

SUBSIDIARIES

Company name	% held	Address
A.F.C Wultex Limited*	90	Derby ¹
A.P.E. – Allen Gears Limited*	100	Derby ¹
Allen Power Engineering Limited*	100	Derby ¹
Amalgamated Power Engineering Limited*	100	Derby ¹
Bergen Engines AS	100	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway
Bergen Engines Bangladesh Private Limited	100	Plot n.58E, Kemal Ataturk Avenue, Dhaka, 1213, Bangladesh
Bergen Engines BV	100	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands
Bergen Engines Denmark A/S	100	23 Værftsvej, 9000 Aalborg, Denmark
Bergen Engines India Private Limited	100	52-b Okhla Industrial Estate, Phase 3, New Delhi 110-020, India
Bergen Engines Limited	100	Derby ¹
Bergen Engines Property Co AS	100	125 Hordvikneset, 5108 Hordvik, Bergen, 1201, Norway
Bergen Engines S.L.	100	Calle Dinamarca, 43120 Constanti, Tarragona, Spain
Bergen Engines S.r.l	100	13 Via Castel Morrone, 16161, Genoa, Italy
Bristol Energy Limited*	100	Derby ¹
Bristol Siddeley Engines Limited*	100	Derby ¹
Brooks Inspection Solutions Limited	100	Derby ¹
Brown Brothers & Company Limited*	100	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, Scotland, KY11 9JT
C.A. Parsons & Company Limited*	100	Derby ¹
Composite Technology and Applications Limited	100	Derby ¹
Crossley-Premier Engines (Sales) Limited*	100	Derby ¹
Croydon Energy Limited*	100	Derby ¹
Data Systems & Solutions, LLC	100	5959 Shallowford Road, Chattanooga, TN 37421, USA
Deeside Titanium Limited*	82.5	Derby ¹
Derby Cogeneration Limited*	100	Derby ¹
Derby Specialist Fabrications Limited*	100	Derby ¹
Europea Microfuzioni Aerospaziali S.p.A.	100	Zona Industriale AS1, 83040 Morra De Sanctis, Avellino, Italy
Exeter Power Limited*	100	Derby ¹
Fluid Mechanics LLC	100	39525 MacKenzie Drive, Novi, Michigan 48377, USA
Gate Leasing Limited	100	London ²
Hartshill Ventures Limited	100	Derby ¹
Heartlands Power Limited*	100	Derby ¹
Heaton Power Limited*	100	Derby ¹
John Hastie of Greenock (Holdings) Limited*	100	Derby ¹
John Thompson Cochran Limited*	100	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, Scotland KY11 9JT
John Thompson Limited*	100	Derby ¹
Kalvet Engineering (Proprietary) Limited*	100	Corner Marcony Rd and 3rd St, Western Cape, 7441, South Africa
Kamewa AB*	100	Box 1010, S-68129, Kristinehamn, Sweden
Kamewa Do Brazil Equipmentos Maritimos Limitada*	100	401 Rua Visconde de Piraja 433, Rio de Janeiro, Brazil
Kamewa Holding AB*	100	Box 1010, S-68129, Kristinehamn, Sweden
Kamewa UK Limited*	100	Derby ¹
Karl Maybach-Hilfe GmbH	100	1 Maybachplatz, 88045 Friedrichshafen, Germany
L'Orange Unterstützungskasse GmbH	100	Harteckweg 9, 72293 Glatten, Germany
L'Orange Fuel Injection (Ningbo) Co, Ltd	100	#3 South Qihang Rd 55, Yinzhou Economic Development Zone Ningbo City, 315145, China
L'Orange Fuel Injection Trading (Suzhou) Co, Ltd	100	#399 Suhong Middle Rd, Suzhou Industrial Park, Suzhou 215000, China
L'Orange GmbH	100	30 Porschestrabe, 70435 Stuttgart, Germany
M.L. Limited	100	Derby ¹
Mansfield Holdings Limited*	100	Derby ¹
MTU America Inc	100	39625 McKenzie Drive, Novi, MI 48377, USA
MTU Anlagenvermietung GmbH	100	1 Maybachplatz, 88045 Friedrichshafen, Germany
MTU Asia PTE. Limited	100	#05-01, Robinson Rd 112, 068902, Singapore
MTU Benelux B.V.	100	Merwedestraat 86, 3313 CS, Dordrecht, Netherlands
MTU China Company Limited	100	1801–1803, 18/F Ascendas Plaza, No.333 Tian Yao Qiao Road Xuhai District, Shanghai, 200030, China
MTU Do Brazil Limitada	100	Via Anhanguera, KM 29203, 05276-000 Sao Paulo SP Brazil

* Dormant entity

¹ Moor Lane, Derby, Derbyshire, England DE24 8BJ² 62 Buckingham Gate, London, England SW1E 6AT

Company name	% held	Address
MTU Engineering (Suzhou) Company Limited	100	9 Long Yun Rd, Suzhou Industrial Park, Suzhou 215024 Jiang Su, China
MTU France SAS	100	281 Chaussée Jules César, 95250 Beauchamp, France
MTU Friedrichshafen GmbH	100	1 Maybachplatz, 88045 Friedrichshafen, Germany
MTU Hong Kong Limited	100	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong
MTU Iberica Propulsion Y Energia S.L.	100	26-28 Calle Copernico, 28823 Coslada, Madrid, Spain
MTU India Private Limited	100	159/1 Tathawade, Pune Mumbai Highway, Pune 411033, India
MTU Israel Limited	100	4 Ha"Alon Str, Kfar Neter, 4059300, Israel
MTU Italia S.r.l	100	Via Aurelia Nord, 328, 19021 Arcola (SP), Italy
MTU Japan Co Limited	100	2-15-19 Takanawa-Meiko, Minato-ku, Tokyo, 108-0074, Japan
MTU Korea Limited	100	20F Kores First Bank Building, 100 Gongpyung-dong, Jongno-gu Seoul, 100-702, Republic of Korea
MTU Middle East FZE	100	Showroom No. S3B5SR06, Jebel Ali Free Zone, P.O. Box 61141 Dubai, United Arab Emirates
MTU Motor Turbin Sanayi Ve Ticaret. A.S	100	113. Ada 3.Parsel No.11, Çorlu, Tekirdag, 34555,Turkey
MTU Onsite Energy Corporation	100	100 Power Drive, Mankato, MIN 56001, USA
MTU Onsite Energy GmbH	100	8 Rotthofer Straße, 94099 Ruhstorf a.d. Rott, Germany
MTU Onsite Energy Systems GmbH	100	8 Rotthofer Straße, 94099 Ruhstorf a.d. Rott, Germany
MTU Polska SP. ZOO	100	Ul. Slaska, Nr 9. Raum, Stargard Szczecinski, 73-110, Potsdam Stargard Szczecinski, Poland
MTU Reman Technologies GmbH	100	8 Friedrich-List-Strabe, 39122 Magdeburg, Germany
MTU RUS LLC	100	Shabolovka Street 2, 119049, Moscow, Russian Federation
MTU South Africa (Pty) Limited	100	Corner Marcony Rd and 3rd St, Western Cape, 7441 South Africa
MTU UK Limited	100	Unit 29 The Birches Industrial Estate, East Grinstead, England RH19 1XZ
Navis Consult d.o.o	75	Ul. Bartola Kasica 5/4, HR-51000, Rijeka, Croatia
NEI Allen Limited*	100	Derby ¹
NEI Combustion Engineering Limited*	100	Derby ¹
NEI International Combustion Limited*	100	Derby ¹
NEI Limited*	100	Derby ¹
NEI Mining Equipment Limited*	100	Derby ¹
NEI Nuclear Systems Limited*	100	Derby ¹
NEI Overseas Holdings Limited	100	Derby ¹
NEI Parsons Limited*	100	Derby ¹
NEI Peebles Limited*	100	Derby ¹
NEI Power Projects Limited*	100	Derby ¹
NEI Services Limited*	100	Derby ¹
Nightingale Insurance Limited	100	Maison Trinity, Trinity Square, St. Peter Port, GY1 4AT, Guernsey
Optimized Systems and Solutions (US) LLC	100	Suite 500, 54 Monument Circle, Indianapolis, IN46204, USA
Optimized Systems and Solutions Limited*	100	Derby ¹
Oxygene Limited*	100	Derby ¹
PKMJ Technical Services, Inc.	100	465 Malcolm Dr., Moon Township, PA15108, USA
Powerfield Limited*	100	Derby ¹
Powerfield Specialist Engines Limited*	100	Derby ¹
Prokura Diesel Services (pty) Limited	100	Corner Marcony Rd and 3rd St, Western Cape, 7441 South Africa
PT Rolls-Royce	100	Mid Plaza 2, Lantai 16 Jl. Jenderal Sudirman 10-11, Jakarta Pusat, 10220, Indonesia
PT MTU Indonesia	100	Secure Building Blok B, Jl. Raya Protokol Halim, Perdanakusuma Jakarta, 13610, Indonesia
Quay Leasing Limited	100	London ²
R. Brooks Associates, Inc.	100	6546 Pound Road, Williamson, NY14589, USA
Rallyswift Limited*	100	Derby ¹
Reyrolle Belmos Limited*	100	Taxiway, Hillend Industrial Estate, Dalgety Bay, Dunfermline, Scotland KY11 9JT
Rolls E.L Turbofans Limited*	100	Derby ¹
Rolls-Royce (Ireland)*	100	1st Floor, IFSC House, International Financial Services Centre, Customs House Quay, Dublin, Irish Republic
Rolls-Royce (Thailand) Limited	100	900, 11th Fl, Tonson Tower, Ploenchit Rd, Bangkok, Thailand
Rolls-Royce (Xi'an) Mechanical Manufacturing Co. Limited	100	E-1, No. 5 Lan Tian Road, Xian Yanliang National Aviation Hi-Tech Industrial Base, China
Rolls-Royce AB	100	Box 1010, S-68129, Kristinehamn, Sweden

