

Registration number: 00158230

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

Annual report and Financial Statements

for the Year Ended 31 December 2017

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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>Directors</b>	Andrew Bowden Daniel Waters
<b>Registered office</b>	Moor Lane Derby DE24 8BJ
<b>Auditors</b>	KPMG LLP Statutory Auditor Chartered Accountants 15 Canada Square London E14 5GL

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

### **Strategic Report for the Year Ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

Most of the current activity in the business is focused around the Abu Dhabi branch of RR Industrial Power Engineering (Overseas Projects) Limited (RRIPEOPL) which employs primarily field service engineers to support customers in the region. Revenue in the Abu Dhabi branch comprises costs which are invoiced to another Rolls-Royce group company. Activity has increased during the year with revenue increasing from £2.7m (restated) in 2016 to £4.2m in 2017. The average number of employees employed by the branch has also steadily increased over the course of the year to 22 (2016: 13).

The company also has branches in Azerbaijan, Indonesia, Israel, Kazakhstan, Qatar and Tunisia. Most of the activity in the other branches relates to ongoing ex-Energy activities of the Rolls-Royce group's Energy business which was sold on 1 December 2014.

#### **Future outlook**

As part of an on-going programme within the Rolls-Royce group to consolidate entities within the group, a decision was made in 2017 to transfer employees from RRIPEOPL Abu Dhabi branch to a branch of Rolls-Royce International Limited during 2018. It is proposed that activities within the Abu Dhabi branch of RRIPEOPL will wind down during 2018 accordingly.

The sale of the company's Energy assets and liabilities on 1 December 2014 significantly reduced the company's activities within the other branches of RRIPEOPL. This company will remain open for the next few years while activities in overseas branches are wound up and to satisfy ongoing tax requirements.

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

The following risks have the most material potential impact on the company. Mitigating activities are described for each risk. These risks are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the company's objectives. Where relevant these are managed within the Group's risk management procedures.

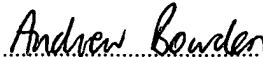
##### **Risk**

- 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**

- An uncompromising approach to compliance is now, and should always be, the only way to do business
- The Group has an extensive compliance programme. 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.
- A legal and compliance team has been put in place to manage the current specific issue through to a conclusion and beyond
- Lord Gold has reviewed the Group's current compliance procedures and an improvement plan is being implemented in the company.

Approved by the Board on 26 Sept 2018 and signed on its behalf by:

  
Andrew Bowden  
Director

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

### **Directors' Report for the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

#### **Directors of the company**

The directors who held office during the year were as follows:

Jill Kreinbrink (resigned 4 July 2017)

Andrew Bowden (appointed 4 July 2017)

Daniel Waters (appointed 4 July 2017)

#### **Principal activity**

The principal activity of the company is to provide a serviced office based in Abu Dhabi for field engineers, as well as being a holding entity for certain remaining assets and liabilities relating to the legacy Energy business.

On 1 December 2014, the Rolls-Royce group (Group) sold its Energy business.

On the date of the sale, the majority of the company's Energy business assets and liabilities were transferred to Siemens at net book value of £4,841 thousand. No profit was recognised on the sale. The company transferred 66 employees to Siemens on 1 December 2014.

No dividend payment was made during the year (2016 nil).

#### **Going concern**

The entity has the support of its parent undertaking to meet any liabilities as they fall due. As with any company placing reliance on other group companies, the directors acknowledge that there can be no certainty that this support will continue, although at the date of signing these financial statements they have no reason to believe that they will not do so.

#### **Directors liabilities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

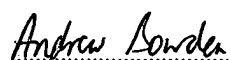
#### **Disclosure of information to the auditors**

Each director has taken steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Change of auditor**

Following changes in the legislation requiring mandatory rotation of the audit firm, RR Holdings plc, parent company, is rotating its statutory auditor from KPMG LLP. Consequently, the subsidiaries within the Rolls-Royce group will follow the parent company in changing auditor. Following the issuance of their audit report for the year ended 31 December 2017 KPMG LLP will be resigning as the company's auditor and will therefore cease to hold office. In accordance with section 485 of the Act, the directors intend to appoint PricewaterhouseCoopers LLP as the company's auditor.

