

Registration number: 00769666

Rolls-Royce International Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Rolls-Royce International Limited

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Rolls-Royce International Limited

Company Information

Directors	Peter Knight Richard Guy
Registration number	00769666
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2021

The Directors present their Strategic Report on Rolls-Royce International Limited (the Company) together with the audited Financial Statements for the year ended 31 December 2021.

Principal activities

The Company provides administration services for employees who work in its branch network and for certain employees employed by the Rolls-Royce Holdings plc group (the Group) who are required to work on overseas assignments. The Company recharges multiple entities within the Group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research, commercial information and strategies for the development of business opportunities.

Business review

The Company has continued to support its global network of branches throughout the financial year. The Company operates across a number of different international branches and representative offices (for a list of the Company's branches, please see the 'Branches' section on page 6 of the Directors' Report). The France office closed during 2021.

Revenue in the Company is generated through charges made to entities within the Group for the provision of services provided by the Company. Revenue has decreased by £1,693,000 to £9,694,000 (2020: £11,387,000) due to a reduction in headcount and lower assignee numbers as a result of the closure of the Company's France office and a full year impact of the COVID-19 pandemic.

Operating profit margin has remained stable at 6%. Loss after taxation for the year is £51,000 (2020: profit after taxation of £96,000) impacted largely by foreign exchange losses of £776,000 (2020: £289,000).

Net assets recognised at the balance sheet date have remained stable at £26,192,000 (2020: £26,203,000).

Key performance indicators

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

Revenue - 2021: £9,694,000 (2020: £11,387,000)
(Loss)/profit after taxation - 2021: £(51,000) (2020: £96,000)
Net assets - 2021: £26,192,000 (2020: £26,203,000)

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

Principal risks and uncertainties

The Company acts in accordance with policies set by the Group. The Group has an established and structured approach to risk management, detailed in the Rolls-Royce Holdings plc group Annual Report which is publicly available from the address in note 22.

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

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties (continued)

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

Section 172(1) statement

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

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

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

The Company's key stakeholders are its parent company Rolls-Royce plc, the employees who work in the branch offices and other employees who are employed by the Group who are required to work on overseas assignments. The numbers of overseas assignments managed has reduced as a result of business restructuring brought on by the impact of the COVID-19 pandemic, but it is expected to continue to be a key activity as the business has growth areas which rely upon the use of overseas assignments. The Company engages with its parent Company, Rolls-Royce plc, through a variety of channels including face-to-face consultations, Board updates and regular communication between teams on joint projects. The Directors use skills learnt during their director training to consider the impact decisions have on stakeholders and the wider community. The Directors then consider the stakeholder impacts against long-term strategy and principal risks. The Directors ensure principal risks are mitigated by adopting the Group Global Code of Conduct.

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

Rolls-Royce International Limited

Strategic Report for the year ended 31 December 2021 (continued)

Section 172(1) statement (continued)

Where the Directors do not engage directly with the Company's stakeholders, they are kept up to date to enable them to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in board decision-making. The Directors consider business relationships with the Company's wider stakeholders, the impact of Company operations on the environment and communities in which it operates is embedded in all Company decision-making and risk assessment throughout the year. As a Group company, the Company complies and acts in accordance with the Group policies in relation to the safeguarding of human rights and community relationships as outlined in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 22.

The Company Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2021.


The Directors ensure that when making principal decisions they factor in the principal risks of the Company and the interests of all stakeholders. When any principal decisions are made and discussed, the Directors ensure that the consequences of the decisions over the long term to other stakeholders including employees' interests and relationships with other suppliers and customers are considered. An example of this is a Director of the Company being part of the Group Incident Support Team that has been responsible for the formulation of the group's strategy and management of activities in relation to the COVID-19 pandemic, in particular in relation to ensuring that the welfare of employees based overseas, including those on overseas assignments, is taken care of.

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

Climate-related corporate reporting

The Company adopts the policies and frameworks set by the Group which include the sustainability measures set out in the Rolls-Royce Holdings plc Annual Report on pages 34 to 45. The Company is aligned to the objectives of the Group. The Directors fully recognise their responsibility to have regard to the impact of the Company's operations on the community and environment.