* Dormant entity

¹ Moor Lane, Derby, Derbyshire, England DE24 8BJ

² 62 Buckingham Gate, London, England SW1E 6AT

SUBSIDIARIES CONTINUED

Company name	% held	Address
Rolls-Royce Aero Engine Services Limited*	100	Derby ¹
Rolls-Royce Aircraft Management Limited	100	London ²
Rolls-Royce Australia Limited	100	Suite 102, 2-4 Lyonpark Rd, Macquarie Park, NSW- 2113, Australia
Rolls-Royce Australia Services PTY Limited	100	Suite 102, 2-4 Lyonpark Rd, Macquarie Park, NSW- 2113, Australia
Rolls-Royce Brazil Limitada	100	Rua Dr Cincinato Braga 47, Planalto, Sao Bernando do Campo/SP 09890-900, Brazil
Rolls-Royce Canada Limited	100	9500 Cote De Liesse Rd, Lachine QC H8T 1A2, Canada
Rolls-Royce Capital Limited	100	Derby ¹
Rolls-Royce Civil Nuclear Canada Limited	100	597 The Queensway, Peterborough ON K9J7J6, Canada
Rolls-Royce Civil Nuclear SAS	100	23 Chemin du Vieux Chene, 38240, Meylan, France
Rolls-Royce Commercial (Beijing) Co., Limited	100	2109 China Life Building, 16 Chao Yang Men Wai Street, Beijing 100020, China
Rolls-Royce Commercial Aero Engines Limited*	100	Derby ¹
Rolls-Royce Control Systems Holdings Co	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Controls and Data Services (NZ) Limited	100	L7 Bayleys Building, 36 Brandon St, Wellington, 6011 New Zealand
Rolls-Royce Controls and Data Services (UK) Limited	100	Derby ¹
Rolls-Royce Controls and Data Services Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Controls and Data Services Limited	100	Derby ¹
Rolls-Royce Corporation	100	2001 S Tibbs Avenue, Indianapolis, IN46206, USA
Rolls-Royce Côte d'Ivoire Sarl	100	7 Boulevard Latrille, 25 BP 945, Abidjan, Côte d'Ivoire
Rolls-Royce Credit Corporation	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Crosspointe LLC	100	Suite A, 3811 Corporate Rd. Petersburg, VA 23805-0848, USA
Rolls-Royce de Venezuela SA	100	Avenida 3E, entre Calles 78 y 79, Torre Empresarial Claret Piso 10, Oficina 10-3, Sector Valle Frio, Maracaibo, Venezuela
Rolls-Royce Defense Holdings Inc.	100	2001 S Tibbs Avenue, Indianapolis, IN46206, USA
Rolls-Royce Defense Products and Solutions Inc.	100	2001 S Tibbs Avenue, Indianapolis, IN46206, USA
Rolls-Royce Defense Services Inc.	100	2001 S Tibbs Avenue, Indianapolis, IN46206, USA
Rolls-Royce Deutschland Ltd & Co KG	100	11 Eschenweg, 15827 Blankenfelde-Mahlow, Germany
Rolls-Royce Directorate Limited*	100	Derby ¹
Rolls-Royce Energy Angola Limitada	100	Rua Rei Katyavala, Entrada B, Piso 8, Luanda, Angola
Rolls-Royce Energy Systems Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Engine Control Systems Pension Trustees Ltd	100	Derby ¹
Rolls-Royce Engine Controls Holdings Limited	100	Derby ¹
Rolls-Royce Engine Services – Oakland Inc.	100	7200 Earhart Road, Oakland, CA 64621-4504, USA
Rolls-Royce Engine Services Holdings Co	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Engine Services Limitada Inc.*	100	Bldg 06 Berthaphil Compound, Jose Abad Santos Avenue, Clark Special Eco Zone, Pampanga, Philippines
Rolls-Royce Erste Beteiligungs GmbH	100	11 Eschenweg, 15827 Blankenfelde-Mahlow, Germany
Rolls-Royce Finance Company Limited*	100	Derby ¹
Rolls-Royce Finance Holdings Co	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Fuel Cell Systems Limited	100	Derby ¹
Rolls-Royce General Partner Limited	100	Derby ¹
Rolls-Royce Group plc	100	London ²
Rolls-Royce High Temperature Composites Inc.	100	18411 Gothard Street #8, Huntington Beach, CA92648, USA
Rolls-Royce Holdings Canada Inc.	100	9500 Cote De Liesse Rd, Lachine QC H8T 1A2, Canada
Rolls-Royce India Limited	100	Derby ¹
Rolls-Royce India Private Limited	100	Birla Tower West 25, Barakhamba Rd, New Delhi, 110001, India
Rolls-Royce Industrial & Marine Gas Turbines*	100	Derby ¹
Rolls-Royce Industrial & Marine Power Limited*	100	Derby ¹
Rolls-Royce Industrial Power (India) Limited	100	Derby ¹
Rolls-Royce Industrial Power (Overseas Projects) Limited	100	Derby ¹
Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited	100	Derby ¹
Rolls-Royce Industrial Power Investments Limited*	100	Derby ¹
Rolls-Royce Industrial Power Systems Limited*	100	Derby ¹
Rolls-Royce Industries Limited*	100	Derby ¹

* Dormant entity

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Company name	% held	Address
Rolls-Royce International Limited	100	Derby ¹
Rolls-Royce International LLC	100	10 B. Sadovaya St, 123001, Moscow, Russia
Rolls-Royce International S.R.O.	100	Pobřežní 620/3, 186 00, Karlin - Prague 8, Czech Republic
Rolls-Royce Investment Co	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Italia SRL	100	Via Castel Morrone 13,16161, Genova, Italy
Rolls-Royce Japan Co. Limited	100	31 Fl, Kasumigaseki bldg, 3-2-5 Kasumigaseki, Chiyoda-Ku, Tokyo 100-6031, Japan
Rolls-Royce JSF Holdings Inc.	100	2001 S Tibbs Avenue, Indianapolis, IN46206, USA
Rolls-Royce Leasing Limited	100	Derby ¹
Rolls-Royce Malaysia SDN BHD	100	Suite 13.03, 13th Fl, Menara Tan & Tan, 207 Jalan Tun Razak 50400 Kuala Lumpur, Malaysia
Rolls-Royce Marine A/S	100	Vaerftsvej 23 , 2300, Aalborg, Denmark
Rolls-Royce Marine AS	100	Sjogata 80, 6065 Ulsteinvik, Norway
Rolls-Royce Marine Asia Limited	100	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong
Rolls-Royce Marine Australia Pty Limited	100	Unit 2/8 Wallace Way, Fremantle WA 6160, Australia
Rolls-Royce Marine Benelux BV	100	Werfdijk 2, 3195HV Pernis, Rotterdam, Netherlands
Rolls-Royce Marine Chile SA	100	Alcantara 200, Office 1303, Las Condes, Santiago, Chile
Rolls-Royce Marine Deutschland GmbH	100	Fahrstieg 9, 21107, Hamburg, Germany
Rolls-Royce Marine Electrical Systems Limited	100	Derby ¹
Rolls-Royce Marine Espana S.A.	100	Poligono Industrial de Constanti, 43120 Constanti, Tarragona, Spain
Rolls-Royce Marine France Sarl	100	4 Place Des Etats Unis, Imm Monaco Silic 261, Rungis, France
Rolls-Royce Marine Hellas S.A.	100	25 Atki Poseidonos & Makrigianni corner, Athens 18344, Greece
Rolls-Royce Marine Hong Kong Limited	100	1-3 Wing Yip St, Kwai Chung, New Territories, Hong Kong
Rolls-Royce Marine India Private Limited	100	PLOT D-505, TTC Industrial Area, MIDC, Sharaya Hyundai Lane Turbhe, Navi Mumbai, Maharashtra, 400710, India
Rolls-Royce Marine Korea Limited	100	197 Noksansaneopbung-ro , Gangseogu, Busan, Republic of Korea
Rolls-Royce Marine Manufacturing (Shanghai)	100	1 Xuanzhong Rd, Xuanqiao Town, Pudong New Area, Shanghai 201399, China
Rolls-Royce Marine North America Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce Marine Power Operations Limited	100	Derby ¹
Rolls-Royce Mechanical Test Operations Centre GmbH	100	Kiefernstrasse 1,15827 Blankenfelde-Mahlow, Dahlewitz, Germany
Rolls-Royce Mexico Administration S de RL de CV, Rolls-Royce Mexico S de RL de CV	100	Adolfo Ruiz Cortinez 3642-403, Costa de Oro, Veracruz 94299 6, Mexico
Rolls-Royce Military Aero Engines Limited*	100	Derby ¹
Rolls-Royce Namibia (Proprietary) Limited	100	Ausspann Plaza, Dr Agostinho Neto Rd, Private Bag 12012, Asspanplatz, Windhoek, Namibia
Rolls-Royce New Zealand Limited	100	L7 Bayleys Building, 36 Brandon St, Wellington, 6011, New Zealand
Rolls-Royce Nigeria Limited	100	22A Gerrard Street, Ikoyi, Lagos, Nigeria
Rolls-Royce North America (USA) Holdings Co.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce North America Holdings Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce North America Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce North America Ventures Inc.	100	Suite 200, 1875 Explorer Street, Reston, VA20190, USA
Rolls-Royce North American Technologies Inc.	100	2059 S Tibbs Avenue, Indianapolis, IN46241, USA
Rolls-Royce Nuclear Field Services France SAS	100	ZA Notre-Dame, 84430, Mondragon, France
Rolls-Royce Oman LLC	100	PO Box 686, Ruwi, 112, Oman
Rolls-Royce Operations (India) Private Limited	100	Whitefield Rd, EPIP Zone, Mahadevapura Bangalore 560066, India
Rolls-Royce Overseas Holdings Limited	100	Derby ¹
Rolls-Royce Overseas Investments Limited	100	Derby ¹
Rolls-Royce Overseas Projects Limited	100	Derby ¹
Rolls-Royce Oy Ab	100	PO Box 220, Suojantie 5, 26101, Rauma, Finland
Rolls-Royce Placements Limited	100	Derby ¹
Rolls-Royce plc	100	London ²
Rolls-Royce Poland Sp z o.o	99.5	GNIEW 83-140, ul. Kopernika 1, Poland
Rolls-Royce Power Development Limited	100	Derby ¹
Rolls-Royce Power Engineering plc	100	Derby ¹
Rolls-Royce Power Systems AG	100	1 Maybachplatz, 88045, Friedrichshafen, Germany

* Dormant entity

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² 62 Buckingham Gate, London, England SW1E 6AT

SUBSIDIARIES CONTINUED

Company name	% held	Address
Rolls-Royce Saudi Arabia Limited	100	PO Box 88545, Riyadh, 11672, Saudi Arabia
Rolls-Royce Secretariat Ltd*	100	Derby ¹
Rolls-Royce Singapore Pte. Ltd	100	1 Seletar Aerospace Crescent, 797565 Singapore
Rolls-Royce Technical Support Sarl	100	Centreda 1, av Didier Daurat, 31700 Blagnac, Toulouse, France
Rolls-Royce Total Care Services Limited	100	Derby ¹
Rolls-Royce Transmission and Distribution Limited*	100	Derby ¹
Rolls-Royce Turkey Power Solutions Industry and Trade Limited	100	Ekemen Han No:1 Kat:6 Kabataş Beyoğlu, Istanbul, Turkey
Rolls-Royce Vietnam Limited	100	Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City Ba Ria – Vung Tau Province, Vietnam
Rolls-Royce Zweite Beteiligungs GmbH	100	11 Eschenweg, 15827 Blankenfelde-Mahlow, Germany
Ross Ceramics Limited	100	Derby ¹
R.O.V Technologies, Inc.	100	49 Bennett Drive, Guilford, Vermont, USA
R-R Industrial Controls Limited*	100	Derby ¹
Scandinavian Electric Gdansk Sp. z.o.o.	67	M. Reja 3, Gdansk, 80-404, Poland
Scandinavian Electric Systems do Brazil Limitada	66	Rua Sao Jose 90, salas 1406-07, Rio de Janeiro, RJ, Brazil
Spare IPG (AGL) Limited, Spare IPG (CEL) Limited, Spare IPG 3 Limited, Spare IPG 4 Limited, Spare IPG 11 Limited, Spare IPG 15 Limited, Spare IPG 20 Limited, Spare IPG 22 Limited, Spare IPG 24 Limited, Spare IPG 27 Limited, Spare IPG 28 Limited, Spare IPG 30 Limited, Spare IPG 32 Limited*	100	Derby ¹
Spare IPG 18 Ltd*	90	Derby ¹
Stone Vickers Limited*	100	Derby ¹
Superstructure Capital Limited	100	Derby ¹
The Bushing Company Limited*	100	Derby ¹
Timec 1487 Limited*	100	Derby ¹
Trigno Energy S.r.l.	100	Zona Industrial, San Salvo, 66050, Italy
Ulstein Holding AS	100	Sjøgata 80, 6065 Ulsteinvik, Norway
Ulstein Maritime Limited	100	96 North Bend St, Coquitlam, BC V3K 6H1, Canada
Ulstein Trading Ltd AS*	100	Sjøgata 80, 6065, Ulsteinvik, Norway
Vessel Lifts Inc*	100	Suite 102, 9130 S Dadeland Blvd, Miami, FL33156, USA
Vickers Pension Trustees Limited*	100	Derby ¹
Vickers Pressings Limited*	100	Derby ¹
Viking Power Limited*	100	Derby ¹
Vinters Defence Systems Limited*	100	Derby ¹
Vinters Engineering Limited	100	Derby ¹
Vinters International Limited	100	Derby ¹
Vinters Limited	100	Derby ¹
Vinters-Armstrongs (Engineers) Limited*	100	Derby ¹
Vinters-Armstrongs Limited*	100	Derby ¹
Wultex Machine Company Limited*	100	Derby ¹

