



Rolls-Royce

Rolls-Royce Holdings plc (the Company)

# Shareholder guide

January 2012



# Contents

Payments to shareholders .....	3
Receive cash .....	4
Additional Ordinary Shares .....	5
Receive C Shares .....	6
The tax effects of C Shares .....	7
Shareholder communications .....	11
Manage your shareholding online .....	12
Frequently asked questions .....	13
Contact details .....	15

## Payments to Shareholders

Rolls-Royce Holdings plc (the Company) makes payments to its shareholders by issuing redeemable C Shares of 0.1pence each unlike most other listed companies, who pay a cash dividend. However, you can still receive cash or additional Ordinary Shares from the Company providing you complete a Payment Instruction Form. These options are discussed in more detail on pages 4 and 5.

In order to receive cash or further Ordinary Shares you must complete a Payment Instruction form.

If you do nothing you will receive a C Share certificate. This is discussed in more detail on page 6.

## Receive cash

You can receive cash, each time the Company makes a payment to shareholders, by selecting Box A ('To redeem for cash') on the Payment Instruction form.

This is a standing instruction, which means that each time the Company issues C Shares, they will automatically be redeemed for cash. You are free to change your instruction at any time.

You should return your Payment Instruction form to the Registrar at the earliest opportunity. Please refer to page 15 for information on the closing date for receipt of Payment Instruction forms.

If you decide to receive cash payments from the Company then we strongly recommend that you arrange for payments to be credited direct to your bank account. This removes the risk of a cheque going astray in the post and means that the cash is credited to your bank account straight away. You can provide your bank details to the Registrar when you complete the Payment Instruction form.

### **The example below shows how your redemption proceeds are calculated**

IF:            You are issued with 20,000 C Shares,  
AND:         You elect to redeem all your C Shares,  
THEN:        You will receive £20 in cash because the nominal value of each C Share is 0.1p  
(20,000 x 0.1p = £20).

## Acquiring additional Ordinary Shares in the Company

C Share Reinvestment Plan (the CRIP) is a scheme operated by the Registrar, whereby the cash proceeds arising on redemption of your C Shares are used to purchase additional Ordinary Shares on your behalf. Typically, this is a much more cost-effective way of purchasing shares than arranging your own purchase through a broker as there is no minimum charge. The full terms and conditions of the CRIP are attached to the Payment Instruction form and additional copies can be obtained from the Registrar upon request.

This is a standing instruction, which means that each time the Company issues C Shares, they will automatically be redeemed for cash and the proceeds reinvested in the CRIP. You are free to change your instruction at any time.

Generally any shareholder may choose to participate in the CRIP provided they complete a Payment Instruction form and return it by the deadline. However, the Registrar is unable to operate the CRIP for shareholders who live in, or are subject to the jurisdiction of, any country outside the United Kingdom that would require the Company or the Registrar to comply with local government or regulatory procedures or any similar formalities. More details can be found in the CRIP booklet.

### **The number of additional Ordinary Shares that you will receive is entirely dependent upon the prevailing market price as the example below illustrates**

- IF: You are issued with 20,000 C Shares worth £20 in total,
- AND: You elect to redeem all your C Shares and use the CRIP service,
- AND: The market price of one Ordinary Share is £6.00\*
- THEN: The Registrar will purchase 3 additional Ordinary Shares on your behalf (3 x £6.00 = £18.00)
- AND: The Registrar will deduct a dealing charge at 0.2% and stamp duty at 0.5% = 13p\*\*
- LEAVING: A residual cash balance of £1.87 which will be carried forward to the next issue of C Shares and will be added to any future redemption proceeds to be used to purchase additional Ordinary Shares in the future.

*\*The market price shown is an example, purely for the point of illustration. The actual purchase price will be the prevailing market rate on that day.*

*\*\*The calculations in this example have been rounded up to the nearest whole penny.*

## Receive C Shares

If you make no election at all then you will automatically receive C Shares and you will be sent a C Share certificate (or, if you are holding your shares in a dematerialised form, your CREST account will be credited with C Shares).

