

Registration number: 02220030

Ross Ceramics Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023

Ross Ceramics Limited
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Ross Ceramics Limited

Company Information

Directors	Jonathan Handford Ben Kirby
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Registration number	02220030
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Embankment Place London WC2N 6RH

Ross Ceramics Limited

Strategic Report for the year ended 31 December 2023

The Directors present their Strategic Report on Ross Ceramics Limited (the Company) together with the Directors' Report and the audited Financial Statements for the year ended 31 December 2023.

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 financial position of the Company at 31 December 2023 is shown in the Statement of Financial Position on page 13, with the results shown in the Income Statement on page 11.

Revenue increased to £16,512,000 (2022: £11,525,000) due to improvements in both pricing and volumes during the year. The Company conducted a detailed pricing review during 2022 with resulting price increase being delivered through 2023. This has led to a gross margin increasing to 7% in 2023 (2022: -13%) despite increases in staff costs and utility costs. The increase in revenue has driven the increase in its profit before taxation significantly to £130,000 (2022: -£2,293,000).

Subsequent to the year end, the Directors have agreed to a proposal to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc. The transfer is expected to occur within 12 months of the date of approval of these financial statements after which there will be no active trade within the Company. Following this, the Directors intend to liquidate the company and therefore the accounts have been presented on a basis other than going concern. As a result of this transfer, the Directors expect to realise the value of all assets and to settle all liabilities within 12 months of the statement of financial position date and have therefore presented these balances as current resulting in an increase of total current assets to £15,313,000 (2022: 4,580,000). The Company has net inventory of £2,476,000 (2022: £890,000). The increase in net inventory is due to the increased cost of manufacture and increases in quantities due to higher sales taken place.

Key performance indicators

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

	2023	2022
	£ 000	£ 000
Turnover	16,512	11,525
Profit/loss before taxation	130	(2,293)

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 2023 (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 24. The Company acts in accordance with this policy to manage and mitigate the risks identified below.

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

- Dual sourcing strategies with customers materially changes demand;
- Loss of volume products to key customers;
- 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 appropriately as demand changes 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 the Company 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 2023 (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 Company works 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 24.

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 2023.

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 32 to 42. 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 and signed on its behalf on 26 September 2024 by:

Signed by:

.....D6999791B4054FF...
Jonathan Handford
Director

Ross Ceramics Limited

Directors' Report for the year ended 31 December 2023

The Directors present their Directors' Report on the company together with the Strategic Report and audited Financial Statements for the year ended 31 December 2023.

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:

Jonathan Handford
Ben Kirby

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 loss after taxation for the year ended 31 December 2023 amounted to £120,000 (2022: -£1,819,000).

The Directors do not recommend the payment of a dividend (2022: £nil).

Future developments

It is the intention of the Directors to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc. The transfer is expected to occur within 12 months of the date of approval of these financial statements after which there will be no active trade within the Company. The Directors intend to liquidate the Company in future.

Financial risk management

The following financial risks are considered key by the Directors:

Credit risk

The Company's credit risk is primarily attributable to its cash at bank and trade receivables. The amounts presented in the Statement of Financial Position are net of impairment of trade receivables.

The Company operates under the Group's credit policy. The objective of the policy is to diversify and minimise the Company's exposure of cash at bank to credit risk by ensuring transactions are with counterparties with 'BBB' or higher rated financial institutions.

The main customers of the Company are other subsidiary undertakings of the Group and as a result the overall credit risk to the Company is deemed to be low. At the statement of financial position date, there were no significant concentrations of credit risk to any other than fellow group members.

Going concern

The Financial Statements have been prepared on a basis other than going concern as it is the intention of the Directors to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc and to liquidate the company in future. The transfer is expected to occur within 12 months of the date of approval of these financial statements after which there will be no active trade within the Company.

After considering the above, the Directors consider it appropriate to prepare the Company's Financial Statements on a basis other than going concern.

The sales price for the assets and liabilities associated with the trade of the Ross Ceramics business is expected to exceed their carrying value at the statement of financial position date. Based on this, there is not expected to be any adjustments required to the carrying value of the assets and liabilities in the Financial Statements. The relevant changes have been made to the financial statements as a result of the change in basis by reclassifying non-current assets as other current assets.

Ross Ceramics Limited

Directors' Report for the year ended 31 December 2023 (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.