* Dormant entity

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JOINT VENTURES AND ASSOCIATES

Company name	Address	Class of shares	% of class held	Group interest held %
Aero Gearbox International SAS	18 Boulevard Louis Seguin, 92700 Colombes, France	Ordinary	50	50
Aerospace Transmission Technologies GmbH	Adelheidstrasse 40, D-88046, Friedrichshafen, Germany	Ordinary	50	50
Airtanker 1 Limited*	One London Wall, London, England EC2Y 5EB	Ordinary	20	20
Airtanker Finance Limited	One London Wall, London, England EC2Y 5EB	Ordinary	20	20
Airtanker Holdings Limited	One London Wall, London, England EC2Y 5EB	Ordinary	20	20
Airtanker Limited	One London Wall, London, England EC2Y 5EB	Ordinary	20	20
Airtanker Services Limited	Airtanker Hub, RAF Brize Norton, Carterton, Oxfordshire, England OX18 3LX	Ordinary	22	22
Alpha Leasing Limited, Alpha Leasing (No.4) Limited, Alpha Leasing (No.9) Limited, Alpha Leasing (No.10) Limited, Alpha Leasing (No.11) Limited, Rolls-Royce & Partners Finance Limited	London ²	Ordinary	100	50
Alpha Leasing (US) LLC, Alpha Leasing (US) (No 2) LLC, Alpha Leasing (US) (No 4) LLC, Alpha Leasing (US) (No 5) LLC, Alpha Leasing (US) (No.6) LLC, Alpha Leasing (US) (No.7) LLC, Alpha Leasing (US) (No.8) LLC, Rolls-Royce & Partners Finance (US) LLC, Rolls-Royce & Partners Finance (US) (NO.2) LLC	Suite 200, 1875 Explorer Street, Reston, VA20190, USA	Partnerships (no equity held)	–	50
Alpha Partners Leasing Limited	London ²	A Ordinary	100	50
Anecom Aerotest GmbH	124/126 Freiheitsstrasse, Wildau, D-15745, Germany	Ordinary	24.9	24.9
Clarke Chapman Portia Port Services Limited	Maritime centre, Port of Liverpool, Liverpool L21 1LA	A Ordinary	100	50
Egypt Aero Management Services	EgyptAir Engine Workshop, Cairo International Airport, Cairo, Egypt	Ordinary	50	50
EPI Europrop International GmbH	Dachauer Strasse 655, 80995 Munich, Germany	Ordinary	28	Effective 35.5
EPI Europrop International Madrid S.L.	Edificio Berlin – First Floor, Parque Empresarial San Fernando, Avenida Castilla 2, 28830 San Fernando De Henares, Madrid, Spain	Ordinary	28	Effective 35.5
Eurojet Turbo GmbH	Lilienthalstrasse 2b, 85399 Hallbergmoos, Germany	Ordinary	33	Effective 39
GE Rolls-Royce Fighter Engine Team LLC	2001 S Tibbs Avenue, Indianapolis, IN46206, USA	Partnership (no equity held)	–	40
Genistics Holdings Limited	Derby ¹	Ordinary A	100	50
Genistics Limited	Derby ¹	Ordinary	100	50
Glacier LP	Suite 300, Bank Tower, 66 Wellington Street West, Toronto, ON M5K 1E6, Canada	Ordinary	50	50
Global Aerospace Centre for Icing and Environmental Research Inc.	1000 Marie-Victorin Boulevard, Montreal, QC J4G 1A1, Canada	Ordinary	50	50
Hong Kong Aero Engine Services Limited	33/F, 2 Pacific Place, 88 Queensway, Hong Kong	Ordinary	45	45
Hovden Klubbhaus AS	Stalhaugen 5, Ulsteinvik, 6065 Norway	Ordinary	69	69
Industria De Turbo Propulsores SA	Suite 300, Parque Tecnológico, 48170 Zamudio, Vizcaya, Spain	Ordinary	46.9	46.9
International Aerospace Manufacturing Private Ltd	3 Kempapure Village, Bangalore, 560037, India	Ordinary	50	50
International Engine Component Overhaul Pte Ltd	No.3 Loyang Way 2, 507102, Singapore	Ordinary	50	50
LG Fuel Cell Systems Inc.	6065 Strip Ave, Canton, OH44720-9207, USA	Common Stock	32	32
Light Helicopter Turbine Engine Company (unincorporated partnership)	Suite 119, 9238 Madison Boulevard, Madison, AL35758, USA	Partnership (no equity held)	–	50
Metlase Limited	Unipart House, Garsington Road, Cowley, Oxford, England OX4 2PG	Ordinary B	100	20
MTU Turbomeca Rolls-Royce GmbH	Am Soldnermoos 17, 85399 Hallbergmoos, Germany	Ordinary	33.3	33.3
MTU Turbomeca Rolls-Royce ITP GmbH	Am Soldnermoos 17, 85399 Hallbergmoos, Germany	Ordinary	25	Effective 26
N3 Engine Overhaul Services GmbH & Co KG	1 Gerhard-Höltje-Str, D-99310, Arnstadt, Germany	Ordinary	50	50
N3 Engine Overhaul Services Verwaltungsgesellschaft MbH	1 Gerhard-Höltje-Str, D-99310, Arnstadt, Germany	Ordinary	50	50
Northern Engineering Industries Africa Limited (in liquidation)*	2nd floor, Ristone Office Park, 15 Sherborne Rd, Parktown 2193, South Africa	Ordinary	24.4	24.4
Offshore Simulator Centre AS	4 Larsgardsvegen, 6009, Alesund, Norway	Ordinary	25	25

* Dormant entity

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JOINT VENTURES AND ASSOCIATES CONTINUED

Company name	Address	Class of shares	% of class held	Group interest held %
Omega Leasing Limited, Omega Leasing (No.4) Limited, Omega Leasing (No.9) Limited, Omega Leasing (No.10) Limited, Omega Leasing (No.11) Limited	London ²	Ordinary	100	50
Omega Leasing (US) LLC, Omega Leasing (US) (No 2) LLC, Omega Leasing (US) (No 4) LLC, Omega Leasing (US) (No 5) LLC, Omega Leasing (US) (No.6) LLC, Omega Leasing (US) (No.7) LLC, Omega Leasing (US) (No.8) LLC	Suite 200, 1875 Explorer Street, Reston, VA20190, USA	Partnerships (no equity held)	—	50
Rolls Laval Heat Exchangers Limited	Derby ¹	Ordinary A	100	50
Rolls-Royce Engine Leasing (Labuan) Limited, Rolls-Royce Engine Leasing (Labuan) (No.2) Limited	Unit Level 13(A), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000, Malaysia	Ordinary	100	50
Rolls-Royce Snecma Limited	Derby ¹	Ordinary B	100	50
RRPF Engine Leasing Limited, RRPF Engine Leasing (No.2) Limited	London ²	Ordinary	100	50
RRPF Engine Leasing (US) LLC, RRPF Engine Leasing (US) (No.2) LLC	Suite 200, 1875 Explorer Street, Reston, VA20190, USA	Ordinary	100	50
RRPF Engine Leasing (Singapore) Pte. Limited	28-00, 1 Marina Boulevard, Singapore 018989	Ordinary	100	50
Servicios de Operación y Mantenimiento S.A.	Puerto In Buitrago, 804 Casilla de Correo, CP 2900, Buenos Aires, Argentina	Ordinary	100	50
Shanxi North MTU Diesel Co. Limited	97 Daqing West Rd, Datong, Shanxi Province, China	Ordinary	49	49
Sign Assured Limited	8 Jubilee Drive, Loughborough, England LE11 5XS	Ordinary	25	25
Singapore Aero Engine Services Private Limited	11 Calshot Rd, 509932, Singapore	Ordinary	30	Effective 39
Techjet Aerofoils Limited	Tefen Ind Zone, PO Box 16, 24959, Carmiel, Israel	Ordinary A Ordinary B	50 50	50
Texas Aero Engine Services LLC	1209 Orange St, Wilmington, DE19801, USA	Partnership (no equity held)	—	50
TRT Limited	Derby ¹	Ordinary B	100	49.5
Turbine Surface Technologies Limited	Derby ¹	Ordinary B	100	50
Turbo-Union Limited	Derby ¹	Shares A Ordinary	37.5 40	40
UK Nuclear Restoration Limited	Booths Park, Chelford Rd, Knutsford, England WA16 8QZ	Ordinary	20	20
Viking Reisebyra AS	Saunesvn. 10, Ulsteinvik, NO-6067, Norway	Ordinary	50	50
Xian XR Aero Components Co., Limited	Xujiawan, Beijiao, PO Box 13, Xian 710021, Shaanxi China	Ordinary	49	49
Xian XR Turbine Machining Components Co., Ltd	XEPZ 12th Fengcheng Rd, Xian 710018, Shaanxi China	Ordinary	100	49

* Dormant entity

¹ Moor Lane, Derby, Derbyshire, England DE24 8BJ² 62 Buckingham Gate, London, England SW1E 6AT

INDEPENDENT AUDITOR'S REPORT CONTINUED

pressure on and incentives for management to meet the latest guidance increases the inherent risk of manipulation of the Group financial statements. The financial results are sensitive to significant estimates and judgements, particularly in respect of revenues and costs associated with long-term contracts, and there is a broad range of acceptable outcomes of these that could lead to different levels of profit and revenue being reported in the financial statements. Relatively small changes in the basis of those judgements and estimates could result in the Group meeting, exceeding or falling short of guidance.

The significance of the risk has increased marginally due to revisions to guidance issued during the year, continuing deterioration in the short-term business outlook and the incidence of individually significant items affecting profit.