Approved by the Board on 30 September 2022 and signed on its behalf by:

DocuSigned by:

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 Richard Guy
 Director

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2021

The Directors present their Directors' Report on the Company, together with the audited Financial Statements for the year ended 31 December 2021.

Directors

The Directors who held office during the year and up to the date of signing the Annual Report and Financial Statements were as follows:

Richard Guy (appointed 2 November 2021)

Peter Knight

Harriet Walker (resigned 26 October 2021)

Qualifying third-party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of the approval of the Annual Report and Financial Statements.

Results and dividends

The Company made £51,000 loss after taxation for the year (2020: £96,000 profit after taxation). The net assets of the Company are £26,192,000 (2020: £26,203,000).

The Directors do not recommend the payment of a dividend (2020: £nil).

Future developments

The Directors do not expect any change to the activities carried out by the Company and the Company will continue to consider where the Group customers require the services of the Company. This may necessitate the opening of additional branches in new locations or closure of branches as the Groups footprint is reviewed and reduced or resized accordingly. The Company's Qatar branch has begun expansion of operations in 2022 to fulfil the contractual terms on the new contract with BAE Systems Qatar. The Directors continue to monitor the Company's performance and will take any mitigating actions if required to reduce the cash outflow requirements on the Company.

Financial risk management

The following financial risks are considered key by the Directors:

Interest risk

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

Foreign exchange risk

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

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for impairment. The main customers of the Company are other subsidiary undertakings of the Group, who will be supported by Rolls-Royce plc if required, and therefore the overall credit risk to the Company is low.

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2021 (continued)

Financial risk management (continued)

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

Going concern

The financial statements have been prepared on a going concern basis. The Company has net current assets of £26,209,000 (2020: £26,053,000) which is largely the result of intercompany receivables and payables. The principal activities of the Company are linked to the requirements of Rolls-Royce plc, its immediate parent company, and other group undertakings. As such the Company is reliant on group companies settling the significant level of intercompany balances recognised and operates as part of cash pooling arrangements with Rolls-Royce plc. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

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

Branches

The Company has branches registered in Abu Dhabi, Bahrain, Belgium, Columbia, Dubai, Ethiopia, France (closed during 2021), Germany, Hong Kong, Qatar, South Korea, Spain and Sri Lanka. The Company also has representation offices in Italy, Taiwan and Vietnam.

Independent auditors

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

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Rolls-Royce International Limited

Directors' Report for the year ended 31 December 2021 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements (continued)

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date of the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 30 September 2022 and signed on its behalf by:

DocuSigned by:

Rich Guy

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Richard Guy
Director

Rolls-Royce International Limited

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

Report on the audit of the Financial Statements

Opinion

In our opinion, Rolls-Royce International Limited's Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Rolls-Royce International Limited

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Rolls-Royce International Limited

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and tax compliance legislation specific to jurisdictions where the branches operate, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, the improper creation or inclusion of transactions in revenue through inappropriate journal entries or inappropriate recognition of costs to reimburse, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

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

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

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

Rolls-Royce International Limited

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Rachel Cletheroe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
30 September 2022

Rolls-Royce International Limited**Income Statement
for the year ended 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Revenue	3	9,694	11,387
Cost of sales		<u>(9,079)</u>	<u>(10,701)</u>
Operating profit	4	615	686
Finance income	8	104	65
Finance costs	9	<u>(793)</u>	<u>(305)</u>
(Loss)/profit before taxation		(74)	446
Taxation	10	<u>23</u>	<u>(350)</u>
(Loss)/profit for the financial year		<u>(51)</u>	<u>96</u>

The above results were derived from continuing operations.

