

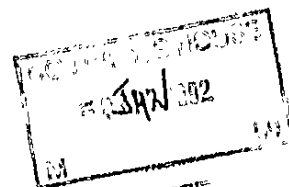
# COMPANY NUMBER 1003142



Rolls-Royce plc

1991

Directors' Report and Accounts



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# Report of the directors

The directors present their report and the audited accounts for the year ended December 31, 1991.

## Principal activities

The Corporate Profile and the Review of Activities in the *Annual Review and Summary Financial Statement* contain details of principal activities.

On January 1, 1991 the Group was reorganised into Aerospace and Industrial Power Groups.

## Results for the year

Profit before taxation was £51m (1990 £176m).

Profit attributable to the shareholders, after taxation and minority interests, was £24m (1990 £134m).

The directors recommend a final dividend of 4.7p a share. With the interim dividend of 2.55p a share, paid on January 6, 1992, this will make a total dividend of 7.25p a share for the year (1990 7.25p).

Subject to approval of the recommended final dividend, the total cost of dividends for 1991 is £70m requiring a transfer of £46m from reserves. If approved, the Company will pay the final dividend on July 13, 1992 to shareholders registered on March 27, 1992.

The Chairman's Statement and the Review of Activities in the *Annual Review and Summary Financial Statement* contain a review of the year's operations, research and development activities and future prospects.

## Employment

The number of Group employees at the end of the year was 57,100 (1990 64,200) of whom 31,400 (1990 36,500) were in Aerospace and 25,700 (1990 27,700) were in Industrial Power.

The Group's policy is to provide, wherever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential. It also operates an equal opportunities policy.

In 1991 Industrial accidents remained at a level below the average for similar UK engineering companies. The Group has reviewed its arrangements for health, safety and environment (HS&E), and published a policy statement on the environment during the year. A central HS&E committee, chaired by Dr T. Harrison, has been formed to oversee the Group's HS&E activities and review performance. Safety representatives and safety committees encourage workforce involvement in health and safety issues.

Training to support business objectives is a vital activity. During 1991 330 school, college and university leavers joined the Group as trainees. The Group had 2,224 trainees engaged in a wide range

of training and personal development activities. Adult training programmes were developed to meet an ever-increasing demand for improving the effectiveness of the people in the business. Over 20,000 UK employees attended further education and training programmes in 1991.

In addition to training to meet our own needs, involvement with Youth Training continued during the year, principally in Derby and at Hebburn. The NEI Youth Training Centre, based at Hebburn, now accommodates the "South Tyne Engineering Awareness Centre". This joint Tyneside Training and Enterprise Council/DTI/NEI initiative is one of the first of its kind in the UK.

Angela Rafferty, an engineer from Industrial Power, won a place against intense competition on the three month expedition by Operation Raleigh to Botswana. Joseph Chapman and Scott McArthur, both engineering apprentices from Aerospace, won places on the European Exchange Visit to Berlin.

There are various forms of communication across the Group, each adapted to the particular needs of individual businesses. The Group consults with employees and their elected representatives on a comprehensive range of topics which relate to its overall business objectives. Management and employee representatives hold regular joint meetings at every location to discuss problems and opportunities.

The Aerospace practice of holding a central forum continued in December 1991 when senior management and employee representatives met to review business highlights.

The Group's South African subsidiary undertakings adhere to the EEC Code of Conduct on the employment of African workers and the relevant report has been sent to the Department of Trade and Industry. Copies of the report are available on written request to the Company Secretary.

### **Directors**

The directors described on page 17 of the *Annual Review and Summary Financial Statement* were in office throughout 1991 apart from Mr M. Townsend, appointed November 7, 1991 and Mr J. E. V. Rose and Mr R. T. Turner who were appointed on January 1, 1992. Mr P. F. Macfarlane resigned from the Board on September 30, 1991 and Dr R. Hawley, Mr J. O. Keir and Mr F. Turner resigned on December 31, 1991. Dr R. Hawley continues as a director of Industrial Power and Mr J. O. Keir and Mr F. Turner continue as directors of Aerospace.

The directors retiring by rotation at the Annual General Meeting on May 27, 1992 are Sir Douglas Lowe, Sir Philip Shelbourne and Lord Tombs. Only Lord Tombs offers himself for re-election. The Board intends to appoint further non-executive directors during the next 12 months.

The three new directors, Mr J. E. V. Rose, Mr M. Townsend and Mr R. T. Turner retire at the Annual General Meeting. They offer themselves for re-election.

Mr J. E. V. Rose and Mr M. Townsend have service agreements terminable on not less than 24 months notice and Mr R. T. Turner has an agreement terminable on not less than 36 months notice. Lord Tombs has no service agreement.

The Company has renewed an Insurance policy to indemnify its directors and officers against liability when acting for the Company.

The Board is not aware of any significant contract with the Company or its subsidiary undertakings in which a director has, or has had, a material interest.

Note 21 to the accounts gives details of directors' share interests.

#### **Fixed assets**

The Group spent £119m (1990 £112m) on tangible fixed assets during the year, mainly on manufacturing and engineering facilities and supporting computer equipment.

The professional valuation of the Company's land and buildings at December 31, 1985, has been revised to the end of 1991 and suggests a value approximately £44m greater than the figure shown in the accounts. If this surplus were realised no corporation tax would arise due to substantial capital losses within the Group.

Notes 11 and 12 to the accounts give details of investments.

#### **Donations**

Charitable donations amounted to £307,000 (1990 £319,000). The Company and its subsidiaries made no political donations.

#### **Close company status**

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

#### **Share capital**

Note 21 to the accounts gives details of the share capital and employee share schemes.

At the Annual General Meeting a resolution will be proposed to renew for a further five years the

directors' authority to issue authorised but unissued shares. A separate resolution will be proposed to give the directors authority, for a further year, to allot shares for cash both by way of rights issues and, for a limited number of ordinary shares, to people other than existing shareholders.

Resolutions will also be proposed to revise employee share schemes to incorporate improvements permitted by the Finance Act 1991.

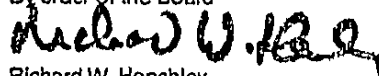
The Notice of Annual General Meeting on pages 18/19 of the *Annual Review and Summary Financial Statement* gives information on these proposed resolutions.

The Chase Manhattan Bank NA has told the Company that, as a global custodian for one or more of its clients, it has a notifiable interest in 45,556,420 ordinary shares. This is 4.72 per cent of the issued share capital.

#### **Auditors**

A resolution to reappoint the auditors, KPMG Peat Marwick, and to authorise the directors to approve their remuneration will be proposed at the Annual General Meeting.

By order of the Board



Richard W. Henschley

Secretary

March 4, 1992

# Group profit and loss account

for the year ended December 31, 1991

	Notes	1991 £m	1990 £m
Turnover	2	3,515	3,670
Cost of sales		(2,959)	(2,963)
Gross profit		556	707
Commercial, marketing and product support costs		(96)	(110)
General and administrative costs		(125)	(129)
Operating profit		335	468
Research and development (net)		(216)	(237)
Income from interests in associated undertakings		6	2
Net interest payable	3	(16)	(7)
Profit before exceptional items and taxation		109	226
Exceptional items	4	(58)	(50)
Profit on ordinary activities before taxation	2 & 4	51	176
Taxation	5	(32)	(36)
Profit on ordinary activities after taxation		19	140
Attributable to minority interests in subsidiary undertakings		5	(6)
Profit attributable to the shareholders of Rolls-Royce plc		24	134
Dividends	6	(70)	(69)
Transferred (from) to reserves	22	(46)	65
Earnings per ordinary share	7		
Net basis		2.5p	13.9p
Nil distribution basis		3.5p	15.3p

Movements in reserves are shown in note 22.

As permitted by the Companies Act 1985, a separate profit and loss account for the Company has not been included in these accounts. £2m (1990 £113m) of the Group 'Profit attributable to the shareholders of Rolls-Royce plc' has been dealt with in the profit and loss account of the Company.

