

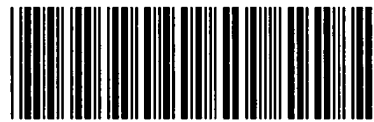
Genistics Holdings Limited

**Strategic report, directors' report and
financial statements**

Registered number 4261359

31 December 2020

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18/11/2021

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Company Information

Directors

Andrew Biggs
Dale Morgan
David Gilmour
John Cavill

Registered Office

Rolls Royce Plc
PO BOX 31
Moor Lane
Derby
Derbyshire
DE24 8BJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Strategic Report

Principal activities

The principal activity of this Group is a holding company. The principal activity of the Group is the procurement of the design and development of the product and preparation for the supply, maintenance, management and finance of a fleet of trailer-mounted field mobile generator sets for the Ministry of Defence. The Group has been set up for the purpose of administering the Field Electrical Power Supply (FEPS) Private Finance Initiative contract ('The Contract') with the UK Ministry of Defence ('MoD'). The Contract was signed in June 2002 and has a maturity date of June 2022.

Business model

The Group, based in Winsford Cheshire, provides the UK Ministry of Defence with a fleet of generators under a take or pay arrangement, also providing spares and support and test equipment; fleet management services; training; and technical publications.

The service revenue received from the long term service phase of the Contract is ultimately used to fund the senior and debenture loans and related interest payments.

Future developments

It is expected that the Group will perform in line with expectations during the next financial year, with no major change to the market conditions or the number of FEPS units on hire to the MoD, when considered against the minimum take or pay levels built into the PFI contract.

The existing contact with the MoD is due to end in June 2022 and there are no current plans to extend it. Upon termination of the contract, the fleet of generators will be sold to the MoD or an alternative party. The monies realised upon sale of the generators will be used to repay any remaining liability on the shareholder loan to Rolls Royce Plc and Investment Holdings (Genistics) Limited.

Business review and results

Turnover for the year is broadly in line with the previous year at £10,497,197 (2019: £10,039,936). The profit before tax is £1,653,032 (2019: £1,322,638) and has improved in the current year due to lower interest costs. In addition gains posted to Other Comprehensive Income in relation to the change in fair value of the swap instrument. This has resulted in a further reduction in net liabilities to £996,677 (2019: £2,523,704). There were no additions to fixed assets in the year and the movement to £9,763,689 (2019: £14,111,223), reflects depreciation in the year. Long term creditors reduced to £15,525,281 (2019: £19,053,502). in the year as a result of the senior debt repayments in line with the contracted payment plan and repaying part of the principal shareholder loan.

During the year, the Group met all of its facility covenants. The senior debt liability and interest rate swap were settled in line with the agreed finance terms.

Principal risks and uncertainties

The directors of the Group have a pro-active approach to managing risk within the business. At regular project meetings, at which at least one director is present, risk is a key agenda item. During such meetings risks are identified, measured and mitigating actions identified. Major risks are then communicated to the other directors.

Key performance indicators

As part of the on-going PFI arrangements, the Group is monitored against various non-financial KPI's covering the performance of the FEPS fleet. Failure to meet any of the KPI's over a certain period would result in financial penalties in the form of income reductions. As at the end of December 2020, the Group had met or exceeded all of its KPI obligations.

Strategic Report (*continued*)

The non-financial KPI's are presented at the quarterly Board meeting as part of the Operational report and include KPI's such as Generator delivery performance and Spares delivery performance.

The Group monitors itself against numerous financial KPI's, with a number of these contractually required to support different reports to the senior debt lenders on a quarterly and half yearly basis. All of the KPI obligations were met during the year.

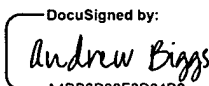
Internally, 'Profit before Interest and Tax' £4,328,552 (2019: £4,370,708) and 'Cash Flow' KPI's (as described in more detail below) are important to the Group, tracking as expected during the year. Both have improved due to lower interest costs compared with prior year.