You will receive cash dividends on the C Shares twice a year fixed at 75 per cent of LIBOR. The example below will give you an idea of the sort of return you can expect, should you decide to retain your C Shares.

C Shares are not listed on the London Stock Exchange and therefore there is no ready market in which you can sell your

C Shares. If you are issued with a C Share certificate and later want to redeem those C Shares, you will need to complete the form on the reverse of the certificate and return it to the Registrar. Provided the certificate is received by the relevant deadline for the next redemption, the shares will be redeemed at 0.1 pence per share on that redemption date.

If you subsequently decide that you no longer wish to receive C Shares you must complete the Payment Instruction form and indicate whether you prefer to receive cash or additional Ordinary Shares.

Assuming the LIBOR rate for the C Share dividend was 0.8% per annum:

$75\% \text{ of LIBOR @ } 0.8\% = 0.6\% \text{ per annum}$

The C Share dividend is paid twice a year and is calculated on a six monthly basis.

$0.6\% \div 2 = 0.300\%$

If you retained 24,000 C Shares @ 0.1p each they'd be worth £24.

$0.3\% \text{ return on } £24 = 7.2 \text{ pence}^*$

You would receive a C Share dividend payment for 7 pence twice a year.

The dividend is non-cumulative which means it does not accrue if unpaid.

\*Payments are rounded up or down to nearest penny.

# The tax effects of C Shares

## United Kingdom Taxation

**1** This information, which is intended as a guide only, is based on current UK legislation and published HM Revenue & Customs (HMRC) practice at the date of this document and is therefore subject to change. It only summarises certain limited aspects of the UK taxation treatment of the issue of C Shares. The document only relates to the position of shareholders who are resident or ordinarily resident in the UK for tax purposes, who will hold their C Shares as an investment and are the absolute beneficial owners of the C Shares and any dividends paid on them. It does not apply to shares held through Individual Savings Accounts.

**2** This document is not intended to be, and should not be construed to be, legal or taxation advice to any particular shareholder. If you are in any doubt as to your taxation position, you are recommended to seek your own taxation advice immediately from an independent professional adviser.

**3** The following summary only considers UK taxation. Overseas shareholders should seek tax advice in their jurisdiction of residency.

## The issue of C Shares

**4** The allotment and issue of C Shares will not itself create any charge to UK income tax or UK taxation of chargeable gains.

**5** For the purposes of UK taxation of chargeable gains, the allotment and issue of C Shares by the Company will be treated as a reorganisation of its share capital.

Accordingly:

- (a) a shareholder receiving an entitlement to C Shares will not be treated as making a disposal of all or part of that shareholder's existing holding of Ordinary Shares by reason thereof;
- (b) the C Shares will be treated as the same asset as, and as having been acquired at the same time as, the shareholder's existing holding of Ordinary Shares. Accordingly, the new combined holding of C Shares and Ordinary Shares (together the New Holding) will have the same aggregate base cost as the existing holding of shares in the Company immediately before this issue; and
- (c) on a subsequent disposal of part of the New Holding (including a redemption of the C Shares), the acquisition cost of the New Holding allowable for capital gains tax purposes has to be split between the part being disposed of (eg the C Shares being redeemed) and the part being retained (eg the Ordinary Shares). The part of the acquisition cost allocated to the shares disposed of is then deducted from the disposal proceeds to produce a chargeable gain or allowable loss.

In the case of a redemption of C Shares, the split is done by reference to the market value of the Ordinary Shares and the C Shares immediately after the C Shares are issued. The acquisition cost of the New Holding will be the acquisition cost of the Ordinary Shares, as C Shares are not issued for any consideration. This cost is split between the C Shares being

## The tax effects of C Shares *continued*

redeemed and the Ordinary Shares being retained, in the ratio that the value of the C Shares has to the value of the C Shares and the Ordinary Shares taken together.