Post balance sheet events

The company has committed to a project to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc. The transfer is expected to occur during the second half of 2024.

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 and signed on its behalf on 26 September 2024 by:

Signed by:

.....D6999791B4054FF...
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 2023 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, including 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 Statement of Financial Position as at 31 December 2023; 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, comprising material accounting policy information and other explanatory information.

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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note two to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

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 2023 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 civil aerospace, UK employment and data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation legislation. 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 improper recognition of revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Reviewing minutes of meeting of those charged with governance
- Testing a sample of journals posted during the financial year that met risk based criteria, for example journals with unexpected account combinations;
- 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; and
- Assessment of the whistleblowing facility to which the company is part and the matters reported through that facility.

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.

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.

Ross Ceramics Limited

Independent Auditors' Report to the members of Ross Ceramics Limited

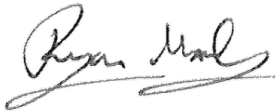
Other required reporting

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.



Ryan Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 September 2024

Ross Ceramics Limited

Income Statement for the year ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	3	16,512	11,525
Cost of sales		<u>(15,351)</u>	<u>(13,043)</u>
Gross profit/loss		1,161	(1,518)
Other income		–	252
Administrative expenses		<u>(1,056)</u>	<u>(977)</u>
Operating profit/loss	4	105	(2,243)
Finance income	8	76	20
Finance costs	9	<u>(51)</u>	<u>(70)</u>
Profit/loss before taxation		130	(2,293)
Tax on profit/loss	10	<u>(250)</u>	<u>474</u>
Loss for the financial year		<u>(120)</u>	<u>(1,819)</u>

The above results were derived from continuing operations.

The notes on pages 15 to 32 form an integral part of these Financial Statements.

Ross Ceramics Limited

Statement of Comprehensive Income
for the year ended 31 December 2023

	2023 £000	2022 £000
Loss for the financial year	<u>(120)</u>	<u>(1,819)</u>
Total comprehensive expense for the year	<u>(120)</u>	<u>(1,819)</u>

The notes on pages 15 to 32 form an integral part of these Financial Statements.

Ross Ceramics Limited

Statement of Financial Position as at 31 December 2023 (Registration number: 02220030)

	Note	2023 £ 000	2022 £ 000
Non-current assets			
Property, plant and equipment	11	–	6,138
Right-of-use assets	12	–	1,891
Deferred tax assets	10	–	921
		<u>–</u>	<u>8,950</u>
Current assets			
Inventories	13	2,476	890
Trade and other receivables	14	3,666	2,498
Cash and cash equivalents		834	1,192
Other current assets	15	8,337	–
		<u>15,313</u>	<u>4,580</u>
Current liabilities			
Lease liabilities	16	(1,611)	(129)
Trade and other payables	17	(6,655)	(4,002)
		<u>(8,266)</u>	<u>(4,131)</u>
Net current assets		<u>7,047</u>	<u>449</u>
Total assets less current liabilities		<u>7,047</u>	<u>9,399</u>
Non-current liabilities			
Lease liabilities	16	–	(1,612)
Trade and other payables	17	–	(700)
		<u>–</u>	<u>(2,312)</u>
Net assets		<u>7,047</u>	<u>7,087</u>
Equity			
Called up share capital	20	150	150
Other reserves		1,790	1,710
Retained earnings		5,107	5,227
Total equity		<u>7,047</u>	<u>7,087</u>

The Financial Statements were approved and authorised for issue by the Directors and signed on its behalf on 26 September 2024 by:

Signed by:

 D6999791B4054FF...
 Jonathan Handford
 Director

The notes on pages 15 to 32 form an integral part of these Financial Statements.

Ross Ceramics Limited

Statement of Changes in Equity for the year ended 31 December 2023

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2023	150	1,710	5,227	7,087
Loss for the financial year	–	–	(120)	(120)
Total comprehensive expense	–	–	(120)	(120)
Transactions with owners in their capacity as owners				
Share-based payments - direct to equity	–	80	–	80
At 31 December 2023	150	1,790	5,107	7,047

	Called up share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 January 2022	150	1,584	7,046	8,780
Loss for the financial year	–	–	(1,819)	(1,819)
Total comprehensive expense	–	–	(1,819)	(1,819)
Transactions with owners in their capacity as owners				
Share-based payments - direct to equity	–	126	–	126
At 31 December 2022	150	1,710	5,227	7,087

The notes on pages 15 to 32 form an integral part of these Financial Statements.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023

1 General information

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

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.