The senior debt lenders are provided with an update on financial performance on a quarterly basis to ensure that covenant measures are satisfied. Within this update, the main KPIs of interest include the Annual Debt Service Coverage Ratio (ADSCR), Projected ADSCR and Loan Life Coverage Ratio (LLCR). Failure to meet the aforementioned KPIs can trigger financial penalties in the form of interest rate increases. All covenant measures were complied with up to the point of repayment; in June 2020 the outstanding senior debt balance was repaid in full.

Payment to suppliers

The Group seeks the best possible terms from suppliers and, in entering into binding purchasing contracts, gives consideration to quality, delivery, price and the terms of payment. The Group abides therewith whenever it is satisfied that suppliers have provided the goods or services in accordance with agreed terms and conditions.

Signed on behalf of the Board

DocuSigned by:

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A Biggs
10 November 2021

Directors' Report

Directorate

The directors of the Group who were in office during the year and up to the date of signing the financial statements were:

Andrew Biggs
Dale Morgan (appointed April 2020)
David Gilmour (appointed November 2020)
John Cavill
Peter Sheldrake (resigned November 2020)
Avinash Misra (resigned April 2020)

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

This is assessed within the Strategic report (Page 2).

Political Contributions

The Group has made no political donations nor incurred any political expenditure during the year (2019: £nil).

Financial risks

The performance of the Group can fluctuate according to the number of FEPS units that are on hire with the MoD at any one time. However, this is mitigated by the minimum take or pay levels built into the PFI contract. The Group manages the Project Ratios which relate to its loan facilities on a monthly basis as well as managing its interest rate exposure by fixing the rate on its senior debt through an interest rate swap.

The Group is exposed to credit risk through the receivables held. This risk is deemed to be relatively low as the Group trades with a government body and therefore the risk of default is deemed minimal. The directors reassess exposure on a regular basis and monitor payment terms to identify any risk of non-payment for which a provision would be required.

The Group is exposed to cash flow risk as there are significant financing payments throughout the contract life which must be met through operating cash inflows. The business actively manages this risk through financial model forecasting including monitoring of cash flow KPIs and through managing the timing of shareholder payments and fixing interest rates to ensure that the business can continue to meet all other liabilities as they fall due. The interest rate swap expired on the same date as the final senior debt repayment. The senior debt liability and interest rate swap were settled in full in June 2020.

COVID-19 impact on Financial Statements

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.

The directors of the Group are monitoring the impact of COVID-19 measures. The Group has been designated a critical supplier by the UK Ministry of Defence and our Defence facilities remain fully operational, whilst observing

health and safety guidance. The directors believe that there will be no long-term change to the outlook of the Group following COVID-19. Defence activity remains in line with Group expectations, with no material, operational or financial disruption expected as a result of COVID-19.

The Group produces regular financial model updates that forecast the Group cashflows to the end of the contract period. This financial model indicates that the Group will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have no impact on the ability of the Group to continue as a going concern. However, the directors are monitoring usual movements in short and long term economic indicators which may impact the valuation of assets and liabilities, and may therefore have an impact on the financial statements.

Brexit risk

The Group operates solely in the United Kingdom and has not been directly impacted by changes to trading arrangements, with the EU and the rest of the world resulting from the United Kingdom's withdrawal from the European Union on 31st January 2020. The directors continue to monitor any potential impact arising from the wider financial markets and the Group's supply chain.

Disclosure of information to Auditors'

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and of the profit or loss of the Group for that year. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether application United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explain 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 Group will continue in business.

The directors are also responsible for safeguarding the assets of the Group 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group'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 Group's auditors are aware of that information.

Going concern

The financial statements of the Group have been prepared on a going concern basis which the directors believe is appropriate. Whilst the Group has net liabilities of £996,677 (2019: £2,523,704) this is in line with the expectations set by the financial model underpinning the Group's operations at the outset and reflects a higher capital balance outstanding on the Group's loan during the earlier stages of the contract and higher interest charges during this phase. The Group has net current assets and is able to meet its liabilities as they fall due.

