are due from fellow Rolls-Royce Holdings plc group undertakings which are supported by Rolls-Royce plc if required, therefore the overall credit risk to the Company is considered to be low.

Key performance indicators

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

Rolls-Royce Overseas Investments Limited

Strategic Report for the Year Ended 31 December 2019 (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 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 2019.

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

Culture is a combination of the values, attitudes and behaviours demonstrated by the Company in its activities and relations with stakeholders. The Company embodies and demonstrates the desired culture of the Rolls-Royce Holdings plc group to maintain a reputation for high standards of business conduct through the adoption of the Group Policy manual which ensures that the Company embodies the philosophy to act with integrity and is trusted to deliver excellence. Further details on the Group Policy manual and the policies the Company adopts can be found in the Rolls-Royce Holdings plc Annual Report which are publicly available from the address in note 16.

Approved by the Board on 9 September 2020 and signed on its behalf by:



.....
J H Luke
Director

Rolls-Royce Overseas Investments Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their Directors' report of the Company together with the audited financial statements for the year ended 31 December 2019.

Directors of the company

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

J H Luke

W S Mansfield (resigned 5 April 2019)

D Szczyrba (resigned 1 November 2019)

I R Hetherington (appointed 13 May 2019 and resigned 28 August 2020)

J Wise (appointed 18 August 2020)

J Harvey (appointed 18 August 2020)

T Iacolino (appointed 26 August 2020)

Qualifying indemnity third party provision

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

Results

The profit for the year, after taxation, amounted to \$34,995 thousand (2018: \$33,259 thousand). Further details on the Company's results for the year are set out in more detail on page 2.

Dividends

On the 25 June 2019, the Company paid an interim dividend of \$403,215,000 (2018: £nil) to its parent undertaking, Rolls-Royce Overseas Holdings Limited. Appropriate documentation was not in place to comply with the requirements of Section 836 and 838 of the Companies Act 2006 and to support the payment of the interim dividends on 25 June 2019. The additional documentation was subsequently prepared in advance of the date of approval of the financial statements for the year ended 31 December 2018.

Future developments

As the Company is a holding company, it expects to continue to receive financial income on loans provided to fellow subsidiary undertakings until the loans are repaid. Following the impact of COVID-19 on the Civil Aerospace industry, especially in the US, the cash flows of certain businesses in which the Company holds an investment in have been reduced and as a result, the ability to pay dividends to the Company in the short term may be reduced. The Directors are also aware that a reduction in cash flows in these businesses could lead to an increased risk of impairment to the carrying value of investments. The Directors will continue to monitor the performance of the Company's investments during 2020 and assess whether an impairment charge is required to be recognised.

Rolls-Royce Overseas Investments Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Financial risk management

The details of the Company's financial risk management are set out in more detail on page 2.

Going concern

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce plc, the parent undertaking of the smallest group to consolidate the Company's financial statements and the principal trading company of the Rolls-Royce Holdings plc group, of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

Rolls-Royce Holdings plc, the ultimate parent company of Rolls-Royce plc and the ultimate parent undertaking to consolidate the Company's financial statements, in its published results for the six-month period ended 30 June 2020 included a material uncertainty on going concern in relation to severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. As the Company is reliant on the support of the parent undertaking as stated above, the material uncertainty also applies to the Company's assessment of the going concern basis for the preparation of its financial statements.

The Rolls-Royce Holdings plc group has considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to 28 February 2022 when assessing their going concern. Particular attention has been paid to the impact of the COVID-19 outbreak on the Rolls-Royce Holdings plc group's Civil Aerospace and ITP Aero businesses. An assessment was performed on both a base case scenario (which reflects the Rolls-Royce Holdings plc group current expectation of future trading) and a severe but plausible downside scenarios (which envisages a "stress" or "downside") to evaluate the potential impact of COVID-19 on the Rolls-Royce plc group financial performance and cash flows. Further details of the base case and downside scenarios modelled by the Rolls-Royce Holdings plc group are included in Note 1 to the published results which are publically available (www.rolls-royce.com).

After considering the basis of preparation of the Rolls-Royce Holdings plc group interim financial statements, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis. However, the inherent uncertainties outlined in the Rolls-Royce Holdings plc group financial statements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis.

