Genistics Limited

Strategic report, directors' report and financial statements

Registered number 4261376

for the year ended 31 December 2021

Contents

Company Information

Directors

Andrew Biggs
Dale Morgan
John Wrinn
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

The Company performed its obligations within the contractual terms until the existing contract with the MoD ended in June 2022. Upon termination of the contract, the fleet of generators were sold to the MoD. £8,366,700 was realised upon sale of the generators on 6 July 2022. The proceeds of the sale were put towards repaying the remaining liability on the shareholder loan to Rolls Royce Plc and Investment Holdings (Genistics) Limited on 7 July 2022. The Company will continue to store and service the generators for the MoD until July 2023 in line with the Supplemental Exit agreement. The Supplemental Exit Agreement, between The Secretary of State for Defence and Genistics Limited was signed on 30 June 2022.

Business review and results

Turnover for the year is broadly in line with the previous year at £10,167,359 *(2020: £10,497,197).* The profit before tax is £2,259,374 *(2020: £1,653,031).* The net liability position in 2020 has changed to a net asset position of £314,577 *(2020: restated net liability of £1,515,519).* This is primarily due to the reduced shareholder loan liability as we continue to make principal loan repayments. There were no additions to fixed assets in the year and the movement to £5,416,155 *(2020: £9,763,689),* reflects depreciation in the year. The remaining shareholder liability is £8,923,629 *(2020: £15,525,281)*. The reduction since 2020 is as a result of repaying part of the principal shareholder loan.

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*)

Key performance indicators *(continued)*

penalties in the form of income reductions. As at the end of December 2021, 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' £4,139,131 (2020: £4,328,552) and 'Cash Flow' KPI's are important to the Company, tracking as expected during the year. Both have improved due to lower interest costs compared with prior year.

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:
John Wrinn
D37861036CE34E4...

J Wrinn
14 December 2022

Directors' Report

Directorate

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

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
John Wrinn (appointed November 2021)
David Gilmour (resigned November 2021)
John Cavill

Dividends

The directors do not recommend the payment of a dividend *(2020: £nil).*

Future developments

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

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors believe is appropriate. The Company has net assets and is able to meet its liabilities as they fall due.

The existing contract with the MoD ended in June 2022 and the contract has not been extended. Genistics Limited sold its generator fleet to the MoD in July 2022. The Company will continue to store and service the generators on behalf of the MoD until 2023 in line with the Supplemental Exit Agreement. The Supplemental Exit Agreement, between The Secretary of State for Defence and Genistics Limited was signed on 30 June 2022.

Profits from the sale of the generator fleet were used to repay the shareholder loan. This was fully repaid in July 2022, which was 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. The Company has net 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.

Political Contributions

The Company has made no political donations nor incurred any political expenditure during the year (2020: £nil)

Directors' Report (*continued*)

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.

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 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 to ensure that the business can continue to meet all other liabilities as they fall due.

Impact on Ukraine

The Company acknowledges the current conflict and stands with the people of Ukraine. The Company's priority is to minimise the impact to operations and customers. The directors do not believe that there is any associated inflationary risk as a result of the war with Ukraine.

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 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Directors' Report (*continued*)

Statement of directors' responsibilities in respect of the financial statements (*continued*)

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 102 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 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 also 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.

Reappointment of independent 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;
- 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

Directors' Report (*continued*)

Genistics Limited – section 172(1) statement (*continued*)

- 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 directors' report have been approved by the board.

On behalf of the Board

DocuSigned by:
John Wrinn
D37861036CE34E4...

J Wrinn
14 December 2022

Independent auditors' report to the members of Genistics Limited

Report on the audit of the financial statements

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 2021 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: Balance sheet as at 31 December 2021; 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.

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 Genistics 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 2021 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 in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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'

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

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
- 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
- Gaining an understanding and testing any significant transactions outside the normal course of business

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.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Duncan Stratford

Duncan Stratford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Bristol

14 December 2022

Profit and loss account

For the year ended 31 December 2021

	Note	**2021** **£**	2020 £
Turnover		**10,167,359**	10,497,197
Cost of sales		**(5,779,784)**	(5,948,175)
Gross profit		**4,387,575**	4,549,022
Administrative expenses		**(248,444)**	(220,470)
Operating profit	*2*	**4,139,131**	4,328,552
Interest payable and similar expenses	*5*	**(1,879,757)**	(2,675,521)
Profit before taxation		**2,259,374**	1,653,031
Tax on profit	*6*	**(429,282)**	(284,697)
Profit for the financial year		**1,830,092**	1,368,334

The notes on pages 17 to 25 form part of these financial statements.