Our response – We have: (i) extended our enquiries designed to assess whether judgements and estimates exhibited unconscious bias or whether management had taken systematic actions to manipulate the reported results; (ii) compared the results to forecasts and challenged variances at a much lower level than we would otherwise have done based on our understanding of factors affecting business performance with corroboration using external data where possible; and (iii) applied an increased level of scepticism throughout the audit by increasing the involvement of the senior audit team personnel, with particular focus on audit procedures designed to assess whether revenues and costs have been recognised in the correct accounting period, whether central adjustments were appropriate and whether the segmental analysis has been properly prepared.

In particular:

- when considering the risk relating to *The measurement of revenue and profit in the Civil Aerospace business* (C refer to page 169), we challenged the basis for changes in the estimated revenues and costs in long-term contracts, with a heightened awareness of the possibility of unconscious or systematic bias, particularly regarding the refinement in the basis of measurement of the risk contingency for forecasts of future revenue to be earned under long-term contracts which resulted in recognition of profit of £189m;
- when considering the risk relating to *Recoverability of intangible assets in the Civil Aerospace business* (D refer to page 170), we challenged with a heightened awareness of the possibility of unconscious or systematic bias the basis for changes in the estimated maintenance costs which led to the reversal of the impairment on certain Trent 1000 launch engine Contractual aftermarket rights ("CARs") assets and a related provision which resulted in recognition of profit of £65m and avoidance of impairments of £22m that otherwise would have been recorded;
- when considering the risk relating to *The basis of accounting for revenue and profit in the Civil Aerospace business* (B refer below), we challenged the basis on which management had accounted for a sale of engines and a long-term service agreement as a single arrangement which resulted in recognition of profit of £44m despite there being a significant period of time between concluding these agreements; and

- when considering the risk relating to *The presentation of underlying profit* (G refer to page 171) and the risk relating to *Disclosure of the effect on the trend in profit of items which are uneven in frequency or amount* (H refer to page 172), we sought to identify items that affected profit (and/or the trend in profit) unevenly in frequency or amount (especially those where management had a greater degree of discretion over the timing or scale of transactions entered into) at a much lower level than we would otherwise have done and to assess the balance and transparency of disclosure of these items.

Our findings – Our testing did not identify any indication of manipulation of results (*2014 audit finding: one instance which was corrected by management*). We found the degree of caution/optimism adopted in estimates to be slightly less cautious than in the previous year, but balanced overall. We found that there was ample unbiased disclosure of items affecting the trend in profit.

B The basis of accounting for revenue and profit in the Civil Aerospace business

Refer to page 113 and 114 (Key areas of judgement – Introduction, Contractual aftermarket rights, Linkage of original and long-term aftermarket contracts), pages 116 and 117 (Significant accounting policies – Revenue recognition) and pages 93 and 94 (Audit Committee report – Financial reporting)

The risk – The amount of revenue and profit recognised in a year on the sale of engines and aftermarket services is dependent, inter alia, on the appropriate assessment of whether or not each long-term aftermarket contract for services is linked to or separate from the contract for sale of the related engines as this drives the accounting basis to be applied. As the commercial arrangements can be complex, significant judgement is applied in selecting the accounting basis in each case. The most significant risk is that the Group might inappropriately account for sales of engines and long-term service agreements as a single arrangement as this would usually lead to revenue and profit being recognised too early because the margin in the long-term service agreement is usually higher than the margin in the engine sale agreement.

The significance of the risk has increased marginally during the year due to the identification of one instance where the Group had to apply significant judgement in concluding that it was appropriate to account for the sale of engines and the long-term service agreement as a single arrangement.

Our response – We re-evaluated the appropriateness of the accounting bases the Group applies in the Civil Aerospace business by reference to accounting standards and re-examining historical long-term aftermarket contracts. We considered whether the disclosure included in the financial statements enables shareholders to understand how the accounting policies represent the commercial substance of the Group's contracts with its customers. We made our own independent assessment, with reference to the relevant accounting standards, of the accounting basis that should be applied to each long-term aftermarket contract entered into during the year and compared this to the accounting basis applied by the Group.

Our findings – We found that the Group has developed a framework for selecting the accounting bases which is consistent with a balanced interpretation of accounting standards (*2014 audit finding: balanced*) and has applied this consistently. We found that the disclosure was ample.

For the agreements entered into during this year, it was generally clear which accounting basis should apply. We identified one instance where the Group had to apply significant judgement in concluding that it was appropriate to account for the sale of engines and the long-term service agreement as a single arrangement, resulting in the recognition of incremental profit of £44m. In this case there was a longer than usual period between conclusion of the engine sale contract and conclusion of the long-term service agreement. We found sufficient evidence that the key commercial terms included in the long-term service agreement had been established at the time the engine sale contract had been concluded and that the intention of both parties had always been to enter into a long-term service agreement on those terms. Consequently, we found the judgements made in the application of the Group's accounting bases to these particular contracts to be balanced.

C The measurement of revenue and profit in the Civil Aerospace business

Refer to page 114 (Key areas of judgement – Measurement of performance on long-term aftermarket contracts), pages 116 and 117 (Significant accounting policies – Revenue recognition and TotalCare arrangements) and pages 93 and 94 (Audit Committee report – Financial reporting)

The risk – The amount of revenue and profit recognised in a year on the sale of engines and aftermarket services is dependent, inter alia, on the assessment of the percentage of completion of long-term aftermarket contracts and the forecast cost profile of each arrangement. As long-term aftermarket contracts can extend over significant periods and the profitability of these arrangements typically assumes significant life-cycle cost improvement over the term of the contracts, the estimated outturn requires significant judgement to be applied in estimating future engine flying hours, time on wing and other operating parameters, the pattern of future maintenance activity and the costs to be incurred. The nature of these estimates means that their continual refinement can have an impact on the profits of the Civil Aerospace business that can be significant in an individual financial year. The assessment of the estimated outturn for each arrangement involves detailed calculations using large and complex databases with a significant level of manual intervention.

In 2012, the Group made changes to the way it takes account of risk in making these estimates and agreed with the Audit Committee that it would carry out a comprehensive review of how well the revised basis reflected actual experience after three years. In 2015, the Group has refined the basis of taking account of risk in its estimates of future revenue resulting in an increase in estimated future revenue of approximately 2% which had a one-off profit benefit of £189m.

This refinement in basis together with changes in customer flying patterns on some of the older engine programmes resulted in the significance of the risk increasing marginally in the year.

Our response – We tested the controls designed and applied by the Group to provide assurance that the estimates used in assessing revenue and cost profiles are appropriate and that the resulting estimated cumulative profit on these contracts is accurately reflected in the financial statements; these controls operated over both the inputs and the outputs of the calculations. We challenged the appropriateness of these estimates for each programme and assessed whether or not the estimates showed any evidence of systematic or unconscious management bias in the context of the heightened pressure on and incentives for management to meet the latest guidance discussed above. Our challenge was based on our assessment of the historical accuracy of the Group's estimates in previous periods, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions within programmes.

In particular with regard to the refined approach to revenue forecasting risk, we assessed the extent to which the new basis better incorporates business risks affecting the Group's customers based on recently emerging trends being experienced by the Group and our own experience.

In terms of future cost estimates, we undertook detailed assessments of the achievability of the Group's plans to reduce life-cycle costs and an analysis of the impact of these plans on forecast cost profiles taking account of contingencies and analysis of the impact of known technical issues on cost forecasts. Our analysis considered each significant airframe that is powered by the Group's engines and was based on our own experience supplemented by discussions with an aircraft valuation specialist engaged by the Group. We assessed whether the valuation specialist was objective and suitably qualified.

We also checked the mathematical accuracy of the revenue and profit for each arrangement and considered the implications of identified errors and changes in estimates.

Our findings – Control weaknesses identified in earlier periods have been partially remediated. The scope and depth of our detailed testing and analysis was expanded to take account of the remaining weaknesses. We found no evidence that the refinement to the basis for incorporating revenue risk was motivated by the positive impact it has had on profit in the current year. Overall, our assessment is that the refined basis for incorporating revenue risk is an improvement and the assumptions and resulting estimates (including appropriate contingencies) resulted in balanced (2014 audit finding: mildly cautious) profit recognition. We found the disclosure of the impact of the refined basis for incorporating revenue risk to be ample.

INDEPENDENT AUDITOR'S REPORT CONTINUED

D Recoverability of intangible assets (certification costs and participation fees, development expenditure and contractual aftermarket rights) in the Civil Aerospace business

Refer to page 115 (Key sources of estimation uncertainty – Forecasts and discount rates), pages 119 and 120 (Significant accounting policies – Certification costs and participation fees, Research and development, Contractual aftermarket rights and Impairment of non-current assets), pages 132 and 133 (Note 9 to the financial statements – Intangible assets) and pages 93 and 94 (Audit Committee report – Financial reporting)

The risk – The recovery of these assets depends on a combination of achieving sufficiently profitable business in the future as well as the ability of customers to pay amounts due under contracts often over a long period of time. Assets relating to a particular engine programme are more prone to the risk of impairment in the early years of a programme as the engine's market position is established. In addition, the pricing of business with launch customers makes assets relating to these engines more prone to the risk of impairment.

In 2015, the Group reduced its estimate of the future maintenance costs on certain Trent 1000 launch engines which in previous periods had been at a level requiring the impairment of the related CARs assets and the recording of a related provision. This resulted in the reversal of previously recognised impairments and the related provision with a profit of £65m being recognised (2014: *impairment charge of £19m*) and the capitalisation of £22m that would otherwise have been impaired.

The significance of the risk has decreased somewhat during the year due to better information on the performance of the Trent 1000 engine following the first shop visits and confirmation of the Emirates order for Trent 900 engines (the Trent 900 programme assets had been identified as being at higher risk of impairment in the prior year).

Our response – We tested the controls designed and applied by the Group to provide assurance that the assumptions used in preparing the impairment calculations are regularly updated, that changes are monitored, scrutinised and approved by appropriate personnel and that the final assumptions used in impairment testing have been appropriately approved. We challenged the appropriateness of the key assumptions in the impairment test (including market size, market share, pricing, engine and aftermarket unit costs, individual programme assumptions, price and cost escalation, discount rate and exchange rates). Our challenge was based on our assessment of the historical accuracy of the Group's estimates in previous periods, our understanding of the commercial prospects of key engine programmes, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across programmes and customers and comparison of assumptions with publicly available data where this was available. We tested the mathematical accuracy of the impairment calculations. We considered whether the disclosures in note 9 to the financial statements describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.

In particular, with regard to the reversal of impairments on certain Trent 1000 launch engine CARs and a related provision, we challenged the key assumptions underlying the forecast future cash flows to be derived from the engines including: the period and mode of operation of the engines, the time and materials

maintenance revenue (which the Group has guaranteed will not exceed a specified maximum amount) and the cost of required maintenance activity. Our assessment was that the amount of profit to be recognised depended critically on the Group engineering department's judgement as to the impact on estimated future maintenance costs of the wear and tear on the engines based on their first few years of operation (evidenced by the first strip down and detailed off-wing investigations of engines in the second half of 2015). Given the specialist knowledge necessary to make these judgements appropriately, we assessed the capabilities and objectivity of the employees making the judgement and the members of management reviewing and approving the judgements. Finally to supplement this and to ensure that the matter had received appropriate attention from the Board, we sought and received written representations from the Directors that, based on their enquiries, they consider that the engineering judgement is appropriate and that, based on that consideration, the recognition of the profit of £65m is appropriate.

