

Registration number: 02220030

Ross Ceramics Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Ross Ceramics Limited

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Ross Ceramics Limited

Company Information

Directors	Jonathan Handford Dan Parrott
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Registration number	02220030
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Ross Ceramics Limited
Strategic Report
for the year ended 31 December 2021

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

Principal activities

The principal activities of the Company are to support the technical development of the materials, processes and geometry envelope of turbine blade core technology to support the parent company, Rolls-Royce plc, in satisfying demand for its products for the aerospace and power generation industries.

Business review

The Company saw a reduction in its loss as a result of the right-sizing of the business with a loss before taxation of £1,178,000 (2020: £4,337,000).

The Company completed a restructuring exercise during 2020 to right-size the business as a result of the COVID-19 pandemic and resultant reduction in load volumes. No restructuring spend was incurred during 2021 (2020: £1,365,000). As a result of the impact of COVID-19 and the restructuring exercise, average staff numbers reduced to 195 (2020: 288) and revenue reduced to £10,209,000 (2020: £11,249,000). This is due to the stabilisation of the business and an increased focus on internal sales and demand from within the Rolls-Royce Holdings plc group (the Group) as demand recovers.

The Company continued to utilise, where possible, the government's Coronavirus Job Retention Scheme (CJRS) in efforts to balance the variance in demand, labour requirement and retaining skills within the business. Amounts received from the CJRS of £257,000 (2020: £2,022,000) are presented within other income.

The Company has net assets of £8,780,000 (2020: £9,458,000). The key driver in the reduction is the depreciation charged on property, plant and equipment, largely within the fixtures, fittings and equipment category as well as depreciation charged on right-of-use assets.

Key performance indicators

The key financial performance indicators monitored by the business were as follows:

	2021	2020
	£ 000	£ 000
Turnover	10,209	11,249
Loss before taxation	(1,178)	(4,337)

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

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

Principal risks and uncertainties

The Group has an established and structured approach to risk management which is detailed in the Rolls-Royce Holdings plc Annual Report which is publicly available from the address in note 23. The Company acts in accordance with this policy.

The Directors have determined that the principal risks and uncertainties facing the Company are as follows:

- Dual sourcing strategies with customers therefore reducing demand;
- Loss of volume products in key customers;
- Global demand reductions in response to COVID-19 (Aerospace and Industrial Gas Turbines IGT);
- Single source tooling and single points of failure; and
- Escalating inflation and energy costs across the UK and broader worldwide markets.

The Company aims to mitigate these risks as far as possible by the following measures:

- Ensuring we are a strategic part of customer dual sourcing plans;
- Working with customers to ensure we are providing them with the best possible casting yield products, so we are contributing to the value chain;
- Managing the cost base in line with demand reductions to remain competitive;
- Addressing single points of failure and key business risks through our risk management processes; and
- Continuing to work with the direct and indirect supply base to minimise the impact of escalating inflation and energy costs, and to source alternatives where appropriate.

Climate Change

The Directors have considered the potential impact of climate change when preparing the Financial Statements and whether climate change should be considered to be a principal risk to the Company. The Company operates as part of the Group, which recognises the urgency of the climate challenge and has committed to net zero carbon by 2050. The principal risk to meeting these commitments is the need to transition products and services to a lower carbon economy and will manage this risk in line with the Group's policies.

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.

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

Section 172(1) statement (continued)

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 employees, external suppliers and its shareholder, Rolls-Royce plc. The Directors of the Company work closely with Rolls-Royce plc with regular consultation through the technical development of the materials, processes and geometry envelope of turbine blade core technology. Engagement occurs primarily through formal meetings and management level review boards.

The Company also engages with suppliers through meetings whereby a wide range of performance and behavioural measures are discussed and considered. Following these supplier meetings, an output of the various tiered reviews within the organisation and with its stakeholders is shared with the Directors at board meetings with all actions or recommendations documented in board meeting minutes.

There is regular engagement with employees and the Company fully recognises the responsibilities to the health and safety of all its employees, visitors, contractors and of the community by adopting the health and safety policies of the Group. The Company engages employees when health and safety matters are considered, and new policies formulated.

As a Group company, the Company complies and acts in accordance with the Group's 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 23.

The 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.

