Rolls-Royce Solutions UK Limited (formerly MTU UK Limited)

Annual report and financial statements

Registered number 04691779

31 December 2020

Directors and advisers

Directors
Andreas Görtz
Bruce Phillips
Thomas Schuler (Resigned 4th May 2021)
Samuel Wecker (Appointed 25th May 2021)

Independent Auditors
PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR
United Kingdom

Registered Office
Rolls-Royce plc
Moor Lane
Derby
Derbyshire
England
DE24 8BJ

Contents

Strategic Report

The Directors present their Strategic Report on Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) (the Company) together with the audited financial statements for the year ended 31 December 2020.

Strategy and objectives
The Company's main objective is to be a leading supplier to its customers and achieve profitable and sustainable growth in accordance with the Rolls-Royce 'Trusted to Deliver Excellence' values.

The health and safety of all those working at Rolls-Royce Solutions UK Limited (formerly MTU UK Limited). and those connected with our products and services is considered of paramount importance in all of our business activities.

The main foundations of the strategy to achieve this are:

I. Offering all markets a range of class leading products.

- Having a range of products that are specifically designed and developed to meet the precise requirements of the individual markets and applications.
- Anticipating changes in legislation along with market trends as well as developing products and solutions on time.
- By offering a broad portfolio of products as well as services that fully meet the customer's needs with clear technical, quality and performance benefits.

II. Investing in facilities, people and processes to ensure the highest customer satisfaction.

- Establishing local processes and performance that contribute to highest level support of the business and ensure maximum customer satisfaction.
- By engaging and retaining highly competent staff and ensuring continuous high standards of training, development and motivation.
- Deploying that resource in the most efficient manner for the local and Rolls-Royce Power Systems Group business.

III. Ensuring that our business partners share the same ethic.

- Working with our expanded UK dealer network in order that they meet the set objectives.
- Management and execution of the business strictly in accordance with Rolls-Royce Power Systems Integrity Code and all local codes and legislation.
- Cultivation of long-term working relationships with other partners and suppliers for the common good.

IV. Scouting for new opportunities.

- Encouraging staff and business partners to seek new opportunities for both the current range of products and services and also where new products and services may be developed for the benefit of the business.

Strategic Report *(continued)*

Business review and principal activities

The principal activity of the Company in the year under review was that of the sales and service of off highway diesel engines primarily in our core markets: rail, marine (Naval, Commercial and Yacht) and power generation (diesel engine and Gas CHP) market sectors.

Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) operates as a wholly-owned subsidiary of Rolls-Royce Power Systems AG, the German group of companies with Rolls-Royce Solutions GmbH (formerly MTU Friedrichshafen GmbH) as its principal business unit.

The results for the year and the financial position of the Company are as shown in the annexed financial statements. The Company had revenue in 2020 of £56.5m (2019: £101.0m) and pre-tax profits of £5.0m (2019: £5.0m). Revenue showed a decrease in 2020 of 44% (2019: 23.9% increase). The decline in revenue has been seen in the original equipment engine sales area. Marine engine sales have declined by 71.9%, compared to the revenue of 2019. This has been caused by a lack of demand for new vessels being produced during the coronavirus pandemic (COVID-19) period of lockdown in boatyards and shipbuilders. In the Power Generation business the decline compared to 2019 revenue is 75.3%. The impact of COVID-19 lockdown periods during 2020 has seen a slowdown in demand for projects which has impacted this sector, and projects have been delayed into 2021. For the service business within Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) there has been an increase in revenue of +12.5% when compared to 2019. The population of new equipment coming into the UK market which requires service activities to take place continues to grow and support the revenue increase. The company finished the year with a net current asset value of £12.7m growing the value compared to 2019 by 46%. The Company continues to actively manage its net asset value by managing control of inventory, keeping overdue customer debts to a minimum and actively paying suppliers to terms. The Company, through its departments and staff, continues to work to maximise its opportunities.