The notes on pages 7 to 19 form part of these accounts

# Balance sheets

at December 31, 1991

		Group		Company	
	Notes	1991 £m	1990 £m	1991 £m	1990 £m
<b>Fixed assets</b>					
Tangible assets	10	721	676	478	470
Investments - subsidiary undertakings	11	—	—	329	325
- other	12	49	36	49	37
		<b>770</b>	<b>712</b>	<b>856</b>	<b>832</b>
<b>Current assets</b>					
Stocks	13	924	888	743	701
Debtors	14	931	816	972	887
Short-term deposits and cash		410	431	376	363
		<b>2,265</b>	<b>2,135</b>	<b>2,091</b>	<b>1,951</b>
<b>Creditors - amounts falling due within one year</b>					
Borrowings	15	(23)	(100)	—	(73)
Other creditors	16	(1,201)	(1,074)	(899)	(768)
		<b>1,041</b>	<b>961</b>	<b>1,192</b>	<b>1,110</b>
<b>Net current assets</b>		<b>1,811</b>	<b>1,673</b>	<b>2,048</b>	<b>1,942</b>
<b>Total assets less current liabilities</b>		<b>1,811</b>	<b>1,673</b>	<b>2,048</b>	<b>1,942</b>
<b>Creditors - amounts falling due after one year</b>					
Borrowings	17	(335)	(161)	(300)	(151)
Other creditors	18	(160)	(127)	(425)	(393)
		<b>(495)</b>	<b>(288)</b>	<b>(725)</b>	<b>(544)</b>
<b>Provisions for liabilities and charges</b>	20	<b>(167)</b>	<b>(183)</b>	<b>(126)</b>	<b>(137)</b>
		<b>1,149</b>	<b>1,202</b>	<b>1,197</b>	<b>1,261</b>
<b>Capital and reserves</b>					
Called up share capital	21	193	192	193	192
Share premium account	22	242	239	242	239
Revaluation reserve	22	128	132	123	127
Other reserves	22	25	22	261	263
Profit and loss account	22	539	579	378	440
		<b>1,122</b>	<b>1,164</b>	<b>1,197</b>	<b>1,261</b>
<b>Shareholders' funds</b>		<b>1,122</b>	<b>1,164</b>	<b>1,197</b>	<b>1,261</b>
<b>Minority interests in subsidiary undertakings</b>	27	<b>38</b>	<b>9</b>	<b>—</b>	<b>—</b>
		<b>1,149</b>	<b>1,202</b>	<b>1,197</b>	<b>1,261</b>

Approved by the Board, March 4, 1992

Lord Tombs of Bralles }  
M. Townsend } Directors

*Tombs*  
*M. Townsend*

The notes on pages 7 to 19 form part of these accounts

# Group statement of source and application of funds

for the year ended December 31, 1991

	1991 £m	1990 £m
<b>Source of funds</b>		
Profit on ordinary activities before taxation	51	176
Adjustments for items not involving the movement of funds:		
Depreciation of tangible fixed assets	64	69
(Decrease) increase in provisions for liabilities and charges	(11)	10
Retained profit in associated undertakings	(4)	(1)
<b>Funds generated from operations</b>	<b>100</b>	<b>254</b>
Proceeds from share issues	4	1
Exchange adjustments	—	(20)
Disposals of tangible fixed assets and investments	15	19
Increase in creditors falling due after one year	33	59
	<b>152</b>	<b>313</b>
<b>Application of funds</b>		
Capital expenditure	(119)	(112)
Investments	(17)	(19)
Taxation	(38)	(34)
Dividends	(45)	(69)
Minority interests in subsidiary undertakings	(1)	(34)
	<b>(68)</b>	<b>45</b>
<b>Changes in net current assets</b>		
Increase in current creditors excluding corporate taxation and proposed dividend	101	133
(Increase) in stocks, net of progress payments	(36)	(134)
(Increase) in debtors	(115)	(67)
<b>Changes in net liquid assets and loans</b>	<b>(118)</b>	<b>(23)</b>
<b>Represented by:</b>		
(Decrease) increase in short-term deposits and cash balances	(21)	24
(Increase) decrease in borrowings:		
Amounts falling due within one year	77	(48)
Amounts falling due after one year	(174)	1
	<b>(118)</b>	<b>(23)</b>



# Notes to the accounts

## 1 Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards on the historical cost basis, modified to include the revaluation of land and buildings.

### Basis of consolidation

The Group accounts include the accounts of the Company and all of its subsidiary undertakings made up to December 31, together with the Group's share of the results of associated undertakings up to December 31. Any subsidiary and associated undertakings sold or acquired during the year are included up to, or from, the dates of sale or acquisition.

Goodwill, which represents the excess of the value of the purchase consideration for shares in subsidiary and associated undertakings over the fair value to the Group of the net assets acquired, is written off to reserves in the year of acquisition.

### Turnover

Turnover excludes value added tax. Long-term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

### Foreign currencies

#### United Kingdom undertakings

- (i) Transactions in currencies other than sterling are translated at the average achieved exchange rate for the year, taking account of maturing foreign exchange contracts.
- (ii) Assets and liabilities denominated in foreign currencies are translated either at the exchange rates ruling at the year end or, where applicable, at the estimated sterling equivalent, taking account of future foreign exchange contracts.
- (iii) Differences on exchange are charged or credited in determining profit on ordinary activities before taxation.

#### Overseas undertakings

- (i) Trading results are translated at the average exchange rates for the year.
- (ii) Assets and liabilities are translated at the exchange rates ruling at the year end.
- (iii) On consolidation, differences on exchange arising from the retranslation of the opening net investment, and from the translation of the profits or losses at average rate, are taken to reserves.

### Pension costs

Contributions are charged against profits so as to spread the cost of pensions over employees' working lives with the Group.

### Research and development

The charge to the profit and loss account consists of total research and development expenditure incurred in the year less costs recoverable on contracts and contributions to shared engineering programmes.

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

### **Certification costs**

Costs paid to airframe manufacturers in respect of meeting regulatory certification requirements for new civil engine/aircraft combinations are carried forward in prepayments to the extent that they can be recovered out of future sales and are charged to the profit and loss account over five years following certification.

### **Taxation**

Provision for taxation is made at the current rate and for deferred taxation on all timing differences where a liability is expected to crystallise in the foreseeable future. Advance corporation tax which is not recoverable in the immediate future by offset against United Kingdom corporation tax liabilities is included in the taxation charge for the year.

### **Stocks**

Stocks are valued at cost of materials, labour and relevant manufacturing overheads, less provisions for obsolete and surplus items and, where necessary, provisions to reduce cost to estimated realisable value.

Work in progress relating to long-term contracts where the outcome can be assessed with reasonable certainty includes a proportion of the estimated profits earned to date, such proportion having regard to the degree of completion of each contract. Full provision is made for estimated losses to completion.

Progress payments received are deducted from stocks and advance payments and deposits are included in creditors.

### **Accounting for leases**

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at amounts equal to the original cost of the assets to the lessors and depreciation provided on the basis of Group depreciation policy. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account. The annual payments under all other lease arrangements, known as operating leases, are charged to the profit and loss account on an accruals basis. Rentals receivable as lessor under operating leases are included in turnover for the year on an accruals basis.

### **Depreciation**

#### **(i) Properties**

Depreciation is provided on the valuation of properties adopted at December 31, 1985 and on the original cost of purchases since 1985 and is calculated on the straight line basis over estimated lives advised by the Group's professional valuers. Depreciation is not provided on freehold land.

The estimated lives are:

- (a) Freehold buildings - 10 to 45 years.
- (b) Leasehold land and buildings - lower of valuers' estimates or period of lease.

#### **(ii) Plant and equipment**

Depreciation is provided on the original cost of plant and equipment and is calculated on the straight line basis over estimated lives in the range 5 to 25 years.

## 2 Analysis of turnover, profit and net assets

	Turnover		Profit		Net Assets	
	1991 £m	1990 £m	1991 £m	1990 £m	1991 £m	1990 £m
<b>Analysis by business:*</b>						
Aerospace	2,033	2,339	(6)	81	830	737
Industrial Power	1,482	1,331	73	102	267	295
	<b>3,515</b>	<b>3,670</b>	<b>67</b>	<b>183</b>	<b>1,097</b>	<b>1,032</b>
<b>Geographical analysis by origin:</b>						
United Kingdom	3,119	3,319	48	156	960	910
Other	396	351	19	27	137	122
	<b>3,515</b>	<b>3,670</b>	<b>67</b>	<b>183</b>	<b>1,097</b>	<b>1,032</b>
<b>Geographical analysis by destination:</b>						
United Kingdom	1,057	1,047				
Rest of Europe	555	609				
USA	1,064	1,170				
Canada	142	136				
Asia	381	374				
Africa	202	193				
Australasia	74	100				
Other	40	41				
	<b>3,515</b>	<b>3,670</b>				
<b>Exports from United Kingdom:</b>						
Direct	1,735	1,915				
Indirect	327	357				
	<b>2,062</b>	<b>2,272</b>				
Sales to overseas subsidiaries	(89)	(75)				
Sales by overseas subsidiaries	485	426				
<b>Total overseas</b>	<b>2,458</b>	<b>2,623</b>				

The profit shown above represents 'Profit on ordinary activities before taxation', after exceptional items, as adjusted for net interest (note 3).