The existing contract with the MoD will cease in June 2022; the contract has not been extended and trading with the MoD will end at this date. Genistics Holdings Limited will proceed to sell its generator fleet to the MoD or an alternative party with any unsold generators remaining the property of Genistics Holding Limited. Potential customers are currently being identified, and Rolls Royce Plc have made enquiries to provide an indication of Rough Order of Magnitude (ROM) prices for the potential purchase of some or all of the FEPS fleet of generators.

Profits realised through the sale of the generator fleet will be used to repay the shareholder loan. This is expected to be fully repaid by the date of June 2022, which is in line with directors' expectations and cash projections.

The directors have considered these factors and forecasts for the Group for a period beyond twelve months from the signing of these financial statements and consider that a going concern basis of preparation remains appropriate. In making this assessment the directors have also relied upon letters of support from the joint venture partners. Genistics Holdings Limited has both net assets and net current assets, as such the balance sheet position along with forecasts that the entity will continue to match income and costs with no cash outflow, is sufficient for the directors to conclude that the Group is a going concern and therefore the financial statements have been prepared on this basis.

Reappointment of auditors

The independent auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

Genistics Holdings Limited – section 172(1) statement

Section 172 of the Companies Act 2006 requires directors of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Group for the benefit of its members as whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decision in the long-term;
- the interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and others;
- impact of the Group's operations on the community and environment
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Group.

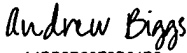
To discharge their Section 172 duties the Group's directors had regard to the factors set out above in making the principal decisions taken by the Group.

As a holding company, the Group's main stakeholder is its immediate shareholder, Genistics Limited. Engagement with the shareholder occurs on a quarterly basis via quarterly board meetings.

The directors consider business relationships with the Group's wider stakeholders. The impact of Group operations on the environment and communities in which it operates is embedded in all Group decision-making and risk assessment throughout the year.

The strategic report and directors' report have been approved by the board.

On behalf of the Board

DocuSigned by:

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A Biggs

10 November 2021

Independent auditors' report to the members of Genistics Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Genistics Holdings Limited's Group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the company's affairs as at 31 December 2020 and of the group's profit and the Group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Strategic report, directors' report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 31 December 2020; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated and company cash flow statement, and the consolidated 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Genistics Holdings Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 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 Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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 Group's and 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 Group or 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.

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 Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, 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 and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reviewing board minutes for evidence of breaches of regulations and reading relevant correspondence
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing

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

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

Use of this report

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

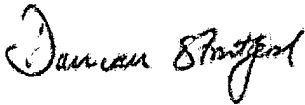
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
10 November 2021

Consolidated Profit and Loss Account
For the year ended 31 December 2020

	<i>Notes</i>	2020 £	2019 £
Turnover		10,497,197	10,039,936
Cost of sales		(5,948,175)	(5,601,756)
Gross profit		4,549,022	4,438,180
Administrative expenses		(220,470)	(67,472)
Operating profit	2	4,328,552	4,370,708
Interest payable and similar expenses	5	(2,675,521)	(3,048,070)
Profit before taxation		1,653,032	1,322,638
Taxation on profit	6	(284,698)	(237,318)
Profit for the financial year		<u>1,368,334</u>	<u>1,085,320</u>

The notes on pages 17 to 27 form part of these financial statements.

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income
for year ended 31 December 2020

	<i>Notes</i>	2020 £	2019 £
Profit for the financial year		1,368,334	1,085,320
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		191,196	472,666
Deferred tax on other comprehensive income	6	(32,503)	(80,354)
Other comprehensive income for the year, net of income tax		158,693	392,312
Total comprehensive income for the year		1,527,027	1,477,632

The notes on pages 17 to 27 form part of these financial statements.