Future Outlook

The future strategy of the Company is to continue to proactively market the existing and newly developed products from the parent company, concentrating on meeting or exceeding the high service levels demanded, as well as capturing new opportunities in market sectors where the opportunity has not yet been developed. Customer satisfaction is key to the success of the business and the Company will continue to seek best practice in these respects. Whilst there remains significant uncertainty in some of Rolls-Royce Solutions UK Limited's (formerly MTU UK Limited's) core markets, the longer term outlook for the Company remains very positive. This is a consequence of several large naval and rail contracts for which MTU engines / propulsion systems have been selected. These projects will ultimately result in a significant increase in the population of MTU engines in the UK and consequently Rolls-Royce Solutions UK Limited (formerly MTU UK Limited). is set to benefit from the revenues that will be generated from the servicing and support of these products over the mid to long term.

Bruce Phillips continues in his role as Managing Director of Rolls-Royce Solutions UK Limited (formerly MTU UK Limited). Andreas Görtz continues to act as a director. Thomas Schuler resigned in May 2021 and has been replaced by Samuel Weckel. Collectively the board possess an extensive and diverse competence that not only helps maintain the current business but also ensures the appropriate future direction and continued profitable growth.

Strategic Report *(continued)*

Principal risks and uncertainties

Coronavirus pandemic

The COVID-19 pandemic has had little tangible impact on the Company's service operations which continue to contribute an increasing proportion of our overall revenues and profitability. Whilst many of our customers have reduced the operating hours on the MTU equipment that they own and/or operate, any resultant reduction in revenues has generally been offset by the increasing population of MTU equipment entering service in the U.K. market. The impact of the COVID-19 pandemic on our OE engine/system sales activities was more significant in 2020 and resulted in delays to end customers major capital equipment projects during 2020. The outlook for 2021 shows that the delay in 2020 projects is beginning to reverse in 2021. The order backlog for the start of 2021 has resulted in strong sales on Powergen products for the Q1 2021. The forecasted revenue is expected to exceed the original 2021 budgeted numbers and show a return to the value of business delivered in 2019. With the continued lockdown measures in the UK in early 2021 to cope with the pandemic the Company continues to work in line with the guidance from the government and our parent company to ensure the safety of all employees. All staff who are either permanently based at or are required to travel to customer sites have continued to carry out activities operating under strict COVID-19 safe working guidelines. All office-based staff have been encouraged to work from home if possible and/or are provided with access to a COVID-19 safe office environment. The liquidity position of the Company during 2020 to date has remained consistent with that at 31 December 2019 and the Directors do not expect this to change.

Key performance indicators

KPI	2020	2019
Revenue (decrease)/increase vs PY	-44%	+24%
Gross Profit %	20.7%	10.1%
Revenue per FTE	£448,568	£848,989
ROS %	8.8%	3.8%
ROCE (Operating Profit/Net Assets)	44%	34%

Key performance indicators that are used within the business are detailed in the table above. The revenue decline in 2020 has been seen in the Marine and Powergen original equipment sales area. The increase in gross profit % reflects the higher mix of service activity against original equipment sales for 2020, where the service activities have a higher average gross profit %. The average revenue per FTE reflects the decrease in the value of original equipment sales seen in 2020 compared to 2019.

The change in ROS% is a factor of the higher gross profit % being achieved in 2020 as a higher percentage of overall revenue has been achieved from service activities which have a higher average gross profit %. Non-financial indicators include number of sickness days which was an average of 4.46 days per staff in 2020 (2019: 2.3 days per staff). This increased due to one person being on long term sick leave and people who can't work from home, having to isolate for COVID-19. With the ongoing awareness and reinforced processes Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) continues to look at ways of managing its business through the effective implementation of KPI reviews.

Strategic Report *(continued)*

Financial risk management

The main financial risks that the Company faces in its operations are foreign exchange rate risk, price risk, credit risk, liquidity risk, interest rate cash flow risk and cash pooling. The Company has policies in place to minimise the risk.

Foreign exchange risks
These include forward foreign exchange deals made on our behalf by our parent company in Germany. Group treasury guidelines require that, where appropriate, hedges are used to minimise risk. Regular communications of funds to exchange from euros to sterling are made to facilitate risk reduction.

Price risks
The Company has no exposure to equity securities price risk as it holds no listed or other equity investments. There is some exposure to the risk of our purchase price rising due to the possibility of the cost of raw materials rising from our factory. As a general rule, these price rises only occur yearly (from 1 January for that year) and our customers are notified of our price increases at the same time.

