

**Rolls-Royce Marine A/S**

Annual report 2016

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

on 26. May 20 17



chairman

## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	8
Financial statements 1 January – 31 December	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes	13

## 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 Rolls-Royce Marine A/S for the financial year 1 January – 31 December 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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.

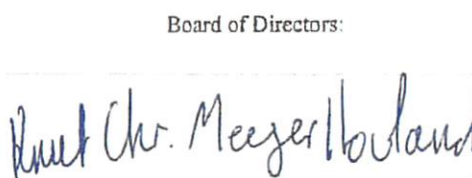
Aalborg, 26 May 2017

Executive Board:



Peter Studsbjerg

Board of Directors:



Knut Meyer Hovland  
Chairman



Kjell Fuglestad Nilsen



Anders Troels Skjoldborg

# **Independent auditor's report**

**To the shareholders of Rolls-Royce Marine A/S**

## **Opinion**

We have audited the financial statements of Rolls-Royce Marine A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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

## **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.

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.

# **Independent auditor's report**

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.

## **Independent auditor's report**

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.

### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 26 May 2017

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Steffen S. Hansen  
State Authorised  
Public Accountant

## **Management's review**

### **Company details**

Rolls-Royce Marine A/S  
Værftsvej 23  
DK-9000 Aalborg

Telephone: +45 99 30 36 00  
Telefax: +45 99 30 36 01

CVR no.: 38 68 41 16  
Established: 26 July 1960  
Registered office: Aalborg  
Financial year: 1 January – 31 December

### **Board of Directors**

Knut Meyer Hovland (Chairman)  
Anders Troels Skjoldborg  
Kjetil Fuglesteg Nilsen

### **Executive Board**

Peter Studsbjerg

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Østre Havnegade 18  
DK-9000 Aalborg  
Denmark

### **Annual general meeting**

The annual general meeting will be held on 26 May 2017.

## Management's review

### Financial highlights

DKKm	2016	2015	2014	2013	2012
Gross profit	48.8	51.8	67.7	52.7	65.8
Ordinary operating profit	6.6	7.6	21.0	4.8	19.1
Profit from financial income and expenses	-0.4	-0.3	-0.4	0.2	-0.5
<b>Profit for the year</b>	<b>4.7</b>	<b>5.1</b>	<b>15.5</b>	<b>3.3</b>	<b>13.9</b>
<b>Total assets</b>	<b>79.4</b>	<b>74.9</b>	<b>76.6</b>	<b>92.3</b>	<b>155.2</b>
<b>Equity</b>	<b>69.0</b>	<b>64.2</b>	<b>59.1</b>	<b>73.6</b>	<b>135.3</b>
Return on invested capital	8.6%	10.1%	25.0%	3.9%	15.0%
Return on equity	7.1%	8.3%	23.3%	3.2%	10.8%
Solvency ratio	86.9%	85.8%	77.2%	79.8%	87.2%
<b>Average number of full-time employees</b>	<b>51</b>	<b>55</b>	<b>58</b>	<b>58</b>	<b>59</b>

### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$



## **Management's review**

### **Operating review**

#### **Principal activities of the Company**

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

#### **Development in activities and financial position**

Profit for the year after tax came in at DKK 4,741 thousand as against a profit of DKK 5,150 thousand for 2015.

Profit for the year was satisfactory under the given market conditions.

#### **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.

#### **Outlook for 2017**

The Company expects to report positive results for 2017 in line with 2016.

#### **Risks**

##### ***Currency risks***

Operations are primarily settled in DKK and EUR. Foreign exchange fluctuations are deemed not to have any significant impact on results.

##### **Environment**

The Company has maintained its certifications according to DS/EN ISO 14001 and DS/EN OHSAS 18001.

##### **Intellectual capital**

The primary intellectual resources of Rolls-Royce Marine A/S are its employees and their knowledge.

## **Financial statements 1 January – 31 December**

### **Income statement**

DKK'000	Note	2016	2015
<b>Gross profit</b>		48,762	51,823
Staff costs	2	-41,638	-43,534
Depreciation of fixed assets	3	-573	-633
<b>Ordinary operating profit</b>		6,551	7,656
Financial income		3	94
Financial expenses		-439	-430
<b>Profit before tax</b>		6,115	7,320
Tax on profit for the year	4	-1,374	-2,170
<b>Profit for the year</b>	5	4,741	5,150

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>	6		
Leasehold improvements		1,814	2,177
Plant and machinery		231	441
Fixtures and fittings, tools and equipment		0	0
<b>Total fixed assets</b>		<u>2,045</u>	<u>2,618</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		7,642	9,981
		<u>7,642</u>	<u>9,981</u>
<b>Receivables</b>			
Trade receivables		13,753	9,126
Service work in progress		7,278	2,303
Amounts owed by group entities		6,493	7,368
Other receivables		207	681
Corporation tax receivables		0	788
Deferred tax asset	7	181	159
		<u>27,912</u>	<u>20,425</u>
<b>Cash at bank and in hand</b>		<u>41,762</u>	<u>41,879</u>
<b>Total current assets</b>		<u>77,316</u>	<u>72,285</u>
<b>TOTAL ASSETS</b>		<u><u>79,361</u></u>	<u><u>74,903</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		550	550
Retained earnings		68,438	63,696
<b>Total equity</b>		<b>68,988</b>	<b>64,246</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		2,639	1,128
Payables to group entities		2,101	2,889
Corporation tax		84	0
Other payables		5,549	6,640
<b>Total liabilities other than provisions</b>		<b>10,373</b>	<b>10,657</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79,361</b>	<b>74,903</b>
<b>Contractual obligations, contingencies, etc.</b>	8		
<b>Related party disclosures</b>	9		
<b>Events after the balance sheet date</b>	10		

## **Financial statements 1 January – 31 December**

### **Statement of changes in equity**

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	550	63,697	64,247
Profit for the year	0	4,741	4,741
<b>Equity at 31 December 2016</b>	<b>550</b>	<b>68,438</b>	<b>68,988</b>

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

The annual report of Rolls-Royce Marine A/S for 2016 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. The changes have no monetary effect on the income statement, the balance sheet for 2016 or on the comparative figures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Rolls-Royce Holdings plc.