Consolidated Balance Sheet

At 31 December 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Non current assets					
Fixed assets	7		9,763,689		14,111,223
Deferred taxation (due in greater than one year)	12		-		260,142
			<u>9,763,689</u>		<u>14,371,365</u>
Current assets					
Debtors	9	1,000,454		1,115,631	
Deferred taxation (due in less than one year)	12	192,060		185,587	
Cash at bank and in hand		5,783,141		8,490,244	
			<u>6,975,655</u>	<u>9,791,462</u>	
Creditors: amounts falling due within one year	10	<u>(2,210,740)</u>		<u>(7,633,029)</u>	
Net current assets			<u>4,764,915</u>		<u>2,158,433</u>
Total assets less current liabilities			<u>14,528,604</u>		<u>16,529,798</u>
Creditors: amounts falling due after more than one year	11		<u>(15,525,281)</u>		<u>(19,053,502)</u>
Net liabilities			<u>(996,677)</u>		<u>(2,523,704)</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Cash flow hedge reserve			-		(158,693)
Profit and loss account			(997,677)		(2,366,011)
Total Shareholders' deficit			<u>(996,677)</u>		<u>(2,523,704)</u>

The notes on pages 17 to 27 form part of these financial statements.

These financial statements on pages 11-16 were approved by the board of directors on 10 November 2021 and were signed on its behalf by:

DocuSigned by:

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A Biggs
 Director

Company number: 4261359

Company Balance Sheet

At 31 December 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Investments	8		1,000		1,000
Current assets					
Debtors	9	15,525,281		19,053,502	
Creditors: amounts falling due within one year	10	-		-	
Net current assets			15,526,281		19,054,502
Total assets less current liabilities			15,526,281		19,054,502
Creditors: amounts falling due after more than one year	11		(15,525,281)		(19,053,502)
Net assets			1,000		1,000
Capital and reserves					
Called up share capital	13		1,000		1,000
Total Shareholders' funds			1,000		1,000

These financial statements on pages 11-16 were approved by the board of directors on 2 November 2021 and were signed on its behalf by:

DocuSigned by:

A Biggs
 Director

The notes on pages 17 to 27 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Called up Share capital	Cash flow hedging reserve	Profit and loss account	Total Shareholders ' Deficit
	£	£	£	£
Balance at 1 January 2019	1,000	(551,005)	(3,451,331)	(4,001,336)
Total comprehensive income for the year				
Profit for the year	-	-	1,085,320	1,085,320
Other comprehensive income	-	392,312	-	392,312
	<u>-</u>	<u>392,312</u>	<u>-</u>	<u>392,312</u>
Total comprehensive income for the year	-	392,312	1,085,320	1,477,632
	<u>-</u>	<u>392,312</u>	<u>1,085,320</u>	<u>1,477,632</u>
Balance at 31 December 2019	<u>1,000</u>	<u>(158,693)</u>	<u>(2,366,011)</u>	<u>(2,523,704)</u>

	Called up Share capital	Cash flow hedging reserve	Profit and loss account	Total Shareholders ' Deficit
	£	£	£	£
Balance at 1 January 2020	1,000	(158,693)	(2,366,011)	(2,523,704)
Total comprehensive income for the year				
Profit for the year	-	-	1,368,334	1,368,334
Other comprehensive income	-	158,693	-	158,693
	<u>-</u>	<u>158,693</u>	<u>-</u>	<u>158,693</u>
Total comprehensive income for the year	-	158,693	1,368,334	1,527,027
	<u>-</u>	<u>158,693</u>	<u>1,368,334</u>	<u>1,527,027</u>
Balance at 31 December 2020	<u>1,000</u>	<u>-</u>	<u>(997,677)</u>	<u>(996,677)</u>

The notes on pages 17 to 27 form part of these financial statements.

The parent entity has no changes in equity and therefore no separate statement is presented.