Broadly speaking, this produces a gain or loss on the C Share redemption which is roughly proportionate (in relation to the redemption proceeds) to the gain or loss which would have been produced on a disposal of the Ordinary Shares at that time.

Illustrative examples of how to carry out this calculation on a C Share redemption are set out in paragraph 8 below.

### Redemption of C Shares

**6** The payment by the Company of the nominal value of the C Shares on their redemption will not constitute an income distribution for UK tax purposes.

Accordingly:

- (a) no part of the proceeds received by a shareholder pursuant to the redemption will be an income receipt in that shareholder's hands for UK tax purposes. Those proceeds will not carry any entitlement to a tax credit and, in the hands of a corporate shareholder, will not be within the dividend exemption regime in Part 9A of the Corporation Tax Act 2009.
- (b) a shareholder who disposes of the whole or part of their holding of C Shares by electing to redeem their C Shares may, depending on their circumstances, be charged to capital gains tax or (in the case of a company) corporation tax on the

amount of any chargeable gain realised. In computing such gain, the base cost of the C Shares is calculated in the manner described at paragraph 5(c).

**7** Where the shareholder is an individual no tax will be payable on any gain realised on the redemption if the amount of the chargeable gain, when aggregated with any other chargeable gains realised by the shareholder in the year of assessment in question, does not exceed the annual allowance of tax-free gain (to check the current annual exempt allowance please refer to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or contact your local tax office).

**8** Set out on page 9 are two examples of how to carry out a capital gains tax calculation on a redemption of C Shares by an individual. These assume that the individual holds 50 C Shares and a single Ordinary Share, that the market price of an Ordinary Share immediately after the issue of the C Shares was 600 pence, and that the market value of each C Share at the same time was 0.1 pence.

These examples are only intended to illustrate how to carry out the calculation, and the figures used are not intended to reflect the actual price of the Ordinary Shares. Shareholders who are in any doubt as to their tax affairs should consult their own professional tax advisers.

In each example, the calculation being performed consists of the following steps:

- (a) find the C Share redemption proceeds by multiplying the number of C Shares by the proceeds of the redemption price of each share;

### Example 1

If the acquisition cost of the Ordinary Share for capital gains tax purposes was 300 pence, then:

Proceeds from redemption of 50 C Shares (50 x 0.1 pence)	5.00 pence
Cost of 50 C Shares $300 \times ((50 \times 0.1)/(600 + (50 \times 0.1)))$	2.48 pence
Gain	2.52 pence

### Example 2

If the acquisition cost of the Ordinary Share for capital gains tax purposes was 650 pence, then:

Proceeds from redemption of 50 C Shares (50 x 0.1)	5.00 pence
Cost of 50 C Shares $650 \times ((50 \times 0.1)/(600 + (50 \times 0.1)))$	5.37 pence
Loss	0.37 pence

- (b) find the cost of the C Shares being redeemed by multiplying the acquisition cost of the Ordinary Shares by the result of dividing the value of the C Shares by the aggregate value of the Ordinary Shares and the C Shares; and
- (c) deduct the cost of the C Shares from the C Share redemption proceeds to produce a chargeable gain or allowable loss.

## Reinvestment of proceeds from redemption of C Shares

**9** A shareholder who elects to reinvest the proceeds of a redemption of the C Shares will be taxed on that redemption as set out in paragraphs 6 to 8.

**10** The amount reinvested in new Ordinary Shares will form the base cost of those Ordinary Shares.

## Stamp duty and stamp duty reserve tax

- 11** No stamp duty or stamp duty reserve tax should arise on the issue or redemption of C Shares.
- 12** Stamp duty or stamp duty reserve tax at 0.5 per cent will be payable on acquiring additional Ordinary Shares under the CRIP.