Our findings – Our testing did not identify weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. We found that the assumptions and resulting estimates were balanced (2014 *audit finding: balanced*) and that the disclosures were proportionate (2014 *audit finding: proportionate*). We found no errors in calculations (2014 *audit finding: none*).

With regard to the reversal of impairments on certain Trent 1000 launch engine CARs and a related provision, we found no evidence that this was motivated by the positive impact it has had on profit in the current year. We found that the change in estimate from the prior periods was based on improved information becoming available in 2015 as the engine programme moved out of its earliest stages which has reduced estimation uncertainty, that there was no indication of bias and that the estimate of forecast future cash flows to be derived from the engines was balanced and supported the accounting treatments adopted by the Group. We found the disclosure of the impact to be ample.

E Liabilities arising from sales financing arrangements

Refer to page 115 (Key areas of judgement – Customer financing contingent liabilities), page 121 (Significant accounting policies – Sales financing support), page 148 (Note 18 to the financial statements – Provisions for liabilities and charges) and pages 93 and 94 (Audit Committee report – Financial reporting)

The risk – The Group has contingent liabilities in respect of financing and asset value support provided to customers. This support typically takes the form of a guarantee with respect to the value of an aircraft at a future date, a commitment to buy used aircraft or a guarantee of a customer's future payments under an aircraft financing arrangement. The Group also provides standby finance lines to certain customers that can be accessed if they fail to arrange alternative financing at the time they take delivery of engines. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is significant and can be affected by the assessment of the residual value of the aircraft and the creditworthiness of the customers.

The significance of the risk has not changed during the year.

Our response – We analysed the terms of guarantees on aircraft delivered during the year in detail and obtained aircraft values from and held discussions with aircraft valuation specialists engaged by the Group. We assessed whether the valuer was objective and suitably qualified, had been appropriately instructed and had been provided with complete, accurate data on which to base its evaluation. For all contracts on delivered aircraft, we assessed the commercial factors relevant to the likelihood of the guarantees being called, including the credit ratings and recent financial performance of the relevant customers and their fleet plans, and critically assessed the Group's estimate of the required provisions for those liabilities. We considered movements in aircraft values and potential changes in the assessed probability of a liability crystallising since the previous year end and considered whether the evidence supported the Group's assessment as to whether or not a liability needs to be recognised and the amount of the liability recognised or contingent liability disclosed. We considered whether the related disclosure in note 18 to the financial statements appropriately explains the potential liability in excess of the amount provided for in the financial statements for delivered aircraft and highlights the significant but unquantifiable contingent liability in respect of aircraft which will be delivered in the future.

Our findings – We found that the level of exposure from asset value support had reduced during the year and that the assumptions and estimates were balanced (*2014 audit finding: balanced*) and that the disclosures were proportionate (*2014 audit finding: proportionate*).

F Bribery and corruption

Refer to page 155 (Note 23 to the financial statements – Contingent liabilities) and pages 93 and 94 (Audit Committee report – Financial reporting)

The risk – A large part of the Group's business is characterised by competition for individually significant contracts with customers, which are often directly or indirectly associated with governments, and the award of individually significant contracts to suppliers. The procurement processes associated with these activities are highly susceptible to the risk of corruption. In addition the Group operates in a number of territories where the use of commercial intermediaries is either required by the government or is normal practice. In December 2013, the Group announced that it had been informed by the Serious Fraud Office in the UK that it had commenced a formal investigation into bribery and corruption in overseas markets. The Group is cooperating with the Serious Fraud Office and other agencies, including the US Department of Justice. Breaches of laws and regulations in this area can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business.

The significance of the risk has not changed during the year.

Our response – We evaluated and tested the Group's policies, procedures and controls over the selection and renewal of intermediaries, contracting arrangements, ongoing management, payments and responses to suspected breaches of policy. We sought to identify and tested payments made to intermediaries during the year, made enquiries of appropriate personnel and evaluated the tone set by the Board and the Executive Leadership Team and the Group's approach to managing this risk. Having enquired of management, the Audit Committee and the Board as to whether the Group is in compliance with laws and regulations relating to bribery and

corruption, we made written enquiries of and met with the Group's legal advisers to cross check the results of those enquiries with third parties and maintained a high level of vigilance to possible indications of significant non-compliance with laws and regulations relating to bribery and corruption whilst carrying out our other audit procedures. We discussed the areas of potential or suspected breaches of law, including the ongoing investigations, with the Audit Committee and the Board as well as the Group's legal advisers and assessed related documentation. We assessed whether the disclosure in note 23 to the financial statements of the Group's exposure to the financial effects of potential or suspected breaches of law or regulation complies with accounting standards and in particular whether it is the case that the investigations remain at too early a stage to assess the consequences (if any), including in particular the size of any possible fines.

Our findings – We found that disclosure to be proportionate (*2014 audit finding: proportionate*).

Presentation and explanation of results

Refer to pages 22 to 41 (Business review), pages 42 to 47 (Financial review), pages 122 to 126 (Note 2 to the financial statements – Segmental analysis) and pages 93 and 94 (Audit Committee report – Financial reporting)

G The presentation of 'underlying profit'

The risk – In addition to its Adopted IFRS financial statements, the Group presents an alternative income statement on an 'underlying' basis. The directors believe the 'underlying' income statement reflects better the Group's trading performance during the year. The basis of adjusting between the Adopted IFRS and 'underlying' income statements and a full reconciliation between them is set out in note 2 to the financial statements on pages 124 and 125.

A significant recurring adjustment between the Adopted IFRS income statement and the 'underlying' income statement relates to the foreign exchange rates used to translate foreign currency transactions. The Group uses forward foreign exchange contracts to manage the cash flow exposures of forecast transactions denominated in foreign currencies but does not generally apply hedge accounting in its Adopted IFRS income statement. The 'underlying' income statement translates these amounts at the achieved foreign exchange rate on forward foreign exchange contracts settled in the period, retranslates assets and liabilities at exchange rates forecast to be achieved from future settlement of such contracts and excludes unrealised gains and losses on such contracts which are included in the Adopted IFRS income statement. The Group has discretion over which forward foreign exchange contracts are settled in each financial year, which could impact the achieved rate both for the period and in the future.

In addition, adjustments are made to exclude one-off past-service costs on post-retirement schemes, restructuring activities that significantly change the shape of the Group's operations and the effect of acquisition accounting (including any subsequent impairments of goodwill or other intangible assets) and a number of other items.

Alternative performance measures can provide shareholders with appropriate additional information if properly used and presented. In such cases, measures such as these can assist shareholders in gaining a more detailed and hence better understanding of a company's financial performance and strategy. However, when improperly used and presented, these kinds of measures

INDEPENDENT AUDITOR'S REPORT CONTINUED

might prevent the Annual Report being fair, balanced and understandable by hiding the real financial position and results or by making the profitability of the reporting entity seem more attractive.

The significance of the risk has not changed during the year.

Our response – We assessed the appropriateness of the basis for the adjustments between the Adopted IFRS income statement and the 'underlying' income statement and the consistency of application of this basis and we recalculated the adjustments with a particular focus on the impact of the foreign exchange rates used to translate foreign currency amounts in the 'underlying' income statement. We assessed whether or not the selection of forward foreign exchange contracts settled in the year showed any evidence of management bias. We also assessed: (i) the extent to which the prominence given to the 'underlying' financial information and related commentary in the Annual Report compared to the Adopted IFRS financial information and related commentary could be misleading; (ii) whether the Adopted IFRS and 'underlying' financial information are reconciled with sufficient prominence given to that reconciliation; (iii) whether the basis of the 'underlying' financial information is clearly and accurately described and consistently applied; and (iv) whether the 'underlying' financial information is not otherwise misleading in the form and context in which it appears in the Annual Report.

Our findings – We found no concerns regarding the basis of the 'underlying' financial information or its calculation and no indication of management bias in the settlement of forward foreign exchange contracts. We consider that there is proportionate disclosure of the nature and amounts of the adjustments to allow shareholders to understand the implications of the two bases on the financial measures being presented (*2014 audit finding: proportionate*). We found the overall presentation of the 'underlying' financial information to be balanced (*2014 audit finding: balanced*).

H Disclosure of the effect on the trend in profit of items which are uneven in frequency or amount

The risk – The Group's profits are significantly impacted by items such as cumulative adjustments to profit recognised on long-term contracts, impairments (and reversals of impairments) of goodwill, CARs and other intangible assets, sale and leasebacks of spare engines to joint ventures, research and development charges, reorganisation costs and foreign exchange translation which can be uneven in frequency and/or amount. If significant either to the profit for the year or to the trend in profit, appropriate disclosure of the effect of these items is necessary in the Annual Report and financial statements to provide the information necessary to enable shareholders to assess the Group's performance.

The significance of the risk has not changed during the year.

Our response – We undertook detailed analysis of business performance at Group and sector level that sought to identify items that affect profit (and the trend in profit) which are uneven in frequency or amount at a much lower level than we would otherwise have done and to assess the transparency of disclosure of these items. We focused on the enhanced financial disclosures included in note 2 to the financial statements and the Business and Financial reviews.

Our findings – We identified a number of significant items that had affected profit for the year or the prior year that required appropriate disclosure in the Annual Report to enable shareholders to assess the Group's performance. The key items are:

- 1) the £1,315m unrealised fair value losses (*2014: £1,156m*) on derivative contracts;
- 2) the £189m profit (*2014: nil*) arising from refinement in the basis of measurement of the risk contingency for forecasts of future revenue to be earned under long-term contracts;
- 3) the £140m profit (*2014: £60m profit*) arising from the impact of improvements in lifecycle costs on long-term contracts;
- 4) the £107m loss (*2014: £90m profit*) arising from other estimate changes on long-term contracts;
- 5) the £65m profit (*2014: £19m charge*) (and capitalisation of £22m that otherwise would have been impaired) arising from the reversal of the impairment on certain Trent 1000 launch engine CARs and the related provision;
- 6) the £818m (*2014: £793m*) of research and development charges;
- 7) the £88m, net of a release of prior year provisions of £30m, (*2014: £188m*) of restructuring charges;
- 8) the £71m (*2014: £54m*) profit arising from sales of spare engines to joint ventures;
- 9) the £75m (*2014: £1m*) impairments of goodwill;
- 10) the £142m profit for the year from discontinued operations in 2014; and
- 11) the £64m tax charge arising from derecognition of advance corporation tax in 2014.

We found that the Group had improved the disclosure of its results and the transparency of its commentary on profit trends and that ample disclosure of these items had been provided in the Annual Report and financial statements taken as a whole (*2014 audit finding: proportionate*).

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas including those included in the output from our Dynamic Audit planning tool set out above. Overall the findings from across the whole audit are that the financial statements have been prepared on the basis of appropriate accounting policies, reflect balanced estimates compared to the mildly cautious estimates made last year resulting in slightly favourable current year profit recognition, and provide proportionate disclosure. Having assessed these findings and evaluated uncorrected misstatements in the context of materiality and considered the qualitative aspects of the financial statements as a whole, we have not modified our opinion on the financial statements.