Rolls-Royce Overseas Investments Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Post balance sheet event

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak. The Directors are aware that the COVID-19 pandemic will have an effect on the financial results of the Company and the extent remain uncertain.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and published its half year 2020 results outlining the measures taken by the Rolls-Royce Holdings plc group which included how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors have assessed the subsequent conditions on the balance sheet date as at 31 December 2019 and have updated the value in use model used to assess the carrying value of investments and consider if there is a post balance sheet impairment. The value in use model now reflects revised cash flow projections as a result of COVID-19 and managements' best estimate of assumptions and sensitivities based on information available at this current time.

The Directors have considered that it is appropriate to adjust the cash flows for the period between 2020 - 2024 for the latest forecasts which indicated a reduction in cash flows over the life of certain key Civil Aerospace programmes. COVID-19 has not significantly impacted upon the US Defence business as the nature of contracts with the US government are generally long term in nature and have not been impacted by the coronavirus pandemic, however, cash flow improvements for new US Defence initiatives have been excluded for prudence. No adjustments have been made to Corporate business cash flows as it is expected that cost reductions will be made following the group's restructure as announced on the 20 May 2020 and therefore any savings will increase the recoverable amount of the investments.

The updated assessment based on the latest forecast has indicated the carrying value of the investment would equal at least its recovering amount.

A 10% reduction in terminal value cash flows in isolation for either the Civil, Defence or Corporate businesses could potentially result in an impairment of \$nil - \$400m being recognised in the 2020 financial statements.

Accordingly, as required by IAS 10, the Directors have not reflected these subsequent conditions in the recoverable value of investments held as at 31 December 2019.

2020 interim dividend

On the 25 June 2020, the Company paid an interim dividend of \$366,146,000 to its parent undertaking, Rolls-Royce Overseas Holdings Limited.

Independent auditors

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

Statement of Directors' Responsibilities in respect of the financial statements

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

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

Rolls-Royce Overseas Investments Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement of Directors' Responsibilities in respect of the financial statements (continued)

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

Approved by the Board on 9 September 2020 and signed on its behalf by:



J H Luke
Director

Rolls-Royce Overseas Investments Limited

Independent Auditors' Report to the members of Rolls-Royce Overseas Investments Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Going Concern section included within the "Significant accounting policies" to the financial statements concerning the Company's ability to continue as a going concern.

The Company is reliant on its parent company for ongoing support, including not seeking repayment of existing intercompany loans and to repay any amounts deposited by the Company as part of the parent company's cash pool sweeping arrangements. Rolls-Royce Holdings plc, the ultimate parent company, in its published results for the six-month period ended 30 June 2020, included material uncertainties on going concern in relation to the severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. Accordingly, there can be no certainty that the support required by the Company will in fact be made available.

These conditions, along with the other matters explained in the Going Concern section included within the "Significant accounting policies" note to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Rolls-Royce Overseas Investments Limited

Independent Auditors' Report to the members of Rolls-Royce Overseas Investments Limited (continued)

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 as set out on page 7 and 8, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Rolls-Royce Overseas Investments Limited

Independent Auditors' Report to the members of Rolls-Royce Overseas Investments Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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.

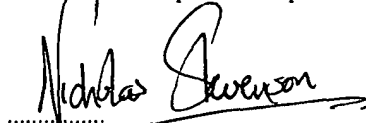
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

10 September 2020

Rolls-Royce Overseas Investments Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Administrative income/(expense)		492	(1,532)
Operating profit/(loss)	6	492	(1,532)
Finance income	7	42,596	42,952
Profit before taxation		43,088	41,420
Tax on profit	8	(8,093)	(8,161)
Profit for the financial year		<u>34,995</u>	<u>33,259</u>

All amounts relate to continuing operations for both financial years.

Rolls-Royce Overseas Investments Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Administrative income/(expense)		<u>492</u>	<u>(1,532)</u>
Operating profit/(loss)	6	492	(1,532)
Finance income	7	<u>42,596</u>	<u>42,952</u>
Profit before taxation		43,088	41,420
Tax on profit	8	<u>(8,093)</u>	<u>(8,161)</u>
Profit for the financial year		<u><u>34,995</u></u>	<u><u>33,259</u></u>

All amounts relate to continuing operations for both financial years.