## Dividends

**13** Dividends payable on the C Shares will be subject to UK income tax.

### (a) UK resident individual shareholders

Dividends paid on the C Shares will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends, will be liable to income

## The tax effects of C Shares *continued*

tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent) or the dividend upper rate (32.5 per cent) or the dividend additional rate (42.5 per cent). The effect will be that taxpayers who are otherwise liable to pay tax at only the starting rate for savings or the basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have a further tax liability (after taking into account the 10 per cent tax credit) of 25 per cent of the cash dividend paid. Additional rate taxpayers will have a further tax liability (after taking into account the 10 per cent tax credit) of 36.1 per cent of the cash dividend paid. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

(b) **Shareholders not resident in the UK**

Persons who are not resident in the UK should consult their own tax advisers on the possible application of any relevant double tax treaty and on what relief or credit may be claimed in the jurisdiction in which they are resident for any tax credit associated with a dividend.

(c) **UK resident corporate shareholders**

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company on a C Share. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

(d) **Pension funds and charities**

UK pension funds and charities will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company on a C Share.

# Shareholder communications

Following shareholder approval, the Company's default method of communicating with shareholders is by website. This not only reduces printing and mailing costs but also reduces the environmental impact usually associated with paper communications.

When you first purchase shares in the Company you will be sent a Shareholder Communications form. This form will invite you to provide the Company with your email address. If we have not heard from you within 28 days then we will assume that you wish to access all shareholder communications, such as the annual report, via our website. We will write to you each time a new communication becomes available online.

The most economical, fastest and environmentally friendly way of receiving your company documents is to provide us with an email address. You can do this by completing and returning the Shareholder Communications form or by registering your email address at

**[www.etreuk.com/rolls-royce](http://www.etreuk.com/rolls-royce)**.

For every shareholder that signs up to receive ecommunications using the eTree™ website, the Company will donate £1 to the Woodland Trust, the UK's leading woodland conservation charity, in support of their Tree for All programme.

Of course, we recognise that not all of our shareholders are able to accept delivery of these documents electronically. Shareholders who prefer to receive paper copies of these documents can register this preference by completing and returning their Shareholder Communication form or by contacting our Registrar.

## Manage your shareholding online

You can manage your shareholding online by logging onto [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Investor Centre is a free self service website, available 24 hours a day, 7 days a week, where you can:

- View your account balance, values and history
- View your payment history
- Change your address
- Set up instructions to have shareholders payments made direct to your bank account/update your bank details
- Register to receive electronic shareholder communications
- Download forms from the downloadable forms section
- Deal in Rolls-Royce shares online
- Vote online for forthcoming general meetings
- View your holdings in all companies registered with Computershare and create a portfolio
- Track the market value of your portfolio

# Frequently asked questions

## What are shares?

When you buy shares in a company, you become a part owner of that company. The more shares you own, the larger the part of the company that you own. A company can have different classes of shares, and each class will have different rights. Generally, holding 'ordinary shares' entitles you to certain rights under company law which include but are not limited to, the right to receive an annual report each year, the right to attend, speak and vote at the Annual General Meeting and the right to inspect certain documents.

## What are C Shares?

C Shares are non-cumulative redeemable preference shares of 0.1p each in the capital of Rolls-Royce Holdings plc (the Company) that can, during defined periods, be redeemed for cash. The Company will generally issue C Shares to ordinary shareholders twice a year in lieu of a cash dividend. C Shares should not be confused with your Ordinary Shares.

## What is a Registrar?

Your shareholding in the Company is recorded on a register of shareholders (known as the register of members). The register is a list of the names and addresses of all Rolls-Royce ordinary shareholders and the number of shares each owns. The register is maintained on behalf of the company by Computershare Investor Services plc ('the Registrar'). The Registrar updates the register when your personal circumstances or shareholding change and also sends out

shareholder payments, share certificates and the Company's annual report and accounts. By law, the register is a public document which the Registrar must make available for inspection but the Company will not provide details of any individual shareholder to third parties unless legally obliged.