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

Rolls-Royce International Limited

**Statement of Comprehensive Income
for the year ended 31 December 2021**

	2021 £000	2020 £000
(Loss)/profit for the financial year	<u>(51)</u>	<u>96</u>
Total comprehensive (expense)/income for the year	<u>(51)</u>	<u>96</u>

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

Rolls-Royce International Limited**Balance Sheet**

as at 31 December 2021
(Registration number: 00769666)

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Right-of-use assets	11	622	1,134
Investments	12	22	22
Deferred tax assets	10	217	176
		861	1,332
Current assets			
Trade and other receivables	13	31,784	27,362
Cash and cash equivalents	14	3,901	5,840
		35,685	33,202
Current liabilities			
Trade and other payables	15	(9,330)	(6,732)
Lease liabilities	16	(146)	(417)
		(9,476)	(7,149)
Net current assets		26,209	26,053
Total assets less current liabilities		27,070	27,385
Non-current liabilities			
Lease liabilities	16	(442)	(775)
Provisions	17	(436)	(407)
		26,192	26,203
Net assets			
Equity			
Called-up share capital	19	200	200
Other reserves		(196)	(196)
Retained earnings		26,188	26,199
Total equity		26,192	26,203

The Financial Statements on pages 12 to 32 were approved and authorised for issue by the Directors on 30 September 2022 and signed on its behalf by:

DocuSigned by:

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Richard Guy
Director

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

Rolls-Royce International Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	200	(196)	26,199	26,203
Loss for the financial year	-	-	(51)	(51)
Total comprehensive expense	-	-	(51)	(51)
Share-based payment transactions	-	-	40	40
At 31 December 2021	200	(196)	26,188	26,192

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	200	(196)	26,060	26,064
Profit for the financial year	-	-	96	96
Total comprehensive income	-	-	96	96
Share-based payment transactions	-	-	70	70
Related tax movements	-	-	(27)	(27)
At 31 December 2020	200	(196)	26,199	26,203

Other reserves relates to the transfer of an End of Services Benefit provision of £196,000 in 2018 from Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited to the Company and treated as a capital distribution.

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021

1 General information

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

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

Principal activities

The Company provides administration services for employees who work in its branch network and for certain employees employed by the Group who are required to work on overseas assignments. The Company recharges multiple entities within the Group for the costs in relation to the assignees. The Company also provides local representation, in-country expertise, market research and commercial information and strategies for the development of business opportunities.

2 Significant accounting policies

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

Basis of preparation

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

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

- The following paragraphs of IAS 1, *Presentation of Financial Statements*:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 134 to 136 (disclosures in respect of capital management); and
 - 111 (statement of cash flows information).
- IAS 7, *Statement of cash flows*;
- Paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and error* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements in IAS 24 *Related party disclosures*, to disclose related party transactions entered into between two or more members of a group;
- Paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraph 38 of IAS 1, *Presentation of Financial Statements* – comparative information requirements in respect of paragraph 73(e) of IAS 16 *Property, plant and equipment*;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a), 120 to 127 and 129 of IFRS 15: *Revenue from Contracts with Customers*;
- IFRS 7 *Financial Instruments: Disclosures*; and
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation).

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's Financial Statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are as follows:

Key sources of estimation uncertainty - Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing the impairment of trade and other receivables, management considers the key assumptions to be:

- the credit rating of the receivable;
- the ageing profile of receivables; and
- historical experience.

The Company applies the IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The value of trade receivables at 31 December 2021 is £25,050,000 (2020: £22,363,000). An ECL provision of £601,000 (2020: £705,000) has been applied.

Critical accounting judgements

The Financial Statements are not considered to contain any area involving a higher degree of judgement in applying the Company's accounting policies and therefore no further consideration is required.

Going concern

The financial statements have been prepared on a going concern basis. The Company has net current assets of £26,209,000 (2020: £26,053,000) which is largely the result of intercompany receivables and payables. The principal activities of the Company are linked to the requirements of Rolls-Royce plc, its immediate parent company, and other group undertakings. As such the Company is reliant on group companies settling the significant level of intercompany balances recognised and operates as part of cash pooling arrangements with Rolls-Royce plc. Considering these intercompany settlements, the Directors consider that the Company is reliant on the ongoing support of Rolls-Royce plc to ensure the Company continues its trading activities and meets financial liabilities as they fall due.