Credit risks
The Company's exposure to credit risk takes the form of a loss that would be recognised if counterparties failed to, or were unable to, meet their payment obligations. To counter this, the Company has a credit insurance policy with Coface on the majority of its customers.

Liquidity risk
The Company is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements and the risk that financial assets cannot readily be converted to cash without loss of value. Although the Company has no overdraft on any of its bank accounts, it could request an intercompany loan if needed from group. The Company's largest creditor is a related party and so the likelihood of the Company being asked to repay the balance immediately is minimal and Rolls-Royce Power Systems AG have indicated their continued support.

Interest rate cash flow risk

Small amounts of interest are received from the Company's bank accounts and from the Company's cash pooling arrangements with Rolls-Royce Power Systems AG.

Cash pooling
There is a system in place whereby all excess cash is pooled centrally within Rolls-Royce Power Systems AG. All surplus cash is sent via this method but can be requested back at any time.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director 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 a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- need to foster the Company's business relationships with customers suppliers 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.

Strategic Report *(continued)*

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's key stakeholders are its employees, its shareholder Rolls Royce Power systems AG, its suppliers and customers. The Directors of the company work closely with Rolls Royce Power Systems AG. This engagement occurs monthly through a management business review with the management responsible for the subsidiary, and a formal annual review by the board of Rolls Royce Power Systems AG.

Key customer reviews are held on a regular basis. Supplier meetings are held during the year as part of the Company's quality review process. The outcome of these meetings are presented in the Company's monthly management meeting, and to the Directors at quarterly board meetings. These reviews are documented in the minutes of those Board meetings.

The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020.

There is regular engagement with employees with a town hall business review where health and safety, operations and HR topics are presented and the meeting finishes with a question and answer session. The Company fully recognises the responsibilities for the health and safety of all its employees, visitors, contractors and of the community by adopting the health and safety policies of the Rolls-Royce Holding plc group. The Company engages employees when health and safety matters are considered, and new policies formulated.

The Company is a subsidiary of the Rolls-Royce Holdings plc group and therefore the SECR disclosures required in relation to both Rolls-Royce Holdings plc and the Company have been included in the Rolls-Royce Holdings plc Annual Report on page 205. The Rolls-Royce Holdings plc Annual Report has been prepared for the same financial year as the Company.

On behalf of the board

Bruce Phillips
Director

Registered Number: 04691779
Moor Lane, Derby, Derbyshire, DE24 8BJ

Date 9th August 2021

Directors' report for the year ended 31 December 2020

The Directors present their report and audited financial statements of the Company for the year ended 31 December 2020 for Rolls-Royce Solutions UK Limited (formerly MTU UK Limited).

Future Developments
The Directors have outlined the future developments for the company in the strategic report.

Financial Instruments
Included within the strategic report is the Company's approach to financial risk management.

Dividends
During 2020 a dividend of £nil was paid in respect of 2019. A dividend of £3,558,800 has been requested for the year ended 31 December 2020 and is expected to be paid during 2021.

Directors
The Directors and officers who held office during the year and up to the date of signing the financial statements are given below:

Bruce Phillips
Thomas Schuler (Resigned 4th May 2021)
Andreas Görtz
Samuel Wecker (Appointed 25th May 2021)

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

Political and charitable contributions

The company made no political contributions (2019: £nil) and charitable donations of £1,000 (2019: £1,500) during the year.

Post Balance Sheet Events

On the 7 March 2020, Rolls-Royce Holdings plc signed an agreement to acquire 100% of the shares of Kinolt Group S.A., a Belgian company which designs and manufactures uninterruptible power supply systems. The transaction was completed on 1 July 2020 for net proceeds of €115m.
As part of this agreement, Kinolt UK Limited will be integrated into the Company on the 1st July 2021.

On the 1st July 2021 the Company was renamed Rolls-Royce Solutions UK Limited, inline with the rebranding of a number of entities within the Rolls-Royce Power Systems AG group.

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

Going concern

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce Power Systems AG, the parent undertaking of the smallest group to consolidate the Company's financial statements of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the board

Bruce Phillips
Director
Date 9th August 2021

Registered Number: 04691779
Moor Lane
Derby
Derbyshire DE24 8BJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Rolls-Royce Solutions UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rolls-Royce Solutions UK 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 for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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.

