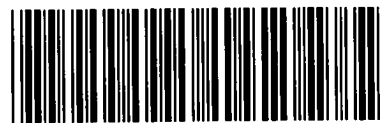


Registration number: 00158230

# Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Annual report and Financial Statements  
for the Year Ended 31 December 2019

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## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

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## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Company Information**

<b>Registered office</b>	Moor Lane Derby Derbyshire DE24 8BJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Directors' Report for the Year Ended 31 December 2019**

The Directors present their report for Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited (the 'Company') and the audited financial statements for the year ended 31 December 2019.

#### **Principal activities**

The principal activities of the Company is as a holding entity for certain remaining assets and liabilities relating to the legacy Rolls-Royce Holdings plc group Energy business, which was disposed of in December 2014 and is in the process of winding down.

The Company has branches in Azerbaijan, Indonesia, Israel, Kazakhstan, Qatar and Tunisia. All of the activity in the branches relates to winding down the Company's legacy Energy business.

#### **Business review**

Following the transfer of employees from the Abu Dhabi branch of the Company to Rolls-Royce International Limited during 2018 the Company had no revenue or cost of sales during the year (2018: £1,182,000 and £1,114,000 respectively). Costs of the Abu Dhabi branch were previously recharged to Rolls-Royce International Limited. The Company's Abu Dhabi branch was formally closed during the first quarter of 2019.

Administrative costs incurred in the year of £98,000 (2018: £354,000) relate to the winding down of activities in the branches, with the reduction of £256,000 in 2019 being attributable to reduced activity across the overseas branches.

The loss for the financial year before taxation was £177,000 (2018: (restated) loss of £167,000).

The net assets of the Company as at 31 December 2019 were £707,000 (2018: (restated) £847,000). The Company has continued to wind down its branches with the settlement of a tax liability with the Indonesian tax authorities of £794,000 (2018: £448,000). The reduction in net assets is largely being driven by the settlement of other payables of £58,000 and expenses incurred in the year mostly relating to professional services, off-set by cash receipts from Rolls-Royce International Limited of £112,000.

The comparative financial information for the year ended 31 December 2018 has been restated (see note 2).

#### **Future developments**

The Directors anticipate the closure of certain Company branches following the conclusion of open compliance matters, however this is not expected within the next 12 month period.

#### **Principal risks and uncertainties**

The Company acts in accordance with the policies set by Rolls-Royce Holdings plc. The Rolls-Royce Holdings plc group has an established, structured approach to risk management, which is detailed in the consolidated financial statements of Rolls-Royce Holdings plc and can be obtained from the address in note 17. The following risks set out below are considered key by the Directors. Mitigating activities are described for each risk. These risks are specific to the nature of the Company notwithstanding that there are other risks that may occur and may impact the achievement of the Company's objectives.

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Principal risks and uncertainties (continued)**

##### *Risk*

Non-compliance by the Company with legislation or other regulatory requirements in the regulated environment in which it operates (for example: export controls; offset; use of controlled chemicals and substances; and anti-bribery and corruption legislation) compromising our ability to conduct business in certain jurisdictions and exposing the Company to potential: reputational damage; financial penalties; debarment from government contracts for a period of time; and/or suspension of export privileges or export.

##### *Mitigation*

The Rolls-Royce Holdings plc group has an extensive compliance programme, which is applied within the Company. This programme and the Global Code of Conduct are promulgated throughout the Company and are updated and reinforced from time to time, to ensure their continued relevance, and to ensure that they are complied with both in spirit and to the letter. The Global Code of Conduct and the Company's compliance programme are supported by appropriate training.

##### **Coronavirus pandemic**

The impact of the Coronavirus ('COVID-19') pandemic is considered to be minimal for the Company as it no longer trades. It is expected that the winding down of the Company may be prolonged as a result of resource and time constraints, some employees were furloughed during the lockdown period and as business priorities have changed resources have been redeployed. The implication is that the Company is likely to incur further costs, which are expected to be minimal and can be met by the cash funds held by the Company.

