


Registration number: 00158230

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Annual Report and Financial Statements
for the year ended 31 December 2020

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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

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

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Directors' Report for the year ended 31 December 2020

The Directors present their report for Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited ("the Company") together with the audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is a non-trading entity with remaining assets and liabilities relating to the legacy Rolls-Royce Holdings plc group's Energy business, which was disposed of in December 2014 and is in the process of winding down.

The Company has branches in 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

Administrative costs incurred in the year of £185,000 (2019 restated: £121,000) relate to the winding down of activities in the branches.

The loss for the financial year before taxation was £198,000 (2019 restated: £186,000).

The net assets of the Company as at 31 December 2020 were £480,000 (2019 restated: £657,000) which have decreased year on year as the Company has continued to wind down its remaining branches. The reduction in net assets is largely being driven by a reduction in cash balances of £103,000 for settlement of expenses incurred, and an increase in the provisions account of £136,000 for a new tax compliance matter. This has been offset by foreign exchange gains in the provision of £17,000 and reduction in trade and other payables of £47,000.

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

Future developments

The directors anticipate the closure of the remaining company branches following the conclusion of open tax compliance matters. It is the intention of the directors to liquidate the Company once it has fulfilled its remaining obligations and these branches are closed, but this is not expected in the next 12-month period. The Directors will continue to reassess each financial year.

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 15. 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.

Risk

Non-compliance by the Company with legislation or other regulatory requirements in the regulated environment in which it operates which could compromise the Rolls-Royce plc group's ability to conduct business in certain jurisdictions and could expose the Company to potential reputational damage and/or financial penalties.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Directors' Report for the year ended 31 December 2020 (continued)

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, as business priorities have changed within the Rolls-Royce group, impacting progress. 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.

Financial risk management

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:

D Waters

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

C Estrada (appointed 6 August 2020)

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.

Going concern

The financial statements have been prepared on a basis other than going concern. The Directors' intention is to liquidate the Company. The Company disposed of its Energy business in December 2014 and continues to close down the remaining assets and liabilities relating to open tax compliance matters. Once the Company has fulfilled its administrative obligations the Company will be liquidated which the Directors expect will be in excess of 12 months. As a result the Directors are satisfied the financial statements should be prepared on a basis other than going concern. 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 non-current assets and liabilities to current assets and liabilities.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited
Directors' Report
for the year ended 31 December 2020 (continued)

Dividends

The Company did not pay a dividend during 2020 (2019: Nil).

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. 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 29 September 2021 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 Projects) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 2020; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

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

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 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.

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 2020 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, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

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

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 applicable Generally Accepted Accounting Practices and tax compliance legislation specific to jurisdictions where the business operates, 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. 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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions throughout the audit with management and the company's in-house legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Assessing completeness of journal entries using data analysis tools and adopting a risk based approach by setting criteria to identify journal entries for testing, for example journals with unexpected account combinations or unusual words, including transactions with related parties; and
- Challenging assumptions and judgements made by management in determining accounting estimates due to the risk of management bias, in particular tax and associated penalties provisions.

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

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

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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
30 September 2021

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Income Statement for the year ended 31 December 2020

	Note	2020 £ 000	(As restated) 2019 £ 000
Administrative expenses		<u>(185)</u>	<u>(121)</u>
Operating loss		(185)	(121)
Finance costs	3	(15)	(74)
Finance income	4	<u>2</u>	<u>9</u>
Loss before taxation		(198)	(186)
Taxation	8	<u>-</u>	<u>(1)</u>
Loss for the financial year		<u>(198)</u>	<u>(187)</u>

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

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

The notes on pages 13 to 21 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 2020

	2020 £ 000	(As restated) 2019 £ 000
Loss for the financial year	<u>(198)</u>	<u>(187)</u>
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains	<u>21</u>	<u>26</u>
Total other comprehensive income for the financial year	<u>21</u>	<u>26</u>
Total comprehensive expense for the year	<u>(177)</u>	<u>(161)</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Balance Sheet as at 31 December 2020 (Registration number: 00158230)