\*The segmental analysis of exceptional items is Aerospace £32m (1990 £50m) and Industrial Power £26m (1990 £nil).

Net assets exclude net cash balances of £52m (1990 £170m).

## 3 Net interest payable

	1991 £m	1990 £m
Income from listed investments	1	1
Interest receivable	34	39
Interest payable on:		
Borrowings repayable within five years	(40)	(45)
Borrowings repayable after five years	(7)	—
Finance leases	(4)	(2)
	<b>(16)</b>	<b>(7)</b>

#### 4 Profit on ordinary activities before taxation

	1991 £m	1990 £m
After charging		
Depreciation of owned tangible fixed assets	57	58
Depreciation of tangible fixed assets held under finance leases	7	11
Operating lease rentals payable - hire of plant and equipment	17	17
- hire of other assets	13	9
Auditors' remuneration 1991 £ 0.9m (1990 £0.9m)		

#### After crediting

Operating lease rentals receivable	6	5
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Exceptional items in 1991 relate to further restructuring and severance payments and exceptional charges in relation to overseas subsidiaries. 1990 related to a provision to cover restructuring costs and to provide for uncertainties faced by customer airlines.

#### 5 Taxation

United Kingdom - corporation tax at 33.25% (1990 35%)	15	15
- advance corporation tax written off	10	13
- double tax relief	(1)	(1)
	24	27
Overseas	6	8
Associated undertakings	2	1
	32	36

Tax charges for both years have been reduced by the utilisation of tax losses and advance corporation tax brought forward.

#### 6 Dividends - ordinary shares

Interim 2.55p (1990 2.55p) per share	25	24
Final proposed 4.7p (1990 4.7p) per share	45	45
	70	69

#### 7 Earnings per ordinary share

Earnings per ordinary share on the net basis are calculated by dividing the profit attributable to the shareholders of Rolls-Royce plc of £24m (1990 £134m) by 962 million (1990 961 million) ordinary shares, being the average number of ordinary shares in issue during the year.

Earnings per ordinary share on the nil distribution basis are calculated as for the net basis but after adding to profit £10m (1990 £13m), being the irrecoverable advance corporation tax attributable to dividends paid and proposed.

Dilution of the earnings per ordinary share figure based on outstanding share options is not material.

## 8 Emoluments of directors

	1991	1990
	£000	£000

The directors' emoluments, including bonus payments, charged before arriving at operating profit, were:

Fees	60	60
Other emoluments, including pension contributions	1,484	1,440

The emoluments, including bonus payments but excluding pension contributions, of directors working wholly or mainly in the United Kingdom were:

£	Number	Number
5,001 to 10,000	4	4
15,001 to 20,000	2	1
110,001 to 115,000	1	—
120,001 to 125,000	2	1
125,001 to 130,000	1	—
130,001 to 135,000	—	1
135,001 to 140,000	—	1
140,001 to 145,000	—	1
150,001 to 155,000	1	1
155,001 to 160,000	1	—
165,001 to 170,000	—	1
180,001 to 185,000	—	1
190,001 to 195,000	1	—
245,001 to 250,000	—	1
255,001 to 260,000	1	—

Included in the above table are the Chairman's emoluments of £156,000 (1990 £180,000). The emoluments of the highest paid director were £255,000 (1990 £249,000).

## 9 Employee information

Average weekly number of Group employees during the year

United Kingdom	50,700	54,900
Overseas	10,700	11,000

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	61,400	65,900
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Aerospace	33,800	36,500
Industrial Power	27,600	29,400

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	61,400	65,900
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£m                  £m

Group employment costs

Wages and salaries	966	971
Social security costs	79	78
Other pension costs (note 26)	55	48

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	1,100	1,097
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## 10 Tangible fixed assets

	Group			Company		
	Land & buildings £m	Plant & equipment £m	Total £m	Land & buildings £m	Plant & equipment £m	Total £m
<b>Cost or valuation:</b>						
At January 1, 1991	311	988	1,299	220	600	820
Exchange adjustments	1	1	2	—	—	—
Additions at cost	40	79	119	7	42	49
Disposals	(2)	(29)	(31)	(1)	(11)	(12)
At December 31, 1991	350	1,039	1,389	226	631	857
<b>Depreciation:</b>						
At January 1, 1991	51	572	623	34	316	350
Exchange adjustments	—	1	1	—	—	—
Provided during year	12	52	64	9	30	39
Disposals	—	(20)	(20)	—	(10)	(10)
At December 31, 1991	63	605	668	43	336	379
<b>Net book value 1991</b>	<b>287</b>	<b>434</b>	<b>721</b>	<b>183</b>	<b>295</b>	<b>478</b>
<b>Net book value 1990</b>	<b>260</b>	<b>416</b>	<b>676</b>	<b>186</b>	<b>284</b>	<b>470</b>
Included in the above are:						
				1991 £m	1990 £m	Company 1991 £m
Net book value of leased plant and equipment				46	52	294
Assets held for use in operating leases:						
Cost				75	70	—
Depreciation				(48)	(45)	—
Net book value				27	25	—
Land and buildings at cost or valuation comprise:						
Valuation at December 31, 1985*				187	187	174
Cost				163	124	52
				350	311	226
Land and buildings at net book value comprise:						
Freehold				260	232	172
Long leasehold				23	23	9
Short leasehold				4	5	2
				287	260	183
On an historical cost basis the net book value of land and buildings would have been as follows:						
Cost				272	233	146
Depreciation				(113)	(105)	(86)
Net book value				159	128	60

\*At December 31, 1985 specialised properties were revalued on a depreciated replacement cost basis and the remainder by reference to their open market value for existing use.

## 11 Investments - subsidiary undertakings

	£m
<b>Company</b>	
Shares at cost at January 1, 1991	325
Additions	4
Shares at cost at December 31, 1991	329

The principal subsidiary undertakings are set out on pages 22 and 23.

## 12 Investments - other

	Associated undertakings		Trade investments		Total
	Interests in	Loans to	Listed	Other	
	£m	£m	£m	£m	£m
<b>Group</b>					
<b>Cost:</b>					
At January 1, 1991	27	2	10	1	40
Additions	16	1	—	—	17
Disposals	(1)	—	(3)	—	(4)
At December 31, 1991	42	3	7	1	53
<b>Share of post acquisition reserves:</b>					
At January 1, 1991	(4)	—	—	—	(4)
Exchange adjustments	(1)	—	—	—	(1)
Retained profit	4	—	—	—	4
Goodwill adjustments	(3)	—	—	—	(3)
At December 31, 1991	(4)	—	—	—	(4)
<b>Net book value 1991</b>	<b>38</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>49</b>
<b>Net book value 1990</b>	<b>23</b>	<b>2</b>	<b>10</b>	<b>1</b>	<b>36</b>
<b>Company</b>					
<b>Cost:</b>					
At January 1, 1991	25	2	10	—	37
Additions	14	1	—	—	15
Disposals	—	—	(3)	—	(3)
At December 31, 1991	39	3	7	—	49

The market value of UK listed investments was £6m (1990 £7m).

The principal associated undertakings are set out on page 24.