##### **Brexit**

Following the United Kingdom's ('UK') exit from the European Union ('EU') on 31 January 2020, the Directors continue to monitor the potential outcomes for the UK's future relationship with the EU through the Rolls-Royce Holdings plc steering group which has remained active during 2019 and will continue until the outcome is clear and any necessary mitigation plans are in place. It is difficult to evaluate all the potential implications on the Company's operations and the wider economy. However, the Directors believe that the business has limited exposure to any Brexit implications given that operations are located outside of the EU and are being wound down.

##### **Financial risk management**

The Rolls-Royce Holdings plc group has an established, structured approach to risk management, which is detailed in the consolidated financial statements of Rolls-Royce Holdings plc (see note 17). The Company acts in accordance with this policy. The following risks are considered key by the Directors:

##### *Credit risk*

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

##### **Directors**

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

A Bowden (resigned 20 December 2019)

D Waters

N Hepke (appointed 3 January 2020 and resigned 6 August 2020)

C Estrada (appointed 6 August 2020)

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **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 this report.

#### **Dividends**

The Company did not pay a dividend during 2019 (2018: £nil).

#### **Going concern**

The Company currently acts as a holding entity for certain remaining assets and liabilities relating to the legacy Rolls-Royce Holdings plc group's Energy business which was disposed of in December 2014. The Company is in the process of deregistering all of the branches relating to the legacy Energy business. The financial statements have been prepared on a basis other than going concern. The Directors' intention is to liquidate the Company once the Company has completed winding down the operations, but this is not expected within the next 12 month period. The Directors will continue to reassess each financial year. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision to wind down operations or to reclassify fixed assets and long term liabilities to current assets and liabilities.

#### **Post balance sheet event**

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors of the Company are monitoring the impact of COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

The Directors have assessed the subsequent conditions on the balance sheet as at 31 December 2019 and have determined that there is no material financial impact.

#### **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.

#### **Small company exemption**

The Company has taken the small companies' exemption to prepare a Strategic Report under Section 414B 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.

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Directors' Report for the Year Ended 31 December 2019 (continued)**

#### **Statement of Directors' Responsibilities in respect of the financial statements (continued)**

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 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 the 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 9 September 2020 and signed on its behalf by:



C Estrada  
Director

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Rolls-Royce Industrial Power Engineering (Overseas Project) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 2019; the Income Statement, the Statement of Comprehensive Income, 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.

##### **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 2 to the financial statements which describes the Directors' reasons why the financial statements have been prepared on a basis other than going concern.

##### **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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Independent Auditors' Report to the members of Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited (continued)**

#### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 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 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 set out on page 4 and 5, 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.

##### *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.

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](http://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.

**Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

**Independent Auditors' Report to the members of Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited (continued)**

**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 received 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.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. 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

/ 0 September 2020

# Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

## Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
Revenue		-	1,182
Cost of sales		-	(1,114)
<b>Gross profit</b>		-	68
Administrative expenses		(98)	(354)
<b>Operating loss</b>	3	(98)	(286)
Finance costs	4	(88)	-
Finance income	5	9	119
<b>Loss before taxation</b>		(177)	(167)
Taxation	9	(1)	57
<b>Loss for the financial year</b>		<u>(178)</u>	<u>(110)</u>

All activities for the year and the prior year are classed as discontinued activities.

The comparative financial information for the year ended 31 December 2018 has been restated (see note 2).

**Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2019**

			(As restated)
	Note	2019 £ 000	2018 £ 000
Loss for the financial year.		<u>(178)</u>	<u>(110)</u>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains/(losses)		<u>38</u>	<u>(25)</u>
<b>Total other comprehensive income/(expense) for the financial year</b>		<u>38</u>	<u>(25)</u>
<b>Total comprehensive expense for the year</b>		<u><b>(140)</b></u>	<u><b>(135)</b></u>

The comparative financial information for the year ended 31 December 2018 has been restated (see note 2).

# Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

(Registration number: 00158230)  
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	10	133	278
Cash and cash equivalents	11	<u>1,545</u>	<u>2,432</u>
		1,678	2,710
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	<u>(145)</u>	<u>(219)</u>
<b>Total assets less current liabilities</b>		<b>1,533</b>	<b>2,491</b>
Provisions for liabilities and charges	15	<u>(826)</u>	<u>(1,644)</u>
<b>Net assets</b>		<u><b>707</b></u>	<u><b>847</b></u>
<b>Equity</b>			
Called up share capital	12	50	50
Capital contribution reserve		196	196
Other reserves		(172)	(210)
Retained earnings		<u>633</u>	<u>811</u>
<b>Total equity</b>		<u><b>707</b></u>	<u><b>847</b></u>

The comparative financial information for the year ended 31 December 2018 has been restated (see note 2).

The financial statements on pages 9 to 23 were approved and authorised for issue by the Board on 9 September 2020 and signed on its behalf by:



C Estrada  
Director

### Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up Share capital £ 000	Capital contribution reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	50	196	(210)	811	847
Loss for the financial year	-	-	-	(178)	(178)
Foreign currency translation of foreign operations	-	-	38	-	38
Total comprehensive expense	-	-	38	(178)	(140)
At 31 December 2019	50	196	(172)	633	707

	Called up Share capital £ 000	Capital contribution reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	50	-	(185)	921	786
Loss for the financial year as previously reported	-	-	-	(73)	(73)
2018 restatement (Note 2)	-	-	-	(37)	(37)
Foreign currency translation of foreign operations	-	-	(25)	-	(25)
Total comprehensive expense	-	-	(25)	(110)	(135)
Capital contribution	-	196	-	-	196
At 31 December 2018	50	196	(210)	811	847

The comparative financial information for the year ended 31 December 2018 has been restated (see note 2).

Other reserves relate to foreign exchange differences arising on the translation of foreign operations where the functional currency of the branch is not in Pound Sterling. The capital contribution reserve of £196,000 arose as a result of Rolls-Royce International Limited settling a liability on behalf of the Company in 2018.

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

The principal activity of the Company is as a holding entity for certain remaining assets and liabilities relating to the legacy Rolls-Royce Holdings plc group Energy business, which was disposed of in December 2014 and is in the process of winding down.

The address of its registered office is:

Moor Lane  
Derby  
Derbyshire  
DE24 8BJ

#### **2 Significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

The financial statements of Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited 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 and 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:

- a Cash Flow Statement and related notes;
- the requirements of IAS 24 Related Party Transactions and has, therefore, not disclosed transactions between the Company and its wholly owned subsidiaries;
- comparative period reconciliations for share capital; and
- disclosures in respect of the compensation of key management personnel.

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Critical accounting estimates and judgements**

The preparation of financial statements require the use of certain critical accounting estimates. It also requires the Directors to exercise its judgements in the processing 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 set out below:

##### *Critical accounting estimates and assumptions*

###### *Tax provisions*

The Company measures the carried forward Indonesian tax provisions at the Directors' best estimate of the cash outflow required to settle the obligation at the balance sheet date. These estimates take account of information available and different possible outcomes. The Indonesian tax provisions are recognised based on a combination of actual prior year tax audit assessments outstanding and an assessment of expected future tax audits with reference to past tax audit outcomes. Utilisation of the provisions will depend on the timing of resolution of the issues with Indonesian tax authorities. Amounts settled through cash payments in the year was £794,000 (2018: £448,000). No change to management's estimate other than foreign exchange differences of debit £24,000 (2018: credit £88,000). The tax provision at the year end is £826,000 (2018: £1,644,000).

##### *Critical judgements in applying the entities accounting policies*

The Directors believe there are no judgements in applying the Company's accounting policies that are significant enough to require disclosure.

##### **Going concern**

The Company currently acts as a holding entity for certain remaining assets and liabilities relating to the legacy Rolls-Royce Holdings plc group Energy business which was disposed of in December 2014. The Company is in the process of deregistering all of the branches relating to the legacy Energy business. The financial statements have been prepared on a basis other than going concern. The Directors' intention is to liquidate the Company once the Company has completed winding down the operations, but this is not expected within the next 12 month period. The Directors will continue to reassess each financial year. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision to wind down operations or to reclassify fixed assets and long term liabilities to current assets and liabilities.