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.

2 Material accounting policies

The material accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements. These accounting policies have been applied consistently throughout the year under audit and have been updated for any additional policies needed to reflect the non-going concern basis if relevant.

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 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 16, *Leases*: Exemption from the requirements of the second sentence of paragraph 89, and paragraphs 90, 91 and 93, is available when IFRS 16 applies;
- IFRS 7, *Financial Instruments: Disclosures*; and
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation).

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Material 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 2023 that have a material impact on the Company's Financial Statements.

Going concern

The Financial Statements have been prepared on a basis other than going concern as it is the intention of the Directors to cease trading within 12 months of the date of approval of these Financial Statements and to liquidate the company in future. Following the statement of financial position date, the Directors have agreed a proposal to transfer the entire trade and assets of Ross Ceramics Limited to Rolls-Royce plc, another Group entity, leaving no active trade within the entity. After which, the Directors intend to liquidate the Company. The comparative financial statements continue to be prepared on a going concern basis.

After considering the above, the Directors consider it appropriate to prepare the Company's Financial Statements on a basis other than going concern.

The sales price for the assets and liabilities associated with the trade of the Ross Ceramics business is expected to exceed their carrying value at the statement of financial position date. Based on this, there is not expected to be any adjustments required to the carrying value of the assets and liabilities in the Financial Statements. The relevant changes have been made to the financial statements as a result of the change in basis by reclassifying non-current assets as other current assets.

Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgement - Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit 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.

Critical accounting judgement – Assets held for sale

An entity classifies a non-current asset (or disposal group) as held for sale in its present condition if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification is expected to assist users in assessing for timing, amount and uncertainty of future cash flow. For this to be the case:

- the assets (or disposal group) must be available for immediate sale and
- its sale must be highly probable

While after 31 December 2023, the Company committed to sell its trade and assets to a fellow group entity, the Directors judge that at year-end the above criteria was not met. This is on the basis that the decision to sell the trade and assets was not yet made and the detailed planning on the feasibility of steps to transfer the business had yet to occur. Therefore, the Company's asset did not meet the definition as a disposal group held for sale at year-end.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Material accounting policies (continued)

Foreign currency transactions and balances

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

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 period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences arising on translation are recorded in net financing in the Income Statement.

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 performance obligations have been satisfied and for the Company this is when the 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.

Finance income and costs

Interest receivable/payable is credited/charged to the Income Statement using the effective interest method.

Income tax expense

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.

Ross Ceramics Limited

Notes to the Financial Statements
for the year ended 31 December 2023 (continued)

2 Material accounting policies (continued)

Property, plant and equipment

Property, plant and equipment assets are stated at cost less accumulated depreciation and any provision for impairment in value.

Depreciation

Land is not depreciated. Depreciation on other assets is provided on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment and right-of-use assets over their estimated useful lives.

Asset class

Freehold property

Long term leasehold property

Furniture, fittings and equipment

Assets under construction are not depreciated.

Depreciation method and rate

50 years

Over the shorter of the period of the lease and 50 years

2 to 15 years

Impairment of non-financial assets

Impairment of non-current assets is considered in accordance with IAS 36 *Impairment of Assets*. 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. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the cash-generating unit to which the asset belongs.

Inventories

Inventory and work in progress 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 and costs to be incurred in marketing, selling and distribution.

A full provision is recognised against any raw materials not used within a 12-month period.

For any work in progress stocks, provisions are recognised based on the days of WIP inventory (unless better known information is available to support overwriting standard assumptions).

25% of provision recognised against any work in progress stocks of over 60 days but less than 300 days.

75% of provision is recognised against any work in progress stocks of over 300 days but less than 365 days.

A full provision is recognised against any work in progress stocks of over 365 days.

If a finished item has no visible order arising, this is also fully provided for.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Material accounting policies (continued)

Financial assets and liabilities

Financial assets

Financial assets primarily include trade receivables, intercompany receivables and cash and cash equivalents (comprising cash at bank). These financial assets are calculated as follows:

- Trade receivables and intercompany receivables are classified as held to collect and measured at amortised cost; and
- Cash and cash equivalents are subject to low market risk. Cash balances are measured at amortised cost.

Financial liabilities

Financial liabilities primarily consist of trade payables, lease liabilities and intercompany loan payables and are classified and measured at amortised cost.