Independent auditors' report to the members of Rolls-Royce Solutions UK Limited (continued)

Reporting on other information

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

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

With respect to the 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.

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 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.

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.

Independent auditors' report to the members of Rolls-Royce Solutions UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 Generally Accepted Accounting Practices and tax compliance 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 of inappropriate journal entries to manipulate financial results; management bias in accounting estimates; and inappropriate treatment of significant transactions outside of the normal course of business. Audit procedures performed by the engagement team included:

- Discussions with management in respect of any known or suspected instances of non compliance with laws and regulation and any fraud matters;
- Review of Board meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgments; and
- Identifying and testing journal entries based on our risk assessment and evaluating whether there was evidence of management bias that represents a risk of material misstatement due to fraud.

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

Independent auditors' report to the members of Rolls-Royce Solutions UK Limited (continued)

We have no exceptions to report arising from this responsibility.

Duncan Stratford

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

Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020	2019
		£	£
Revenue	2	**56,519,608**	101,029,422
Cost of sales		**(44,840,488)**	(90,776,822)
Gross profit		**11,679,120**	10,252,600
Administrative expenses		**(5,039,515)**	(6,326,240)
Other operating expense		**-**	(128,212)
Operating profit		**6,639,605**	3,798,148
Finance income	6	**7,119**	1,333,257
Finance costs	7	**(1,686,173)**	(176,625)
Profit before taxation		**4,960,551**	4,954,780
Income tax expense	8	**(951,995)**	(944,120)
Profit and total comprehensive income for the financial year		**4,008,556**	4,010,660

The profits for the years shown above are derived entirely from continuing activities. The notes on pages 16 to 32 form part of the financial statements.

Statement of Financial Position

as at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Property, plant and equipment	9	**2,105,061**	2,056,977
Right of Use Assets	10	**4,424,987**	4,811,590
Current assets			
Inventories	11	**8,856,564**	6,395,264
Trade and other receivables	12	**24,636,497**	25,480,184
		33,493,061	31,875,448
Amounts falling due within one year			
Trade and other payables	13	**(20,377,829)**	(22,786,324)
Lease Liabilities	16	**(409,056)**	(409,426)
Net current assets		**12,706,176**	8,679,698
Total assets less current liabilities		**19,236,224**	15,548,265
Amounts falling due after more than one year			
Deferred tax liabilities	14	**(37,090)**	(18,719)
Lease Liabilities	16	**(4,135,090)**	(4,474,058)
Net assets		**15,064,044**	11,055,488
Equity			
Called up share capital	15	**400,000**	400,000
Retained earnings		**14,664,044**	10,655,488
Total shareholders' funds		**15,064,044**	11,055,488

The notes on pages 16 to 32 are an integral part of these financial statements.

The financial statements on pages 13 to 32 were approved by the Board of Directors on and signed on its behalf by:

Bruce Phillips
Director
Date 9th August 2021

Registered Number: 04691779
Moor Lane
Derby
Derbyshire
DE24 8BJ

Statement of Changes in Equity

for the year ended 31 December 2020

	Called up Share capital £	Retained Earnings £	Total equity £
Balance at 1 January 2019	400,000	9,125,338	9,525,338
Total comprehensive income for the year			
Profit for the year	-	4,010,660	4,010,660
Total comprehensive income for the year	-	4,010,660	4,010,660
Transactions with owners, recorded directly in equity			
Dividends Paid	-	(2,480,510)	(2,480,510)
Transactions with owners, recorded directly in equity	-	(2,480,510)	(2,480,510)
Balance at 31 December 2019	**400,000**	**10,655,488**	**11,055,488**
Balance at 1 January 2020	400,000	10,655,488	11,055,488
Total comprehensive income for the year			
Profit for the year	-	4,008,556	4,008,556
Total comprehensive income for the year	-	4,008,556	4,008,556
Transactions with owners, recorded directly in equity			
Dividends Paid	-	-	-
Transactions with owners, recorded directly in equity	-	-	-
Balance at 31 December 2020	**400,000**	**14,664,044**	**15,064,044**

Notes
(forming part of the financial statements)