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Exemption from preparing group financial statements

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

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare Consolidated Financial Statements as it and its subsidiary undertakings are included in the Consolidated Financial Statements of its parent, Rolls-Royce plc, a company incorporated in the United Kingdom, which are publicly available. The address of the parent company's registered address is set out in note 22.

Functional and presentational currency

The functional and presentational currency of the Company is Pound Sterling.

All amounts in the Financial Statements and notes have been rounded to the nearer thousand Pounds Sterling unless otherwise stated.

Revenue recognition

Revenue represents the amounts (excluding value added tax) derived from the provision of services to entities within the Group during the year. The Company recognises revenue when performance obligations have been satisfied, which is when services have been rendered, or costs incurred, where the Company is entitled to be reimbursed, by the network of branches. This is considered to be at a point in time.

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

Management consider there to be one statutory revenue stream, in line with activities undertaken by the Company's employees. This is derived from costs incurred plus an agreed mark-up.

The Company does not have exposure to significant risk and rewards associated with the rendering of the services provided by employees on assignment. Therefore, the revenue is just the commission charged on costs relating to these employees, which is predetermined based on agreements with Group entities and is often a percentage of the costs incurred.

Finance income

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

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognised in financing in the income statement.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Taxation

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

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

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

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Investments

Investments in subsidiaries are shown at cost less accumulated impairment losses.

Trade receivables

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

Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses. When assessing the impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment of trade receivables is recognised in net financing.

Cash and cash equivalents

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

Financial assets and liabilities

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

Impairment of financial assets

The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Financial assets

Financial assets primarily include trade and other receivables and cash and cash equivalents. Trade and other receivables are generally classified as 'held to collect' and measured at amortised cost.

Cash and cash equivalents (consisting of balances with banks) are measured at fair value through profit and loss (FVTPL).

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial liabilities

Financial liabilities primarily consist of trade and other payables. All financial liabilities are classified and measured at amortised cost.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

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

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

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

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

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

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

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

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

Provisions

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2 Significant accounting policies (continued)

Share-based payments

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

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

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

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

- i) ShareSave plans - using the binomial pricing model; and
- ii) Long-term incentive plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and the TSR market-based performance condition.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Revenue

A geographical analysis of revenue is presented as follows:

	2021 £ 000	2020 £ 000
United Kingdom	8,626	9,865
Rest of Europe	684	551
United States of America	258	688
Middle East & Asia	2	13
Rest of the World	124	270
	<u>9,694</u>	<u>11,387</u>

All revenue is generated from the sale of services.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

4 Operating profit

Arrived at after charging

	2021 £ 000	2020 £ 000
Impairment of trade receivables	-	92
Depreciation of right-of-use assets	269	598
	<u>269</u>	<u>598</u>

5 Staff costs

The aggregate payroll costs were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	4,860	5,865
Social security costs	619	1,174
Other pension costs	158	172
Share-based payment	40	70
	<u>5,677</u>	<u>7,281</u>

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

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

	2021 No.	2020 No.
Engineering	39	49
Administration and support	37	37
	<u>76</u>	<u>86</u>

6 Directors' remuneration

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

7 Auditors' remuneration

The fee for the audit of these Financial Statements is £74,000 (2020: £62,000) and is borne by the parent company and not recharged to the Company.

£Nil (2020: £nil) was paid to the Company's auditors for non-audit services.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8 Finance income

	2021 £ 000	2020 £ 000
Bank interest receivable	-	65
Reversal of impairment of trade receivables	104	-
	<u>104</u>	<u>65</u>

9 Finance costs

	2021 £ 000	2020 £ 000
Interest on lease liabilities	17	16
Foreign exchange losses	776	289
	<u>793</u>	<u>305</u>

10 Taxation

Tax charged in the income statement:

	2021 £ 000	2020 £ 000
Current tax		
Group relief (receivable)/payable	(30)	86
Adjustments in respect of prior periods	(48)	-
	<u>(78)</u>	<u>86</u>
Foreign tax	96	229
Total current income tax	<u>18</u>	<u>315</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	6	73
Adjustments in respect of previously recognised temporary differences	9	(13)
Adjustments in respect of an increase in tax rate	(56)	(25)
Total deferred taxation	<u>(41)</u>	<u>35</u>
Tax (credit)/expense in the income statement	<u>(23)</u>	<u>350</u>