All amounts relate to continuing operations.

Statement of Comprehensive Income
for year ended 31 December 2021

	Note	**2021**	Restated 2020
		£	£
Profit for the financial year		**1,830,092**	1,368,334
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		-	191,196
Deferred tax on other comprehensive income	*6*	-	92,306
Other comprehensive income for the year, net of income tax		-	283,502
Total comprehensive income for the year		**1,830,092**	1,651,836

The notes on pages 17 to 25 form part of these financial statements.

Balance sheet
As at 31 December 2021

			2021		Restated 2020
	Note	£	£	£	£
Non current assets					
Fixed assets	*7*		**5,416,155**		9,763,689
			5,416,155		9,763,689
Current assets					
Debtors	*8*	**1,357,732**		1,000,455	
Deferred taxation (due in less than one year)	*11*	**15,141**		316,889	
Cash at bank and in hand		**5,511,191**		5,783,142	
		6,884,064		7,100,466	
Creditors: amounts falling due within one year	*9*	**(11,985,642)**		(2,854,392)	
Net current (liabilities) / assets			**(5,101,578)**		4,246,074
Total assets less current liabilities			**314,577**		14,009,763
Creditors: amounts falling due after more than one year	*10*		**-**		(15,525,281)
Net assets / (liabilities)			**314,577**		(1,515,519)
Capital and reserves					
Called up share capital	*12*		**1,000**		1,000
Profit and loss account			**313,577**		(1,516.519)
Total Shareholders' funds / (deficit)			**314,577**		(1,515,519)

The notes on pages 17 to 25 form part of these financial statements.

These financial statements on pages 12-16 were approved by the board of directors on 14 December 2022 and were signed on its behalf by:

DocuSigned by:
John Wrinn
D37861036CE34E4...

J Wrinn
Director
Company number: 4261376

Statement of Changes in Equity
For the year ended 31 December 2021

	Called up Share capital	**Cash Flow hedge reserve**	**Profit and loss account** Restated	**Total Shareholders' Deficit** Restated
	£	**£**	**£**	**£**
Balance at 1 January 2020	1,000	(158,693)	(3,009,662)	(3,167,355)
Total comprehensive income for the year				
Profit for the financial year	-	-	1,368,334	1,368,334
Other comprehensive income	-	158,693	124,809	283,502
Total comprehensive income for the year	-	158,693	1,44,983	1,651,836
Balance at 31 December 2020	1,000	-	(1,516,519)	(1,515,519)

	Called up Share capital	**Cash Flow hedge reserve**	**Profit and loss account**	**Total Shareholders' (deficit) / funds**
	£	**£**	**£**	**£**
Balance at 1 January 2021	1,000	-	(1,516,519)	(1,515,519)
Total comprehensive income for the year				
Profit for the financial year	-	-	1,830,092	1,830,092
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	1,830,092	1,830,092
Balance at 31 December 2021	1,000	-	313,577	314,577

The notes on pages 17 to 25 form part of these financial statements.

Cash Flow Statement

for year ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the year	**1,830,092**	1,368,334
Adjustments for:		
Depreciation, amortisation and impairment	**4,347,534**	4,347,534
Interest payable and similar charges	**1,879,757**	2,675,521
Taxation	**429,282**	284,698
	8,486,665	8,676,087
(Decrease)/increase in trade and other debtors	**(357,363)**	115,092
Increase in trade and other creditors	**143,698**	319,406
Tax paid	**(63,532)**	-
Net cash from operating activities	**8,209,458**	9,110,585
Cash flows from financing activities		
Interest paid	**(2,336,409)**	(2,839,692)
Repayment of borrowings	**(6,145,000)**	(8,977,995)
Net cash used in financing activities	**(8,481,409)**	(11,817,687)
Net decrease in cash and cash equivalents	**(271,951)**	(2,707,102)
Cash and cash equivalents at 1 January	**5,783,142**	8,490,244
Cash and cash equivalents at 31 December	**5,511,191**	5,783,142

The notes on pages 17 to 25 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1 Accounting Policies

Genistics Limited is a private 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 have been prepared on the historical cost basis.