Approved by the Board on 26 Sept 2018 and signed on its behalf by:



Andrew Bowden  
Director

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

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

### **Opinion**

We have audited the financial statements of RR Industrial Power Engineering (Overseas Projects) Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Jimmy Daboo (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

Date: 26/9/2018



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

**Income statement for the Year Ended 31 December 2017**

		<b>Continuing operations 2017 £ 000</b>	<b>Discontinued operations 2017 £ 000</b>	<b>Total 2017 £ 000</b>	<b>(As restated) Continuing operations 2016 £ 000</b>	<b>Discontinued operations 2016 £ 000</b>	<b>(As restated) Total 2016 £ 000</b>
	<b>Note</b>						
Turnover		4,164	-	4,164	2,669	-	2,669
Cost of sales		<u>(4,202)</u>	<u>-</u>	<u>(4,202)</u>	<u>(2,704)</u>	<u>(185)</u>	<u>(2,889)</u>
Gross loss		(38)	-	(38)	(35)	(185)	(220)
Commercial and administrative costs		<u>(21)</u>	<u>(441)</u>	<u>(462)</u>	<u>(56)</u>	<u>(607)</u>	<u>(663)</u>
Operating loss		<u>(59)</u>	<u>(441)</u>	<u>(500)</u>	<u>(91)</u>	<u>(792)</u>	<u>(883)</u>
Financing income		-	-	-	-	7	7
Interest payable and similar charges	4	<u>-</u>	<u>146</u>	<u>146</u>	<u>1</u>	<u>154</u>	<u>155</u>
		<u>-</u>	<u>146</u>	<u>146</u>	<u>1</u>	<u>161</u>	<u>162</u>
Loss before tax		(59)	(295)	(354)	(90)	(631)	(721)
Tax on loss on ordinary activities	8	<u>(38)</u>	<u>(901)</u>	<u>(939)</u>	<u>5</u>	<u>(18)</u>	<u>(13)</u>
Loss for the year		<u>(97)</u>	<u>(1,196)</u>	<u>(1,293)</u>	<u>(85)</u>	<u>(649)</u>	<u>(734)</u>

The notes on pages 12 to 18 form an integral part of these financial statements.

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

**Income statement for the Year Ended 31 December 2017 (continued)**

The restatement in 2016 relates to the inclusion of £1.3m of employee costs which were not previously reported. These have been disclosed within revenue and cost of sales, as the wages and salaries are funded by another group company. There is no mark-up on these costs.

Cost of sales and financing charges have been changed in the comparative 2016 results by £609,000 (increase to cost of sales) and £186,000 (decrease to financing) respectively to correct foreign exchange differences on the translation of overseas branches being originally included within the income statement rather than Other comprehensive income and other reserves. The increase in the loss for the year of £423,000 is offset against Other comprehensive income of £423,000 and so there is no effect on net assets.

The notes on pages 12 to 18 form an integral part of these financial statements.

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

## Statement of Comprehensive Income for the Year Ended 31 December 2017

		2017	(As restated) 2016
	Note	£ 000	£ 000
Loss for the year		(1,293)	(734)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains/(losses)		<u>(313)</u>	<u>423</u>
Total comprehensive income for the year		<u><u>(1,606)</u></u>	<u><u>(311)</u></u>

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

(Registration number: 00158230)  
Balance Sheet as at 31 December 2017

	Note	2017 £ 000	(As restated) 2016 £ 000
<b>Current assets</b>			
Trade and other receivables	9	1,740	579
Cash and cash equivalents	10	<u>2,089</u>	<u>3,157</u>
		3,829	3,736
<b>Current liabilities</b>			
Trade and other payables	12	<u>(2,364)</u>	<u>(1,264)</u>
Total assets less current liabilities		1,465	2,472
Provisions for liabilities	13	<u>(599)</u>	<u>-</u>
Net assets		<u>866</u>	<u>2,472</u>
<b>Equity</b>			
Called up share capital	11	50	50
Other reserves		374	687
Retained earnings		<u>442</u>	<u>1,735</u>
Total equity		<u>866</u>	<u>2,472</u>

The restatement of the 2016 balance sheet relates to the inclusion of employee costs. The restatement of £66k affects trade and other payables and trade and other receivables. There is no impact on net assets. Other reserves relating to foreign exchange differences arising on the translation of overseas branches have been presented separately for 2016 and 2017. In 2016 such differences were included within retained earnings.