##### **New standards, amendments and IFRIC interpretations**

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019. The Company adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under the specific transitional provisions in the standard, comparative information has not been restated. On transitioning to the new accounting standard, the Directors have evaluated the impact on the financial statements and considered that as the Company does not have any leases, there is no impact on adoption of the standard. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

##### **Revisions to IFRS not applicable to 2019**

Standards and interpretations issued by the IASB are only applicable if endorsed by the EU. The Company does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable will have a significant effect on the Company financial statements.



## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Prior year restatement - Foreign exchange transactions**

In the prior year there was a focus on correcting foreign exchange transactions which had historically been posted at the incorrect rate or posted incorrectly to the income statement or balance sheet. As part of this process a foreign exchange retranslation loss of £37,000 arising on cash transfers between bank accounts denominated in different currencies was posted through an overlay adjustment and subsequently reversed on finalising the year end cash retranslation position. However, a duplicate reversal was posted in the underlying trial balance resulting in overstating cash and cash equivalents. The comparatives have been corrected in these financial statements and the impact is to reduce cash and cash equivalents and foreign exchange gains by £37,000 for the financial year ended 31 December 2018 (see notes 5 and 11).

##### **Functional and presentation currency**

The functional currency of the Abu-Dhabi branch is the United Arab Emirates Dirham. The functional currency of the Indonesian branch is the United States Dollar.

As the Company has a number of overseas branches, in accordance with IAS 21, the effects of changes in Foreign Currency rates, primary indicators for sales and costs have historically been mixed so the secondary indicators have been considered. The financial statements are presented in Pound Sterling, as the Company is financed using the British Pound.

##### **Discontinued operations**

For the year ending 31 December 2019, there is no revenue and cost of sales due to the closure of the Abu-Dhabi branch. The operations of the Abu-Dhabi branch were wound down in 2018 and formal closure of the branch took place on 31 January 2019.

Loss before taxation of the Company for the year has been presented as being from discontinued operations. For the years ended 31 December 2019 and 31 December 2018, all operations have been presented as 'discontinued' and arose from activities relating to the legacy Energy business that was sold to Siemens on 1 December 2014.

##### **Revenue recognition**

Revenue comprised sales to Rolls-Royce International Limited (a fellow subsidiary undertaking of Rolls-Royce Holdings plc), net of value added taxes, in respect of costs incurred in the Abu Dhabi branch.

As the operations of the Abu Dhabi branch were wound down during the year ended 31 December 2018 and the branch was formally closed on 31 January 2019, there is no revenue for the year ended 31 December 2019.

Revenue was previously recognised, in accordance with IFRS 15, at the determined transaction price when the Company satisfied the performance obligation during the period.

##### **Interest receivable**

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

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Significant accounting policies (continued)**

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

##### **Cash and cash equivalents**

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

##### **Restricted cash**

The Company holds cash balances in its overseas branches for use in its daily operating activities. However, in certain circumstances, these cash balances may not be able to be used in the day-to-day activities of the branches or transferred to its immediate parent undertaking. In these circumstances, the Company has reviewed the requirements of IAS 7 Statement of Cash Flows and has disclosed the basis of the local restrictions imposed (see note 11).

##### **Trade and other receivables**

Trade and other receivables are recognised initially at the transaction price. The Company makes an estimate of the recoverable value of trade and other receivables. 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.

If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

##### **Trade and other payables**

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

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

##### **Provisions for liabilities and charges**

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

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Significant accounting policies (continued)

##### Leases

Prior to the adoption of IFRS 16 Leases on 1 January 2019, payments (excluding costs for services and insurance) made under operating leases were recognised in the income statement on a straight line basis over the term of the lease.

The Company previously leased an office in Abu Dhabi. The lease arrangement was transferred to Rolls-Royce International Limited as part of the winding down of the Company's Abu Dhabi branch during 2018. The Company adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under the specific transitional provisions in the standard, comparative information has not been restated. Consequently, there is no impact on the change in classification of lease arrangements from 1 January 2019.

##### 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 and notes have been rounded to the nearest thousand Pound Sterling, unless otherwise stated.