Consolidated and Company Cash flow statement
For the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Cash flows from operating activities				
Profit for the year	1,368,334	1,085,320	-	-
<i>Adjustments for:</i>				
Depreciation, amortisation and impairment	4,347,534	4,347,534	-	-
Interest payable and similar charges	2,675,521	3,048,070	2,579,464	2,569,110
Interest receivable	-	-	(2,579,464)	(2,569,110)
Taxation	284,698	237,318	-	-
	<u>8,676,087</u>	<u>8,718,242</u>	<u>-</u>	<u>-</u>
Decrease in trade and other debtors	115,092	550,195	-	-
(Decrease)/Increase in trade and other creditors	319,406	(72,447)	-	-
	<u>9,110,584</u>	<u>9,195,990</u>	<u>-</u>	<u>-</u>
Net cash from operating activities				
Cash flows from financing activities				
Interest paid	(2,839,692)	(3,195,084)	-	-
Repayment of borrowings	(8,977,995)	(6,454,848)	-	-
	<u>(11,817,687)</u>	<u>(9,649,932)</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities				
Net (decrease)/increase in cash and cash equivalents	(2,707,103)	(453,942)	-	-
Cash and cash equivalents at 1 January	8,480,244	8,944,186	-	-
	<u>5,783,141</u>	<u>8,490,244</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December				

The notes on pages 17 to 27 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1 Accounting Policies

Genistics Holdings Limited is a company limited by shares and registered, incorporated and domiciled in Derby, UK.

These Group and parent company financial statements were prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The presentation currency of these financial statements is sterling. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include the accounting policy for capitalisation of the assets and the estimate of the residual value of the asset (note 7). The judgements are explained within the respective notes.

Basis of accounting and consolidation

These financial statements have been prepared on the historical cost basis with exception of derivative financial instruments which are measured at fair value.

The consolidated financial statements include the financial statements of the Group and its subsidiary undertaking made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Group has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Group is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investment in subsidiary is carried at cost less impairment.

Going concern

The financial statements of the Group have been prepared on a going concern basis which the directors believe is appropriate. Whilst the Group has net liabilities of £996,677 (2019: £2,523,704) this is in line with the expectations set by the financial model underpinning the Group's operations at the outset and reflects a higher capital balance outstanding on the Group's loan during the earlier stages of the contract and higher interest charges during this phase. The Group has net current assets and is able to meet its liabilities as they fall due.

The existing contract with the MoD will cease in June 2022; the contract has not been extended and trading with the MoD will end at this date. Genistics Holdings Limited will proceed to sell its generator fleet to the MoD or an alternative party with any unsold generators remaining the property of Genistics Holding Limited. Potential customers are currently being identified, and Rolls Royce Plc have made enquiries to provide an indication of Rough Order of Magnitude (ROM) prices for the potential purchase of some or all of the FEPS fleet of generators.

Profits realised through the sale of the generator fleet will be used to repay the shareholder loan. This is expected to be fully repaid by the date of June 2022, which is in line with directors' expectations and cash projections.

The directors have considered these factors and forecasts for the Group for a period beyond twelve months from the signing of these financial statements and consider that a going concern basis of preparation remains appropriate. In making this assessment the directors have also relied upon letters of support from the joint venture partners. Genistics Holdings Limited has both net assets and net current assets, as such the balance sheet position along with forecasts that the entity will continue to match income and costs with no cash outflow, is sufficient for the directors to conclude that the Group is a going concern and therefore the financial statements have been prepared on this basis.

Turnover

Turnover is recognised in line with contractual invoices raised on a monthly basis along with a 'reconciliation' amount invoiced each quarter (March, June, September and December) that takes account of the actual usage of generators by the customer. The MoD is obliged under the "take or pay" arrangement to pay for a minimum usage over the life of the contract. Usage above this level is invoiced following the quarterly reconciliations described above.

Notes to the financial statements (continued)

For the year ended 31 December 2020

1 Accounting Policies (continued)

The entity also transacts some agency income and costs which are shown net. The agency turnover relates to income from the MoD, but which is due to Rolls Royce Plc. This includes income from repairs and modifications on the FEPS units carried out by Rolls Royce Plc, but which are MoD liability. Under the terms of the PFI contract Rolls Royce Plc invoices Genistics Holding Limited who in turn invoice the MoD. These transactions have no impact on the profitability of Genistics Holding Limited.

