

**Genistics Limited**

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

**Registered number 4261376**

**31 December 2020**



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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 the Company 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 Company 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 Company, based in Winsford Cheshire, provides the MoD 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 Company 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 contract 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 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. The senior debt liability and interest rate swap were settled in full in June 2020 in line with the agreed finance terms.

During the year, the Company met all of its facility covenants.

### Principal risks and uncertainties

The directors of the Company 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 Company 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

## Strategic Report (*continued*)

penalties in the form of income reductions. As at the end of December 2020, the Company had met or exceeded all of its KPI obligations.

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.

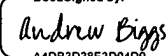
The Company monitors itself against numerous financial KPI's. Internally, 'Profit before Interest and Tax' £4,328,552 (2019: £4,370,708) and 'Cash Flow' KPI's (as described in more detail below) are important to the Company, tracking as expected during the year. Both have improved due to lower interest 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. The outstanding senior debt balance was repaid in full in June 2020.

### Payment to suppliers

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

### Financial risks

From a financial perspective, the performance of the Company 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 Company 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 Company is exposed to credit risk through the receivables held. This risk is deemed to be relatively low as the Company 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 Company 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 the interest rate 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 in line with the agreed finance terms.

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

## **Directors' Report (*continued*)**

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

The Company produces regular financial model updates that forecast the Company cashflows to the end of the contract period. This financial model indicates that the Company 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 Company 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 Company 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 Company'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 Company'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 Company'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 Company and of the profit or loss of the Company 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 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.

## Directors' Report (*continued*)

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.

### Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors believe is appropriate. Whilst the Company has net liabilities of £996,677 (2019: £2,523,704) this is in line with the expectations set by the financial model underpinning the Company's operations at the outset and reflects a higher capital balance outstanding on the Company's loan during the earlier stages of the contract and higher interest charges during this phase. The Company 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 Holdings 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 company 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 Company 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 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 Company 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 Company's employees;



## Directors' Report (*continued*)

- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

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

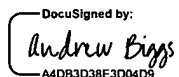
The Company has a range of stakeholders including the following subcontractors – Powerfield Limited and Babcock Limited – along with the Ministry of Defence (MoD). The Company subcontracts its employees and management with Powerfield and engagement occurs on a regular basis. The Company subcontracts management contracts to Babcock Limited who act as the interface between holding equipment and delivery to the MoD. Engagement with Babcock Limited occurs on a daily basis at an operational level whereby employees subcontracted by Powerfield Limited engage with Babcock Limited. Director level engagement occurs on an ad hoc basis and as an escalation point.

Engagement with the MoD occurs regularly and engagement increases during various stages of the contract with most engagement occurring on a monthly basis via Teams meetings during the COVID-19 pandemic. However, engagement also occurs through face-to-face meetings, email correspondence and formal letter correspondence. Representatives from Powerfield Limited, on behalf of the Company, meet at an operational level quarterly with Babcock and MoD for a three-way discussion.

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

The strategic report and director's 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 Limited***

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

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#### **Opinion**

In our opinion, Genistics 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 profit and 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 balance sheet as at 31 December 2020; the profit and loss account, the statement of comprehensive income, the cash flow statement, 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.

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#### **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.

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#### **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 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 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.

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#### **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 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 and Financial Statements 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 Strategic Report and Directors' Report and Financial Statements.

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### **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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

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

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## Other required reporting

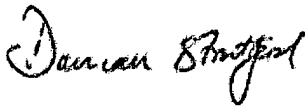
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### Companies Act 2006 exception reporting

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.



Duncan Stratford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
10 November 2021

**Profit and loss account**  
*For the year ended 31 December 2020*

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

The notes on pages 16 to 25 form part of these financial statements.

All amounts relate to continuing operations.

**Statement of Comprehensive Income**  
*for year ended 31 December 2020*

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

The notes on pages 16 to 25 form part of these financial statements.

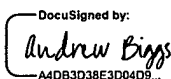
## Balance sheet

At 31 December 2020

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

The notes on pages 16 to 25 form part of these financial statements.

These financial statements on pages 11-15 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: 4261376

**Statement of Changes in Equity**  
*For the year ended 31 December 2020*

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

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

The notes on pages 16 to 25 form part of these financial statements.



**Cash Flow Statement**  
*for year ended 31 December 2020*

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
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
Taxation	284,698	237,318
	<hr/>	<hr/>
	8,676,087	8,718,242
Decrease in trade and other debtors	115,092	550,195
Decrease in trade and other creditors	319,406	(72,448)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	9,110,584	9,195,989
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid	(2,839,692)	(3,195,084)
Repayment of borrowings	(8,977,995)	(6,454,847)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(11,817,687)	(9,649,931)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,707,103)	(453,942)
Cash and cash equivalents at 1 January	8,490,244	8,944,186
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	5,783,141	8,490,244
	<hr/>	<hr/>

The notes on pages 16 to 25 form part of these financial statements.