## 13 Stocks

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Raw materials	91	114	41	59
Work in progress, jigs and tools	578	596	428	430
Long-term contract work in progress	61	48	—	—
Finished goods	477	457	451	422
Payments on account	31	27	42	42
	<b>1,238</b>	<b>1,242</b>	<b>962</b>	<b>953</b>
<b>Progress payments against:</b>				
Long-term contract work in progress	(42)	(40)	—	—
Other stocks	(272)	(314)	(219)	(252)
	<b>924</b>	<b>888</b>	<b>743</b>	<b>701</b>

#### 14 Debtors

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Amounts falling due within one year				
Trade debtors	542	480	306	252
Amounts recoverable on contracts	74	82	4	7
Amounts owed by - subsidiary undertakings	—	—	70	84
- associated undertakings	91	55	90	54
Other debtors	29	28	3	6
Prepayments and accrued income	50	39	33	29
	786	684	506	432
Amounts falling due after one year				
Trade debtors	81	60	39	36
Amounts recoverable on contracts	4	11	—	6
Amounts owed by - subsidiary undertakings	—	—	373	358
- associated undertakings	12	19	12	19
Prepayments and accrued income	29	23	25	18
Prepaid pension contributions	19	19	17	18
	145	132	466	455
<b>Total debtors</b>	<b>931</b>	<b>816</b>	<b>972</b>	<b>887</b>

#### 15 Borrowings - amounts falling due within one year

Bank loans and overdrafts	23	100	—	73
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#### 16 Other creditors - amounts falling due within one year

Trade creditors	418	449	272	291
Bills of exchange payable	34	31	—	—
Amounts owed to - subsidiary undertakings	—	—	64	52
- associated undertakings	21	20	21	20
Payments received on account	228	184	119	82
Corporate taxation	42	41	30	27
Other taxation and social security	40	39	17	18
Other creditors	242	209	222	184
Accruals and deferred income	93	49	48	12
Accrued pension costs	8	—	—	—
Interim dividend since paid	25	—	25	—
Final proposed dividend	45	45	45	45
Capital obligations under finance leases	5	7	36	37
	1,201	1,074	899	768

Company capital obligations under finance leases were owed to a subsidiary undertaking.



## 17 Borrowings - amounts falling due after one year

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
<b>Unsecured</b>				
9%% Notes 1993*	150	150	150	150
11%% Notes 1998*	150	—	150	—
Loan 1994**	23	—	—	—
Other loans 1993-2005 (interest rates nil to 9%)	11	10	—	—
<b>Secured by charges on related buildings</b>				
Loans 1993-2008 (interest rates 7%% and 10%%)	1	1	—	1
	<b>335</b>	<b>161</b>	<b>300</b>	<b>151</b>
<b>Repayable:</b>				
Between one and two years - by instalments	2	—	—	—
- otherwise	155	—	150	—
Between two and five years - by instalments	3	2	—	1
- otherwise	25	158	—	150
After five years - by instalments	—	1	—	—
- otherwise	150	—	150	—
	<b>335</b>	<b>161</b>	<b>300</b>	<b>151</b>

\* Notes are the subject of interest swap agreements under which counterparties have undertaken to pay amounts at fixed rates of interest in consideration for amounts payable by the Company at variable rates of interest.

\*\* The Group has borrowed US \$40m through a subsidiary, Rolls-Royce Euro Finance NV, which has entered into foreign exchange transactions in order to provide £23m, at variable rates of interest, for general Group purposes.

## 18 Other creditors - amounts falling due after one year

Payments received on account	50	65	50	65
Other creditors	12	—	11	—
Accruals and deferred income	59	17	57	13
Accrued pension costs	7	8	—	—
<b>Capital obligations under finance leases payable:</b>				
Between one and two years	4	5	36	36
Between two and five years	13	13	104	107
After five years	15	19	167	172
	<b>160</b>	<b>127</b>	<b>425</b>	<b>393</b>

Company capital obligations under finance leases were owed to a subsidiary undertaking.

## 19 Deferred taxation

<b>Full potential liability/(asset):</b>				
Fixed asset timing differences	65	63	(16)	(22)
Other timing differences	(61)	(51)	(50)	(42)

At December 31, 1991 the Company had tax losses of approximately £250m (1990 £275m), which are available for relief against future trading profits of the Company.

At December 31, 1991 advance corporation tax of £106m (1990 £84m) for the Group, including £80m (1990 £62m) for the Company, is available for carry forward against future corporation tax liabilities.

## 20 Provisions for liabilities and charges

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Movements on provisions were:				
At January 1	183	173	137	111
Net charge to profit and loss account	60	85	45	64
Utilised	(76)	(75)	(56)	(38)
At December 31	167	183	126	137

Provisions include, principally, warranty relating to sales up to the year end, estimated future losses on current contracts and rationalisations.

## 21 Share capital

	Special share of £1	Ordinary shares of 20p each	Nominal value £m
<b>Authorised</b>			
At January 1 and December 31, 1991	1	1,282,000,000	256
<b>Issued and fully paid</b>			
At January 1, 1991	1	960,903,654	192
Exercise of share options	—	788,801	—
In lieu of paying 1990 dividends in cash	—	1,309,758	1
At December 31, 1991	1	963,002,213	193

Subject to the provisions of the Companies Act 1985, the special rights redeemable preference share (special share) may be redeemed by the Treasury Solicitor at par at any time.

The Company has established the following employee share schemes:

- Under the Free and Matching Offer Share Scheme 8,281,194 ordinary shares of the Company were held in trust at December 31, 1991 on behalf of 31,594 employees who were beneficially entitled to the shares under special arrangements made in May 1987.
- At December 31, 1991 the following ordinary shares were subject to options:

	Date of grant	Number	Price (pence)	Normally exercisable
Executive Share Option Scheme	1987	1,581,800	205	1992-1997
	1988	593,090	113	1992-1998
	1989	414,800	188	1992-1999
	1990	3,563,600	178	1993-2000
	1991	2,873,500	144	1994-2001
Sharesave Scheme	1987	12,855,937	185	1992-1995
	1988	13,235,232	112	1993-1996
	1990	17,266,130	150	1996/1998
NEI Executive Share Option Scheme (1985)	1987	37,646	121	1992-1997
	1988	150,536	133	1992-1998
NEI Employee Sharesave Option Scheme	1986	137,878	126	1992
	1987	393,953	109	1992
	1988	309,968	120	1993
	1989	338,714	164	1994
Victor Products Share Option Scheme	1985	3,178	89	1992-1995

(a) Under the terms of the Executive Share Option Scheme, options granted to 82 directors and senior executives were outstanding at December 31, 1991.

(b) Under the terms of the Sharesave Scheme the Board may grant options to purchase ordinary shares in the Company each year to those employees who enter into an Inland Revenue approved Save As You Earn (SAYE) contract for a period of either five or seven years.

## 21 Share capital (continued)

The directors had the following interests, including options, in the ordinary share capital of the Company:

	Holdings		Options			
	Jan 1* 1991	Dec 31 1991	Jan 1* 1991	Granted in 1991	Exercised in 1991	Dec 31 1991
Lord Tombs of Brailes	36,811	36,811	332,750	—	—	332,750
Dr T. Harrison	18,061	21,811	196,041	113,300	—	309,341
Dr R. Hawley	10,606	10,606	131,151	76,700	—	207,851
Sir Gordon Higginson	2,500	2,500	—	—	—	—
Mr J.O. Keir	1,510	1,769	181,300	76,700	—	258,000
Sir Douglas Lowe	4,000	4,000	—	—	—	—
Mr S.C. Miller	4,018	4,018	271,400	55,500	—	326,900
Mr H.G. Mourgue	4,750	4,750	—	—	—	—
Sir Robin Nicholson	4,750	4,750	—	—	—	—
Sir Ralph Robins	6,041	6,041	464,400	121,700	88,600	497,500
Sir Philip Shelbourne	4,750	4,750	—	—	—	—
Mr M. Townsend	—	1,000	136,600	—	—	136,600
Mr F. Turner	4,186	4,306	166,150	73,300	—	239,450

\* or date of appointment if later.

With regard to directors appointed on January 1, 1992, Mr J.E.V. Rose had interests in 308 shares and options on 130,700 shares, and Mr R.T. Turner had interests in 1,929 shares.

There has been no change in the directors' interests set out above between December 31, 1991 and March 4, 1992.

## 22 Reserves

	Non-distributable			
	Share premium £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m
<b>Group</b>				
At January 1, 1991	239	132	22	579
Arising on share issues	3	—	—	—
Transfers between reserves	—	(4)	(2)	6
Loss for the year	—	—	—	(46)
<b>At December 31, 1991</b>	<b>242</b>	<b>128</b>	<b>20</b>	<b>539</b>
<b>Company</b>				
At January 1, 1991	239	127	263	440
Arising on share issues	3	—	—	—
Transfers between reserves	—	(4)	(2)	6
Loss for the year	—	—	—	(68)
<b>At December 31, 1991</b>	<b>242</b>	<b>123</b>	<b>261</b>	<b>378</b>

Goodwill, written off against other reserves, cumulatively amounts to £243m (1990 £243m).

The undistributed profits of overseas subsidiary and associated undertakings may be liable to overseas taxes and/or United Kingdom tax (after allowing for double tax relief) if remitted as dividends to the UK.