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our measure of materiality for the Group financial statements as a whole has reduced in line with the reduction in the Group's profit. This was set at £66m (2014: £70m) and was, as last year, determined with reference to a benchmark of Group profit before taxation, normalised to exclude the volatility in reported profit due to gains and losses on revaluation of foreign currency and other derivative financial instruments which could otherwise result in an inappropriate materiality level being determined. This materiality measure represents 4.5% (2014: 4.6%) of this benchmark and 41.3% (2014: 34.3%) of total reported profit before tax. We carry out audit procedures to assess the accuracy of the gains and losses on these derivative financial instruments (which this year amounted to a £1.3bn (2014: £1.1bn) loss) as part of our audit of the Group's treasury operations.

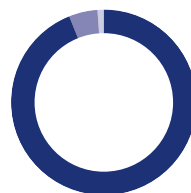
We report to the Audit Committee: (i) all material corrected identified misstatements; (ii) uncorrected identified misstatements exceeding £3m (2014: £4m) for income statement items; and (iii) other identified misstatements that warrant reporting on qualitative grounds.

We subjected 31 (2014: 33) of the Group's reporting components to audits for group reporting purposes and 11 (2014: 14) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. This work also provided further audit coverage. For the remaining components, the Group audit team performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these components. The reduction in reporting components subject to audit primarily resulted from the disposal of the Energy business in late 2014.

The Group operates shared service centres for the bulk processing of financial transactions in Derby (UK) and Indianapolis (US), the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components. Each of the service centres is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing and review controls. Additional audit procedures are performed at certain reporting components to address the audit risks not covered by the work performed over the shared service centres.

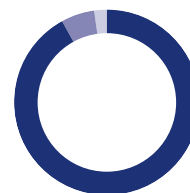
SUMMARY AUDIT SCOPE

Revenue



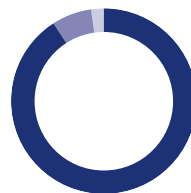
■ 94% (2014: 90%)
■ 5% (2014: 7%)
■ 1% (2014: 3%)

Underlying profit before tax



■ 92% (2014: 91%)
■ 6% (2014: 9%)
■ 2% (2014: 0%)

Total assets



■ 91% (2014: 83%)
■ 7% (2014: 12%)
■ 2% (2014: 5%)

■ Audits for group reporting purposes
■ Specified risk-focused audit procedures
■ Group-level procedures only

The Group audit team instructed component auditors, and the auditors of the shared service centres, as to the significant areas to be covered, including the relevant risks detailed above, and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.2m to £52m (2014: £0.3m to £60m), having regard to the mix of size and risk profile of the Group across the components. The work on 21 of the 42 (2014: 29 of 47) components was performed by component auditors and the rest by the Group audit team. The Group audit team visited 31 (2014: 25) component locations in the UK, the US, Germany, China and Scandinavia, the purpose of which included an assessment of the audit risk and strategy. Telephone conference meetings were also held with these component auditors and with those of the higher risk components that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

INDEPENDENT AUDITOR'S REPORT CONTINUED

4 OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 WE HAVE NOTHING TO REPORT ON THE DISCLOSURES OF PRINCIPAL RISKS

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 57, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the five years to 31 December 2020; or
- the disclosures on page 57 and in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under ISA (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 57, in relation to going concern and longer term viability; and
- the part of the corporate governance report on page 67 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the directors' responsibilities statement set out on page 105, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

JIMMY DABOO (SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
11 February 2016

SUSTAINABILITY ASSURANCE

Bureau Veritas Independent Assurance Statement

INDEPENDENT LIMITED ASSURANCE STATEMENT

Bureau Veritas Certification UK Ltd (Bureau Veritas) has been engaged by Rolls-Royce Holdings plc to provide limited external assurance of selected sustainability performance indicators for the year ended 31 December 2015, for inclusion in its Annual Report and Accounts 2015. The aim of this activity is to provide assurance over the accuracy and reliability of the reported information.

SCOPE AND METHODOLOGY

The reporting boundary for Rolls-Royce Holdings plc sustainability performance indicators covers all of its global business operations. The reporting period is from the 1 January 2015 to the 31 December 2015. The scope of the assurance work includes quantitative performance data only.

The following sustainability performance indicators were verified:

- Energy use;
- Greenhouse gas (GHG) emissions;
- Safety – total reportable injuries (TRI).

We did not verify any other information that may be presented in Rolls-Royce Holdings plc Annual Report 2015.

A limited level of assurance was undertaken taking into account the requirements of the International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000) and, concerning GHG emissions, the requirements of the International Standard on Assurance Engagements 3410 – Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), incorporated to Bureau Veritas internal protocol for the assurance of sustainability reports. The assurance process included interviews with content owners, documentary reviews, checking of the calculation of datasets and the application of appropriate conversion factors, and the sampling of data for a number of Rolls-Royce Holdings plc's operations.

The integrity and accuracy of site data was tested by sampling data back to source in cases but mostly through the checking of aggregated data managed centrally.

LIMITATIONS AND EXCLUSIONS

This statement should not be relied upon to detect all errors, omissions or misstatements.

The following exclusion applies:

- Emissions of HFCs were not accounted for in the determination of the organisation's overall GHG emissions, therefore, the verification of those emissions was excluded from this assurance exercise.

OPINION

Based on the assurance work we carried out and the evidence we were presented with, as per the scope of work above, nothing came to our attention to suggest that factual information, performance metrics and data contained within the Annual Report 2015, as far as the verified sustainability performance indicators are concerned, are not:

- demonstrative of Rolls-Royce Holdings plc's understanding of the material issues that are important to its key stakeholder groups;
- a fair summary of Rolls-Royce Holdings plc's sustainability-related activities and performance; and
- free from significant error or omission.

STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

Rolls-Royce Holdings plc was responsible for the content of the Annual Report 2015 and Bureau Veritas was responsible for the assurance of the selected sustainability performance indicators, as per scope of works mentioned above. Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes. The assurance team for this work does not have any involvement in any other Bureau Veritas projects with Rolls-Royce. Bureau Veritas has implemented a Code of Ethics across the business to ensure that its staff maintains high ethical standards in their day-to-day business activities.

Flavio Gomes
Sustainability Services Manager
Bureau Veritas Certification UK Ltd

London
1 February 2016



ADDITIONAL FINANCIAL INFORMATION

Foreign exchange

Foreign exchange rate movements influence the reported income statement, the cash flow and closing net cash balance. The average and spot rates for the principal trading currencies of the Group are shown in the table below:

		2015	2014	Change
USD per GBP	Year end spot rate	1.48	1.56	-5%
	Average spot rate	1.53	1.65	-7%
EUR per GBP	Year end spot rate	1.36	1.28	+6%
	Average spot rate	1.38	1.24	+11%

The Group's approach to managing its tax affairs

The Board is involved in setting the Group's tax policies which govern the way its tax affairs are managed. In summary, this means:

- i) the Group manages its tax costs through maximising the tax efficiency of business transactions. This includes taking advantage of available tax incentives and exemptions;
- ii) this must be done in a way which is aligned with the Group's commercial objectives and meets its legal obligations and ethical standards;
- iii) the Group also has regard for the intention of the legislation concerned rather than just the wording itself;
- iv) the Group is committed to building constructive working relationships with tax authorities based on a policy of full disclosure in order to remove uncertainty in its business transactions and to allow the authorities to review possible risks;
- v) where appropriate and possible, the Group enters into consultation with tax authorities to help shape proposed legislation and future tax policy; and
- vi) the Group seeks to price transactions between Rolls-Royce group companies as if they were between unrelated parties, in compliance with the OECD Transfer Pricing Guidelines and the laws of the relevant jurisdictions.

The Group's global corporate income tax contribution

Around 95% of the Group's underlying profit before tax (excluding joint ventures and associates) is generated in the UK, the US, Germany, Norway, Finland and Singapore. The remaining profits are generated across more than 40 other countries. This reflects the fact that the majority of the Group's business is undertaken, and employees are based, in the above countries.

In common with most multinational groups the total of all profits in respect of which corporate income tax is paid is not the same as the consolidated profit before tax reported on page 107. The main reasons for this are:

- i) the consolidated income statement is prepared under adopted IFRS whereas tax is paid on the profits of each Group company, which are determined by local accounting rules;

- ii) accounting rules require certain income and costs relating to our commercial activities to be eliminated from, or added to, the aggregate of all the profits of the Group companies when preparing the consolidated income statement ('consolidation adjustments'); and
- iii) specific tax rules including exemptions or incentives as determined by the tax laws in each country.

The Group's total corporation tax payments in 2015 were £160m. The level of tax paid in each country is impacted by the above. In most cases, (i) and (ii) are only a matter of timing and therefore tax will be paid in an earlier or later year. As a result they only have a negligible impact on the Group's underlying tax rate, which excluding joint ventures and associates would be 26.6% (the underlying tax rate including joint ventures and associates can be found on page 45). This is due to deferred tax accounting, details of which can be found in note 5 to the Consolidated Financial Statements. The impact of (iii) will often be permanent depending on the relevant tax law.

Further information on the tax position of the Group can be found as follows:

- Audit Committee report (page 93) – The Director of Tax gave a presentation to the Audit Committee during the year which covered various matters including tax risks and how they are managed;
- Note 1 to the Consolidated Financial Statements (page 116 and 118) – Details of key areas of uncertainty and accounting policies for tax;
- Note 5 to the Consolidated Financial Statements (page 128 to 130) – Details of the tax balances in the Consolidated Financial Statements together with a tax reconciliation on continuing operations. This explains the main drivers of the tax rate.

At this stage we expect these items to continue to influence the underlying tax rate. The reported tax rate is more difficult to forecast due to the volatility of significant items in reported profits, in particular the net unrealised fair value changes to derivative contracts.

Investments and capital expenditure

The Group subjects all major investments and capital expenditure to a rigorous examination of risks and future cash flows to ensure that they create shareholder value. All major investments, including the launch of major programmes, require Board approval.

The Group has a portfolio of projects at different stages of their life cycles. Discounted cash flow analysis of the remaining life of projects is performed on a regular basis.

Sales of engines in production are assessed against criteria in the original development programme to ensure that overall value is enhanced.

Financial risk management

The Board has established a structured approach to financial risk management. The Financial risk committee (Frc) is accountable for managing, reporting and mitigating the Group's financial risks and exposures. These risks include the Group's principal counterparty, currency, interest rate, commodity price, liquidity and credit rating risks outlined in more depth in note 17. The Frc is chaired by the Chief Financial Officer. The Group has a comprehensive financial risk policy that advocates the use of financial instruments to manage and hedge business operations risks that arise from movements in financial, commodities, credit or money markets. The Group's policy is not to engage in speculative financial transactions. The Frc sits quarterly to review and assess the key risks and agree any mitigating actions required.

Capital structure

£m	2015	2014
Total equity	5,016	6,387
Cash flow hedges	100	81
Group capital	5,116	6,468
Net funds	(111)	666

Operations are funded through various shareholders' funds, bank borrowings, bonds and notes. The capital structure of the Group reflects the judgement of the Board as to the appropriate balance of funding required.