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10 Taxation (continued)

The tax assessed for the year is lower than (2020: higher) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £ 000	2020 £ 000
(Loss)/profit before tax	(74)	446
Corporation tax at standard rate of 19% (2020: 19%)	(14)	85
Decrease in current tax from adjustment for prior periods	(39)	(13)
(Decrease)/increase from effect of (income non taxable) /expenses not deductible in determining taxable profit	(12)	74
Tax rate differential on temporary differences	2	-
Increase from effect of unrelieved foreign tax	96	229
Tax credit relating to adjustments in respect of change in tax rate	(56)	(25)
Total tax (credit)/charge	(23)	350

The Spring Budget 2021 announced that the UK corporation tax rate would increase from 19% to 25% from 1 April 2023. The new law was substantively enacted on 24 May 2021. The prior year deferred tax asset was calculated at 19%, as this was the enacted rate at the 2020 balance sheet date. As the 25% has been substantively enacted before 31 December 2021, the deferred tax asset has been re-measured at 25%.

The resulting credit of £56,000 has been recognised in the income statement.

The Growth Plan 2022 announced that the UK corporation tax rate will remain at 19% from 1 April 2023 rather than increasing to 25%. The deferred tax asset has been calculated at 25% as this rate has been substantively enacted at the Balance Sheet date. Had the 19% rate been substantively enacted on or before 31 December 2021 it would have had the effect of decreasing the deferred tax asset by £52,000.

Deferred tax assets

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	36	21	-	57
Other items	140	20	-	160
Net tax assets	176	41	-	217

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

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10 Taxation (continued)

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	39	(3)	-	36
Other items	199	(32)	(27)	140
Net tax assets	<u>238</u>	<u>(35)</u>	<u>(27)</u>	<u>176</u>

11 Right-of-use assets

	Land and buildings Total £ 000
Cost	
At 1 January 2021	2,347
Lease modifications	(243)
Disposals	(932)
At 31 December 2021	<u>1,172</u>
Accumulated depreciation	
At 1 January 2021	1,213
Charge for the year	269
Eliminated on disposals	(932)
At 31 December 2021	<u>550</u>
Carrying amount	
At 31 December 2021	<u>622</u>
At 31 December 2020	<u>1,134</u>

Depreciation of £269,000 (2020: £598,000) is included in cost of sales in the Income Statement.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

12 Investments

	Total £ 000
Subsidiaries	
Cost	
At 1 January 2021	32
At 31 December 2021	32
Accumulated impairment	
At 1 January 2021	10
At 31 December 2021	10
Carrying amount	
At 31 December 2021	22
At 31 December 2020	22

The following were subsidiary undertakings/participating interests of the Company as at 31 December 2021:

All are direct shareholdings of the Company.

Company name	Share class	Address	% Holding 2021
Rolls-Royce India Limited	Ordinary	Moor Lane, Derby, DE24 8BJ	100%
Rolls-Royce (Thailand) Limited	Ordinary	4, 4.5, Level 12, Suite 1299, Rajdamri Road, Puthumwan, Bangkok, 10330, Thailand	100%

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

13 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	87	–
Amounts due from group undertakings	24,453	22,329
Amounts due from related party undertakings	510	34
Amounts due from group undertakings for group relief	30	–
Other receivables	710	574
Prepayments and accrued income	5,994	4,425
	<u>31,784</u>	<u>27,362</u>

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

Amounts due from group undertakings are stated after provisions for impairment of £601,000 (2020: £705,000) for expected credit losses in respect of receivables from group entities in accordance with IFRS 9.

14 Cash at bank and in hand

	2021 £ 000	2020 £ 000
Cash at bank	<u>3,901</u>	<u>5,840</u>

As at 31 December 2021, £148,000 (2020: £147,000) of cash was held at banks who had a credit rating below the recommended level as set by Rolls-Royce Holdings plc.