Borrowings are initially recorded at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Impairment

IFRS 9 *Financial Instruments* sets out the basis for the accounting of expected credit losses (ECLs) on financial assets and contract assets resulting from transactions within the scope of IFRS 15. The Company has adopted the simplified approach to provide for ECLs, measuring the lifetime loss allowance at a probability weighted amount that considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions of customers. These are incorporated in the simplified model adopted by using credit ratings which are publicly available or through internal risk assessments derived using customer's latest available financial information. 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 ECLs are updated at each reporting date to reflect changes in credit risk since initial recognition. ECLs are calculated for all financial assets in scope, regardless of whether or not they are overdue.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

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.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

2 Material accounting policies (continued)

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 IFRS 16 *Leases* 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.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Defined benefit pension obligation

The Company participates in a Group-wide pension scheme 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. The scheme closed to future accrual on 31 December 2020 and as such, no further contributions are expected.

Further disclosure relating to the scheme is given in the consolidated Financial Statements of Rolls-Royce Holdings plc, which can be obtained from the address in note 24 of these Financial Statements.

Ross Ceramics Limited**Notes to the Financial Statements
for the year ended 31 December 2023 (continued)****2 Material 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 a market-based performance condition in the long-term incentive 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 Monte Carlo model; and
- ii) Long term incentive Plan - using a pricing model adjusted to reflect non-entitlement to dividends (or equivalent) and market-based performance conditions if applicable.

Called up 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.

Rounding of amounts

All amounts in the Financial Statements have been rounded to the nearest thousand Pound Sterling unless otherwise stated.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

3 Revenue

A geographical analysis of revenue is presented as follows:

	2023 £ 000	2022 £ 000
United Kingdom	11,800	7,577
Rest of Europe	3,436	2,992
North America	21	62
Rest of World	1,255	894
	<u>16,512</u>	<u>11,525</u>

All revenue is generated from the sale of goods.

4 Operating profit/loss

Arrived at after crediting/(charging):

	2023 £ 000	2022 £ 000
Income from government grants	–	252
Depreciation charge on property, plant and equipment ¹	(687)	(1,009)
Impairment charge on property, plant and equipment ¹	(90)	(456)
Reversal of impairment of inventory to net realisable value ¹	70	(66)
Inventory recognised as an expense ¹	(7,319)	(8,754)
Impairment losses on trade receivables ²	(55)	–
Depreciation charge on right-of-use assets ²	(158)	(158)
	<u> </u>	<u> </u>

¹ Recognised in cost of sales.

² Recognised in administrative expenses.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

5 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2023 £ 000	2022 £ 000
Wages and salaries	6,144	5,738
Social security costs	554	566
Share-based payment expenses	80	126
Other pension costs	488	459
	<u>7,266</u>	<u>6,889</u>

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

	2023 No.	2022 No.
Administrative staff	31	35
Operational staff	153	148
	<u>184</u>	<u>183</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 year for the service of Directors.

7 Auditors' remuneration

The fee for the audit of the Company Financial Statements for the year ended 31 December 2023 were £117,000 (2022: £104,000) and were paid by Rolls-Royce plc and not recharged.

No (2022: no) amounts were paid to the Company's auditors for non-audit services.

8 Finance income

	2023 £ 000	2022 £ 000
Foreign exchange gain	10	–
Other interest receivable	66	20
	<u>76</u>	<u>20</u>

9 Finance costs

	2023 £ 000	2022 £ 000
Foreign exchange loss	–	15
Interest charge on lease liabilities (Note 16)	51	55
	<u>51</u>	<u>70</u>

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

10 Income tax expense

Tax credited in the Income Statement:

	2023 £ 000	2022 £ 000
Current tax		
Group relief receivable at 23.5% (2022: 19%)	–	(157)
Adjustments in respect of prior years	(7)	13
Total current tax credit	(7)	(144)
Deferred taxation		
Adjustments in respect of current year	275	(318)
Adjustments in respect of an increase in the tax rate	–	–
Adjustments in respect of prior years	(18)	(12)
Total deferred taxation	257	(330)
Tax charge/(credit) in the income statement	250	(474)

