Rolls-Royce

Bergen Engines Denmark A/S
Østre Havnepromenade 34
9000 Aalborg

Bergen Engines Denmark A/S

Annual report 2018

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

on 14th March 2019

Giulio Casa

chairman

CVR no. 33 96 57 02

Contents

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 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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, 14 March 2019
Executive Board:

Emilio Cosso
CEO

Board of Directors:

Jon Erik Røv Chairman	Emilio Cosso	Sondre Johan Worsøe

Independent Auditor's Report

To the Shareholder of Bergen EnginesDenmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Bergen Engines Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities 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 as

Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 14 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Rasmus Mellergaard Stenskrog
State Authorised Public Accountant
mne34161

Management's review

Company details

Bergen Engines Denmark A/S
Østre Havnepromenade 34
9000 Aalborg

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

Board of Directors

Jon Erik Røv, Chairman
Emilio Cosso
Sondre Worsøe

Executive Board

Emilio Cosso, CEO

Auditor

PrisewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Skelagervej 1A
DK-9000 Aalborg

Annual general meeting

The annual general meeting will be held on 14 March 2019

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 2018 financial year after tax amounted to DKK 15,467 thousand, which is considered satisfactory.

Satisfactory results are expected for 2019.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Gross profit		29.932	28,680
Staff costs	2	-9,939	-10,268
Ordinary operating profit		19,993	18,412
Financial income		22	7
Financial expenses		-180	-150
Profit before tax		19,835	18,269
Tax on profit for the year	3	-4,368	-4,028
Profit for the year		15,467	14,241

Proposed profit appropriation		
Proposed dividends for the financial year	11,200	5,225
Retained earnings	4,267	9,016
	15,467	14,241

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Current assets			
Inventories			
Raw materials and consumables		11,150	10,789
		11,150	10,789
Receivables			
Trade receivables		12,639	14,226
Contract work in progress		11,626	10,294
Receivables from group entities		1,247	1,466
Other receivables		0	84
Deferred tax asset		0	56
		25,512	26,126
Cash at bank and in hand		19,565	8,830
Total current assets		56,227	45,745
TOTAL ASSETS		56,227	45,745

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital		581	581
Retained earnings		28,924	24,657
Proposed dividends for the financial year		11,200	5,225
Total equity		40,705	30.463
Provisions			
Provisions for deferred tax		497	0
Total provisions		497	0
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		132	534
Payables from group entities		535	1,591
Corporation tax		1,115	721
Other payables		4,739	3,991
Prepayments received from customers		8,504	8,445
Total liabilities other than provisions		15,025	15,282
TOTAL EQUITY AND LIABILITIES		56,227	45,745
Contractual obligations, contingencies, etc.	4		
Related parties	5		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed divi-dends	Total
Equity at 1 January 2017 before changes in accounting policies	581	11,885	6,000	18,466
Equity adjustment from changes in accounting policies	0	4,815	0	4,815
Deferred tax of equity adjustment	0	-1,059	0	-1,059
Equity at 1 January 2017 after changes in accounting policies	581	15,641	6,000	22.222
Distributed dividends	0	0	-6,000	-6,000
Profit for the year 2017 after changes in accounting policies	0	9,016	5,225	14,241
Restated equity at 1 January 2018	581	24,657	5,225	30,463
Distributed dividends	0	0	-5,225	-5,225
Profit for the year	0	4,267	11,200	15,467
Equity at 31 December 2018	581	28,924	11,200	40,705

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Bergen Engines Denmark A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B under the Danish Financial Statements Act with opt in from higher reporting classes.

Changes in accounting policies (IFRS 15 *Revenue from contracts with customers* is used as the basis of interpretation)

With effect from 1 January 2017, the Company has chosen to rely on IFRS 15 *Revenue from contracts with customers* as the basis of interpretation when recognising revenue.

In contrast to the previous bases of interpretation contained in IAS 11/18, IFRS 15 contains one overall and comprehensive model for the recognition of revenue. The fundamental principle in IFRS 15 is that the Company is to recognise revenue so it reflects goods or services provided to customers at the amounts to which the Company is expected to be entitled for the provision of these goods or services.

The effect for the Company of using IFRS 15 as the basis of interpretation is that:

- variable consideration from contracts on which the customer's price may vary if a number of conditions are complied with after performance of the contract is to be recognised as revenue if it is highly likely that changes in estimated variable consideration do not have the outcome that an important part of the amount is to be reversed and thereby will reduce revenue. Accordingly, the Group is to recognise the most probable value of the variable consideration in revenue.
- a number of contracts contains several performance obligations to which the transaction price is to be allocated. This is primarily contracts involving the supply and service of power plants.

The implementation of IFRS 15 with effect from 1 January 2017 has had the following effect on the financial statements for 2017:

Financial statements 1 January – 31 December

1 Accounting policies (continued)

	Annual report 2017	Changes in accounting policies	Annual report 2017 after changes in accounting policies
Gross profit	22,829	5,851	28,680
Tax on profit for the year	-2,741	-1,287	-4,028
Profit for the year	**9,677**	**4,564**	**14,241**
Contract work in progress	1,765	8,529	10,294
Deferred tax asset	2,402	-2,346	56
Equity	**22,144**	**8,319**	**30,463**
Other provisions	3,961	-3,961	0
Accrued costs related to service contracts and other provisions	6,620	-6,620	0
Prepayments received from customers	0	8,445	8,445

Apart from the above, 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.

Financial statements 1 January – 31 December

1 **Accounting policies (continued)**

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.

Contract work is 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 service work 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 service contracts, 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 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.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Inventories

Inventories are measured at cost in accordance with the weighted average. 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.

Contract 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 prepayments.

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.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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 carrying amount and the tax value of current and fixed 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, payables to group entities and other payables are measured at amortised cost.

Prepayments received from customers

Prepayments received from customers comprise payments received regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

	DKK'000	2018	2017
2	**Staff costs**		
	Wages and salaries	8,870	9,244
	Pensions	962	912
	Other social security costs	107	112
		9,939	10,268
	Average number of employees	12	12
3	**Tax on profit for the year**		
	Tax on profit	4,368	4,028
	which is specified as follows:		
	Current tax for the year	3,815	2,626
	Adjustment for the year of deferred tax	553	1,402
		4,368	4,028

4 **Contractual obligations, contingencies, etc.**

Contractual obligations

Lease liabilities regarding buildings, vehicles and office equipment which were not recognised as finance leases at 31 December 2018 represent DKK 1.927 thousand, of which DKK 962 thousand falls due within the initial year.

Contingent liabilities

In January 2017, after full cooperation, Rolls-Royce Holdings plc ((RRHplc) the ultimate parent company of the company) concluded deferred prosecution agreements with the Serious Fraud Office (SFO), an independent United Kingdom government department, and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow and other investigations or enforcement action may be commenced. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRHplc are not currently aware of any matters that are likely to lead to a financial loss, but cannot anticipate all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements on this company.

Financial statements 1 January – 31 December

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5 Related parties

Bergen Engines Denmark A/S is part of the consolidated financial statements of Bergen Engines AS, Postboks 3, Hylkje, 5877 Bergen, Norway, which is the smallest group in which the Company is included as a subsidiary.