Funding is secured by the Group's continued access to the global debt markets. Borrowings are funded in various currencies using derivatives where appropriate to achieve a required currency and interest rate profile. The Board's objective is to retain sufficient financial investments and undrawn facilities to ensure that the Group can both meet its medium-term operational commitments and cope with unforeseen obligations and opportunities.

The Group holds cash and short-term investments which, together with the undrawn committed facilities, enable it to manage its liquidity risk.

On 6 October 2015 the Group issued US\$500m 2.375% Notes due 2020 and US\$1,000m 3.625% Notes due 2025.

During the year the Group renegotiated the £1,000m committed bank borrowing facility, increasing the amount to £1,500m and extending the maturity to 2020. This facility was undrawn at the period end. A €300m committed borrowing facility was cancelled during the period.

At the year end, the Group retained aggregate liquidity of £5.0bn, including cash and cash equivalents of £3.2bn and undrawn borrowing facilities of £1.8bn. £419m of the facilities mature in 2016.

The maturity profile of the borrowing facilities is regularly reviewed to ensure that refinancing levels are manageable in the context of the business and market conditions. There are no rating triggers in any borrowing facility that would require the facility to be accelerated or repaid due to an adverse movement in the Group's credit rating.

The Group conducts some of its business through a number of joint ventures. A major proportion of the debt of these joint ventures is secured on the assets of the respective companies and is non-recourse to the Group. This debt is further outlined in note 11.

Credit rating

	Rating	Outlook	Grade
Moody's Investors Service	A3	Stable	Investment
Standard & Poor's	A	Negative	Investment

The Group subscribes to both Moody's Investors Service and Standard & Poor's for independent long-term credit ratings. At the date of this report, the Group maintained investment grade ratings from both agencies.

As a capital-intensive business making long-term commitments to our customers, the Group attaches significant importance to maintaining or improving the current investment grade credit ratings.

Accounting

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

No new accounting standards had a material impact in 2015. The impact of changes to IFRS which have not been adopted in 2015 is included within the accounting policies in note 1.

Share price

During the year, the share price decreased by 34% from 870p to 575p, compared to a 12% decrease in the FTSE aerospace and defence sector and 5% decrease in the FTSE 100. The Company's share price ranged from 1054p in April 2015 to 514p in November 2015.

OTHER STATUTORY INFORMATION

Share capital

On 31 December 2015, 1,838,677,392 ordinary shares of 20p each, 28,959,754,116 C Shares of 0.1p each and one Special Share of £1 were in issue. The ordinary shares are listed on the London Stock Exchange.

Payment to shareholders

The Company issues non-cumulative redeemable preference shares (C Shares) as an alternative to paying a cash dividend.

Shareholders can choose to:

- redeem all C Shares for cash;
- redeem all C Shares for cash and reinvest the proceeds in the C Share Reinvestment Plan (CRIP); or
- keep the C Shares.

The CRIP is operated by Computershare Investor Services PLC (the Registrar). The Registrar will purchase ordinary shares in the market for shareholders electing to reinvest their C Share proceeds. Shareholders wishing to participate in the CRIP or redeem their C Shares must ensure that their instructions are lodged with the Registrar no later than 5pm BST on 1 June 2016 (CREST holders must submit their election in CREST before 3pm BST on 1 June 2016). Redemption will take place on 4 July 2016.

At the AGM, the Directors will recommend an issue of 71 C Shares with a total nominal value of 7.1p for each ordinary share. The C Shares will be issued on 1 July 2016 to shareholders on the register on 29 April 2016 and the final day of trading with entitlement to C Shares is 27 April 2016. Together with the interim issue on 4 January 2016 of 92.7 C Shares for each ordinary share with a total nominal value of 9.27p, this is the equivalent of a total annual payment to ordinary shareholders of 16.37p for each ordinary share.

Further information for shareholders is on pages 182 and 183.

Share class rights

The full share class rights are set out in the Company's Articles of Association (Articles), which are available on the Group's website at rolls-royce.com, and are summarised below.

Ordinary shares

Each member has one vote for each ordinary share held. Holders of ordinary shares are entitled to: receive the Company's Annual Report; attend and speak at general meetings of the Company; appoint one or more proxies or, if they are corporations, corporate representatives; and exercise voting rights. Holders of ordinary shares may receive a bonus issue of C Shares or a dividend and on liquidation may share in the assets of the Company.

C Shares

C Shares have limited voting rights and attract a dividend of 75% of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis. The Company has the option to redeem the C Shares compulsorily, at any time, if the aggregate number of C Shares in issue is less than 10% of the aggregate number of all C Shares issued, or on the acquisition or capital restructuring of the Company.

On a return of capital on a winding-up, the holders of C Shares shall be entitled, in priority to any payment to the holders of ordinary shares, to the repayment of the nominal capital paid-up or credited as paid-up on the C Shares held by them, together with a sum equal to the outstanding preferential dividend which will have been accrued but not been paid until the date of return of capital.

The holders of C Shares are only entitled to attend, speak and vote at a general meeting if a resolution to wind up the Company is to be considered, in which case they may vote only on such resolution.

Special Share

Certain rights attach to the special rights non-voting share (Special Share) issued to HM Government (Special Shareholder). These rights are set out in the Articles. Subject to the provisions of the Companies Act 2006, the Treasury Solicitor may redeem the Special Share at par at any time. The Special Share confers no rights to dividends but in the event of a winding-up it shall be repaid at its nominal value in priority to any other shares.

Certain Articles (in particular those relating to the foreign shareholding limit, disposals and the nationality of the Company's Directors) that relate to the rights attached to the Special Share may only be altered with the consent of the Special Shareholder. The Special Shareholder is not entitled to vote at any general meeting or any other meeting of any class of shareholders.

Restrictions on transfer of shares and limitations on holdings

There are no restrictions on transfer or limitations on the holding of the ordinary shares or C Shares other than under the Articles (as described here), under restrictions imposed by law or regulation (for example, insider trading laws) or pursuant to the Company's share dealing code. The Articles provide that the Company should be and remain under UK control. As such, an individual foreign shareholding limit is set at 15% of the aggregate votes attaching to the share capital of all classes (taken as a whole) and capable of being cast on a poll and to all other shares that the directors determine are to be included in the calculation of such holding. The Special Share may only be issued to, held by and transferred to the Special Shareholder or his successor or nominee.

Shareholder agreements and consent requirements

There are no known arrangements under which financial rights carried by any of the shares in the Company are held by a person other than the holder of the shares and no known agreements between the holders of shares with restrictions on the transfer of shares or exercise of voting rights. No disposal may be made to a non-Group member which, alone or when aggregated with the same or a connected transaction, constitutes a disposal of the whole or a material part of either the Nuclear business or the assets of the Group as a whole, without the consent of the Special Shareholder.

Authority to issue shares

At the AGM in 2015, authority was given to the Directors to allot new ordinary shares up to a nominal value of £124,333,948 equivalent to one-third of the issued share capital of the Company.

In addition, a special resolution was passed to effect a disapplication of pre-emption rights for a maximum of 5% of the issued share capital of the Company. These authorities are valid until the AGM in 2016, and the directors propose to renew these authorities at that AGM. It is proposed to seek a further authority, at the AGM in 2016 to allot up to two thirds of the total issued share capital, but only in the case of a rights issue.

The Board believes that this additional authority will allow the Company to retain the maximum possible flexibility to respond to circumstances and opportunities as they arise; and to allot new C Shares up to a nominal value of £500 million as an alternative to a cash dividend. Such authority expires at the conclusion of the AGM in 2016. The directors propose to renew the authority to allot new C Shares at the AGM in 2016.

Authority to purchase own shares

At the AGM in 2015, the Company was authorised by shareholders to purchase up to 186,500,921 of its own ordinary shares representing 10% of its issued ordinary share capital.

On 6 July 2015 the Company issued revised guidance for 2015 and announced that it would be cancelling its share buyback programme, having completed £500m of the planned £1bn programme during the first half of the year.

The authority for the Company to purchase its own shares expires at the conclusion of the AGM in 2016 or 18 months from 8 May 2015 whichever is the earlier. A resolution to renew it will be proposed at the 2016 meeting.

Voting rights

DEADLINES FOR EXERCISING VOTING RIGHTS

Electronic and paper proxy appointments, and voting instructions, must be received by the Company's Registrar not less than 48 hours before a general meeting.

Voting rights for employee share plan shares

Shares are held in various employee benefit trusts for the purpose of satisfying awards made under the various employee share plans. For shares held in a nominee capacity or if plan/trust rules provide the participant with the right to vote in respect of specifically allocated shares, the trustee votes in line with the participants' instructions. For shares that are not held absolutely on behalf of specific individuals, the general policy of the trustees, in accordance with investor protection guidelines, is to abstain from voting in respect of those shares.

Change of control

CONTRACTS AND JOINT VENTURE AGREEMENTS

There are a number of contracts and joint venture agreements which would allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.

BORROWINGS AND OTHER FINANCIAL INSTRUMENTS

The Group has a number of borrowing facilities provided by various banks. These facilities generally include provisions which may require any outstanding borrowings to be repaid or the alteration or termination of the facility upon the occurrence of a change of control of the Company. At 31 December 2015 these facilities were less than 22% drawn (2014: 24%).

The Group has entered into a series of financial instruments to hedge its currency, interest rate and commodity exposures. These contracts provide for termination or alteration in the event that a change of control of the Company materially weakens the creditworthiness of the Group.

EMPLOYEE SHARE PLANS

In the event of a change of control of the Company, the effect on the employee share plans would be as follows:

- PSP – awards would vest pro rata to service in the performance period, subject to Remuneration Committee judgement of Group performance;
- APRA deferred shares – the shares would be released from trust immediately;
- ShareSave – options would become exercisable immediately. The new company might offer an equivalent option in exchange for cancellation of the existing option; and
- Share Incentive Plan (SIP) – consideration received as shares would be held within the SIP, if possible, otherwise the consideration would be treated as a disposal from the SIP.

OTHER STATUTORY INFORMATION CONTINUED

Major shareholdings

At 11 February 2016 the following companies had notified an interest in the issued ordinary share capital of the Company in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules.

Company	Date notified	% of issued ordinary sharecapital
ValueAct Capital Master Fund, L.P.	18 November 2015	10.01
Blackrock, Inc.	2 February 2016	5.00

Directors

The names of the Directors who held office during the year are set out on page 65.

Disclosures in the strategic report

The Board has taken advantage of Section 414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report:

	page(s)
• employee involvement	49
• the future development, performance and position of the Group	2 to 57
• the financial position of the Group	42 to 47
• R&D activities	18
• the principal risks and uncertainties	54 to 57

Political donations

The Group's policy is not to make political donations and therefore did not donate any money to any political party during the year.

However, it is possible that certain activities undertaken by the Group may unintentionally fall within the broad scope of the provisions contained in the Companies Act 2006 (the Act). The resolution to be proposed at the AGM is to ensure that the Group does not commit any technical breach of the Act.

During the year, expenses incurred by Rolls-Royce North America Inc. in providing administrative support for the Rolls-Royce North America Political Action Committee (RRNAPAC) was US\$45,021 (2014: US\$52,690). PACs are a common feature of the US political system and are governed by the Federal Election Campaign Act.