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 23.5% (2022: 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit/(loss) before taxation	130	(2,293)
Corporation tax at standard rate of 23.5% (2022: 19%).	31	(436)
Expenses not deductible for tax	27	37
Adjustments in respect of prior years	(25)	1
Group relief surrendered but not paid for	201	–
Tax rate differential on temporary differences	16	(76)
Adjustments in respect of an increase in the tax rate	–	–
Total tax charge/(credit)	250	(474)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Income taxes in the income statement are measured at 23.5% (blended average) and deferred taxes at the statement of financial position date are measured at 25%.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

10 Income tax expense (continued)

The entity is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which the entity is incorporated, and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the entity has no related current tax exposure. The entity applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Deferred tax asset

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	Reclassified to other current assets £ 000	At 31 December 2023 £ 000	Recognised as DTA £ 000
Accelerated capital allowances	921	(257)	–	(664)	–	–
Pensions	–	–	–	–	–	–
	–	–	–	–	–	–
Net tax assets	921	(257)	–	(664)	–	–

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 December 2022 £ 000	Recognised as DTA £ 000
Accelerated capital allowances	585	336	–	921	921
Pensions	6	(6)	–	–	–
Net tax assets	591	330	–	921	921

The deferred tax asset has been recognised on the basis that the Company has previously received payment for losses surrendered in group relief.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

11 Property, plant and equipment

	Freehold land and buildings £ 000	Long leasehold buildings £ 000	Fixtures, fittings and equipment £ 000	In course of construction £ 000	Total £ 000
Cost					
At 1 January 2023	570	84	19,066	87	19,807
Additions	–	–	–	579	579
Disposal/write offs	–	–	(2,302)	–	(2,302)
Reclassified to other current assets		(84)	(16,764)		(18,084)
	(570)			(666)	4)
At 31 December 2023	–	–	–	–	–
Accumulated depreciation					
At 1 January 2023	290	71	13,308	–	13,669
Charge for the year	9	1	677	–	687
Disposal/write offs	–	–	(2,302)	–	(2,302)
Impairment	–	–	90	–	90
Reclassified to other current assets	(299)	(72)	(11,773)	–	(12,144)
At 31 December 2023	–	–	–	–	–
Carrying amount					
At 31 December 2023	–	–	–	–	–
At 31 December 2022	280	13	5,758	87	6,138

At 31 December 2023, the Company was committed to capital expenditure of £nil (2022: £nil).

In accordance with the requirements of IAS 36 *Impairment of Assets*, the carrying value of the non-current assets have been assessed by reference to value in use. Value in use has been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions.

An impairment of £90,000 was recorded in relation to equipment that is no longer expected to be utilised and that has minimal on-sale value. The remaining carrying value of the asset is £nil.

The Directors have considered the recoverability of property, plant and equipment by reference to the agreed sales price of the Company's business which exceeds the carrying value. Therefore, there is no indicator of impairment.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

12 Right-of-use assets

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost			
At 1 January 2023	2,426	1	2,427
Reclassified to other current assets	(2,426)	(1)	(2,427)
At 31 December 2023	–	–	–
Accumulated depreciation			
At 1 January 2023	536	–	536
Charge for the year	158	–	158
Reclassified to other current assets	(694)	–	(694)
At 31 December 2023	–	–	–
Carrying amount			
At 31 December 2023	–	–	–
At 31 December 2022	1,890	1	1,891

Depreciation of £158,000 (2022: £158,000) is included in cost of sales in the income statement.

13 Inventories

	2023 £ 000	2022 £ 000
Raw materials and consumables	780	186
Work in progress	889	519
Finished goods for resale	807	185
	<u>2,476</u>	<u>890</u>

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

Changes in finished goods, consumables and work in progress recognised as cost of sales in the year amounted to £7,319,000 (2022: £8,754,000).

Inventories are stated after provisions for impairment of £645,000 (2022: £715,000).

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

14 Trade and other receivables

	2023 £ 000	2022 £ 000
Trade receivables	523	251
Amounts due from group undertakings	2,629	1,774
Amounts due from group undertakings on group relief	–	157
Amounts due from related parties	182	261
Prepayments and accrued income	62	55
Social security and other taxes	270	–
	<u>3,666</u>	<u>2,498</u>

Trade receivables of £nil (2022: £nil) fall due after more than one year.

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 £80,000 (2022: £25,000). Amounts due from group undertakings are stated after provisions for impairment of £nil (2022: £nil) for expected credit losses in accordance with IFRS 9.