## What should I do with my share certificate?

The Registrar will issue you with a share certificate stating the number of shares you own. Share certificates are evidence of your ownership and should be kept in a safe place. You will need them if you want to sell all or some of your shares in the future. Share certificates are posted to shareholders at their own risk. If you misplace your share certificate, you should notify the Registrar immediately and they will update the register of members. Please check carefully before reporting your share certificate missing as there may be a charge to issue a replacement. Your share certificate must refer to ordinary shares held in Rolls-Royce Holdings plc. Any share certificates previously issued by Rolls-Royce Group plc or Rolls-Royce plc are now invalid and should be destroyed.

## Where can I find my shareholder reference number (SRN)

Your SRN is an 11 digit number, which usually starts with the letter 'C' and can be found on the right hand side of your share certificate. You should quote this number in all communications with the Registrar. You can also find your SRN number on most of the correspondence sent to you by the Registrar.

## Frequently asked questions *continued*

### **Which Stock Exchange is the Company listed on?**

The Company is listed on the London Stock Exchange. The Company's ticker symbol is RR. Rolls-Royce Ordinary Shares are also traded 'over the counter' in the United States in the form of a sponsored American Depositary Receipt (ADR) facility with The Bank of New York Mellon as the depository. Each ADR represents five Ordinary Shares.

### **Why does my share certificate refer to 'Ordinary Shares of 20p each'?**

This is known as the nominal value (or face value) of the Company's shares and it bears no relation to the purchase price of your shares or the current market price.

### **How can I find out the current share price?**

You can obtain the current market price of the Company's shares by checking our website [www.rolls-royce.com](http://www.rolls-royce.com) or on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).

Alternatively you can refer to teletext or similar services

### **What do the terms 'record date' and 'ex-entitlement' mean?**

When the Company calculates its shareholders' entitlement to C Shares it captures the shareholder register on a pre-determined date, known as the record date. We use the number of shares that you hold on this day to calculate your entitlement to C Shares.

Before announcing each issue of C Shares and in consultation with the London Stock Exchange, the Company sets a date on which our shares will be sold without an entitlement to C Shares. This is known as the ex-entitlement date and means that the buyer is not entitled to receive the next issue of C Shares. Shares sold prior to this date are said to be cum-entitlement which means that the buyer is entitled to receive the next issue of C Shares, even though their name may not appear on the shareholder register on the record date. Usually the share price will fall on the opening of the market on the ex-entitlement date reflecting the loss of the value of that C Share issue.

If you buy or sell Ordinary Shares and are unsure as to whether you are entitled to receive C Shares please refer to our events calendar at [www.rolls-royce.com/investors/calendar/](http://www.rolls-royce.com/investors/calendar/) or, alternatively, contact the broker who acted on your behalf and who will be able to tell you if your shares were cum-entitlement or ex-entitlement.

## How can I find the closing date for receipt of my Payment Instruction form?

You can check the closing date for receipt of your Payment Instruction form on the Company's website

[www.rolls-royce.com/investors/calendar/](http://www.rolls-royce.com/investors/calendar/).

If you do not have access to the internet you can call the Registrar.

For a more comprehensive set of FAQs visit the Shareholder Services section of our website at [www.rolls-royce.com/investors](http://www.rolls-royce.com/investors).

---

## Contact details

There are three ways to contact the Registrar;

by post:

**The Registrar  
Rolls-Royce Holdings plc  
Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE**

by phone:

**+ 44 (0)870 703 0162**

or online

**[www.investorcentre.co.uk](http://www.investorcentre.co.uk)**

Please ensure that you quote your Shareholder Reference Number (SRN) in any correspondence.

You may find it useful to make a note of your SRN below:

<b>SRN</b>
------------



© Rolls-Royce plc 2012

**Rolls-Royce Holdings plc**

Registered office:

65 Buckingham Gate

London SW1E 6AT

T +44 (0)20 7222 9020

**[www.rolls-royce.com](http://www.rolls-royce.com)**

Company number 7524813