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 8 July 2022 and signed on its behalf by:

DocuSigned by:

Jonathan Handford

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Jonathan Handford

Director

Ross Ceramics 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:

Simon Brailey (resigned 11 March 2021)
Jonathan Handford (appointed 11 March 2021)
Dan Parrott

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 £829,000 loss after taxation for the year (2020: £3,531,000). The net assets of the Company are £8,780,000 (2020: £9,458,000).

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

Future developments

The Directors are confident that the business strategy will continue to deliver results that meet expectations in the coming years. The Company is focused on deliveries to meet customer demand and core scrap reductions. The Company continues to have this as a primary focus and will continue to develop customer service and relationships, aiming to satisfy customer requirements as a clear set of business objectives through its business plan deployment process.

The Company remains a key supplier to the Group. The Directors expect that financial performance will gradually recover from the impact of COVID-19 in line with the pace of recovery in the Civil Aerospace sector of the Group.

Financial risk management

The Company has an established, structured approach to risk management. The following 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 which is mitigated by the Group managing the overall interest risk at group level.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The main customers of the Company are other subsidiary undertakings of the Group, who will be supported by Rolls-Royce plc if required, as set out in the going concern section below.

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

Going concern

The financial statements have been prepared on a going concern basis. The Company has net current assets of £352,000 (2020: £274,000). The Company has prepared cash flow forecasts to assess the Company's debt and cash position, including the ability to meet its day to day working capital requirements and settle the net intercompany liability position which is due to the parent undertaking, Rolls-Royce plc, and was £1,475,000 (2020: £610,000) at the year end. This net intercompany liability includes intercompany borrowings of £1,300,000 where the maturity date has been extended to 30 September 2022.

Due to this and the nature of the Company's trading with Group companies, the Company is reliant on Rolls-Royce plc for ongoing financial support.

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 financial statements on a going concern basis.

Post balance sheet events

On 30 June 2022, the Company extended its £1,300,000 loan facility due to Rolls-Royce plc. It is now due for repayment on 30 September 2022.

Employees

Employee engagement is a priority for the Group, of which the Company is a part. The Group approach is a mix of locally driven and Group-wide global engagement. The Group provides a variety of channels to communicate and engage employees and their representatives including employee newsletters, magazines, team briefings, and our digital communication channels. The Group also works closely with elected representative through well-established frameworks, including the European Works Council. Group incentive schemes and share programmes are available to the Company's employees.

Learning and technology sit at the core of the Group's culture. In May, the Group launched a new learning brand, Leatro. The Group has focussed on enabling learning in different ways and via different means; employees are now engaging with on-demand informal learning content far more than formal (face-to-face) learning. Group investment in learning during the year focussed on new online resources, content, and enhanced digital tools.

The Group maintained focus on creating an inclusive and more representative employee population. The Group has matured the diversity and inclusion strategy through four key pillars: leadership and governance; attracting and recruiting; retention; and development.

The Company gives full and fair consideration to all employment applications from people with disabilities. If an employee becomes disabled whilst working for the Company we take steps to support their continued working including, wherever possible, making adjustments to ways of working. All employees can take advantage of our learning programmes, often available online, and promotion opportunities are open to all employees regardless of any disabilities.

There are three incentive schemes for employees:

- The Ross Ceramics Incentive Scheme which is self-funded and based on the profitability of the Company. Payments are based on the achievement of specific performance targets, for example, financial improvements and scrap; and
- The Rolls-Royce All Employee Bonus Scheme and the Rolls-Royce Management Bonus Scheme which are two schemes managed by the Rolls-Royce Holdings plc Reward team. Any payments are based on a matrix of the overall Group performance and personal targets.

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

Independent auditors

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

Statement of Directors' Responsibilities in respect of the Financial Statements

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

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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 8 July 2022 and signed on its behalf by:

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Jonathan Handford
Director

Ross Ceramics Limited

Independent auditors' report to the members of Ross Ceramics Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ross Ceramics 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 and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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.

Ross Ceramics Limited

Independent auditors' report to the members of Ross Ceramics 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.