## 23 Capital expenditure commitments

	Group		Company	
	1991	1990	1991	1990
	£m	£m	£m	£m
Contracted but not provided	26	27	16	17
Authorised but not yet contracted	16	22	0	15

## 24 Operating lease annual commitments

Leases of land and buildings which expire:				
Within one year	1	1	—	—
Between one and five years	3	4	1	2
After five years	4	5	2	2
Other leases which expire:				
Within one year	1	1	—	—
Between one and five years	3	2	—	—
After five years	2	2	—	—

## 25 Contingent liabilities

Guarantees in respect of financial obligations of:				
Subsidiary undertakings	—	—	132	72
Associated undertakings	—	5	41	5
Other undertakings	9	10	—	—

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for engine delivery, performance and reliability. The Company and some of its subsidiary undertakings have, in the normal course of business, entered into arrangements in respect of export finance, bills discounted, performance bonds, countertrade obligations and minor miscellaneous items. There are claims outstanding which arise under contracts carried out by the Group. The directors do not expect any of these arrangements or claims, after allowing for provisions already made, to result in significant loss to the Group.

In connection with the sale of its products, on some occasions the Company enters into individually and collectively significant long-term contingent obligations. These can involve, inter alia, guaranteeing financing for customers, guaranteeing a proportion of the values of both engine and airframe, and in certain circumstances could involve the Company assuming certain of its customers' entitlements and related obligations. At the date these accounts are approved the directors regard the possibility that there will be any significant loss arising from these contingencies as remote. In determining this, the directors have taken account of advice, principally from Airclaims Limited, professional aircraft appraisers.

The Group and Company enter into forward foreign exchange and swap transactions aimed at limiting exposure to exchange rate movements in the medium and long term.

## 26 Pensions

The Group's schemes are mainly of the defined benefit type and the assets of the schemes are held in separate trustee administered funds.

The pension cost relating to the UK schemes is assessed in accordance with the advice of Independent qualified actuaries using the projected unit method. The latest actuarial valuations of the principal schemes were as at April 5, 1989 (for NEI) and March 31, 1991 (for Rolls-Royce). The principal assumptions used were that in the long term the average return on investments would be between 1.5% and 2.5% per annum higher than the average increase in pay and between 4.5% and 5.5% per annum higher than the average increase in pensions. Assets have been valued using the discounted income method assuming that UK equity dividends increase at a rate of between 4.5% and 5.0% per annum less than the return on investments.

The pension cost relating to overseas schemes is calculated in accordance with local best practice and regulations.

The total pension cost for the Group was £55m (1990 £48m) of which £4m (1990 £4m) relates to the overseas schemes.

The aggregate of the market values of the UK schemes at the dates of the latest actuarial valuations was £1,869m. The actuarial value of the assets of the principal schemes represented respectively 117.0% (for NEI) and 95.4% (for Rolls-Royce) of the value of the projected accrued liabilities.

The difference between the value of the assets and the value of the projected accrued liabilities (after allowing for expected future increases in earnings and discretionary pension increases) is being amortised as a percentage of scheme earnings over periods of between nine and 14 years, being the average remaining service lives of the pensionable employees.

A prepayment of £19m (1990 £19m) is included in debt and an accrual of £15m (1990 £8m) is included in creditors, being the differences between the accumulated amounts paid into the pension funds and the accumulated pension costs.

# Report of the auditors

KPMG Peat Marwick

To the Members of Rolls-Royce plc

We have audited the accounts on pages 4 to 19 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at December 31, 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick  
Chartered Accountants  
Registered Auditor

*KPMG Peat Marwick*  
London  
March 4, 1992

# Group five year review

for the years ended December 31

## Profit and loss account

	1991	1990	1989	1988	1987
	£m	£m	£m	£m	£m
<b>Turnover</b>	<b>3,515</b>	<b>3,670</b>	<b>2,962</b>	<b>1,973</b>	<b>2,059</b>
<b>Operating profit</b>	<b>335</b>	<b>468</b>	<b>383</b>	<b>333</b>	<b>354</b>
Research and development (net)	(216)	(237)	(161)	(149)	(187)
Income from interests in associated undertakings	6	2	—	—	—
Net interest (payable) receivable	(16)	(7)	15	13	(4)
<b>Profit before exceptional items and taxation</b>	<b>109</b>	<b>226</b>	<b>237</b>	<b>197</b>	<b>163</b>
Exceptional items	(58)	(50)	(4)	(29)	(7)
<b>Profit on ordinary activities before taxation</b>	<b>51</b>	<b>176</b>	<b>233</b>	<b>168</b>	<b>156</b>
Taxation	(32)	(36)	(36)	(22)	(21)
<b>Profit on ordinary activities after taxation</b>	<b>19</b>	<b>140</b>	<b>197</b>	<b>146</b>	<b>135</b>
Attributable to minority interests	—	—	—	—	—
In subsidiary undertakings	5	(6)	(5)	(1)	(1)
<b>Profit attributable to the shareholders</b>	<b>24</b>	<b>134</b>	<b>192</b>	<b>145</b>	<b>134</b>
Dividends	(70)	(69)	(67)	(50)	(42)
<b>Transferred (from) to reserves</b>	<b>(46)</b>	<b>65</b>	<b>125</b>	<b>95</b>	<b>92</b>
<b>Earnings per ordinary share</b>					
Net basis	2.5p	13.9p	21.3p	18.1p	18.2p
Nil distribution basis	3.5p	15.3p	23.3p	19.7p	20.1p
Dividends per ordinary share	7.25p	7.25p	7.0p	6.3p	5.25p

## Balance sheet

<b>Fixed assets</b>	<b>770</b>	<b>712</b>	<b>683</b>	<b>473</b>	<b>438</b>
<b>Current assets</b>	<b>2,265</b>	<b>2,135</b>	<b>1,910</b>	<b>1,309</b>	<b>1,106</b>
	<b>3,035</b>	<b>2,847</b>	<b>2,593</b>	<b>1,782</b>	<b>1,544</b>
<b>Liabilities and provisions</b>	<b>(1,886)</b>	<b>(1,645)</b>	<b>(1,394)</b>	<b>(830)</b>	<b>(685)</b>
	<b>1,149</b>	<b>1,202</b>	<b>1,199</b>	<b>952</b>	<b>859</b>
<b>Share capital</b>	<b>193</b>	<b>192</b>	<b>192</b>	<b>160</b>	<b>160</b>
<b>Reserves</b>	<b>929</b>	<b>972</b>	<b>934</b>	<b>789</b>	<b>695</b>
<b>Shareholders' funds</b>	<b>1,122</b>	<b>1,164</b>	<b>1,126</b>	<b>949</b>	<b>855</b>
<b>Minority interests in subsidiary undertakings</b>	<b>27</b>	<b>38</b>	<b>73</b>	<b>3</b>	<b>4</b>
	<b>1,149</b>	<b>1,202</b>	<b>1,199</b>	<b>952</b>	<b>859</b>

## Other financial information

Research and development (gross)	498	480	343	304	328
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# Principal subsidiary undertakings

at December 31, 1991

The effective Group interest is 100% unless otherwise stated.

## Registered in England

Becorit (Holdings) Limited (90%)\*\*  
Deeside Titanium Limited (82.5%)  
International Research & Development Limited\*  
MatEval Limited  
Middle East Equity Partners Limited  
Northern Engineering Industries plc  
*(The Group does not hold any of the cumulative preference stock.)*  
NEI Allen Limited\*  
NEI Clarke Chapman Limited\*  
NEI Combustion Engineering Limited\*\*  
*(As the Group did not hold all of the B ordinary shares, the effective interest was 69%.  
In February 1992 the Group purchased the remaining 31%.)*  
NEI Control Systems Limited\*  
NEI International Combustion Limited\*\*\*  
NEI Mining Equipment Limited\*  
NEI Overseas Holdings Limited\*\*  
NEI Parsons Limited\*  
NEI Peebles Limited\*  
NEI Power Projects Limited\*  
NEI Reyrolle Limited\*  
NEI Thompson Limited\*  
Reflex Manufacturing Systems Limited  
Rolls E.L. Turbopans Limited  
Rolls-Royce and Associates Limited  
Rolls-Royce Industrial & Marine Gas Turbines Limited  
Rolls-Royce International Services Limited  
Rolls-Royce Leasing Limited  
Rolls-Royce MatEval Limited  
Rolls-Royce Nuclear Engineering Limited  
Rolls-Royce Plant Leasing Limited  
Sawley Packaging Company Limited  
Specialist Parts Suppliers Limited  
Stresswave Technology Limited  
Technical Support Services (Middle East) Limited  
Victor Products PLC\*\*

\* The interests are held by Northern Engineering Industries plc and those subsidiaries trade as agents of that company.