Interest

Interest payable and receivable on loans and deposits is accrued in the financial statements on a monthly basis, and paid or received six monthly in arrears. Payment of shareholder loan interest is dependent on availability of funds and as such unpaid interest will be capitalised onto the shareholder loan taking at an arm's length position.

Tangible fixed assets and depreciation

The Group is an operator of a PFI contract. The underlying asset was deemed to be an asset of the Group under old UK GAAP because the risks and rewards of ownership were deemed to lie principally with the Group. On transition to FRS102, the Group elected to continue this accounting and hence to treat the underlying asset as a fixed asset.

Fixed assets are capitalised where directly incurred costs (including borrowing costs) have been incurred and the risk and rewards of the asset are deemed to belong to the Group.

Tangible fixed assets are stated at cost, less accumulated depreciation, less accumulated impairment. Depreciation is charged on a straight-line basis to write down the cost of the tangible fixed assets to their estimated residual values over their expected useful lives. The fixed assets are depreciated over the life of the FEPS contract.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is recognised on gains or losses in relation to cash flow hedges and this is recognised in line with the underlying gain or loss within Other comprehensive income.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred

Notes to the financial statements (continued)

For the year ended 31 December 2020

1 Accounting Policies (continued)

beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings and receivables classified as basic financial instruments

Interest-bearing borrowings and receivables are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, these are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

An element of the Group's cash is restricted based on being able to meet the commitment of the forthcoming 6 month period scheduled senior loan repayment & interest. The value of this restricted amount is held in a separate account registered with the Group and contributes to the overall reported "Cash at bank and in hand" balance.

Share Capital and Reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for hedging instruments in a designated hedging relationship shall be recognised as set out below.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Critical Accounting Estimates

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the financial statements (continued)

For the year ended 31 December 2020

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include the accounting policy for capitalisation of the assets and the estimate of the residual value of the asset (note 7).

The directors are of the opinion that there are no other critical accounting judgements or key sources of estimation uncertainty.

2 Operating Profit

	2020 £	2019 £
<i>Operating profit is stated after charging:</i>		
Depreciation on tangible fixed assets	4,347,534	4,347,534
Audit fees payable to the company's auditors	12,000	9,000
Audit fees payable to the subsidiary auditors	20,000	20,000
	<u> </u>	<u> </u>

3 Directors' remuneration

None of the directors received any separate remuneration from the Group in respect of their services to the Group in either year. The services performed are deemed to represent a negligible portion of their activities.

4 Employment costs

The Group does not employ any staff, and hence has no key management personnel, beyond the directors.

5 Interest payable and similar expenses

	2020 £	2019 £
Interest payable on bank loans	96,057	478,960
Interest payable on debenture loan notes	2,579,464	2,569,110
	<u> </u>	<u> </u>
	2,675,521	3,048,070
	<u> </u>	<u> </u>

Notes to the financial statements (continued)
For the year ended 31 December 2020

6 Tax on profit

a) Tax expense included in profit or loss

	2020 £	2019 £
Current tax:		
UK corporation tax payable at 19% (2019: 19%)	63,532	30,182
Deferred tax:		
Arising from origination and reversal of timing differences	260,064	207,136
Arising from changes in tax rates and laws	(38,898)	-
Total deferred taxation	221,166	207,136
Tax on profit	284,698	237,318

b) Tax relating to items recognised in other comprehensive income or equity

	2020 £	2019 £
Deferred tax:		
Arising from origination and reversal of timing differences	36,327	80,354
Arising from changes in tax rates and laws	(3,824)	-
Total tax expense included in other comprehensive income	32,503	80,354

c) Reconciliation of tax charge

	2020 £	2019 £
Reconciliation of effective tax rate:		
Profit before tax	1,653,032	1,322,638
Nominal charge at UK corporation tax rate of 19% (2019: 19%)	314,076	251,301
Non-deductible expenses	9,519	10,384
Tax rate differential on timing differences in the year	-	(24,367)
Prior year adjustment	9,717	-
Adjustments in respect of increase in tax rate	(48,615)	-
Total tax expense included in profit and loss	284,698	237,318

