

Bergen Engines Denmark A/S**Annual report 2015**

The annual report was presented and approved at the
Company's annual general meeting

on 25-05 - 2016


chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Bergen Engines Denmark A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

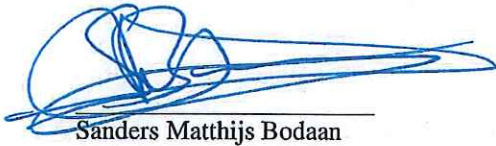
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

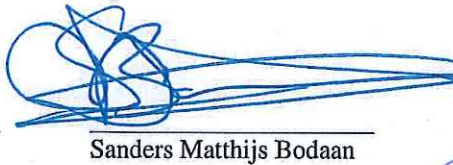
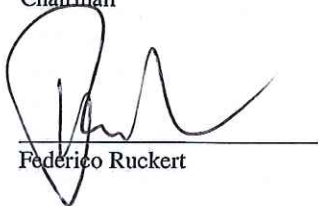
We recommend that the annual report be approved at the annual general meeting.

Aalborg, 25 May 2016

Executive Board:


Sanders Matthijs Bodaan

Board of Directors:


Jeff Elliot
Chairman
Sanders Matthijs Bodaan
Jon Erik Røv
Federico Ruckert

ABCD

KPMG
Statsautoriseret Revisionspartnerselskab
AUDIT
Bredskifte Allé 13
8210 Aarhus V
Denmark

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Independent auditor's report (not completed)

To the shareholders of Bergen Engines Denmark A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Bergen Engines Denmark A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet, and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

ABCD

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 25 May 2016

KPMG

Statsautoriseret Revisionspartnerselskab

Steffen S. Hansen
State Authorised
Public Accountant

Management's review

Company details

Bergen Engines Denmark A/S
Værftsvej 23,
9000 Aalborg

CVR no.:	33 96 57 02
Established:	14 October 2011
Registered office:	Aalborg
Financial year:	1 January – 31 December

Board of Directors

Jeff Elliot (Chairman)
Sander Matthijs Bodaan
Jon Erik Røv
Frederico Ruckert

Executive Board

Sander Matthijs Bodaan

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V.

Annual general meeting

The annual general meeting will be held on 25 May 2016

Management's review

Operating review

Principal activities of the Company

The Company acts as agent in Denmark for the sale of products for the Rolls-Royce Group and is, furthermore, engaged in trading, service and repair.

Development in activities and financial position

Profit for the 2015 financial year after tax amounted to DKK 7,883 thousand, which is considered satisfactory.

Results were positive affected change of estimate relating to onerous service contracts

Satisfactory results are expected for 2016.

Events after the balance sheet date

No events have occurred after the balance sheet date which could materially affect the financial position of the Company.

Financial statements 1 January – 31 December

Accounting policies

The annual report of Bergen Engines Denmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the transaction date.

Receivables and payables in foreign currencies are translated into Danish Kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income and expenses.

Income statement

Gross profit

In accordance with section 32 of the Danish Financial Statements Act, revenue, operating costs, and other external costs are comprised into the financial statement caption gross profit.

Revenue

Income from the sale of goods and services is recognised in gross profit provided that delivery has taken place prior to the end of the financial year.

Construction contracts, incorporating the delivery of highly customised products, are recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage-of-completion method). When the income from a construction contract cannot be reliably estimated, revenue is recognised only corresponding to costs incurred to the extent that it is probable that they will be recovered.

Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, administration, lease expenses, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees.

Financial statements 1 January – 31 December

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expenses, currency adjustments, and amortisation of financial assets.

Tax on profit/loss for the year

Tax for the year comprises current tax on the taxable income and changes in deferred tax for the year.

Additions, deductions and refunds, etc. regarding tax payments are recognised as financial income and expenses.

Balance sheet

Property, plant and equipment

Plant and machinery are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Plant and machinery	3-5 years
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Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Inventories are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less cost of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in forecast sales price.

Financial statements 1 January – 31 December

Accounting policies

Service work in progress

Contract work in progress are measured at the selling price of the work performed less progress billings and anticipated losses. Contract work in progress entails a significant degree of design customisation of produced goods. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties covering at least costs incurred will be enforced if the contract is subsequently terminated.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. The percentage of completion is determined on the basis of an assessment of work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to estimated total contract costs.

When it is probable that the total contract costs will exceed total contract revenue, the anticipated loss on the contract is recognised as an expense and a provision is made.

When income and expenses on a construction contract cannot be estimated reliably, the selling price is measured corresponding only to costs incurred to the extent that it is probable that they will be recovered.

Where the selling price of work performed exceeds progress billings on contract work in progress and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Receivables

Receivables are measured at amortised cost, which corresponds to the nominal value. The value is reduced by write-down for bad debts losses.

Equity

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item in equity.

Provisions

Provisions comprise losses on work in progress and onerous contracts. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Financial statements 1 January – 31 December

Accounting policies

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised as costs in the income statement.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured at 22% on all temporary differences between the carry amount and the tax value of current and non-current assets. If the tax value exceeds book value, an estimated amount for future tax savings is capitalised provided that it is likely that the allowance can be set off against future tax profits.

