



IFRS 15 – 2015 and 2016 full year adjustments

IFRS 15: Civil underlying revenue adjustments



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Civil: IFRS 15 OE revenue adjustments	2015	2016	Diff
No profit on linked sales	(370)	(147)	223
No capitalisation of linked engine cash loss	(151)	(285)	(134)
No CARs on unlinked contracts	(161)	(208)	(47)
Treatment of guarantees	(106) ¹	(71)	35
Manufacturing sales	(100) ¹	(105)	(5)
Total OE	(888)¹	(816)	72

Civil: IFRS 15 AM revenue adjustments	2015	2016	Diff
No amortisation of prior year concession deferral	268	276	8
Reduced valuation policy adjustment	(136)	0	136
Other contract accounting adjustments difference	(145)	(187)	(42)
Large engine cost incurred vs engine flying hour impact	(75)	(363)	(288)
Corporate-care/regional cost vs engine flying hour impact	(120)	(200)	(80)
Total AM	(208)	(474)	(266)

1: Restated from those included in the 2016 November Capital Market presentation to reflect subsequent policy refinements of the application of the new standard. The group will continue to work during 2017 to design, implement and refine procedures to apply the new requirements of IFRS 15 and to finalise accounting policy choices, including in its subsidiaries and joint ventures. As a result of this ongoing work, it is possible that some changes may result.

IFRS 15: Civil underlying profit adjustments



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Civil: OE Profit	2015	2016	Diff
No profit on linked sales	(370)	(147)	223
No capitalisation of linked engine cash loss	(151)	(285)	(134)
No CARs on unlinked contracts	(161)	(208)	(47)
Treatment of guarantees	(77) ¹	(44)	33
No amortisation of CARs	55	39	(16)
No reversal of Trent 1000 contract impairment	(65)	-	65
Costs to obtain contracts	9 ¹	10	1
Total OE	(760)¹	(635)	125

Civil: AM Profit	2015	2016	Diff
No amortisation of prior year concession deferral	268	276	8
Reduced valuation policy adjustment	(136)	-	136
Other contract accounting adjustments difference	(110)	(130)	(20)
Large engine cost incurred vs engine flying hour impact	(75)	(234)	(159)
Corporate-care/regional cost vs engine flying hour impact	(120)	(100)	20
Total AM	(173)	(188)	(15)

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IFRS 15: Civil balance sheet adjustments



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Civil: IFRS 15 adjustments	2015	2016	Diff
Reversal of CARs	(0.4)	(0.6)	(0.2)
Reversal of cumulative linked contract profit reported ahead of cash	(2.3)	(2.8)	(0.5)
Transition from flying hours to cost basis	(1.2) ¹	(1.2)	-
Guarantees and other	(0.1) ¹	(0.2)	(0.1)
Total pre tax reserves adjustment	(4.0) ¹	(4.8)	(0.8)
Tax	0.8 ¹	0.9	0.1
Total reserves adjustment	(3.2) ¹	(3.9)	(0.7)

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The group will continue to work during 2017 to design, implement and refine procedures to apply the new requirements of IFRS 15 and to finalise accounting policy choices, including in its subsidiaries and joint ventures. As a result of this ongoing work, it is possible that some changes may result.

Estimated IFRS 15 changes – 2016 Civil OE



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Underlying Revenue

No profit on linked OE sale
£(147)m

No capitalisation of linked
engine cash loss
£(285)m

No CARs on unlinked contracts
£(208)m

Treatment of guarantees
£(71)m

Manufacturing sales
£(105)m

£(816)m

Underlying Profit

No profit on linked OE sales
£(147)m

No capitalisation of linked
engine cash loss
£(285)m

No CARs on unlinked contracts
£(208)m

Treatment of guarantees
£(44)m

No amortisation of CARs
£39m

Costs to obtain contracts
£10m

£(635)m

No change to cash flows from any of the revenue and profit changes

Note: All adjustments shown pre-tax effects

The group will continue to work during 2017 to design, implement and refine procedures to apply the new requirements of IFRS 15 and to finalise accounting policy choices, including in its subsidiaries and joint ventures. As a result of this ongoing work, it is possible that some changes to the impact above may result.

Estimated IFRS 15 changes – 2016 Civil AM



Rolls-Royce

Underlying Revenue

No amortisation of prior years
concession deferral
£276m

Contract accounting adjustments
difference
£(187)m

Large engine cost incurred vs
engine flying hour impact
£(363)m

CorporateCare® and regional cost
incurred vs engine flying hour impact
£(200)m

£(474)m

Underlying Profit

No amortisation of prior years
concession deferral
£276m

Contract accounting adjustments
difference
£(130)m

Large engine cost incurred vs
engine flying hour impact
£(234)m

CorporateCare® and regional cost
incurred vs engine flying hour impact
£(100)m

£(188)m

No change to cash flows from any of the revenue and profit changes

Note: All adjustments shown pre-tax effects

The group will continue to work during 2017 to design, implement and refine procedures to apply the new requirements of IFRS 15 and to finalise accounting policy choices, including in its subsidiaries and joint ventures. As a result of this ongoing work, it is possible that some changes to the impact above may result.

Estimated IFRS 15 changes

Civil 2016 balance sheet adjustments



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Intangible Assets

Reversal of the CARs balance

£(0.6)bn

TotalCare® net assets

Reversal of cumulative linked contract profit reported ahead of cash

£(2.8)bn

Transition from flying our to cost basis

£(1.2)bn

Guarantees and other

£(0.2)bn

Tax

£0.9bn

Total Impact

£(3.9)bn