Approved by the Board on 26 Sept 2018 and signed on its behalf by:

Andrew Bowden

Andrew Bowden  
Director

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

### Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
Opening total equity	50	687	1,735	2,472
Loss for the year	-	-	(1,293)	(1,293)
Foreign currency translation of foreign operations	-	(313)	-	(313)
At 31 December 2017	<u>50</u>	<u>374</u>	<u>442</u>	<u>866</u>

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	50	264	2,469	2,783
Loss for the year	-	-	(734)	(734)
Foreign currency translation of foreign operations	-	423	-	423
At 31 December 2016	<u>50</u>	<u>687</u>	<u>1,735</u>	<u>2,472</u>

In 2016 foreign currency differences arising on the translation of foreign operations were included in retained earnings. Reserves have been represented in 2017 to disclose such foreign currency differences within other reserves.

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

### **Notes to the Financial Statements for the Year Ended 31 December 2017**

#### **1 General information**

The address of its registered office is:

Moor Lane  
Derby  
DE24 8BJ

The company is incorporated and domiciled in the UK.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal 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**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with 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;
- the effects of new but not yet effective IFRSs;
- comparative period reconciliations for share capital; and
- disclosures in respect of the compensation of key management personnel.

##### **Discontinued operations**

Revenue and profit before taxation from discontinued operations in the current and prior year arose from activities relating to the Energy business that was sold to Siemens on 1 December 2014. This primarily relates to Energy branches that are now being wound down following the sale of the company's Energy operations.

##### **Going concern**

These financial statements have been prepared on the historical cost basis and on a going concern basis. The parent company's current policy is to ensure that the Company is managed so that it maintains adequate financial resources and is in a position to meet its financial obligations arising from its normal trading activities. Based on the directors' assessment of the Company's future financial requirements, the ability of the parent company to support the Company if necessary and the statement referred to above, the directors consider that the Company will have sufficient financial resources to meet its obligations for the foreseeable future, that is for at least 12 months from the date of approval of these financial statements.

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

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **Exemption from preparing group accounts**

The financial statements contain information about Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 399 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of a group parent, Rolls-Royce plc, a company incorporated in United Kingdom.

#### **Prior period adjustments**

Employee numbers, payroll costs and revenue for 2016 have been included in the accounts following a reconciliation of the payroll records of the Abu Dhabi branch. This has resulted in an increase in revenue of £1,265k and an equal increase in commercial and administrative costs. The average number of employees has increased from 13 to 22. £66k has been included in trade and other receivables and £66k in trade and other payables relating to an employee bonus due after the year end.

Foreign exchange differences arising on the translation of foreign operations have been presented in other reserves rather than in retained earnings. The exchange difference arising has also been included directly in reserves rather than through profit or loss for the year. The impact of this restatement in 2016 increased cost of sales by £609k and decreased finance charges by £186,000.

#### **Revenue recognition**

Revenues comprise sales to another Rolls-Royce group company, excluding value added taxes, in respect of costs incurred, or work completed, during the year.

#### **Finance income and costs policy**

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

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

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

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

#### **Tax**

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

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

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

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

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.

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

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

#### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **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. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

#### **Provisions**

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

### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial information sometimes requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where such judgements, estimates or assumptions are required, these are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors are of the view that there are no estimates or judgements which would materially impact the preparation of the financial statements.



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

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 4 Interest payable and similar charges

	2017 £ 000	2016 £ 000
Foreign exchange (gains) / losses	<u>(146)</u>	<u>(155)</u>

#### 5 Staff costs

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

	2017 £ 000	(As restated) 2016 £ 000
Wages and salaries	<u>2,319</u>	<u>1,265</u>

There are no pension related costs incurred by the entity with respect to the employees.