	Note	2020 £ 000	(As restated) 2019 £ 000
Current assets			
Trade and other receivables	9	128	133
Cash and cash equivalents	10	1,442	1,545
		<u>1,570</u>	<u>1,678</u>
Current liabilities			
Trade and other payables	11	(148)	(195)
Total assets less current liabilities		<u>1,422</u>	<u>1,483</u>
Provisions for liabilities and charges	12	(942)	(826)
Net assets		<u>480</u>	<u>657</u>
Equity			
Called up share capital	13	50	50
Capital contribution reserve		196	196
Other reserves		(163)	(184)
Retained earnings		<u>397</u>	<u>595</u>
Total equity		<u>480</u>	<u>657</u>

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

The financial statements on pages 9 to 21 were approved and authorised for issue by the Directors on 29 September 2021 and signed on its behalf by:

DocuSigned by
C Estrada

C Estrada
Director

The notes on pages 13 to 21 form an integral part of these financial statements.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Statement of Changes in Equity for the year ended 31 December 2020

	Called up share capital £ 000	Capital contribution reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	50	196	(184)	595	657
Loss for the financial year	-	-	-	(198)	(198)
Foreign currency translation of foreign operations	-	-	21	-	21
Total comprehensive expense	-	-	21	(198)	(177)
At 31 December 2020	50	196	(163)	397	480

	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
Prior year restatement (note 2)	-	-	-	(29)	(29)
At 1 January 2019 restated	50	196	(210)	782	818
Loss for the financial year (as previously presented)	-	-	-	(178)	(178)
Foreign currency translation of foreign operations (as previously presented)	-	-	38	-	38
Impact of prior year restatement	-	-	(12)	(9)	(21)
Total comprehensive expense (as restated)	-	-	26	(187)	(161)
At 31 December 2019 (as restated)	50	196	(184)	595	657

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.

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

The notes on pages 13 to 21 form an integral part of these financial statements

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020

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's 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:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38B-D (additional comparative information);
 - 40A-40D (Detail in respect of third balance sheet presented on a change in accounting policy, retrospective restatement or reclassification);
 - 111 (statement of cash flows information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group;
- comparative period reconciliations for share capital; and
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- IFRS 7, 'Financial instruments: Disclosures'. and
- IAS 8 Paragraphs 30-31 relating to new IFRS issued but not yet effective.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

2 Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Tax provisions

The Company measures the carried forward Indonesian and Qatari 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 and Qatari 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 the tax authorities in both countries. Amounts settled through cash payments in the year was £nil (2019: £794,000 in Indonesia). There is no change to management's estimate other than the inclusion of the new provision for Qatar of £136,000 (2019: £nil), and foreign exchange differences of debit £17,000 (2019: debit £24,000). The tax provision at the year end is £942,000 (2019: £826,000).

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.

Prior year restatements

Foreign exchange transactions on overseas branches

Following a review by management of the Company's interbranch loan held by its Indonesian branch, it was determined that the foreign exchange revaluation on the loan had been processed incorrectly in the prior year. As a result, foreign currency translation of foreign operations decreased by £12,000 and foreign exchange losses recognised in finance costs decreased by £12,000. There has been no impact to the tax charge.

In addition, following a review by management of the Company's foreign exchange revaluations, a revaluation on accruals was identified that is no longer required following settlement of those accruals. As a result, foreign exchange losses recognised in finance costs decreased by £2,000, opening retained earnings decreased by £29,000 and accruals increased by £27,000. There has been no impact to the tax charge.

Accrued expenses

Following a review by management, it was identified that invoices for costs related to 2019 had not been accrued for as at 31 December 2019. The Balance Sheet and Income Statement for 2019 has been restated to reflect the liability in that year. The impact to the financial statements was a £23,000 increase in trade payables and £23,000 increase in administrative expenses. There has been no impact to the tax charge.