1 Accounting policies

Rolls-Royce Solutions UK Limited (formerly MTU UK) Limited (the "Company") is a private limited company incorporated and domiciled in the UK and is limited by shares.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In accordance with the Companies Act 2006 and EU regulations, the Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Rolls-Royce Holdings plc includes the Company in its consolidated financial statements. The consolidated financial statements of Rolls-Royce Holdings plc are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, are available to the public and may be obtained from Kings Place, 90 York Way, London N1 9FX.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16, 'Property, plant and equipment';
- The requirements in IAS 24 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Paragraph 17 of IA 24, 'Related party disclosures' (key management compensation).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

As the consolidated financial statements of Rolls-Royce Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The Directors of the Company have prepared the financial statements on a going concern basis which assumes the Company will be able to meet its future obligations as they fall due and the Company will settle all payments within the agreed terms.

The Directors have received written confirmation from Rolls-Royce Power Systems AG, the parent undertaking of the smallest group to consolidate the Company's financial statements of its intention to support the Company with financial and other resources as necessary such that the Company can meet its financial obligations as they fall due. Furthermore, the parent undertaking has confirmed that; it will not seek the repayment of amounts advanced to the Company by the parent and/or other members of the parent's group unless adequate financing has been secured by the Company and it will repay cash deposited by the Company as part of the parent's cash pool sweeping arrangements. This written support is available for at least the next twelve months from the date of approval of these financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated into the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

1.4 Classification of financial instruments issued by the Company

Financial assets

Financial assets primarily include trade receivables, cash and cash equivalents (comprising cash at bank and short term deposits), derivatives (foreign exchange contracts).

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents are subject to low market risk. They are measured at fair value through profit and loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Financial Liabilities

Financial Liabilities primarily consist of trade payables, borrowings and derivatives.

Notes *(continued)*

1 Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

1.5 Revenue

Revenue represents net invoiced sales of goods, excluding value added tax. The Company's sales relate to the import and distribution of MTU engines and the associated sale of parts and labour services to maintain and repair those engines.

Revenue from the sale of original equipment products such as engines is recognised at the point in time when the company has fulfilled its performance obligations in relation to the supply of those goods. It is then that the right to the revenue has been earned and revenue and costs can be reliably measured.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For some OE products, such as extended warranty policies, the revenue is recognised over time, in line with the time that the policy is in place and covers the equipment for.

Revenue from aftermarket services such as the supply of spare parts, servicing and maintenance represents amounts billed to customers and other group companies for services performed by Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) employees. This revenue is recognised at the point when the company has fulfilled its performance obligations in relation to the supply of those goods. It is then that the right to the revenue has been earned and revenue and costs can easily be measured.

For some aftermarket services the revenue is recognised over a time period that reflects the length of those contracts when the performance of those servicing and maintenance obligations are met and it is at this point the revenue will be recognised.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

1.6 Expenses

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• Fixed payments less any lease incentive receivable;
• Variable lease payments that are based on an index or a rate;
• Amounts expected to be payable by the Company under residual value guarantees;
• The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
• Payments of penalties for termination of the lease, if the lease term reflects the Company exercising that option.

Notes *(continued)*

1 Accounting policies *(continued)*

Where leases commence after the initial transaction date, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Lease liabilities are revalued at each reporting date using the spot exchange rate.

Right-of-use assets are measured at cost comprising the following:
• The amount of the initial measurement of lease liability or a revaluation of the liability;
• Any lease payments made at or before the commencement date less any lease incentives received;
• Any initial direct costs; and
• Restoration costs.

Each right-of-use asset is depreciated over the shorter of its useful economic life and the lease term on a straight-line basis unless the lease is expected to transfer ownership of the underlying asset to the Company, in which case the asset is depreciated to the end of the useful life of the asset.
Payments associated with the short-term leases are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the income statement (see 1.3 foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where property, plant and equipment are split into parts which have different useful lives, they are accounted for as separate assets.

Lease payments are accounted for as described in note 1.6.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

• leasehold property improvements	Over 10 years on a straight-line basis
• plant and equipment	10% - 33% per annum on cost
• fixtures and fittings	25% per annum on cost

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments, impairments are calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, it is reversed through profit or loss.