Financial liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities comprising trade payables, amounts owed to group enterprises and other payables are measured at amortised cost.

Deferred income

Deferred income comprises revenue from service agreements under which service is provided in subsequent years.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2015	2014
Gross profit		19,128	11,098
Staff costs	1	-8,684	-8,427
Depreciation of non-current assets	2	-47	-47
Ordinary operating profit		10,397	2,624
Financial income		26	38
Financial expenses		-130	-39
Profit before tax		10,293	2,623
Tax on profit for the year	3	-2,410	-802
Profit for the year		<u>7,883</u>	<u>1,821</u>
Proposed profit appropriation			
Proposed dividends for the financial year		3,750	0
Retained earnings		<u>4,133</u>	<u>1,821</u>
		<u>7,883</u>	<u>1,821</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
ASSETS			
Non-current assets			
Plant and equipment			
Plant and machinery	4	0	47
Total non-current assets		0	47
Current assets			
Inventories			
Raw materials and consumables		10,414	10,412
		10,414	10,412
Receivables			
Trade receivables		13,001	12,083
Service work in progress		2,436	1,093
Amounts owed by group enterprises		1,978	3,770
Other receivables		46	67
Deferred tax asset	6	2,184	2,576
		19,645	19,589
Cash at bank and in hand		3,657	8,968
Total current assets		33,716	38,969
TOTAL ASSETS		33,716	39,016

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	5	581	581
Retained earnings		11,688	7,555
Proposed dividends for the financial year		3,750	0
Total equity		16,019	8,136
Provisions			
Other provisions		6,340	8,662
Total provisions		6,340	8,662
Liabilities			
Current liabilities			
Trade payables		329	175
Amounts owed to group enterprises		716	12,598
Corporation tax		718	1,613
Other payables		4,414	4,651
Deferred revenue		5,180	3,181
Total liabilities other than provisions		11,357	22,218
TOTAL EQUITY AND LIABILITIES		33,716	39,016
Contractual obligations, contingencies, etc.	7		

Financial statements 1 January – 31 December

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	DKK'000	2015	2014
1	Staff costs		
	Wages and salaries	7,803	7,552
	Pensions	773	765
	Other social security costs	108	110
		<u>8,684</u>	<u>8,427</u>

Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statements Act.

2	Depreciation of non-current assets		
	Plant and machinery	47	47
		<u>47</u>	<u>47</u>

3	Tax on profit for the year		
	Tax on profit	2,410	802
		<u>2,410</u>	<u>802</u>

which is specified as follows:

	Current tax of the year	2,018	2,200
	Adjustment for the year of deferred tax	392	-1,398
		<u>2,410</u>	<u>802</u>

Financial statements 1 January – 31 December

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4 Plant and equipment

DKK'000	Plant and machinery	Total
Cost at 1 January 2015	197	197
Additions	0	0
Transferred	0	0
Disposals	0	0
Cost at 31 December 2015	197	197
Depreciation and impairment losses at 1 January 2015	150	150
Depreciation during the year	47	47
Depreciation on disposals	0	0
Depreciation and impairment losses at 31 December 2015	197	197
Carrying amount at 31 December 2015	0	0
Depreciated over	3-5 years	

5 Equity

DKK '000	Share capital	Retained earnings	Proposed dividends	Total
Balance at 1 January 2015	581	7,555	0	8,136
Profit for the year	0	4,133	3,750	7,883
Balance at 31 December 2015	581	11,688	3,750	16,019

Financial statements 1 January – 31 December

Notes

	DKK'000	2015	2014
6	Deferred tax		
	Deferred tax at 1 January	2,576	1,178
	Deferred tax adjustment	-392	1,398
	Deferred tax at 31 December	2,184	2,576

Deferred tax assets comprise deferred tax regarding other provisions.

7 Contractual obligations, contingencies, etc.

Contractual obligations

Lease liabilities regarding buildings, vehicles and office equipment, which were not recognised as finance leases at 31 December 2015 amounts DKK 2,460 thousand, where DKK 861 thousand falls due within initial year.

Contingent liabilities

On 6 December 2012, Rolls-Royce Holdings plc (the ultimate parent company of the company) announced that it had passed information to the Serious Fraud Office (SFO), an independent United Kingdom government department, following a request from the SFO for information about allegations of malpractice in overseas markets. On 23 December 2013, Rolls-Royce Holdings plc (RRHPLC) announced that it had been informed by the SFO that it had commenced a formal investigation. Since the initial announcement, RRHPLC has continued its investigations and is engaging with the SFO and other authorities in the UK, the USA and elsewhere in relation to the matters of concern.

The consequence of these disclosures will be decided by the regulatory authorities. It is too early to predict the outcomes, but these could include the prosecution of individuals and of the RRHPLC Group, the potential for fines, penalties or other consequences cannot currently be assessed. As the investigation is ongoing, it is not yet possible to identify the timescale in which these issues might be resolved.