Notes to the financial statements (continued)
For the year ended 31 December 2020

7 Fixed assets

Group	Fixed assets £
<i>Cost</i>	
At 1 January 2020 and 31 December 2020	83,009,837
<i>Accumulated Depreciation</i>	
Opening Balance - 1 January 2020	68,898,614
Charge for the year	4,347,534
Closing Balance – 31 December 2020	73,246,148
<i>Net book value</i>	
At 31 December 2020	9,763,689
At 31 December 2019	14,111,223

The depreciable amount takes account of a residual value of £3,616,200 at the end of the contract life. This is the best estimate of the amount receivable for the sale of the assets at the end of the contract. The estimate of the amount receivable is the lower of the market value or the maximum payment allowed under the contract of £3,616,200 indexed. Management consider that at the termination of the contract the market value of the assets will exceed this maximum amount.

8 Investments

	Country of incorporation	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Genistics Limited	UK	Maintenance, management and finance of trailer-mounted field mobile generator sets for the MoD	100% Ordinary

The cost and net book value of interests in associated Group undertakings is £1,000 (2019: £1,000).

Genistics Limited registered address is Rolls Royce plc, PO Box 31, Moor Lane, Derby, Derbyshire, DE24 8BJ.

Notes to the financial statements (continued)
For the year ended 31 December 2020

9 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade debtors	-	180,895	-	-
Debenture loans due from subsidiary undertakings	-	-	15,525,281	19,053,502
Other Debtors	1,000	1,000	-	-
Prepayments and accrued income	999,454	933,736	-	-
	<u>1,000,454</u>	<u>1,115,631</u>	<u>15,525,281</u>	<u>19,053,502</u>

All items held at amortised cost. Debenture loans held on the company balance sheet are due in more than one year. Debenture loan to be repaid in 2022 and has an interest rate of 13.50%.

10 Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans and overdrafts	-	5,391,663	-	-
Trade creditors	1,236,055	1,276,592	-	-
Other creditors and accruals	55,252	159,201	-	-
Corporation tax	63,532	30,182	-	-
Taxation and social security	855,901	425,356	-	-
Other financial liabilities	-	191,196	-	-
Interest on bank loans	-	158,839	-	-
	<u>2,210,740</u>	<u>7,633,029</u>	<u>-</u>	<u>-</u>

All items above held at amortised cost with the exception of 'other financial liabilities' which are held at fair value.

11 Creditors: amounts falling due after more than one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Other financial liability	-	-	-	-
Bank Loans and overdrafts	-	-	-	-
Debenture loans	15,525,281	19,053,502	15,525,281	19,053,502
	<u>15,525,281</u>	<u>24,574,705</u>	<u>15,525,281</u>	<u>19,053,502</u>

Notes to the financial statements (continued)

For the year ended 31 December 2020

11 Creditors: amounts falling due after more than one year (continued)

All items above held at amortised cost with the exception of 'other financial liabilities' which are held at fair value. The ultimate providers of the Debenture Loan are Rolls Royce Plc £7,797,572 (2019: £9,555,336) and Investment Holdings (Genistics) Limited £7,727,709 (2019: £9,498,166). Interest on the loan is charged at 13.5% pa and is payable six monthly in arrears. Maturity of the loan is in 2022. The shareholder loan is expected to be fully repaid by the date of June 2022, which is in line with directors' expectations and cash projections.