1.10 Post-retirement benefits

Defined contribution plans

A defined contribution plan is a post-retirement benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.11 Deferred income

Deposits received in advance are recorded as deferred income in the balance sheet and the sale is recognised in the month of delivery of goods.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Notes *(continued)*

1 Accounting policies *(continued)*

Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment,
and note 1.7 for the useful economic lives for each class of assets.

Inventory provisioning
The Company considers it is necessary to assess the recoverability of the cost of inventory and the associated provisioning required in calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

Impairment of trade receivables
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 12 for the net carrying amount of the receivables and associated impairment provision

Notes *(continued)*

2 Revenue

By activity	**2020** **£**	2019 £
Rail engines	1,081,669	2,833,318
Marine (Naval, Commercial and Yacht engines)	4,178,887	14,856,221
Power generation (diesel engine and gas CHP)	11,980,656	48,411,511
After Sales	39,278,396	34,928,372
	56,519,608	101,029,422

By geography	**2020** **£**	2019 £
UK	36,969,053	83,043,961
Europe	19,437,019	17,949,849
Rest of the world	113,536	35,612
	56,519,608	101,029,422

	2020 **£**	2019 £
Point in Time original equipment OE	16,014,158	63,109,876
Over time - original equipment OE	145,385	157,856
Point in time - aftermarket services AMS	34,958,688	34,315,727
Over time - aftermarket service	5,401,377	3,445,963
	56,519,608	101,029,422

3 Expenses and auditors' remuneration

Operating profit is stated after charging:

	2020 **£**	2019 £
Right of use depreciation	**494,548**	501,384
Depreciation of property, plant and equipment – owned assets	**296,003**	253,403
Audit fees payable to the company's auditors	**54,106**	57,494

Notes *(continued)*

4 Staff numbers and costs

The average monthly number of persons (including directors) employed by the Company during the year was:

	Number of employees 2020	2019
Administration	**38**	34
Sales	**12**	19
Product support	**76**	66
	126	119

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	**5,270,455**	5,758,645
Social security costs	**609,949**	656,370
Other pension costs	**446,771**	369,989
	6,327,175	6,785,004

5 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**181,656**	200,129

Highest Paid Director

The highest paid directors' emoluments were as follows:

	2020 £	2019 £
Total amount of emoluments and amounts receivable under long term incentive schemes	**181,656**	200,129

The highest paid director has not made any contributions to money purchase share schemes, exercised any share options or participated in a defined benefit pension scheme during the year.

Two Directors are employed by another group company and receive no payment for their services to Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) as they have performed no qualifying services for Rolls-Royce Solutions UK Limited (formerly MTU UK Limited) in the last year to 31 December 2020 (2019: nil)

There are no retirement benefits accruing for any of the Directors (2019: nil).

Notes *(continued)*

6 Finance income

	2020	2019
	£	£
Foreign Exchange Gains	**-**	523,112
Total interest income on financial liabilities measured at amortised cost	**7,119**	23,101
Net gain on financial instruments	**-**	787,044
Total interest receivable and similar income	**7,119**	1,333,257

Total interest income on financial liabilities measured at amortised cost include interest receivable on bank balances, received from group undertakings of £7,119 *(2019: £23,101)*.

7 Finance costs

	2020	2019
	£	£
Foreign Exchange Losses	**1,195,654**	-
Total interest expense on financial liabilities measured at amortised cost	**214,296**	176,625
Net loss on financial instruments	**276,223**	-
Total other interest payable and similar charges	**1,686,173**	176,625

Total interest expense on financial liabilities measured at amortised cost include interest payable on overdrawn bank balances, paid to group undertakings of £54,639 *(2019: £6,402)*.

Notes *(continued)*

8 Income tax expense

Recognised in the income statement

	2020 £	2020 £	2019 £	2019 £
UK corporation tax				
Group relief payable	**933,731**		927,107	
Adjustments in respect of prior periods	**(107)**		-	
Total current tax		**933,624**		927,107
Deferred tax (see note 14)				
Origination and reversal of temporary differences	**13,851**		20,923	
Adjustment in respect of an increase in the tax rate	**2,202**		-	
Adjustments in respect of prior periods	**2,318**		(3,910)	
Total deferred tax		**18,371**		17,013
Tax on profit on		**951,995**		944,120