#### **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 aggregated into the financial statement caption, gross profit.

##### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Sale of services are recognised in the income statement after completion due to uncertainties related to the estimation of sales value.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contract, for which highly customised products are delivered, 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 estimated reliably, revenue is recognised.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Operating costs

Operating costs are comprised by costs related to distribution, sales, advertising, administration, lease expenses, loss on debtors 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 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

Leasehold improvements, plant and machinery and fixtures and fittings, tools and equipment 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 estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	5-10 years
Plant and machinery	3-5 years
Fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

##### **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 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**

Construction contracts are measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower costs incurred and net realisable value.

Individual construction contracts are recognised in the balance sheet under either receivables or payables. Net assets are determined as the sum of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of construction contracts where progress billings exceeds the selling price.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts recognised in the income statement when incurred.

##### **Receivables**

Receivables are measured at amortised cost. Write-down to net realisable value is made for bad debt losses.

##### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

##### **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.



## **Financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

##### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised on 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, a computed amount for future tax savings is capitalised provided that it is likely that the allowance can be utilised by a 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.

## Financial statements 1 January – 31 December

### Notes

DKK'000	2016	2015
<b>2 Staff costs</b>		
Wages and salaries	38,105	39,032
Pensions	3,036	4,039
Other social security costs	497	463
	<u>41,638</u>	<u>43,534</u>
 Average number of full-time employees	 <u>51</u>	 <u>55</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.		
<b>3 Depreciation of fixed assets</b>		
Leasehold improvements	363	362
Plant and machinery	210	237
Fixtures and fittings, tools and equipment	0	34
	<u>573</u>	<u>633</u>
 <b>4 Tax on profit for the year</b>		
Tax on profit	1,374	2,170
	<u>1,374</u>	<u>2,170</u>
 which is specified as follows:		
Tax on profit for the year	1,396	2,222
Adjustment for the year of deferred tax	-22	-52
	<u>1,374</u>	<u>2,170</u>
 <b>5 Proposed profit appropriation</b>		
Retained earnings	4,741	5,150
	<u>4,741</u>	<u>5,150</u>

## Financial statements 1 January – 31 December

### Notes

#### 6 Property, plant and equipment

DKK'000	Leasehold improve- ments	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	3,768	2,875	843	7,486
Cost at 31 December 2016	3,768	2,875	843	7,486
Depreciation and impairment losses at 1 January 2016	1,591	2,434	843	4,868
Depreciation for the year	363	210	0	573
Depreciation and impairment losses at 31 December 2016	1,954	2,644	843	5,441
<b>Carrying amount at 31 December 2015</b>	<b>1,814</b>	<b>231</b>	<b>0</b>	<b>2,045</b>
Depreciated over	5-10 years	3-5 years	3-5 years	

DKK'000	2016	2015
<b>7 Provisions for deferred tax</b>		
Deferred tax at 1 January	159	107
Deferred tax adjustment	22	52
<b>Deferred tax at 31 December</b>	<b>181</b>	<b>159</b>

Deferred tax assets arise from deferred tax on property, plant and equipment.

#### 8 Contractual obligations, contingencies, etc.

##### Contractual obligations

The Company has entered into leases for buildings, vehicles and office equipment at a total of DKK 9,224 thousand, of which DKK 2,883 thousand is to be paid the first 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 (RRH) announced that the SFO had commenced a formal investigation. Since the initial announcement, RRH continued its investigations and engaged with the SFO and other authorities in the UK, the US and elsewhere in relation to the matters of concern.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **8 Contractual obligations, contingencies, etc. (continued)**

##### **Contingent liabilities (continued)**

In January 2017, after full cooperation, RRH concluded deferred prosecution agreements with the SFO and the US Department of Justice and a leniency agreement with the MPF, the Brazilian federal prosecutors. Prosecutions of individuals may follow, and investigations may be commenced in other jurisdictions. In addition, we could still be affected by actions from customers and customers' financiers. The Directors of RRH are not currently aware of any matters that are likely to lead to a financial loss, but cannot foresee all the possible actions that may be taken or their potential consequences. There are no financial consequences of these agreements for the Company.

##### **Joint taxation**

The Company is jointly taxed with Bergen Engines Denmark A/S. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent correction of the taxable joint taxation income or withholding taxes might increase the Company's liability.

#### **9 Related party disclosures**

Rolls-Royce Marine A/S' related parties comprise the following:

##### **Control**

Ulstein Holding AS, Postboks 1522, 6025 Ålesund

Ulstein Holding AS holds the majority of the share capital in the Company

Rolls-Royce Marine A/S is part of the consolidated financial statements of Rolls-Royce Holdings plc, London, England.

The consolidated financial statements of Rolls-Royce Holdings plc can be obtained by contacting the Company or at the following website: <https://www.rolls-royce.com/investors/>

##### **Related party transactions**

The Company has no transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

#### **10 Events after the balance sheet date**

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in substantial way.