#### 3 Operating loss

Arrived at after charging

	2019 £ 000	2018 £ 000
Operating lease expense - property	-	93

Lease payments in 2018 relate to rent on the Abu Dhabi office until April 2018, when the lease transferred to Rolls-Royce International Limited, a fellow group undertaking. There are no further obligations arising in the Company in respect of the Abu Dhabi office lease (see note 13).

#### 4 Finance costs

	2019 £ 000	2018 £ 000
Foreign exchange losses	88	-

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 5 Finance income

	2019 £ 000	(As restated) 2018 £ 000
Foreign exchange gains	-	107
Bank interest receivable	9	12
	<u>9</u>	<u>119</u>

In the prior year there was a focus on correcting foreign exchange transactions which had historically been posted at the incorrect rate or posted incorrectly to the income statement or balance sheet. As part of this process a foreign exchange retranslation loss of £37,000 arising on cash transfers between bank accounts denominated in different currencies was posted through an overlay adjustment and subsequently reversed on finalising the year end cash retranslation position. However, a duplicate reversal was posted in the underlying trial balance resulting in overstating cash and cash equivalents. The comparatives have been corrected in these financial statements and the impact is to reduce cash and cash equivalents and foreign exchange gains by £37,000 for the financial year ended 31 December 2018.

#### 6 Staff costs

The aggregate payroll costs, including Directors, were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	-	420

During 2018, all employees transferred to Rolls-Royce International Limited, a fellow undertaking of the Rolls-Royce Holdings plc group. The Company had no employees during the year ending 31 December 2019.

There are no pension related costs incurred by the Company with respect to the employees for either the year ended 31 December 2019 or 31 December 2018.

The monthly average number of employees, including Directors, employed during the year is as follows:

	2019 No.	2018 No.
Administration	-	5

#### 7 Directors' remuneration

All Directors' fees or emoluments for the year ended 31 December 2019 and 31 December 2018 were paid by Rolls-Royce plc and the amount attributable to the qualifying services provided by the Directors to the Company cannot be reliably estimated. No charge has been made in the current or prior year for the services of the Directors.

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 8 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>15</u>	<u>13</u>

The audit fees of the Company's financial statements were £15,000 (2018: £13,000) and were paid by Rolls-Royce plc on behalf of the Company and not recharged. No (2018: no) amounts were paid to the auditors for non-audit services.

#### 9 Taxation

Tax credited in the income statement:

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
Group relief payable	-	17
Corporation tax adjustment to prior periods	<u>1</u>	<u>(13)</u>
	1	4
Foreign tax	<u>-</u>	<u>(61)</u>
Tax credit in the income statement	<u>1</u>	<u>(57)</u>

The tax on loss for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	<u>(177)</u>	<u>(167)</u>
Corporation tax at standard rate	(34)	(32)
Increase/(decrease) in current tax from adjustment for prior periods	1	(13)
Increase from effect of expenses not deductible in determining tax loss	42	49
Decrease arising from Group relief tax reconciliation	(8)	-
Unrelieved foreign tax	<u>-</u>	<u>(61)</u>
Total tax charge/(credit)	<u>1</u>	<u>(57)</u>

The 2020 Budget announced that the UK corporation tax rate will no longer reduce to 17% from 1 April 2020 and will remain at 19%.

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 10 Trade and other receivables

	2019 £ 000	2018 £ 000
Amounts due from group undertakings	-	137
Other receivables	133	141
	<u>133</u>	<u>278</u>

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

#### 11 Cash and cash equivalents

	2019 £ 000	(As restated) 2018 £ 000
Cash at bank	1,545	2,432

In the prior year there was a focus on correcting foreign exchange transactions which had historically been posted at the incorrect rate or posted incorrectly to the income statement or balance sheet. As part of this process a foreign exchange retranslation loss of £37,000 arising on cash transfers between bank accounts denominated in different currencies was posted through an overlay adjustment and subsequently reversed on finalising the year end cash retranslation position. However, a duplicate reversal was posted in the underlying trial balance resulting in overstating cash and cash equivalents. The comparatives have been corrected in these financial statements and the impact is to reduce cash and cash equivalents and foreign exchange gains by £37,000 for the financial year ended 31 December 2018.