Following an assessment by the Company, no provision for impairment (2020: none) has been recognised for expected credit losses in accordance with IFRS 9.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

15 Trade and other payables

	2021 £ 000	2020 £ 000
Trade payables	1,565	1,136
Accrued expenses	1,243	1,028
Amounts due to group undertakings	5,933	4,240
Amounts due to group undertakings for group relief	–	86
Other payables	589	242
	<u>9,330</u>	<u>6,732</u>

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

Other payables comprise of payroll liabilities.

16 Lease liabilities

	2021 £ 000	2020 £ 000
Amounts recognised in balance sheet:		
Non-current		
Lease liabilities	<u>146</u>	<u>775</u>
Current		
Lease liabilities	<u>442</u>	<u>417</u>
Amounts recognised in income statement:		
Depreciation of right-of-use assets	<u>269</u>	<u>598</u>
Interest expense	<u>17</u>	<u>16</u>
Future minimum lease payments on leases at 31 December:		
Within one year	167	436
In one to two years	95	263
In two to five years	227	278
After five years	<u>202</u>	<u>286</u>
Total gross payments	691	1,263
Impact of finance expense	<u>(103)</u>	<u>(72)</u>
Carrying amount of liability	<u>588</u>	<u>1,191</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2021 was 2.25% (2020: 2.02%).

The leases primarily relate to land and buildings.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

17 Provisions

	Employee benefits £ 000
At 1 January 2021	407
Provisions added in year	76
Unused provisions reversed	(4)
Provisions utilised	(92)
Foreign exchange differences	49
At 31 December 2021	436
Non-current liabilities	436

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

18 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2021 were £40,000 (2020: £70,000).

During the year, the Company participated in the following share-based payment plans operated by Rolls-Royce Holdings plc:

Long Term Incentive Plan (LTIP)

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

ShareSave share option plan

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

As share options are exercised throughout the year, the weighted average share price during the year of 119p (2020: 203p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2021 was 123p (2020: 111p). There were no exercisable options as at 31 December 2021 (2020: Nil).

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

18 Share-based payments (continued)

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

	Expiry date (31 January)	Exercise price in pence per share option	ShareSave share options	
			2021	2020
Grant - vest				
2015 - 2021	2021	212	–	78,303
2017 - 2021	2021	260	–	39,927
2017 - 2023	2023	260	20,144	50,978
2019 - 2023	2023	232	7,890	22,692
2019 - 2025	2025	232	7,000	18,728
2021 - 2025	2025	97	170,667	–
			205,701	210,628

The weighted average remaining contractual life for cash-settled options at 31 December 2021 was 2.8 years (2020: 1.1 years).

19 Called-up share capital

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	200	200	200	200

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

Any proxy appointed by a member will be entitled to vote on a show of hands or a poll, with each member entitled to one vote. The Company may declare dividends by ordinary resolution but no dividend should exceed the amount recommended by the Directors.

20 Contingent liabilities

In January 2017, after full cooperation, the Group concluded deferred prosecution agreements (DPA) with the SFO and the US Department of Justice (DoJ) and a leniency agreement with the MPF, the Brazilian federal prosecutors. The terms of both DPAs have now expired; the DPA with the DoJ was dismissed by the US District Court on 19 May 2020 and the SFO filed notice of discontinuance of proceedings with the UK Court on 18 January 2022. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21 Related party transactions

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

Income and expense from related party undertakings for the year ended 31 December

	2021 £ 000	2020 £ 000
EPI Europrop International GmbH	1,048	930
Hong Kong Aero Engine Services Limited	235	163
Aero Gearbox International SAS	504	1,164
N3 Engine Overhaul Services GmbH & Co KG	–	1
Aerospace Transmission Technologies GmbH	(9)	100
	<u>1,778</u>	<u>2,358</u>

Receivables from related party undertakings at 31 December

	2021 £ 000	2020 £ 000
Aero Gearbox International SAS	83	34
EPI Europrop International GmbH	289	–
Hong Kong Aero Engine Services Limited	138	–
	<u>510</u>	<u>34</u>

Rolls-Royce International Limited

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

22 Parent and ultimate parent undertaking

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

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

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