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Debt repayable				
Within 1 year	-	5,391,663	-	-
Between 1 & 2 years	15,525,281	0	15,525,281	-
Between 2 & 5 years	-	19,053,502	-	19,053,502
	<u>15,525,281</u>	<u>24,445,165</u>	<u>15,525,281</u>	<u>19,053,502</u>

12 Deferred taxation

	2020	2019
	£	£
Group		
At beginning of year	445,729	733,219
Amount charged to profit & loss account	(221,166)	(207,136)
Amount charged to other comprehensive income	(32,503)	(80,354)
At end of year	<u>192,060</u>	<u>445,729</u>

The elements of deferred taxation are as follows:

	2020	2019
	£	£
Accelerated capital allowances	(1,524,538)	(2,083,609)
Tax losses	1,716,598	2,496,835
Other timing differences	-	32,503
Deferred tax asset	<u>192,060</u>	<u>445,729</u>

Management are satisfied that the deferred tax asset is recoverable based on their detailed forecasts of future trading. Of the asset recognised, £0 (2019: £260,142) is estimated to be due in more than one year.

The Spring Budget 2020 announced that the UK corporation tax rate would remain at 19% rather than reducing to 17% from 1 April 2020. The new law was substantively enacted on 17 March 2020. The prior year deferred tax asset was calculated at 17%, as this was the enacted rate at the 2019 balance sheet date. As the 19% rate has been substantively enacted before 31 December 2020, the deferred tax asset has been remeasured at 19%.

Notes to the financial statements (continued)
For the year ended 31 December 2020

The resulting credit has been recognised in the income statement except to the extent that they relate to items previously credited or charged to equity. Accordingly, in 2020, £46,815 has been credited to the income statement and £3,824 has been credited to equity.

The Spring 2021 Budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax asset has been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax asset by £60,651.

13 Called up share capital

	2020	2019
	£	£
Authorised, issued and fully paid share capital: 1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

No reconciliation of share capital has been provided as there have been no movements in the year.

Notes to the financial statements (continued)
For the year ended 31 December 2020

14 Financial instruments

(a) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models, this matches when the cash flows are expected to affect profit or loss.

	2020						2019					
	Carrying amount £	Expected cash flows £	1 year or less £	1 to <2years £	2 to <5years £	5 years and over £	Carrying amount £	Expected cash flows £	1 year or less £	1 to <2years £	2 to <5years £	5 years and over £
Interest rate swaps:												
Liabilities	-	-	-	-	-	-	191,196	191,196	191,196	-	-	-

The Group uses swaps to hedge against interest rates within the market: the Group uses an Interest Rate Swap issued by Lloyds Bank to hedge against floating rate of the original bank loan. This hedge has been in place since July 2002 and runs until July 2020. The fair value of the interest rate swap is £0 (£191,196 in 2019), the change in fair value was recognised in other comprehensive income, there was no charge recognised directly within profit or loss. The interest rate swap was settled in full in June 2020 in line with the agreed finance terms.

(b) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2020 £	Fair value 2019 £
Cash Flow Hedge	-	191,196

Notes to the financial statements (continued)

For the year ended 31 December 2020

15 Related party disclosures

In the course of normal operations, the Group contracts on an arms-length basis with Vinters Engineering Limited. Vinters Engineering Limited is owned by Vinters plc, a wholly owned subsidiary of Rolls Royce plc. Rolls Royce plc is a 50% shareholder of Genistics Holdings Limited. The amounts due to Vinters Engineering Limited are not interest bearing and are repayable on demand. The material aggregated transactions which have not been disclosed elsewhere in the financial statements are summarised below:

	2020	2019
	£	£
Purchases of goods and services from Vinters Engineering Limited	3,745,017	3,157,753
Shareholder loan interest charged in year	2,579,464	2,569,109
Trade creditor balance with Vinters Engineering Limited	1,016,453	1,269,490
Shareholder loan with Rolls Royce plc	7,797,572	9,555,336
Shareholder loan with BIIF BidCo Limited	7,727,709	9,498,166
	<u> </u>	<u> </u>

16 Ultimate controlling parties

During the year the Group was a joint venture undertaking between Rolls Royce plc and Investment Holdings (Genistics) Limited, each shareholder holding 50% of the issued share capital.

Genistics Holdings Limited registered address is Rolls Royce plc, PO Box 31, Moor Lane, Derby, Derbyshire, DE24 8BJ.