The 2016 financial statements did not include wages and salaries or the average number of employees; the 2017 financial statements have been restated to reflect these costs and employee numbers.

The average number of employees employed during the year is as follows:

	2017 No.	(As restated) 2016 No.
Administration and field engineer support	<u>22</u>	<u>13</u>

#### 6 Directors' remuneration

The Board confirms that no remuneration was paid for the qualifying services of Daniel Waters and Andrew Bowden.

#### 7 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>3</u>	<u>3</u>

Fees paid to the Company's auditor, KPMG LLP, for services other than the statutory audit of the Company are not disclosed in Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited's accounts since the consolidated accounts of Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited's ultimate parent, Rolls-Royce Holdings plc, are required to disclose non-audit fees on a consolidated basis.

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

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 8 Income tax

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
Group relief payable	(13)	(5)
Corporation tax adjustment to prior periods	51	-
	38	(5)
Foreign tax	901	18
Tax expense in the income statement	939	13

The tax on profit before tax for the year is higher than (2016 - higher than ) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	(As restated) 2016 £ 000
Loss before tax	(354)	(721)
Corporation tax at standard rate	(68)	(144)
Increase (decrease) in current tax from adjustment for prior periods	51	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	55	139
Unrelieved foreign tax	901	18
Total tax charge	939	13

The unrelieved foreign tax charge relates to historic tax in an overseas branch, associated with the legacy Energy business that was sold in 2014.

Following announcements in the Summer Budget 2015 and the Budget 2016, the UK corporation tax rate will reduce to 19% from 1 April 2017 and 17% from 1 April 2020. The rate reduction to 17% was substantively enacted on 6 September 2016.

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

### Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

#### 9 Trade and other receivables

	2017 £ 000	(As restated) 2016 £ 000
Trade receivables	83	124
Amounts due from group undertakings	1,015	341
Prepayments and accrued income	485	114
Other receivables	157	-
	<u>1,740</u>	<u>579</u>
Total trade and other receivables	1,740	579

Trade and other receivables in 2016 have been restated to include £66k relating to wages and salaries.

#### 10 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash at bank	2,089	3,157

#### 11 Share capital

##### Allotted, called up and fully paid shares

	2017	2016
	No. 000      £ 000	No. 000      £ 000
Ordinary shares of £1 each	<u>50</u> <u>50</u>	<u>50</u> <u>50</u>

#### 12 Trade and other payables

	2017 £ 000	(As restated) 2016 £ 000
Trade payables	362	22
Amounts due to group undertakings	2	64
Other taxation and social security	1,439	396
Other payables	561	782
	<u>2,364</u>	<u>1,264</u>

Trade and other payables in 2016 have been restated to include £66k relating to wages and salaries.

#### 13 Other provisions

A tax provision has been made in the year relating to foreign tax and associated penalties dating back to activities associated with the legacy Energy business.

A provision for payroll related benefits of £185k that was previously included in other payables has been reclassified as other provisions in 2017, as a result of a review of employee benefits.

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

### **Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)**

#### **14 Contingent liabilities**

In January 2017, after full cooperation, Rolls-Royce Holdings plc ((RRHplc) the ultimate parent company of the company) concluded deferred prosecution agreements with the Serious Fraud Office (SFO), an independent United Kingdom government department, and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow and other investigations or enforcement action may be commenced. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRHplc are not currently aware of any matters that are likely to lead to a financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements on this company.

#### **15 Parent and ultimate parent undertaking**

The smallest Group in which these financial statements are consolidated is Rolls-Royce plc. These financial statements are available upon request from 62 Buckingham Gate, London, SW1E 6AT.

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

The ultimate parent and ultimate controlling party is Rolls-Royce Holdings plc.

The most senior parent entity producing publicly available financial statements is Rolls-Royce Holdings plc. These financial statements are available upon request from 62 Buckingham Gate, London SW1E 6AT.