\*\* The interests are held by Northern Engineering Industries plc.

\*\*\* The interest is held by NEI Combustion Engineering Limited.

The above companies operate principally in Great Britain.



# Principal subsidiary undertakings

at December 31, 1991

The effective Group interest is 100% unless otherwise stated.

## Incorporated overseas

Australia	- NEI Pacific Limited* - Rolls-Royce of Australia Pty. Limited
Brazil	- Motores Rolls-Royce Limitada
Canada	- Rolls-Royce Industries Canada Inc** - Rolls-Royce Holdings Canada Inc
Guernsey	- Nightingale Insurance Limited
Netherlands	- Rolls-Royce Euro Finance NV
Saudi Arabia	- Rolls-Royce International Turbines (Saudi Arabia) Limited (51%)
South Africa	- NEI Africa Holdings Limited (56.72%)* - Northern Engineering Industries Africa Limited (56.15%)* (The effective interest in South African Companies is 33%.)
USA	- NEI (USA) Holdings Company* - Rolls-Royce Holdings Inc - Rolls-Royce Inc****
Zimbabwe	- NEI Holdings Zimbabwe (Private) Limited*

\* The interests are held by NEI Overseas Holdings Limited

\*\* The interest is held by Rolls-Royce Holdings Canada Inc

\*\*\* The interest is held as follows:

53.34% by NEI Africa Holdings Limited

2.81% by NEI Overseas Holdings Limited

\*\*\*\* The interest is held by Rolls-Royce Holdings Inc.

The above companies operate principally in the country of their incorporation.

# Principal associated undertakings

at December 31, 1991

Registered in England or Scotland		Class	% held by Rolls-Royce plc	% of total equity held by Rolls-Royce plc
Cooper Rolls Limited	Ordinary		50	50*
NEI ABB Gas Turbines Limited	A Ordinary		—	} 50**
	B Ordinary		100	
Rolls-Royce & Partners Finance Limited	Ordinary		40	40
Rolls-Royce Turbomeca Limited (England & France)	A Shares		—	} 50
	B Shares		100	
Rolls Wood Group (Repair & Overhauls) Limited	A Ordinary		100	} 50
	B Ordinary		—	
Turbo-Union Limited (England, Germany and Italy)	Ordinary		40	} 40
	A Shares		37.5	
Incorporated overseas				
Australia:				
Turbine Components Australia Pty Limited	A Shares		100	} 40
	B Shares		—	
Canada:				
Cooper, Rolls Corporation	Common		50	50***
Germany:				
BMW Rolls-Royce GmbH (England and Germany)	Ordinary		49.5	49.5
EUROJET Turbo GmbH (England, Germany, Italy and Spain)	Ordinary		33	33
MTU, Turbomeca, Rolls-Royce GmbH (England, France and Germany)	Ordinary		33.3	33.3
Italy:				
Europea Microfusioni Aerospaziali SpA	Ordinary		33.3	33.3
Saudi Arabia:				
Middle East Propulsion Company Limited	Ordinary		16.6	16.6****
Spain:				
Industria de Turbo Propulsores SA	Ordinary		45	45
Switzerland:				
IAE International Aero Engines AG (England, Germany, Italy, Japan and USA)	A Shares		100	} 30
	B Shares		—	
	C Shares		—	
	D Shares		—	
	E Shares		—	
USA:				
Cooper Rolls Inc (Europe and North America)	Common		50	50
Williams-Rolls Inc (Europe and North America)	Common		15	15*****

\* The interest is held by Cooper Rolls Inc.

\*\* The interest is held by Northern Engineering Industries plc.

\*\*\* The interest is held by Rolls-Royce Holdings Canada Inc.

\*\*\*\* The interest is held by Middle East Equity Partners Limited.

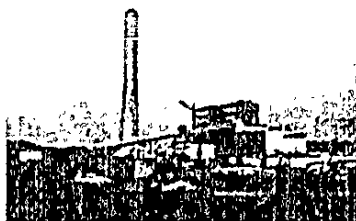
\*\*\*\*\* The interest is held by Rolls E.L. Turbolans Limited.

# COMPANY NUMBER 1003142



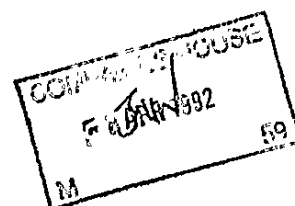
Rolls-Royce plc

1991 Annual Review and  
Summary Financial Statement



Rihand power station in India, a turnkey project, was commissioned in 1991. The Industrial Power Group of Rolls-Royce plc supplies a complete range of high integrity power systems to the world.

The Trent turbofan secured launch orders on the Boeing 777 and further orders for the Airbus A330, contributing to a record year end order book. The Aerospace Group of Rolls-Royce plc supplies advanced civil and military gas turbines worldwide.



# Group financial highlights

for the year ended December 31, 1991

	1991 £m	1990 £m
Turnover	3,515	3,670
Operating profit	335	468
Research and development (net)	(216)	(237)
Profit before exceptional items and taxation	109	226
Profit before taxation	51	176
Profit attributable to shareholders	24	134
Shareholders' funds	1,122	1,164
Earnings per ordinary share - net basis	2.5p	13.9p
Dividend per ordinary share	7.25p	7.25p
Average number of ordinary shares in issue	962m	961m

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Rolls-Royce plc  
65 Buckingham Gate  
London SW1F 6AT  
Telephone: 071-222 9020

**Rolls-Royce** today is a high integrity engineering group bringing advanced cost-effective technology to aerospace and industrial power systems markets worldwide.

Extensive international experience and technological skills make Rolls-Royce a market leader in its chosen product fields: aero, marine and industrial gas turbines, power generation, nuclear engineering and materials handling.

Rolls-Royce operates through two main units: the Aerospace Group, specialising in gas turbines for civil and military aircraft; and the Industrial Power Group which designs, constructs and installs complete power generation, transmission and distribution systems and major equipment for mining, marine propulsion, oil and gas pumping, offshore and defence markets.

Today's Rolls-Royce is a significant supplier wherever cost-effective engineering solutions are required. In 1991, 70 per cent of its sales were achieved overseas.



## Chairman's statement

1991 was a difficult year for many companies, including Rolls-Royce. In our case, the deepening worldwide recession was exacerbated by the Gulf conflict, which produced a dramatic reduction in civil transport activity and placed great pressure on our airline customers.

This pressure was manifest in lower orders for civil aircraft, some cancellations or deferrals of existing orders and reduced flying, with resultant reductions in spares usage and supply. There has been some recovery in traffic volume but price competition between airlines continues to be fierce. Consequently, the recovery in spares sales is at present modest.

On the military side, the reappraisal of defence expenditure, which was already underway at the beginning of the year, was extended and accelerated by the astonishing events in the former USSR. As a result, defence expenditure has been severely curtailed worldwide.

Industrial Power also suffered from the economic climate, with the areas of mining and general engineering being hardest hit. The Gulf conflict had an adverse impact on this side of the business causing the suspension of an important order for four large steam turbine generators for the Al

Shemal Power Station in Iraq.

Inevitably and regrettably these pressures have forced reductions in our workforce and the decision to close our helicopter engine factory at Leavesden. These measures have been painful and expensive and it is small comfort that similar measures have been forced on our competitors. We must continue to find ever more innovative and cost-effective ways of satisfying our customers' requirements if we are to compete successfully and profitably.

Turnover, at £3,515 million, was 4 per cent lower than in 1990. Within this, Industrial Power increased by nearly 12 per cent, but Aerospace declined by 13 per cent.

Profit before tax fell to £51 million (1990 £176 million) and the year end cash balance was £52 million (1990 £170 million).

With the overall reduction in volume, and the relatively greater reduction in civil spares turnover, operating margins fell to below 10 per cent.

Nevertheless, we have maintained a high level of expenditure on research and development, which provides the necessary foundation for our competitive future. The net expenditure of £216 million was some 10 per cent below that for 1990, as foreshadowed in my statement with those accounts.

Despite the severe pressures which I have described, we scored a number of notable successes and our order book at the end of 1991 stood at £6.6 billion (1990 £5.7 billion). We secured two launch customers for the Trent engine to power the new Boeing 777 aircraft and additional orders for the Airbus A330 where we are market leaders. We also won several other important new customers, attracted by the outstanding performance of our engines in service. During 1991 we secured 23 per cent of the orders placed for civil engines — twice the figure when we returned to the Stock Market in 1987, and that in a growing market!