Rolls-Royce Overseas Investments Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019	2018
	\$ 000	\$ 000
Profit for the financial year	<u>34,995</u>	<u>33,259</u>
Total comprehensive income for the financial year	<u>34,995</u>	<u>33,259</u>

Rolls-Royce Overseas Investments Limited

(Registration number: 04060767)
Balance Sheet as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Non-current assets			
Investments	9	1,964,757	1,964,757
Current assets			
Trade and other receivables - amounts due more than one year \$350,000,000 (2018: \$700,000,000)	10	720,176	1,088,076
Cash at bank and in hand		<u>700</u>	<u>477</u>
		720,876	1,088,553
Current liabilities			
Trade and other payables	12	<u>(8,373)</u>	<u>(7,830)</u>
Net current assets		<u>712,503</u>	<u>1,080,723</u>
Net assets		<u>2,677,260</u>	<u>3,045,480</u>
Equity			
Called up share capital	11	579,444	579,444
Share premium reserve		534,558	534,558
Retained earnings		<u>1,563,258</u>	<u>1,931,478</u>
Total equity		<u>2,677,260</u>	<u>3,045,480</u>

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board on 9 September 2020 and signed on its behalf by:



J H Luke
Director

Rolls-Royce Overseas Investments Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital \$ 000	Share premium reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2019	579,444	534,558	1,931,478	3,045,480
Profit for the financial year	-	-	34,995	34,995
Total comprehensive income	-	-	34,995	34,995
Dividends (note 13)	-	-	(403,215)	(403,215)
At 31 December 2019	579,444	534,558	1,563,258	2,677,260

	Called up share capital \$ 000	Share premium reserve \$ 000	Retained earnings \$ 000	Total equity \$ 000
At 1 January 2018	579,444	534,558	1,898,219	3,012,221
Profit for the financial year	-	-	33,259	33,259
Total comprehensive income	-	-	33,259	33,259
At 31 December 2018	579,444	534,558	1,931,478	3,045,480

The notes on pages 16 to 32 form an integral part of these financial statements.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The Company is a private company limited by shares, incorporated and domiciled in England. The principal activity of the Company is a holding company.

The address of its registered office is:

Moor Lane
Derby
Derbyshire
DE24 8BJ

2 Significant accounting policies

Basis of preparation

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

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

- A Cash Flow Statement and related notes;
- The requirements of IAS 24 *Related Party Transactions* and has, therefore, not disclosed transactions between Rolls-Royce Holdings plc and its wholly owned subsidiaries;
- The requirements of IFRS 7 *Financial Instruments: Disclosures*; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

New standards, amendments and IFRIC interpretations

IFRS 16 *Leases* is a new accounting standards that is effective for the year ended 31 December 2019.

Application of IFRS 16

The Company has adopted IFRS 16 *Leases* during the year. There was no impact to the financial statements on adoption as the Company does not have any lease arrangements, either at 1 January 2018, 31 December 2018 or 31 December 2019.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions

Key estimate - Carrying value of investments

The carrying value of investments is assessed on an annual basis by either comparing the carrying value of the investment against the net assets of the subsidiary undertaking or comparing the carrying value of the investment against the estimate of future cash flows arising from the subsidiary's operations. The assessment of whether investments are impaired is dependent on the present value of the future cash flows expected to be generated by the relevant subsidiary.

Assumptions made in the discounted cash flow calculation, include the discount rate applied to cash flow projections and the growth rates used to extrapolate projected cash flows beyond the five year forecasts and the gross cash flow projections assessment are considered to be significant estimates. During 2019, the Directors have updated their assessment of discount rates for each of the businesses and consider that these are more appropriate to determine the relevant discounted cashflows, rather than applying a group discount rate.

Key estimate - Impairment of amounts owed by group undertakings

The Company makes an estimate of the recoverable value of amounts owed by group undertakings. When assessing the impairment of amounts owed by group undertakings, management considers factors including the credit rating of the receivables, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all amounts due from group undertakings. See note 10 for the net carrying amount of the receivables and associated impairment provision.

Critical accounting judgements in applying the entities accounting policies

The Directors have determined that there are no critical accounting judgements in applying the accounting policies of the Company.