Reconciliation of standard tax rate

The tax assessed for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £	2019 £
Profit for the year	**4,008,556**	4,010,660
Total tax expense	**951,995**	944,120
Profit excluding taxation	**4,960,551**	4,954,780
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	**942,505**	941,408
Effects of:		
Non-deductible expenses	**5,077**	8,759
Adjustments in respect of prior periods	**2,211**	(3,910)
Tax rate differential on temporary differences	**-**	(2,137)
Adjustments in respect of an increase in the tax rate	**2,202**	-
Total tax charge	**951,995**	944,120

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 liability was calculated at 17%, as this was the enacted rate at the time of the 2019 balance sheet date. As the 19% rate has been substantively enacted before the 31 December 2020, the deferred tax liability has been re-measured at 19%

The resulting charge has been recognised in the income statement. Accordingly, in 2020, £2,202 has been charged to the income statement.

The Spring 2021 budget further announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax liability 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 liability by £11,713.

Notes *(continued)*

9 Property, plant and equipment

	Leasehold property improvements £	Plant and equipment £	Fixtures & fittings £	Assets under construction £	Total £
Cost					
Balance at 1 January 2020	905,709	3,175,392	51,894	942,795	5,075,790
Additions	-	302,808	41,279	-	344,087
Transfers	-	942,795	-	(942,795)	-
Balance at 31 December 2020	905,709	4,420,995	93,173	-	5,419,877
Accumulated Depreciation and impairment					
Balance at 1 January 2020	713,573	2,276,567	28,673	-	3,018,813
Depreciation charge for the year	23,197	258,077	14,729	-	296,003
Balance at 31 December 2020	736,770	2,534,644	43,402	-	3,314,816
Net book value					
At 31 December 2019	192,136	898,825	23,221	942,795	2,056,977
At 31 December 2020	**168,939**	**1,886,351**	**49,771**	**-**	**2,105,061**

The disposal to Assets under construction related to the addition of a test cell for testing rail engine powerpacks. Completion has taken place in 2020 and it has been reclassified under plant and equipment.

Notes *(continued)*

10 Right of Use Assets

	Leased Property £	Leased Plant and equipment £	Total £
Cost			
Balance at 1 January 2020	4,956,298	356,676	5,312,974
Additions	-	107,945	107,945
Balance at 31 December 2020	4,956,298	464,621	5,420,919
Accumulated Depreciation and impairment			
Balance at 1 January 2020	354,771	146,613	501,384
Depreciation charge for the year	354,770	139,778	494,548
Balance at 31 December 2020	709,541	286,391	995,932
Net book value			
At 31 December 2019	4,601,527	210,063	4,811,590
At 31 December 2020	**4,246,757**	**178,230**	**4,424,987**

11 Inventories

	2020	2019
	£	£
Work in progress	**826,779**	-
Finished goods	**8,029,785**	6,395,264
	8,856,564	6,395,264

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £44.8m *(2019: £90.8m)*. The write-down of stocks to net realisable value amounted to £nil *(2019: £nil)*. The reversal of write-downs amounted to £nil *(2019: £nil)*. Items held in stock are reviewed monthly against when they were last bought and sold.

Notes *(continued)*

12 Trade and other receivables

	2020 £	2019 £
Trade receivables	**9,471,486**	17,056,260
Amounts owed by group undertakings	**5,554,793**	1,860,593
Amounts owed by group undertakings relating to cashpool	**7,730,269**	2,030,783
Other receivables	**427,642**	2,849,935
Other financial assets	**-**	428,542
Prepayments and accrued income	**232,080**	153,144
Core charge balance held at Group companies	**1,220,227**	1,100,927
	24,636,497	25,480,184

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. The core charge balance is unsecured, interest free and repayable on receipt of certain products by Rolls-Royce Solutions GmbH (formerly MTU Friedrichshafen GmbH) from Rolls-Royce Solutions UK Limited (formerly MTU UK Limited). All amounts fall due within 1 year. A core charge is the value given to an exchange component used in the companies remanufacturing process.

Other Financial assets relate to the fair value of forward currency contracts which mature within one year.