In the military field, the US Navy accepted the first T45 trainer powered by the Adour engine and more

than 1,000 of our engines rendered exemplary service in the Gulf conflict. The EJ200 engine for the European Fighter continues to fulfil its objectives.

Industrial Power made good progress in integrating its activities and scored notable successes in oil and gas pumping, where Cooper Rolls remains the market leader, and in high-voltage switchgear. Particular highlights included our largest single order for Reyrolle switchgear, worth £100 million from Dubai and, at the year end, in conjunction with Westinghouse, winning the contract from the US Navy to develop their latest generation of marine gas turbine engines. The handover in February 1992 of the Rihand power station was the culmination of a splendid achievement in very difficult conditions.

Industrial Power accounted for more than 40 per cent of our sales during 1991, adding greater breadth to the business and providing a counterbalance to the cyclical aerospace business.

I am grateful to our employees for their support and understanding in these difficult times. To meet our reduced workload and to increase our competitiveness in tough world markets we had to reduce our workforce by more than 7,000 during 1991. We must always be conscious of the personal anguish that this can represent but it is necessary to ensure the well-being of the Group, and of its continuing employees.

At the end of last year we announced Board changes to reflect the growing importance of the Aerospace and Industrial Power Boards and the need for organisational change. We are grateful to Mr Jim Keir, Mr Frank Turner and Dr Robert Hawley who agreed to relinquish their positions as directors of the Company: Mr Keir and Mr Turner continue to be directors of Aerospace and Dr Hawley continues as a director of Industrial Power, becoming Managing Director of NEI on January 1, 1992.

On January 1, 1992 Mr Richard Turner and Mr John Rose were appointed directors of the Company to cover international marketing activities

and international relations respectively at the corporate level.

Sir Douglas Lowe and Sir Philip Shelbourne are not seeking re-election. They have been directors since 1984 and 1986 respectively. We are most grateful to them for their wise counsel over the years at a most important time in the development of the Company.

In her Birthday and New Year Honours lists, Her Majesty the Queen graciously bestowed Honours on a number of our people from all parts of the Group. Dr Gordon Higginson, one of our non-executive directors and Vice-Chancellor of Southampton University, was knighted; Dr David Mitchell was awarded the CBE, and OBEs were given to Mike Williams and Don Clarkson. Ray Aspin, Ron Lightbown, Bob Bell and Colin Butler were awarded MBEs and Geoff Thom and John Inkster the BEM. I congratulate all these colleagues on their awards.

#### Prospects

We have continued to strengthen our position in highly competitive international markets. Our progress in building the order book whilst maintaining a strong balance sheet and reducing our cost base gives us every confidence for the future.

However, conditions during 1992 will continue to be difficult and further manpower reductions will be inescapable, although at a lower level than in 1991.

The retrenchment measures which we have taken will begin to show through and I expect steady improvement in our performance over the next few years. This expectation has led your Board to recommend that the dividend should be maintained at the 1990 level although it is not fully covered by profits.



Lord Tombs of Brailes  
Chairman



## Review of activities

Principal activities of Rolls-Royce plc are concentrated in the United Kingdom although overseas subsidiaries are located in Australasia, the USA, Canada, Brazil and Southern Africa.

Co-operative programmes with

companies in other countries continue to be important to Rolls-Royce business interests worldwide, with European, North American and Far Eastern links being particularly strong.

### Aerospace Group

#### Civil engines

For airlines and their suppliers, world recession and the Gulf conflict made 1991 a difficult year. A fall in passenger traffic saw losses being recorded by many major airlines forcing some carriers into bankruptcy and causing delays in the ordering of new equipment and spares. Against this background there were a number of significant achievements in our civil engine business. These included a steadily increasing market share which took the Company to 23 per cent of civil engine orders by value worldwide in 1991. As a result the outstanding order book

for civil engines increased to £4 billion.

The Trent confirmed its status as the lead engine on the Airbus A330 with new orders from Garuda of Indonesia and International Lease Financing Company (ILFC). Launch orders for the Trent on the Boeing 777 were received from growth airlines Thai Airways International and Emirates, representing both long and short-range versions of the aircraft. The Trent order book now stands at more than 200 engines.

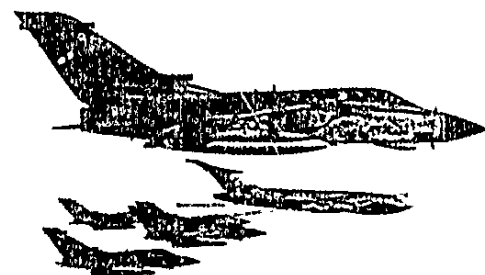
The British Airways decision not to order the Trent was a disappointment, but the airline did place a further 26 firm orders and options for RB211-524G/H powered Boeing 747-400s. The RB211-524 also entered service with South African Airways.

### Rolls-Royce in 1991

Rihand power station in India generated 1,000MW for the first time on January 2, 1991, a significant milestone in the construction of this major project designed, supplied and constructed almost entirely by NEI companies.



Rolls-Royce products and personnel performed with distinction during the Gulf conflict. In the war zone, service engineers provided support to coalition air and naval forces.



On an operational sortie over Saudi Arabia, RB199-powered Tornado GR1 strike aircraft of the RAF take on fuel from an RAF Victor tanker, itself Rolls-Royce powered.





*Excellence has been, is, and will always be, synonymous with Rolls-Royce. In everything we do, in every product or service we offer, we aim to be the best available anywhere — the most cost effective solution to a customer's need.*

It was another good year for the 535E4 with a growing customer base establishing the engine as the choice of 80 per cent of Boeing 757 operators. With orders and reserved options from USAir and United Parcel Service for 91 aircraft, the

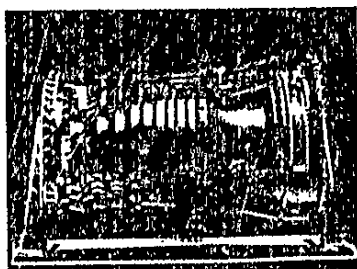
number of RB211-powered 757s delivered or on order rose to 434.

Airbus Industrie and International Aero Engines signed an agreement to offer a 22,000lb thrust version of the V2500 on the proposed 130-seat Airbus A319. BMW Rolls-Royce launched the BR700 core programme, a significant step in the development of a family of

new engines covering the 10-22,000lb thrust range.

American Airlines took delivery of its first Tay-powered Fokker 100 out of 75 on firm order, and the first Tay 650 engines were delivered on schedule to United Parcel Service for the re-engining of its Boeing 727-100 fleet. Meanwhile, Gulfstream signed an order for nearly 300 Tay turboprops for their GIV aircraft.

The Cessna CitationJet and the Swearingen SJ30 business jet, each powered by two Williams-Rolls FJ44 turboprops, made successful first flights. This completes a power spectrum in the line up of Rolls-Royce civil aero engines from 1,900lb to the Trent's 95,000lb plus which is the widest on offer from any manufacturer.



BMW Rolls-Royce announced the launch of the core programme for the BR700 series of engines in the 10-22,000lb class. Detailed design work continues in both Britain and Germany.



Rolls-Royce expertise in nuclear engineering was demonstrated with new orders for nuclear power station supply and refurbishment. NEI contracts, for the Sizewell B pressurized water reactor alone, total more than £100 million.

Rolls-Royce powered ships of several nations saw intensive service in the Gulf.

NEI International Combustion secured additional orders for heat recovery boilers from National Power.

## Military engines

The defence budgets of the major powers continued to be constrained by dramatic political changes on the international scene. At the same time, the Gulf crisis led to a greater recognition of the need for all countries to have adequate means of self defence. These changes have implications for all defence contractors. Rolls-Royce recently re-confirmed its decision to close the Leavesden facility and to transfer Leavesden's military engine activities to Bristol.

In this climate there have been some notable achievements. The first two of 16 Pegasus-powered AV-8B Harriers were delivered to the Italian Navy and the New Zealand Air Force received the latest Viper 680 engine as the first of 18 new MB 339 trainer

aircraft entered service. The Swiss Air Force took final delivery of 20 Hawk aircraft powered by the Adour 861.