The PAC is independent of the Group and independent of any political party. The PAC funds are contributed voluntarily by employees and the Company cannot affect how they are applied, although under US Law, the business expenses are paid by the Company. Such contributions do not require authorisation by shareholders under the Companies Act 2006 and therefore do not count towards the limits for political donations and expenditure for which shareholder approval will be sought at this year's AGM to renew the authority given at the 2015 AGM.

Greenhouse gas emissions

In 2015, our total greenhouse gas (GHG) emissions from our facilities and processes, including product test and development, was 602 kilotonnes carbon dioxide equivalent (ktCO₂e). This represents a decrease of 12% compared with 683 ktCO₂e in 2014.

All figures exclude fugitive emissions of hydrofluorocarbons (HFCs) associated with air conditioning equipment. We are putting in place a system to be able to extract this data from records kept under the F-Gas regulations. We do not anticipate a material impact on our reported GHG emissions.

Total GHG emissions (ktCO ₂ e)	2011	2012	2013	2014*	2015
Direct emissions – facilities, processes, product test and development (Scope 1)	218	219	241	301	242
Indirect emissions – facilities, processes, product test and development (Scope 2)	327	313	313	382	360
Total for facilities, processes, product test and development	545	532	554	683	602
Direct emissions – power generation to grid (Scope 1)			153	155	132
Indirect emissions – power generation to grid (Scope 2)			12	14	15
Total for facilities, processes, product test and development, and power generation to grid			719	852	749
Intensity ratio (total emissions normalised by revenue) for facilities, processes, product test and development, and power generation to grid (ktCO₂e/£m)			0.048	0.062	0.055

* 2014 data has been restated to reflect the inclusion of greenhouse gas emissions data from Power Systems. Figures for prior years (2011 to 2013) do not include data from Power Systems and therefore are not directly comparable

☑ We engaged Bureau Veritas to undertake a limited assurance engagement, reporting to Rolls-Royce Holdings plc, using the assurance standards ISAE 3000 and ISAE 3410 over the energy, GHG and TRI data that has been highlighted with ☑ and as set out on page 51 and in the table above. The full statement is included on page 175

With the exceptions noted above, we have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors Reports) Regulations 2013. These sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Consolidated Financial Statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) as of 31 December 2014, data gathered to fulfil our requirements under the Carbon Reduction Commitment (CRC) Energy Efficiency scheme and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015.

Further details on our methodology for reporting and the criteria used can be found within our Basis of Reporting, available to download from our website at rolls-royce.com/sustainability.

Branches

Rolls-Royce is a global company and our activities and interests are operated through subsidiaries, branches of subsidiaries, joint ventures and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries, joint ventures and associates are listed on pages 160 to 166.

Post balance sheet events

There have been no events affecting the Group since 31 December 2015 which need to be reflected in the 2015 Consolidated Financial Statements.

Financial instruments

Details of the Group's financial instruments are set out in note 17 to the Financial Statements.

Related party transactions

Related party transactions are set out in note 24 to the Consolidated Financial Statements.

Information required by UK Listing Rule (LR) 9.8.4

There are no disclosures to be made under LR 9.8.4.

Management report

The Strategic Report and the Directors' Report together are the management report for the purposes of Rule 4.1.8R of the Financial Conduct Authority's (FCA's) Disclosure Rules and Transparency Rules.

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- ii) the Director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

SHAREHOLDER INFORMATION

Financial calendar 2016-2017



Managing your shareholding

Your shareholding is managed by Computershare Investor Services PLC (the Registrar). When making contact with the Registrar please quote your Shareholder Reference Number (SRN), an 11-digit number beginning with the letter 'C' that can be found on the right-hand side of your share certificate or in any other shareholder correspondence. It is very important that you keep your shareholding account details up to date by notifying the Registrar of any changes in your circumstances.

You can manage your shareholding at www.investorcentre.co.uk, speak to the Registrar on +44 (0)370 703 0162 (8.30am to 5.30pm Monday to Friday) or you can write to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Payments to shareholders

The Company makes payments to shareholders by issuing redeemable C Shares of 0.1p each. You can still receive cash or additional ordinary shares from the Company providing you complete a payment instruction form, which is available from the Registrar. Once you have submitted your payment instruction form, you will receive cash or additional ordinary shares each time the Company issues C Shares. If you choose to receive cash we strongly recommend that you include your bank details on the payment instruction form and have payments credited directly to your bank account. This removes the risk of a cheque going astray and means that cleared payments will be credited to your bank account on the payment date.

Share dealing

The Registrar offers existing shareholders an internet dealing service at www-uk.computershare.com/investor/sharedealing.asp and a telephone dealing service (+44 (0)370 703 0084). The service is available during market hours, 8.00am to 4.30pm, Monday to Friday excluding bank holidays. The fee for internet dealing is 1% of the transaction value subject to a minimum fee of £30. The fee for telephone dealing is 1% of the transaction plus £35. Stamp duty of 0.5% is payable on all purchases. Other share dealing facilities are available but you should always use a firm regulated by the FCA (see fca.org.uk/register).

Your share certificate

Your share certificate is an important document. If you sell or transfer your shares you must make sure that you have a valid share certificate in the name of Rolls-Royce Holdings plc. If you place an instruction to sell your shares and cannot provide a valid share certificate, the transaction cannot be completed and you may be liable for any costs incurred by the broker. Share certificates issued in the name of Rolls-Royce plc or Rolls-Royce Group plc are invalid and should be destroyed. If you are unable to find your share certificate please inform the Registrar immediately.

American Depositary Receipts (ADR)

ADR holders should contact the depositary, JP Morgan, by calling +1 (800) 990 1135 (toll free within the US) or emailing adr@jpmorgan.com.

WARNING TO SHAREHOLDERS – INVESTMENT SCAMS

We are aware that some of our shareholders have received unsolicited telephone calls or correspondence, offering to buy or sell their shares at very favourable terms. The callers can be very persuasive and extremely persistent and often have professional websites and telephone numbers to support their activities. These callers will sometimes imply a connection to Rolls-Royce and provide incorrect or misleading information. This type of call should be treated as an investment scam – the safest thing to do is hang up.

You should always check that any firm contacting you about potential investment opportunities is properly authorised by the FCA. If you deal with an unauthorised firm you won't be eligible for compensation under the Financial Services Compensation Scheme. You can find out more about protecting yourself from investment scams by visiting the FCA's website fca.org.uk/consumers, or by calling the FCA's consumer helpline on 0800 111 6768 (overseas callers dial +44 20 7066 1000). If you have already paid money to share fraudsters contact Action Fraud immediately on 0300 123 2040, whose website is at actionfraud.police.uk

Remember: if it sounds too good to be true it probably is.

Visit Rolls-Royce online

Visit rolls-royce.com to find out more about the latest financial results, the share price, payments to shareholders, the financial calendar and shareholder services.



Available as a free download from the app store

Keeping up to date

You can sign up to receive the latest news to your phone or inbox. You can also download the Rolls-Royce Investor Relations app which provides the latest media and financial information.

DIVIDENDS PAID ON C SHARES HELD

C Share calculation period	C Share dividend rate (%)	Record date for C Share dividend	Payment date
1 July 2015 – 31 December 2015	0.276	13 November 2015	4 January 2016
1 January 2015 – 30 June 2015	0.257	29 May 2015	1 July 2015

PREVIOUS C SHARE ISSUES

Issue date	No. of C Shares issued per ordinary share	Record date for entitlement to C Shares	Latest date for receipt of payment instruction forms by Registrar	Apportionment values		CGT apportionment		Date of redemption of C Shares	CRIP purchase date	CRIP purchase price (p)
				Price of ordinary shares on first day of trading (p)	Value of C Share issues per ordinary shares (p)	Ordinary shares (%)	C Shares (%)			
4 January 2016	92.7	23 October 2015	1 December 2015	559.75	9.27	98.37	1.63	6 January 2016	12 January 2016	557.9420
1 July 2015	141	24 April 2015	1 June 2015	883.19	14.1	98.43	1.57	3 July 2015	7 July 2015	792.8752

For information on earlier C Share issues, please refer to the Group's website rolls-royce.com.

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2015

Type of holder:	Number of shareholders	% of total shareholders	Number of shares	% of total shares
Individuals	189,421	95.82	97,169,761	5.28
Institutional and other investors	8,255	4.18	1,741,507,631	94.72
Total	197,676	100.00	1,838,677,392	100.00
Size of holding:				
1 – 150	62,852	31.80	5,942,067	0.32
151 – 500	98,014	49.58	26,777,158	1.46
501 – 10,000	34,992	17.70	56,893,428	3.09
10,001 – 100,000	1,246	0.63	33,698,261	1.83
100,001 – 1,000,000	405	0.21	137,315,629	7.47
1,000,001 and over	167	0.08	1,578,050,849	85.83
Total	197,676	100.00	1,838,677,392	100.00

GLOSSARY

ABC	anti-bribery and corruption
ADR	American Depositary Receipts
AGM	Annual General Meeting
AMC	Approved Maintenance Centre
APRA	Annual Performance Related Award plan
Articles	Articles of Association of Rolls-Royce Holdings plc
C Shares	non-cumulative redeemable preference shares
C&A	commercial and administrative
CAGR	Compound Annual Growth Rate
CARs	contractual aftermarket rights
CEO	chief executive officer
CFO	chief financial officer
CGU	cash-generating unit
CO₂	carbon dioxide
Company	Rolls-Royce Holdings plc
CPS	cash flow per share
CRIP	C Share Reinvestment Plan
ELT	Executive Leadership Team
EPS	earnings per share
EU	European Union
EUR	euro
FCA	Financial Conduct Authority
FCAS	Future Combat Air System
FRC	Financial Reporting Council
FX	foreign exchange
GBP	Great British pound or pound sterling
GHG	greenhouse gas
Global Code	Global Code of Conduct
Group	Rolls-Royce Holdings plc and its subsidiaries
HMRC	HM Revenue & Customs
HS&E	health, safety and environment
I&C	instrumentation and control
IAB	International Advisory Board
IAS	International Accounting Standards

IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
KPIs	key performance indicators
ktCO₂e	kilotonnes carbon dioxide equivalent
LIBOR	London Inter-Bank Offered Rate
LTSA	long-term service agreement
LNG	liquefied natural gas
MRO	Maintenance, repair and overhaul
NCI	non-controlling interest
NO_x	nitrogen oxides
OCI	other comprehensive income
OE	original equipment
OECD	Organisation for Economic Cooperation and Development
PBT	profit before tax
PSP	Performance Share Plan
R&D	research and development
R&T	research and technology
REACH	Registration, Evaluation Authorisation and restriction of CHemicals
Registrar	Computershare Investor Services PLC
RRPS	Rolls-Royce Power Systems AG
RRSAs	risk and revenue sharing arrangements
SFO	Serious Fraud Office
SIP	Share Incentive Plan
SO_x	sulphur oxides
STEM	science, technology, engineering and mathematics
TCA	TotalCare agreement
the Code	UK Corporate Governance Code
TRI	total reportable injuries
TSR	total shareholder return
USD/US\$	United States dollar
UTCs	University Technology Centres