Exemption from preparing group accounts

The financial statements contain information about Rolls-Royce Overseas Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 399 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 a group parent, Rolls-Royce Holdings plc, a company incorporated in United Kingdom, which are publicly available. The address of the ultimate parent company's registered office is set out in note 16.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Significant accounting policies (continued)

Going Concern

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce plc, the parent undertaking of the smallest group to consolidate the Company's financial statements and the principal trading company of the Rolls-Royce Holdings plc group, of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

Rolls-Royce Holdings plc, the ultimate parent company of Rolls-Royce plc and the ultimate parent undertaking to consolidate the Company's financial statements, in its published results for the six-month period ended 30 June 2020 included a material uncertainty on going concern in relation to severity, extent and duration of the disruption caused by the COVID-19 pandemic and the timing of recovery of commercial aviation to pre-crisis levels, along with the availability of sufficient funding. As the Company is reliant on the support of the parent undertaking as stated above, the material uncertainty also applies to the Company's assessment of the going concern basis for the preparation of its financial statements.

The Rolls-Royce Holdings plc group has considered the forecast cash flows of the Group and the liquidity available over an eighteen-month period to 28 February 2022 when assessing their going concern. Particular attention has been paid to the impact of the COVID-19 outbreak on the Rolls-Royce Holdings plc group's Civil Aerospace and ITP Aero businesses. An assessment was performed on both a base case scenario (which reflects the Rolls-Royce Holdings plc group current expectation of future trading) and a severe but plausible downside scenarios (which envisages a "stress" or "downside") to evaluate the potential impact of COVID-19 on the Rolls-Royce plc group financial performance and cash flows. Further details of the base case and downside scenarios modelled by the Rolls-Royce Holdings plc group are included in Note 1 to the published results which are publically available (www.rolls-royce.com).

After considering the basis of preparation of the Rolls-Royce Holdings plc group interim financial statements, the Directors are satisfied that it remains appropriate to prepare the Company financial statements on a going concern basis. However, the inherent uncertainties outlined in the Rolls-Royce Holdings plc group financial statements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis.

Foreign currencies

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

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

Exchange gains and losses are recognised in the income statement.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Significant accounting policies (continued)

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax changes or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Functional and presentation currency

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

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

Investments

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

Trade and other receivables

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

Impairment of non current assets

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

Trade payables

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Significant accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is 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 dividends are recognised when they are paid.

Financial assets and liabilities

Classification

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

Impairment of financial assets

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

Financial liabilities

Financial liabilities primarily consist of trade and other payables.

- All other financial liabilities are classified and measured at amortised cost.

Rounding of amounts

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

3 Staff costs

The Company has no employees (2018: Nil).

4 Directors' remuneration

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

5 Auditors' remuneration

The fees for the audit of the Company's financial statements were \$43,000 (2018: \$18,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged. There were no charges for non-audit fees (2018: \$Nil).

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Operating profit/(loss)

	2019 \$ 000	2018 \$ 000
(Reversal of impairment)/ impairment of amounts receivable	(986)	147
Foreign exchange loss	494	1,385
	<u>494</u>	<u>1,385</u>

7 Finance income

	2019 \$ 000	2018 \$ 000
Interest receivable from group undertakings	42,555	42,770
Other interest receivable	41	182
	<u>42,596</u>	<u>42,952</u>

8 Tax on profit

Tax charged in the income statement

	2019 \$ 000	2018 \$ 000
Analysis of tax charge in the year		
Group relief payable at 19% (2018: 19%)	<u>8,093</u>	<u>8,161</u>

Factors affecting tax charge for the year

Profit before tax for the year is lower (2018 - higher) than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 \$ 000	2018 \$ 000
Profit before tax	<u>43,088</u>	<u>41,420</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	8,187	7,870
(Income)/Expenses not deductible in determining tax	<u>(94)</u>	<u>291</u>
Total tax charge	<u>8,093</u>	<u>8,161</u>

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

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments

	2018 \$ 000
Subsidiaries	
Cost or valuation	
At 1 January 2019	2,205,788
At 31 December 2019	2,205,788
Provision	
At 1 January 2019	241,031
At 31 December 2019	241,031
Carrying amount	
At 31 December 2019	1,964,757
At 31 December 2018	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 assessed by reference to value in use. Value in use has been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions.