Correction of error disclosure

During the year the Directors have concluded that a Directors' fee should have been recognised over the period of the Shareholders' Agreement, between the Joint Venture partners, Genistics Holdings Limited and Genistics Limited, signed on the 9 December 2003. The total Directors' fee due to the Joint Venture partners as at the balance sheet date was £705,811, of which £656,891 relates to the period 2004 to 2020 and has been recognised by way of a prior period adjustment to the profit and loss reserve in Genistics Limited.

The 2021 Directors' fee of £48,920 has been recognised as an expense within the Profit and Loss account of Genistics Limited, within Administrative Expenses. The 2020 Creditors: amounts falling due within one year balance has been restated by £656,891 to include the historic Director's fee due for the period 2004 to 2020 in Genistics Limited, increasing the prior period Accruals balance to £698,904. The 2020 Deferred tax balance has been restated by £124,809 to recognise the effect of the historic Director's fee due for the period 2004 to 2020 in Genistics Limited, increasing the prior period Deferred tax asset to £316,869. Amounts disclosed as due to related parties has also been restated in Genistics Limited to recognise the historic Directors' fee due for the 2020 period of £48,159.

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors believe is appropriate. The Company has net assets and is able to meet its liabilities as they fall due.

The existing contract with the MoD ended in June 2022 and the contract has not been extended. Genistics Limited sold its generator fleet to the MoD in July 2022. The Company will continue to store and service the generators on behalf of the MoD until 2023 in line with the Supplemental Exit Agreement. The Supplemental Exit Agreement, between The Secretary of State for Defence and Genistics Limited was signed on 30 June 2022.

Profits from the sale of the generator fleet were used to repay the shareholder loan. This was fully repaid in July 2022, which was 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. The Company has net 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.

Notes to the financial statements (*continued*)

For the year ended 31 December 2021

1 Accounting Policies *(continued)*

Turnover (*continued*)

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

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 FRS 102, 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

1 Accounting Policies *(continued)*

Basic financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of 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.

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.

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.

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

1 Accounting Policies *(continued)*

Critical Accounting Estimates

Given that Fixed Assets have been sold above net book value post year end, the directors are of the opinion that there are no critical accounting judgements or key sources of estimation uncertainty.

2 Operating profit

	2021	2020
	£	£
Operating profit is stated after charging: -		
Depreciation on tangible fixed assets	**4,347,534**	4,347,534
Auditors' remuneration	**40,000**	20,000

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. The Company has made payment to both JV partners for the directors' services during the year of £48,920 (*2020: £48,159 restated*).

4 Employment costs

The employment costs in the current year were £nil (*2020: £nil*). The company does not employ any staff, and hence has no key management personnel, beyond the directors.

5 Interest payable and similar expenses

	2021	2020
	£	£
Interest payable on bank loans	**-**	96,057
Interest payable on debenture loan notes	**1,879,757**	2,579,464
Total interest payable	**1,879,757**	2,675,521

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

6 Tax on profit

a) Tax expense included in profit or loss

	2021	2020
	£	£
Current tax:		
UK corporation tax payable at 19% (*2020:19%)*	**127,553**	63,532
Deferred tax:		
Arising from origination and reversal of timing differences	**301,728**	260,064
Arising from changes in tax rates and laws	**-**	(38,898)
Total deferred taxation	**301,728**	221,166
Tax on profit	**429,282**	284,697

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

	2021	Restated 2020
	£	£
Deferred tax:		
Arising from origination and reversal of timing differences	-	(88,482)
Arising from changes in tax rates and laws	-	(3,824)
Total tax expense included in other comprehensive income	-	(92,306)

c) Reconciliation of standard tax rate

	2021	2020
	£	£
Reconciliation of effective tax rate:		
Profit before tax	**2,259,374**	1,653,031
Nominal charge at UK corporation tax rate of 19% (2020: 19%)	**429,281**	314,076
Non-deductible expenses	-	9,519
Tax rate differential on timing differences in the year	**1**	-
Prior year adjustment	-	9,717
Adjustments in respect of increase in tax rate	-	(48,615)
Total tax expense included in profit and loss	**429,282**	284,697