Ross Ceramics Limited

Independent auditors' report to the members of Ross Ceramics 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 Companies Act 2006, corporate tax legislation including income tax and VAT, employee tax legislation and Coronavirus Job Retention Scheme, 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 including the improper creation or inclusion of transactions in revenue and management bias in accounting estimates and judgements in 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;
- Testing a sample of journals posted during the financial year that meets risk based criteria, for example journals with unexpected account combinations;
- Auditing the risk of fraud in revenue recognition of improper creation or inclusion of transactions in revenue by testing a sample of journals posted during the financial year that meets the criteria of unusual credits to revenue; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to inventory provision.

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.

Ross Ceramics Limited

Independent auditors' report to the members of Ross Ceramics 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
8 July 2022

Ross Ceramics Limited
Income Statement
for the year ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	3	10,209	11,249
Cost of sales		<u>(10,575)</u>	<u>(14,834)</u>
Gross loss		(366)	(3,585)
Other income	4	257	2,022
Administrative expenses		<u>(981)</u>	<u>(2,478)</u>
Operating loss	4	(1,090)	(4,041)
Finance income	8	–	3
Finance costs	9	<u>(88)</u>	<u>(299)</u>
Loss before taxation		(1,178)	(4,337)
Taxation	10	<u>349</u>	<u>806</u>
Loss for the financial year		(829)	(3,531)

The above results were derived from continuing operations.

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

Ross Ceramics Limited
Statement of Comprehensive Income
for the year ended 31 December 2021

	2021 £000	2020 £000
Loss for the financial year	<u>(829)</u>	<u>(3,531)</u>
Total comprehensive expense for the year	<u>(829)</u>	<u>(3,531)</u>

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

Ross Ceramics Limited
Balance Sheet
as at 31 December 2021
(Registration number: 02220030)

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Property, plant and equipment	11	7,529	8,558
Right-of-use assets	12	2,049	2,218
Deferred tax assets	10	591	274
		10,169	11,050
Current assets			
Inventories	13	1,077	1,053
Trade and other receivables	14	1,621	2,047
Cash and cash equivalents		1,230	734
		3,928	3,834
Current liabilities			
Trade and other payables	15	(3,451)	(3,425)
Lease liabilities	16	(125)	(135)
		(3,576)	(3,560)
Net current assets		352	274
Total assets less current liabilities		10,521	11,324
Non-current liabilities			
Lease liabilities	16	(1,741)	(1,866)
Net assets		8,780	9,458
Equity			
Called up share capital	19	150	150
Other reserves		1,585	1,433
Retained earnings		7,045	7,875
Total equity		8,780	9,458

The Financial Statements on pages 12 to 32 were approved and authorised for issue by the Directors on 8 July 2022 and signed on its behalf by:

DocuSigned by:

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Jonathan Handford
Director

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

Ross Ceramics 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	150	1,433	7,875	9,458
Loss for the financial year	–	–	(829)	(829)
Total comprehensive expense	–	–	(829)	(829)
Share based payment transactions	–	151	–	151
At 31 December 2021	150	1,584	7,046	8,780

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	150	1,319	11,406	12,875
Loss for the financial year	–	–	(3,531)	(3,531)
Total comprehensive expense	–	–	(3,531)	(3,531)
Share based payment transactions	–	114	–	114
At 31 December 2020	150	1,433	7,875	9,458

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

Ross Ceramics 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. The address of the principal place of business is Derby Road, Denby, Ripley, DE5 8NX.

Principal activities

The principal activities of the Company are to support the technical development of the materials, processes and geometry envelope of turbine blade core technology to support the parent company, Rolls-Royce plc, in satisfying demand for its products for the aerospace and power generation industries.

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).

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.

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

2 Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements require the use of certain critical estimates. It also requires management to exercise its judgements 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 - Inventory valuation and provisioning

Inventory valuation assumptions are based on:

- costs of production contained within the inventory management system;
- the carrying value of inventory and its realisable value - the Directors review this on a periodic basis and make provisions against the carrying value of inventory where they consider the realisable value to be lower; and
- sales of finished goods - Where a finished item has not been sold within 6 months of manufacture with no visible order arising, this is provided for in full (See note 13).

In the year ended 31 December 2021, the inventory provision was £649,000 (2020: £740,000).

Critical accounting judgement - Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined pension scheme with other companies in the Group. In the Directors' judgement, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligations and plan assets and therefore the scheme is accounted for as a defined contribution scheme.