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

- Trading assumptions (e.g. volume of original equipment deliveries, pricing achieved and cost escalation) are based on current and known future programmes, estimates of capture of market share and long-term economic forecasts;
- cash flows beyond the five-year forecasts are assumed to grow at 2.0% (2018: 2.5%); and
- a pre-tax discount rate 12.7% (2018: 12.3%) has been applied to the Civil business, a 10.6% (2018: 6.0%) has been applied to the Defence business and 12.7% (2018: 9.8%) has been applied to Corporate businesses. For the year ended 31 December 2018, value in use was calculated using the Rolls-Royce Holdings plc's group's pre-tax discount rate of 12.6%. During 2019, the Directors have updated their assessment of the pre-tax discount rates for each of the businesses and consider that these are more appropriate to determine the relevant discounted cashflows.

No impairment was identified (2018: no impairment). Any of the following changes in assumptions, in isolation, would cause the recoverable amount of the Company's investment in Rolls-Royce North America (USA) Holdings Co. to be impaired.

- an increase in discount rates for each business by 1%
- a decrease of 20% in the terminal value cash flows
- a growth rate into perpetuity of 0%

Subsequent to 31 December 2019, the Directors have considered that COVID-19 has had a significant impact on the Company's businesses which reside under Rolls-Royce North America (USA) Holdings Co. and have therefore updated their assessment of the value in use. Further details have been disclosed in note 15.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

The following were subsidiary undertakings / participating interests of the Company as at 31 December 2019:

** indicates a direct holding by the Company.

Company name	Share class	Address	% Holding 2019
PT Rolls-Royce**	Ordinary	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma, Jakarta, 13610, Indonesia	100%
Rolls-Royce Control Systems Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Controls and Data Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Crosspointe LLC	Partnership	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Defense Products And Solutions Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Defense Services Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Energy Systems Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Engine Services Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Rolls-Royce Finance Company Limited	Deferred Ordinary	Moor Lane, Derby, England DE24 8BJ	100%
Rolls-Royce Finance Holdings Co	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce High Temperature Composites Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Marine North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Holdings Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America (USA) Holdings Co.**	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North America Ventures Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce North American Technologies Inc	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	100%
Rolls-Royce Nuclear Field Services Inc	Common Stock	Corporation Service Company, 80 State Street, Albany, New York, 12207, United States	100%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Rolls-Royce Placements Limited**	Ordinary	Moor Lane, Derby, England DE24 8BJ	100%
Rolls-Royce Saudi Arabia Limited**	Cash Shares	PO Box 88545, Riyadh, 11672, Saudi Arabia	95%
Vessel Lifter Inc	Common Stock	Corporation Service Company, 1201 Hays Street, Tallahassee, FL32301, United States	100%
Rolls Royce Corporation	Common Stock	251 Little Falls Drive, Wilmington, DE19808 United States	100%
RR Controls and Data Services Inc.	Common Stock	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
PKMJ Technical Service Inc.	Ordinary	Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%
Rolls-Royce Nuclear Field Services France S.A.S	Ordinary	ZA Notre-Dame, 84430, Mondragon, France	100%
Data Systems and Solutions, LLC	Partnership (no equity)	Corporate Service Company, 251 Little Falls Drive, Wilmington, Delaware 19808, United States	100%

Joint ventures

Details as at 31 December 2019 are as follows:

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Company name	Class of shares	Address	Proportion of ownership interest and voting rights held 2019
Alpha Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.4) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.5) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.6) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.7) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) (No.8) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Alpha Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Light Helicopter Turbine Engine Co.	Partnership (no equity)	Suite 119, 9238 Madison Boulevard, Madison, AL35758, USA	50%
Omega Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.4) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.5) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.6) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.7) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) (No.8) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Omega Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Rolls-Royce & Partners Finance (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Rolls-Royce & Partners Finance (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