Going concern

The financial statements have been prepared on a basis other than going concern. The Directors' intention is to liquidate the Company. The Company disposed of its Energy business in December 2014 and continues to close down the remaining assets and liabilities relating to open tax compliance matters. Once the Company has fulfilled its administrative obligations the Company will be liquidated which the Directors expect will be in excess of 12 months. As a result the Directors are satisfied the financial statements should be prepared on a basis other than going concern. 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 non-current assets and liabilities to current assets and liabilities.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

2 Significant accounting policies (continued)

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, no new standards or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

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

Loss before taxation of the Company for the year has been presented as being from discontinued operations. For the years ended 31 December 2020 and 31 December 2019, 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.

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.

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 and has disclosed the basis of the local restrictions imposed (see note 10).

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

2 Significant accounting policies (continued)

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.

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.

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.

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.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

3 Finance costs

	2020 £ 000	(As restated) 2019 £ 000
Foreign exchange losses	15	74

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

4 Finance income

	2020 £ 000	2019 £ 000
Bank interest receivable	2	9

5 Staff costs

The Company had no employees during the years ending 31 December 2019 or 31 December 2020.

There are no pension related costs incurred by the Company with respect to the employees for either the year ended 31 December 2020 or 31 December 2019.

6 Directors' remuneration

All Directors' fees or emoluments for the year ended 31 December 2020 and 31 December 2019 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.

7 Auditors' remuneration

The fees for the audit of the Company financial statements for the year ended 31 December 2020 were £18,000 (2019: £15,000) and were paid by Rolls-Royce plc and not recharged.

No (2019: no) amounts were paid to the Company's auditors for non-audit services.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

8 Taxation

Tax charged to the income statement:

	2020	2019
	£ 000	£ 000
Current tax		
Corporation tax adjustments to prior periods	-	1
Tax charge in the income statement	-	1

The tax on loss for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%)

The differences are reconciled below:

	2020	(As restated) 2019
	£ 000	£ 000
Loss before tax	(198)	(186)
Corporation tax at standard rate	(38)	(35)
Increase in current tax from adjustment for prior periods	-	1
Increase from effect of expenses not deductible in determining tax loss	35	43
Increase/(decrease) arising from Group relief tax reconciliation	3	(8)
Total tax charge	-	1

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%.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023.

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2).

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

9 Trade and other receivables

	2020 £ 000	2019 £ 000
Other receivables	128	133

10 Cash and cash equivalents

	2020 £ 000	2019 £ 000
Cash at bank	1,442	1,545

Restricted cash

The Company holds cash of £15,000, USD \$20,000 (2019: £15,000, USD \$20,000) 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 2020 and 31 December 2019 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. As at 31 December 2020 the Company had been unable to recover a cash amount of £10,000, USD \$14,000 (2019: £11,000, USD \$14,000) 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. Subsequent to the year end, the Company has secured unfettered access to these funds and therefore no longer considers the funds restricted.

The Company therefore considers that for the remaining cash balance of £1,427,000 (2019: £1,518,000) there are no restrictions.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

11 Trade and other payables

	2020 £ 000	(As restated) 2019 £ 000
Amounts due to group undertakings	-	2
Accruals	148	193
	<u>148</u>	<u>195</u>

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

The comparative financial information for the year ended 31 December 2019 has been restated (see note 2)

12 Provisions for liabilities and charges

	Tax provisions 2020 £ 000
At 1 January 2020	826
Additional provisions	136
Utilisation of provision	(3)
Foreign exchange differences	(17)
At 31 December 2020	<u>942</u>

Provisions for liabilities and charges relate to foreign tax and associated penalties dating back to activities associated with the legacy Energy business. Addition to the provision relates to a penalty from the Qatari tax authorities which is being disputed. It is expected that the Qatari provision will be fully utilised in the next 12 months.

13 Called up share capital

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	50	50

Each ordinary share has a value of £1 each. Each share has attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Rolls-Royce Industrial Power Engineering (Overseas Projects) Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

14 Contingent liabilities

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

The Directors of the Company have also considered whether, following payment of the disputed penalty to the Qatari tax authorities discussed in note 12, there would be any further related cash outflow for the years 2015-2021 which will not be reviewed by the authorities until after the current dispute relating to 2014 is settled. The Directors have concluded that whilst additional payments are probable, the amount cannot be reliably estimated so in line with IAS 37 Provisions, contingent liabilities and contingent assets no provision has been made.

15 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.