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Cash and cash equivalents (continued)

##### Restricted cash

The Company holds cash of USD \$20,000, £15,000 (2018: £16,000) in an Algerian bank account. In order to access the cash held in the Algerian bank account the Company requires a written waiver from the Ministry of Trade. The Company is in the process of considering whether to engage a third party to assist in accessing the cash. Therefore, as at 31 December 2019 and 31 December 2018 and in accordance with IAS 7 Statement of Cash Flows, the Company considered this cash balance to be restricted as the Company cannot utilise the cash amount within the business or transfer to its immediate parent undertaking.

During the year ended 31 December 2017, the Company closed its local branch in Kazakhstan. The Company has been unable to recover a cash amount of £12,000 since the local authority placed a restriction on the branch's bank account, as it considered there was an outstanding tax liability which was required to be settled. The Company is in the process of working with the local authority to lift the restriction. Therefore, as at 31 December 2019 and 31 December 2018 and in accordance with IAS 7 Statement of Cash Flows, the Company considered this amount to be restricted as the Company cannot utilise the cash amount within the business or transferred to its immediate parent undertaking.

The Company considers that for the remaining cash balance of £1,518,000 (2018: £2,405,000) there are no restrictions.

As at 31 December 2019, £12,000 (2018: £15,000) of cash was held at banks who had a credit rating below the recommended level as set by Rolls-Royce Holdings plc credit policy which the Company applies. Following an assessment by the Company, no provision for impairment (2018: none) has been recognised for expected credit losses in accordance with IFRS 9 *Financial Instruments*.

#### 12 Called up share capital

##### Allotted and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

#### 13 Obligations under leases and hire purchase contracts

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2018 - £93,000).

Lease payments in 2018 relate to rent on the Abu Dhabi office until April 2018, when the lease transferred to a fellow group undertaking. There are no further obligations arising in the Company in respect of the Abu Dhabi office lease. Consequently, there is no impact on the change in classification of lease arrangements from 1 January 2019 (see note 2).

## Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 14 Trade and other payables

	2019 £ 000	2018 £ 000
Amounts due to group undertakings	2	18
Other payables	143	201
	<u>145</u>	<u>219</u>

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

#### 15 Provisions for liabilities and charges

	Tax provisions 2019 £ 000
At 1 January 2019	1,644
Utilised	(794)
Foreign exchange differences	(24)
At 31 December 2019	<u>826</u>

Provisions for liabilities and charges relate to foreign tax and associated penalties dating back to activities associated with the legacy Energy business. Utilisation of the provision is the result of settlements made to the Indonesian tax authorities of £794,000 (2018: £448,000). It is expected that the provision will be fully utilised in the next 12 months.

#### 16 Contingent liabilities

In January 2017, after full cooperation, other companies within the Rolls-Royce plc 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. Following the expiry of its term, the DPA with the US DoJ was dismissed by the US District Court on 19 May 2020. Other 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 relating against those other companies within the Rolls-Royce plc group or individuals. In addition, we could still be affected by actions from customers and customers' financiers. The Directors are not currently aware of any matter that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.



## **Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **17 Parent and ultimate parent undertaking**

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

The ultimate parent and ultimate 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.

The consolidated financial statements of these groups are available to the public and may be obtained from Kings Place, 90 York Way, London, United Kingdom, N1 9FX.

#### **18 Post balance sheet events**

In March 2020, COVID-19 began causing significant financial market downturn and social dislocation. The situation is dynamic and the UK government continues to implement measures to address the outbreak.

Subsequently, Rolls-Royce Holdings plc has released Trading Updates and Half Year results for 2020. These outline the measures taken by the Rolls-Royce Holdings plc group including how people, business and communities have been safeguarded, the liquidity and financial position of the Rolls-Royce Holdings plc group and the year to date trading impact of COVID-19. The Directors of the Company are monitoring the impact of COVID-19 measures that the Rolls-Royce Holdings plc group is taking.

The Directors have assessed the subsequent conditions on the balance sheet as at 31 December 2019 and have determined that there is no material financial impact.