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

7 Fixed assets

	Fixed assets £
Cost	
At 1 January 2021 and 31 December 2021	83,009,837
Accumulated Depreciation	
Opening Balance - 1 January 2021	73,246,148
Charge for the year	4,347,534
Closing Balance – 31 December 2021	77,593,682
Net book value	
At 31 December 2021	**5,416,155**
At 31 December 2020	9,763,689

The depreciable amount takes account of a residual value of £3,616,200 (*2020: £3,616,200*) at the end of the contract life. This was 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.

Disclosure of Major Disposal of Assets

It is noted that post year-end, as the existing contract with the MoD ended in June 2022, there was the disposal of the full fleet of generators for an amount greater than the carrying value at the balance sheet date. It is considered that the sale of the generators are a non-adjusting post balance sheet event as the selling price of the full fleet was not able to be estimated in December 2021.

8 Debtors

	2021 £	2020 £
Trade debtors	**345,043**	-
Other debtors	**1,000**	1,000
Prepayments and accrued income	**1,011,689**	999,455
	1,357,732	1,000,455

All items above are measured at amortised cost.

Notes to the financial statements *(continued)*

For the year ended 31 December 2021

9 Creditors amounts falling due within one year

	2021	Restated 2020
	£	£
Trade creditors	**1,886,753**	1,236,055
Accruals	**625,359**	698,904
Corporation tax	**127,553**	63,532
Taxation and social security	**422,348**	855,901
Debenture Loan	**8,923,629**	-
	11,985,642	2,854,392

All items above are measure at amortised cost with the exception of other financial liabilities which are measured at fair value. The 2020 accruals figure has been re-stated to include the historical director catch up fee of £656,891

10 Creditors amounts falling due after more than one year

	2021	2020
	£	£
Debenture loan	-	15,525,281
	-	15,525,281
Debt repayable		
Within 1 year	**8,923,629**	-
Between 1&2 years	-	15,525,281
	8,823,629	15,525,281

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 £4,498,100 *(2020: £7,797,572)* and Investment Holdings (Genistics) Limited £4,425,529 *(2020: £7,727,709)*. 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 was repaid in July 2022, in line with directors' expectations.

.

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

11 Deferred Taxation

	2021	Restated 2020
	£	£
At beginning of year	**316,869**	445,729
Amount charged to profit & loss account	**(301,728)**	(221,166)
Amount to other comprehensive income	**-**	(32,503)
Historic directors fee adjustment	**-**	124,809
At end of year	**15,141**	316,869

	2021	Restated 2020
	£	£
The analysis of the deferred tax is as follows:		
Accelerated capital allowances	**(758,008)**	(1,524,538)
Tax losses	**639,045**	1,716,598
Other timing differences	**134,104**	124,809
Deferred tax asset	**15,141**	316,869

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The new law was substantively enacted on 24 May 2021. The deferred tax balance continues to be measured at 19% as the reversal is expected in 2022.

12 Called up share capital

	2021	2020
	£	£
Authorised, issued and fully paid share capital: 1,000 (2020: 1,000) ordinary shares of £1 each	**1,000**	1,000

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 (*2020: £1,000*)

Notes to the financial statements *(continued)*
For the year ended 31 December 2021

13 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:

	2021	Restated 2020
	£	£
Purchases of goods and services from Vinters Engineering Limited	**4,267,378**	3,745,017
Interest charged in the year on amounts due to Genistics Holdings Limited	**1,879,757**	2,579,464
Trade creditor balance with Vinters Engineering Limited	**1,667,657**	1,016,453
Amounts due to Genistics Holdings Limited	**8,924,629**	15,525,281
Directors' fees payable to JV Partners	**48,920**	48,159

The 2020 related party disclosure has been restated to include the historical Directors' fees payable to JV partners.

14 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

15 Post balance sheet events

On 6 July 2022, the Company agreed a sale with the MoD for the generators held within Fixed Assets, for an amount greater than the carrying value at the balance sheet date.

The closing shareholder loan balance at 31 December 2021 was £8,923,629. This balance was settled in full on 7 July 2022 and monies owed to both JV partners were fully repaid.