Going concern

The financial statements have been prepared on a going concern basis. The Company has net current assets of £352,000 (2020: £274,000). The Company has prepared cash flow forecasts to assess the Company's debt and cash position, including the ability to meet its day to day working capital requirements and settle the net intercompany liability position which is due to the parent undertaking, Rolls-Royce plc, and was £1,475,000 (2020: £610,000) at the year end. This net intercompany liability includes intercompany borrowings of £1,300,000 where the maturity date has been extended to 30 September 2022. Due to this and the nature of the Company's trading with Group companies, the Company is reliant on Rolls-Royce plc for ongoing financial support.

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 financial statements on a going concern basis.

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.

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

2 Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the goods supplied recognised at a point in time, stated net of value added taxes.

Revenue is recognised when control of manufactured ceramic cores, materials or tooling is transferred to a 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 (e.g. ceramic cores, materials or tooling); (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. Sales of goods in the Income Statement are recognised by the Company when control of the goods has been transferred, being when the customer takes possession of the goods and that all performance obligations have been fulfilled.

Government grants

Government grants received are recognised in the income statement so as to match them with the related expenses that they are intended to compensate. Grants related to income are presented as part of Other Income in the income statement.

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 Company at the rates prevailing on the reporting 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 differences arising on foreign exchange transactions and the retranslation of monetary items into functional currencies are included within net financing.

Taxation

The tax expense for the year 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.

Provision for taxation is made at the current rate and for deferred taxation at the projected rate on all timing differences which have originated, but not reversed at the Balance Sheet date.

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

2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of tangible assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings - over 50 years

Long leasehold buildings - over the shorter of the remaining lease term and 50 years

Furniture, fittings and equipment - 2 to 15 years

Assets under construction - not depreciated

No depreciation is provided on freehold land.

Property, plant and equipment are assessed for any indications of impairment annually. If any indication of impairment is identified, an impairment test is performed to estimate the recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amounts.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as a gain or loss within administrative expenses in the Income Statement.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, including depreciation of property, plant and equipment, that have been incurred in bringing the inventory to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs of completion.

A full provision is recognised against any raw materials not used within a 12-month period and any work in progress is fully provided for if not used within a 2-month period. If a finished item has not been sold within 6 months of manufacture with no visible order arising, this is also fully provided for.

Financial assets and liabilities

Classification

All recognised financial assets that are within the scope of IFRS 9 *Financial Instruments* 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

In relation to the 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 liabilities

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

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

2 Significant accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers and group undertakings for goods sold in the ordinary course of business and are classified as financial assets and are subject to IFRS 9 expected credit loss model. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

When assessing impairment of trade and other receivables, the Directors consider factors including the credit rating of the receivable and 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand that is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

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.

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

2 Significant accounting policies (continued)

Defined benefit pension obligation

The Company participates in a Group-wide defined benefit pension scheme (Rolls-Royce plc are the sponsoring company) providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 *Employee Benefits*, accounts for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

Further disclosure relating to the scheme is given in the Consolidated Financial Statements of Rolls-Royce Holdings plc, which are available from the address given in note 23.

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.

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

3 Revenue

The analysis of the Company's other gains and losses for the year is as follows:

	2021 £ 000	2020 £ 000
Sale of goods	10,209	11,249

A geographical analysis of revenue is presented as follows:

	2021 £ 000	2020 £ 000
United Kingdom	7,263	7,706
Rest of Europe	1,919	2,309
North America	66	589
Rest of World	961	645
	<u>10,209</u>	<u>11,249</u>

4 Operating loss

Arrived at after crediting/(charging)

	2021 £ 000	2020 £ 000
Income from government grants	257	2,022
Depreciation on property, plant and equipment ¹	(1,043)	(993)
Impairment of inventory to net realisable value reversal/(charge) ¹	91	(370)
Restructuring ²	–	(1,365)
Inventory recognised as an expense ¹	(7,062)	(9,514)
Impairment of trade receivables ²	(10)	(5)
Depreciation on right-of-use assets ²	(169)	(179)

¹ Recognised in cost of sales.

² Recognised in administrative expenses.