## Notes to the financial statements

*For the year ended 31 December 2020*

### 1 Accounting Policies

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

These 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 Company's parent undertaking, Genistics Holdings Limited, includes the Company in its consolidated financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### *Basis of accounting*

These financial statements are prepared on a going concern basis, under the historical cost convention, with exception of derivative financial instruments which are measured at fair value.

#### *Going concern*

The financial statements of the Company have been prepared on a going concern basis which the directors believe is appropriate. Whilst the Company has net liabilities of £996,677 (2019: £2,523,704) this is in line with the expectations set by the financial model underpinning the Company'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 company 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 Holdings 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 company 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.

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 the Company who in turn invoice the MoD. These transactions have no impact on the profitability of the Company.

## **Notes to the financial statements (*continued*)**

### ***For the year ended 31 December 2020***

#### **1 Accounting Policies (*continued*)**

##### ***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 Company is an operator of a PFI contract. The underlying asset was deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership were deemed to lie principally with the Company. On transition to FRS102, the company 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 company.

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 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, are not provided for. 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 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 beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

## **Notes to the financial statements (*continued*)**

### ***For the year ended 31 December 2020***

#### **1 Accounting Policies (*continued*)**

##### ***Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings 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 Company'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 Company'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 Company 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 Company'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 £
Operating profit is stated after charging: -		
Depreciation on tangible fixed assets	4,347,534	4,347,534
Auditors' remuneration	20,000	20,000
	<u>4,367,534</u>	<u>4,367,534</u>

**3 Directors' remuneration**

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

**4 Employment costs**

The company 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>2,675,521</u>	<u>3,048,070</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**

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

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 Debtors**

	<b>2020 £</b>	<b>2019 £</b>
Trade debtors	-	180,895
Other debtors	1,000	1,000
Prepayments and accrued income	999,454	933,736
	<hr/>	<hr/>
	<b>1,000,454</b>	<b>1,115,631</b>
	<hr/>	<hr/>

All items above are measured at amortised cost.

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

**9 Creditors amounts falling due within one year**

	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
	<hr/>	<hr/>
	2,210,740	7,633,029
	<hr/>	<hr/>

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

**10 Creditors amounts falling due after more than one year**

	2020	2019
	£	£
Debenture loan	15,525,281	19,053,502
Bank loans and overdrafts	-	-
Other financial liability	-	-
	<hr/>	<hr/>
	15,525,281	19,053,502
<b>Debt repayable</b>	<hr/>	<hr/>
Within 1 year	-	5,391,663
Between 1&2 years	15,525,281	-
Between 2-5 years	-	19,053,502
	<hr/>	<hr/>
	15,525,281	24,445,165
	<hr/>	<hr/>

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

The ultimate providers of the Debenture Loan are Rolls Royce plc £7,797,572 (2019: £9,555,536) and Investment Holdings (Genistics) Limited £7,727,709 (2019: £9,498,166). The ultimate loan has been flowed down into Genistics Limited from the parent Company. 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.



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

**11 Deferred Taxation**

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

	2020 £	2019 £
The analysis of the deferred tax is as follows:		
Accelerated capital allowances	(1,524,538)	(2,083,609)
Tax losses	1,716,598	2,496,835
Other timing differences	-	32,503
	<hr/>	<hr/>
Deferred tax	192,060	445,729
	<hr/>	<hr/>

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%.

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.

**12 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. Prior year issued and fully paid ordinary shares (2019: £1,000)

**Notes to the financial statements (continued)****13 Financial instruments****13 (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 £	5years and over £	Carrying amount £	Expected cash flows £	1 year or less £	1 to <2years £	2 to <5years £	5years and over £
<b>Interest rate swaps:</b>												
Liabilities	-	-	-	-	-	-	191,196	191,196	191,196	-	-	-

The Company uses a swap to hedge against interest rates within the market. The Company uses an Interest Rate Swap issued by Lloyds TSB to hedge against floating rate of the original credit agreement. This hedge has been in place since July 2002 and runs until July 2020. The fair value of the interest rate swap is now £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.

**13 (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 £
<b>Cash Flow Hedge</b>	0	191,196

## Notes to the financial statements *(continued)*

### 14 Related party transactions

In the course of normal operations, Genistics Limited 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 holding Company of Genistics Limited). The trade balances due to Vinters Engineering Limited do not bear interest 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
Interest charged in the year on amounts due to Genistics Holdings Limited	2,579,464	2,569,109
Trade creditor balance with Vinters Engineering Limited	1,016,453	1,269,490
Amounts due to Genistics Holdings Limited	<u>15,525,281</u>	<u>19,053,502</u>

### 15 Ultimate parent company

The Company's immediate parent undertaking is Genistics Holdings Limited, a holding Company registered in England and Wales. Genistics Holdings Limited is a joint venture undertaking between Rolls Royce plc and Investment Holdings (Genistics) Limited. The largest and smallest group in which the results of the Company are consolidated is that headed by Genistics Holdings Limited.

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

The consolidated financial statements of the group are available to the public and may be obtained from the Registrar: Companies House, Crown Way, Cardiff CF14 3UZ