13 Trade and other payables

	2020 £	2019 £
Trade payables	**612,473**	954,081
Amounts owed to group undertakings	**11,577,617**	14,249,449
Taxation and social security	**594,214**	2,947,221
Group relief	**933,731**	927,107
Contract Liabilities	**1,451,299**	857,974
Other payables	**13,294**	671
Accruals and deferred income	**5,195,201**	2,849,821
Other financial liabilities	**-**	-
	20,377,829	22,786,324

Amounts owed to Rolls-Royce Power Systems AG are unsecured, liable to interest and repayable on demand.

Notes *(continued)*

14 Deferred Tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£	£	**£**	£	**£**	£
Property, plant and equipment	**-**	-	(44,298)	(24,228)	(44,298)	(24,228)
Other	**7,208**	5,509	-	-	7,208	5,509
Tax assets / (liabilities)	**7,208**	5,509	(44,298)	(24,228)	(37,090)	(18,719)

Movement in deferred tax during the year

	1 January 2020	**Recognised in income**	**Recognised in equity**	**31 December 2020**
	£	**£**	**£**	**£**
Property, plant and equipment	**(24,228)**	**(20,070)**	**-**	**(44,298)**
Other	**5,509**	**1,699**	**-**	**7,208**
	(18,719)	**(18,371)**	**-**	**(37,090)**

Movement in deferred tax during the prior year

	1 January 2019	Recognised in income	Recognised in equity	31 December 2019
	£	£	£	£
Property, plant and equipment	(7,043)	(17,185)	-	(24,228)
Other	5,337	172	-	5,509
	(1,706)	(17,013)	-	(18,719)

Notes *(continued)*

15 Called up share capital

Share capital	2020 £	2019 £
Authorised		
1,000,000 (2019: 1,000,000) ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
400,000 (2019: 400,000) ordinary shares of £1 each	400,000	400,000

All shares are classified in shareholders' funds.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

A dividend of £3,558,800 has been requested to be approved and paid in 2021 in relation to the 2020 financial statements. The value per qualifying ordinary share is £8.90 (*2019 dividend:£nil per qualifying ordinary share)*. The aggregate amount of the dividend paid in relation to the 2020 statements was £nil. (2019: £nil)

Notes *(continued)*

16 Lease Liabilities

Operating leases are fixed term and do not have the right to extend or purchase the leased assets. The leases are a mixture of fixed and variable rate leases. The use of the assets enables the support of the parent company's obligations.

Future minimum lease payments as at 31 December 2020 are as follows:

	2020	2019
	£	£
Not later than one year	**556,071**	567,676
Later than one year and not latest than five years	**1,852,305**	1,888,320
Later than five years	**3,085,548**	3,533,738
Total gross payments	**5,493,924**	5,989,734
Impact of finance expenses	**(949,778)**	(1,106,250)
Carrying value of liability	**4,544,146**	4,883,484
Of which:		
Current liabilities	**409,056**	409,426
Non-current liabilities	**4,135,090**	4,474,058
Interest expense for lease liabilities (included in finance cost)	**(159,657)**	(170,223)

The total cash outflow for leases in 2020 was £604,729 (2019: £599,713)

17 Commitments

Capital commitments
At the year ended 31 December 2020, the Company had no capital commitments *(2019: £1,242,240)*.

Notes *(continued)*

18 Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is Rolls-Royce Power Systems AG, a company incorporated in Germany. The ultimate parent undertaking and controlling party is Rolls-Royce Holdings plc, a company incorporated in the UK.

The largest group of undertakings for which consolidated financial statements are prepared is that headed by Rolls-Royce Holdings plc and can be obtained from Kings Place, 90 York Way, London N1 9FX. The smallest group of undertakings for which consolidated financial statements are prepared is that headed by Rolls-Royce Power Systems AG which can be obtained from Maybachplatz 1, 88045, Friedrichshafen, Germany.

19 Contingent liabilities

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

20 Post balance sheet events

On the 7 March 2020, Rolls-Royce Holdings plc signed an agreement to acquire 100% of the shares of Kinolt Group S.A., a Belgian company which designs and manufactures uninterruptible power supply systems. The transaction was completed on 1 July 2020 for net proceeds of €115m.

As part of this agreement, Kinolt UK Limited will be integrated into the Company on the 1st July 2021.

On the 1st July 2021 the Company was renamed Rolls-Royce Solutions UK Limited, inline with the rebranding of a number of entities within the Rolls-Royce Power Systems AG group.