On 20 March 2020, the UK Government announced the Coronavirus Job Retention Scheme (CJRS) to provide support for employers to enable them to continue paying part of their employees' salaries. The Company claimed under this CJRS for the period March 2020 to September 2021 and this is shown within income from government grants.

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

5 Staff costs

The aggregate payroll costs were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	5,189	7,556
Social security costs	468	656
Other pension costs	429	690
Share-based payments	152	114
	<u>6,238</u>	<u>9,016</u>

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

	2021 No.	2020 No.
Salaried staff	39	50
Weekly paid	156	238
	<u>195</u>	<u>288</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 £91,000 (2020: £61,000) and is borne by the parent company and not recharged to Ross Ceramics Limited.

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

8 Finance income

	2021 £ 000	2020 £ 000
Interest receivable	–	3

9 Finance costs

	2021 £ 000	2020 £ 000
Foreign exchange loss	29	236
Interest on lease liability (Note 16)	59	63
	<u>88</u>	<u>299</u>

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

10 Taxation

Tax (credited)/charged in the income statement:

	2021 £ 000	2020 £ 000
Current tax		
UK corporation tax	(20)	(640)
Group relief	(12)	-
Total current tax (credit)/charge	<u>(32)</u>	<u>(640)</u>
Deferred taxation – origination and reversal of timing differences		
In respect of the year	(221)	(159)
In respect of prior years	(9)	6
In respect of an increase in the tax rate	<u>(87)</u>	<u>(13)</u>
Total deferred taxation	<u>(317)</u>	<u>(166)</u>
Tax credit in the income statement	<u>(349)</u>	<u>(806)</u>

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

	2021 £ 000	2020 £ 000
Loss before tax	<u>(1,178)</u>	<u>(4,337)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%).	(224)	(824)
Effects of:		
Expenses not deductible	38	25
Adjustments in respect of prior years	(23)	6
Tax rate differential on temporary differences	(53)	-
Impact of change in tax rate	<u>(87)</u>	<u>(13)</u>
Total tax credit	<u>(349)</u>	<u>(806)</u>

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

10 Taxation (continued)

Deferred tax asset

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	274	311	-	585
Other temporary differences	-	6	-	6
Net tax assets	<u>274</u>	<u>317</u>	<u>-</u>	<u>591</u>

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 years.

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	104	170	-	274
Share-based payment	4	(4)	-	-
Net tax assets	<u>108</u>	<u>166</u>	<u>-</u>	<u>274</u>

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

11 Property, plant and equipment

	Freehold land and buildings £ 000	Long leasehold buildings £ 000	Fixtures, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost					
At 1 January 2021	570	84	19,026	40	19,720
Additions	–	–	–	13	13
Transfers	–	–	40	(40)	–
At 31 December 2021	570	84	19,066	13	19,733
Accumulated depreciation					
At 1 January 2021	273	69	10,820	–	11,162
Charge for the year	9	1	1,032	–	1,042
At 31 December 2021	282	70	11,852	–	12,204
Carrying amount					
At 31 December 2021	288	14	7,214	13	7,529
At 31 December 2020	297	15	8,206	40	8,558

The cost of non-depreciable land included above is £102,286 (2020: £102,286).

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

12 Right-of-use assets

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost			
At 1 January 2021	2,426	53	2,479
Disposals	–	(52)	(52)
At 31 December 2021	2,426	1	2,427
Accumulated depreciation			
At 1 January 2021	220	41	261
Charge for the year	158	11	169
Disposals	–	(52)	(52)
At 31 December 2021	378	–	378
Carrying amount			
At 31 December 2021	2,048	1	2,049
At 31 December 2020	2,206	12	2,218

13 Inventories

	2021 £ 000	2020 £ 000
Raw materials and consumables	383	433
Work in progress	346	138
Finished goods and goods for resale	348	482
	1,077	1,053

There is no significant difference between replacement cost of work in progress and finished goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £649,000 (2020: £740,000).

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

14 Trade and other receivables

	2021 £ 000	2020 £ 000
Trade receivables	106	146
Amounts due from group undertakings	1,261	1,030
Amounts due from group undertakings on group relief	33	640
Amounts due from related parties	131	8
Prepayments and accrued income	90	223
	<u>1,621</u>	<u>2,047</u>

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

Trade receivables are stated after provisions for impairment of £25,000 (2020: £15,000). No provision (2020: nil) has been recognised for expected credit losses on amounts due from group undertakings.