RRPF Engine Leasing (US) (No.2) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
RRPF Engine Leasing (US) LLC	Partnership (no equity)	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE19808 United States	50%
Texas Aero Engine Services LLC	Partnership (no equity)	The Corporation Trust Company, 1209, Orange Street, Wilmington, DE19801, USA	50%
Alpha Leasing Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 4) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 9) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 10) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 11) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 12) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Alpha Leasing (No. 14) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Omega Leasing (No. 4) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Omega Leasing (No. 9) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Omega Leasing (No. 10) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Omega Leasing (No. 11) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Omega Leasing (No. 12) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%
Omega Leasing (No. 14) Limited	Ordinary	1 Brewer's Green, London SW1H 0RH	50%

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Trade and other receivables

	2019 \$ 000	2018 \$ 000
Amounts due from group undertakings	<u>720,176</u>	<u>1,088,076</u>

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

A loan facility of \$1,000,000,000 was agreed on 24 June 2015 at a fixed rate of interest of 4.55%. The loan facility expires on 24 June 2020. As at 31 December 2019, \$350,000,000 (2018: \$720,000,000) was the amount due. \$350,000,000 (2018: \$370,000,000) is repayable within 1 year and \$Nil (2018: \$350,000,000) is repayable after 1 year. Interest accrued and payable on demand is \$8,404,000 (2018: \$17,290,000).

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

The Company also provided a short term loan of \$10,000,000 (2018: \$Nil) 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 2 January 2020.

Amounts due from group undertakings are shown net of expected credit losses of \$1,583,000 (2018: \$2,569,000).

11 Called up share capital

Allotted and fully paid shares

	2019 No. 000	\$ 000	2018 No. 000	\$ 000
Ordinary shares of £1 each	<u>307,414</u>	<u>579,444</u>	<u>307,414</u>	<u>579,444</u>

12 Trade and other payables

	2019 \$ 000	2018 \$ 000
Amounts owed to group undertakings	<u>8,373</u>	<u>7,830</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Dividends

On the 25 June 2019, the Company paid an interim dividend of \$403,215,000 (2018: £nil), \$1.31 per ordinary share (2018: \$nil) to its parent undertaking, Rolls-Royce Overseas Holdings Limited. Appropriate documentation was not in place to comply with the requirements of Section 836 and 838 of the Companies Act 2006 and to support the payment of the interim dividends on 25 June 2019. The additional documentation was subsequently prepared in advance of the date of approval of the financial statements for the year ended 31 December 2018.

14 Contingent liabilities

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

Rolls-Royce Overseas Investments Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Post balance sheet events

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak. The Directors are aware that the COVID-19 pandemic will have an effect on the financial results of the Company and the extent remain uncertain.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and published its half year 2020 results outlining the measures taken by the Rolls-Royce Holdings plc group which included how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors have assessed the subsequent conditions on the balance sheet date as at 31 December 2019 and have updated the value in use model used to assess the carrying value of investments and consider if there is a post balance sheet impairment. The value in use model now reflects revised cash flow projections as a result of COVID-19 and managements best estimate of assumptions and sensitivities based on information available at this current time.

The Directors have considered that it is appropriate to adjust the cash flows for the period between 2020 - 2024 for the latest forecast which indicates a reduction in cash flows over the life of certain key Civil Aerospace programmes. COVID-19 has not significantly impacted upon the US Defence business as the nature of contracts with the US government are generally long term in nature and have not been impacted by the coronavirus pandemic, however, cash flow improvements for new US Defence initiatives have been excluded for prudence. No adjustments have been made to Corporate business cash flows as it is expected that cost reductions will be made following the group's restructure as announced on the 20 May 2020 and therefore any savings will increase the recoverable amount of the investments.

The updated assessment based on the latest forecast has indicated the carrying value of the investment would equal its recovering amount.

A 10% reduction in terminal value cash flows in isolation for either the Civil, Defence or Corporate businesses could potentially result in an impairment of \$nil - \$400m being recognised in the 2020 financial statements.

Accordingly, as required by IAS 10, we have not reflected these subsequent conditions in the recoverable value of investments held as at 31 December 2019.

2020 interim dividend

On the 25 June 2020, the Company paid an interim dividend of \$366,146,000 to its parent undertaking, Rolls-Royce Overseas Holdings Limited.

16 Parent and ultimate parent undertaking

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

The ultimate parent undertaking is Rolls-Royce Holdings plc.

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

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