15. Other current assets

	Note	2023 £ 000	2022 £ 000
Property, plant and equipment ¹	11	5,940	–
Right-of-use assets ¹	12	1,733	–
Deferred tax assets ¹	10	664	–
		<u>8,337</u>	<u>–</u>

- Other current assets include property, plant and equipment, right-of-use assets and deferred tax assets. The Financial statements have been prepared on a basis over than going concern as during the year, the Directors have agreed to a proposal to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc. The transfer is expected to occur within 12 months of the date of approval of these financial statements after which there will be no active trade within the Company. As a result of this transfer, the Directors expect to realise the value of all assets and to settle all liabilities within 12 months of the statement of financial position date and intends to liquidate the company in future. Therefore, these balances are presented as current.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

16 Leases

The Company has lease contracts for various offices, warehouses, equipment and tools which are used in their operations. The amounts recognised in the Financial Statements in relation to the leases are as follows:

Amounts recognised in the Statement of Financial Position

The statement of financial position shows the following amounts relating to leases:

	31 December 2023 £ 000	31 December 2022 £ 000
Right-of-use assets		
Land and buildings	1,732	1,890
Plant and machinery	1	1
	<u>1,733</u>	<u>1,891</u>
Lease liabilities		
Current lease liabilities	1,611	129
Non-current lease liabilities	–	1,612
	<u>1,611</u>	<u>1,741</u>

	2023 £ 000	2022 £ 000
Future minimum lease payments on leases at 31 December:		
Within one year	181	181
In one to five years	723	723
After five years	980	1,161
Total gross payments	1,884	2,065
Impact of finance expense	(273)	(324)
Carrying amount of liability	<u>1,611</u>	<u>1,741</u>

The total cash outflow for leases was £181,000 (2022: £181,000). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 31-December 2023 was 3.05% (2022: 3.05%).

Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2023 £ 000	2022 £ 000
Depreciation charge on right-of-use assets – land and buildings	158	158
Interest expense	51	55
	<u>209</u>	<u>213</u>

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

17 Trade and other payables

Current:

	2023 £ 000	2022 £ 000
Trade payables	482	285
Accruals and deferred income	778	338
Amounts due to group undertakings	5,239	3,338
Social security and other taxes	156	41
	<u>6,655</u>	<u>4,002</u>

Non-current:

	2023 £ 000	2022 £ 000
Amounts due to group undertakings	<u>–</u>	<u>700</u>

Amounts due to group undertakings include a £700,050 (2022: £1,000,000) interest free loan from Rolls-Royce plc. The loan matures on 31 December 2024. The remaining amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

18 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 2023 the Rolls-Royce UK Pension Fund is £767,000,000 in surplus (2022: £594,000,000).

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 (2022: £nil) 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 24.

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

19 Share-based payments

Share-based payment charges incurred by the Company in the year to 31 December 2023 were £80,000 (2022: £126,000).

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 159p (2022: 95p) is representative of the weighted average share price at the date of exercise. The closing price at 31 December 2023 was 300p (2022: 93p). There were no exercisable options as at 31 December 2023 (2022: 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	
			2023	2022
2017 – 2023	2023	260		13,600
2019 – 2023	2023	232		24,676
2019 - 2025	2025	232	22,413	24,400
2021 - 2025	2025	97	488,970	513,684
			511,383	576,360

The weighted average remaining contractual life for the cash-settled options at 31 December 2023 was 1.09 years (2022: 2.0 years).

Ross Ceramics Limited

Notes to the Financial Statements for the year ended 31 December 2023 (continued)

20 Called up share capital

Allotted and fully paid

	2023		2022	
	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.

21 Contingent liabilities

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, customers' financiers and the Group's current and former investors, including certain potential claims in respect of the Group's historical ethics and compliance disclosures which have been notified to the Group. 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 consequence.

22 Related party transactions

Sales to another Rolls-Royce Holdings plc group joint venture, Xian XR Aero Components Co. Limited, in the year were £834,000 (2022: £786,000) and purchases in the year were £nil (2022: £nil). Amounts due from related parties at the 31 December 2023 were £182,000 (2022: £133,000). Amounts due to related parties at the 31 December 2023 were £nil (2022: £nil).

23 Post balance sheet events

The company has committed to a project to transfer the trade and assets of the Company to another Group company, Rolls-Royce plc. The transfer is expected to occur during the second half of 2024.

24 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.