15 Trade and other payables

Amounts due within one year:

	2021 £ 000	2020 £ 000
Trade payables	200	244
Amounts due to group undertakings	2,736	1,640
Social security and other taxes	263	660
Accrued expenses and deferred income	252	881
	<u>3,451</u>	<u>3,425</u>

Amounts owed to group undertakings include a £1,300,000 (2020: £1,300,000) interest free loan from Rolls-Royce plc. The loan maturity date was extended during the financial period from 31 December 2021 to 30 June 2022. The remaining amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

In 2020, the Company participated in the UK Government's Deferred VAT scheme as a result of the COVID-19 pandemic. This scheme extended the deadline for VAT payments due between 20 March 2020 and 30 June 2020 and deferred these to be repayable in equal consecutive monthly instalments from March 2021. The Company repaid all amounts due in March 2021, therefore the amount deferred at the balance sheet date was £nil (2020: £466,000).

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

16 Lease liabilities

	2021 £ 000	2020 £ 000
Non-current		
Lease liabilities	1,741	1,866
Current		
Lease liabilities	125	135
Depreciation of right-of-use assets	169	179
Interest expense	59	63
Future minimum lease payments on leases at 31 December:		
Within one year	181	194
In one to two years	181	181
In two to five years	542	542
After five years	1,342	1,522
Total gross payments	2,246	2,439
Impact of finance expense	(380)	(438)
Carrying amount of liability	1,866	2,001

The total cash outflow for leases was £194,000 (2020: £202,000). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2021 was 3.05% (2020: 3.04%).

17 Post-retirement benefits

The Company is a participating employer in the Rolls-Royce UK Pension Fund which is a multi-employer defined benefit scheme. The assets of the scheme are held in a separate fund administered by trustees and invested independently of the finances of the Group. The scheme is funded by annual contributions from the Company and scheme members.

As at 31 December 2021 the Rolls-Royce UK Pension Fund is £1,118,000,000 in surplus (2020: £883,000,000 surplus).

In accordance with IAS 19 *Employee Benefits*, the net defined benefit cost is recognised in the Financial Statements of Rolls-Royce plc, the Group entity that is legally the sponsoring employer for the plan. On 31 December 2020, the scheme was closed to future accrual. The Company has recognised no cost (2020: £671,000) representing its contributions paid to the Group for the year.

The IAS 19 disclosure relating to the schemes is given in the Consolidated Financial Statements of Rolls-Royce Holdings plc, which are publicly available from the address in note 23.

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

18 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2021 were £152,000 (2020: £114,000).

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).

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

Grant - vest	Expiry date (31 January)	Exercise price in pence per share option	ShareSave share options	
			2021	2020
2015 – 2021	2021	212	–	42,695
2017 – 2021	2021	260	–	30,567
2017 – 2023	2023	260	15,422	39,027
2019 – 2023	2023	232	31,324	90,092
2019 – 2025	2025	232	27,792	74,351
2021 – 2025	2025	97	571,535	–
			646,073	276,732

The weighted average remaining contractual life for the cash-settled options at 31 December 2021 was 2.9 years (2020: 3.2 years).

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

19 Called-up share capital

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	150	150	150	150

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.

21 Commitments**Capital commitments**

The total amount contracted for but not provided in the Financial Statements was £46,000 (2020: £7,000).

22 Related party transactions

Related party undertakings are joint ventures and joint operations of the Rolls-Royce Holdings plc group. Xian XR Aero Components Co. Limited is a 49% owned joint venture within the Rolls-Royce Holdings plc group. The following transactions occurred between this joint venture and the Company:

Income and receivables from related parties

	Joint ventures	
	2021	2020
	£ 000	£ 000
Sale of goods	388	278
Amounts due from related parties	131	8

Ross Ceramics Limited

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

23 Parent and ultimate parent undertaking

The Company's immediate parent is Vinters Engineering Limited.

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.

24 Post balance sheet events

On 30 June 2022, the Company extended its £1,300,000 loan facility due to Rolls-Royce plc. It is now due for repayment on 30 September 2022.