Adour 871 engines were delivered to McDonnell Douglas for installation in the first T-45 Goshawk trainers for the US Navy and to British Aerospace for Hawk 100 and 200 series aircraft. Export orders for Adour 871 engines were confirmed for

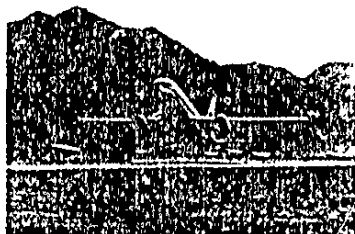
Malaysia and a customer in the Middle East.

Production of the EJ200 engine for the European Fighter Aircraft moved several stages closer in 1991. The Company is responding to the formal request from participating governments which will lead to the launch of full scale production for some 1500 engines.

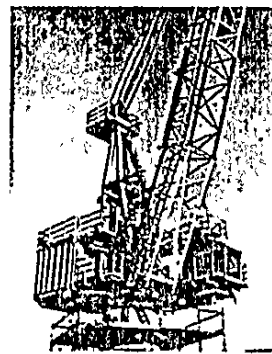
The Ministry of Defence

*Leadership is the Rolls-Royce style — offered in war and peace for almost 90 years.*

*Technological advance and innovation maintain our lead and give our customers the winning edge to stay ahead in their businesses too.*



The reliability of the RB211 family of civil turbofans was demonstrated with a deliberate single engine take-off from Gongga in China, one of the most challenging airports in the world.



Stothert and Pitt cranes were completed for North Sea oil platforms in the Bruce and Marathon fields.

In the United States RB211 engines notched up more than 22,500 hours in service — a world record — without cause for removal from the aircraft.

## NEI Reyrolle wins £100m Dubai power order

NEI REYROLLE, part of Rolls-Royce's industrial power group, has won the UK's largest Middle Eastern order since the end of the Gulf War with a tender to supply 1200 MW of power to the

Emirates Industrial, which was bought by Rolls-Royce in 1986. The contract is NEI's biggest since 1981, when it won an order for 1200 MW of power to the

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confirmed its selection of the RTM322 engine for the EH101 Merlin helicopter. April saw the first flight of the MTR 390 powered Franco-German Tiger, an important milestone in a successful development programme.

Rolls-Royce engines — more than 1,000 of them in 16 different aircraft types — acquitted themselves well in the Gulf conflict as did Rolls-Royce marine gas turbines. Overall availability of aircraft powered by Rolls-Royce engines was excellent. Not one combat mission had to be cancelled because of engine problems.

#### Engine Maintenance Services

Exceptional support was provided to Allied forces in the Gulf, but elsewhere, political

developments in Europe led to a reduced requirement for the servicing of military gas turbines. This decline was offset by an increase in civil aero engine maintenance, particularly on the growing range of RB211 engines in service. The consolidation of maintenance operations, initiated in 1991, is designed to improve future competitiveness.

#### Supply

Cutbacks in military purchases and recession in civil markets have reduced workload, but the Company has used the opportunity to press forward with restructuring its UK production facilities into manufacturing cells dealing with generic product families. 112 cells, representing 60 per cent of domestic capacity, were complete and fully operational by the end of 1991, bringing

significant benefits in efficiency, inventory, unit costs and reduced lead times throughout the organisation.

In a difficult year, these improvements owe much to the co-operation and goodwill of all employees many of whom, as a consequence, have more fulfilling tasks.

The strategy of working closely with major component suppliers to ensure the most effective integration of capabilities and experience is helping to reduce the complexity of specifications and hence the unit cost of manufacture.

The Company has begun to implement the major new logistics control system called 'MERLIN' (Mechanised Evaluation of Resources, Logistics and Inventory).

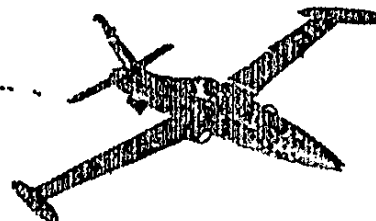


The prototype Tiger anti-tank and ground support helicopter took to the air in April 1991, powered by two MTR390 turboshafts.



The Thompson Modular Bridge System, under development for the British Army's Bridging for the 1990s contract, passed initial trials with flying colours.

Continuing a long association with Rolls-Royce, the New Zealand Air Force took delivery of the first of 18 new MB 339 trainer aircraft powered by the Viper 680 engine.



Review of activities 7

Earlier achievements in the Middle East and proven turnkey capability led to new contracts for HEI Royalle

*... is the Rolls-Royce way. Partners and colleagues can achieve more together than any could manage alone. In partnership with our customers, in partnership with our suppliers and in our joint ventures, daily contact brings understanding and shared success.*

Significant recurring savings are expected as this becomes fully effective and replaces older systems.

**Research and Development**  
The Trent civil turbofan engine continued its successful development programme and exceeded 75,000lb thrust on

test. Four pre-production engines accumulated more than 260 hours of testing and met all major objectives as planned. The growth version of the engine to 85,000lb thrust was formally launched and detailed design continues.

The thrust growth programme on the V2500 engine for the Airbus A321 and McDonnell Douglas MD90 has gone well

and is on schedule for certification in late 1992.

Development programmes continue on RB211-524 and 535 engines to ensure that in-service performance and reliability remain ahead of the competition.

EJ200 engine development continues to make progress towards flight release which is the next major milestone and planned for later in 1992. Deliveries of the increased thrust version of the Pegasus 408 to the US Marine Corps were delayed to permit additional testing around the extremes of the flight envelope. Engines already delivered are being reworked to a revised standard. New engine deliveries are expected to resume in 1992.



Turbine blades for the Trent engine, like all gas turbine components, result from investment in design, development and manufacturing technologies over a period of years.

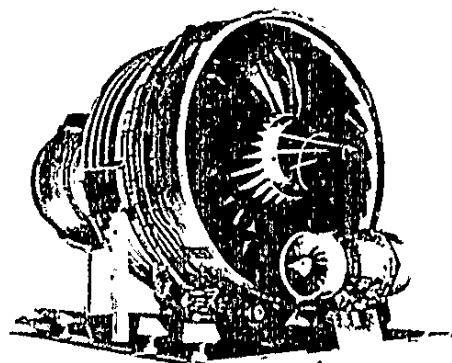
## NEI ABB's £200m coup

By **PETER CUNLIFFE**  
Industrial Editor

A POWER station contract worth £200m for North Wales has been won by Newcastle-based NEI ABB Gas turbines

willd

The joint venture with ABB helped to win new business for combined-cycle power plants.



The powerful Trent, capable of more than 85,000lb thrust, and the diminutive Williams-Rolls FJ44 of 1,900lb thrust were exhibited together at the Paris Airshow.

Advanced engineering programmes increased the Company's knowledge and capabilities, most notably in low emissions combustors, advanced single crystal materials and new manufacturing processes for joining and processing advanced alloys. Further investment in Computer Aided Design/Manufacturing has enabled design and manufacturing timescales to be reduced, particularly on the Trent project.

#### **Industrial Power Group**

Electrical power generation Industrial Power Group companies continue to be involved in power generation projects throughout the world, with emphasis on the rapidly developing sector of gas-fired

combined-cycle plants.

New United Kingdom orders included a £200 million contract to build a 500MW combined-cycle power station at Shotton on Deeside won by NEI ABB Gas Turbines Limited. NEI International Combustion secured additional contracts to supply heat recovery boilers for this type of power station, including the combined-cycle plant at Killingholme for National Power.

One of the biggest export contracts ever won by a British company was completed in 1991 by NEI Power Projects. The Rihand 1,000MW coal-fired power station has now been handed over to the Indian authorities. NEI Parsons achieved full load on programme with a 350MW steam turbine generator for HongKong Electric and continued to make good progress with the conversion of

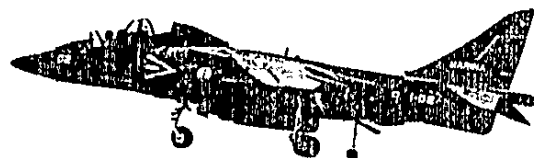
the Malaysian Connaught Bridge 120MW power station to combined-cycle operation.

NEI Power Projects won the contract for a 45MW oil-fired power station in Jersey, with main equipment to be supplied by other NEI companies. The market for small generating plant improved, with NEI Allen taking good orders for its range of 5-30MW turbine generators. These included numerous industrial applications and an innovative district power and heating scheme in Denmark. Allen and Pielstick 1-15MW diesel engines continued to make progress in a competitive market, notably with spark ignition engines fuelled by landfill gas.

Orders for process plant control secured by NEI Control Systems brought the total value of NEI contracts for the Sizewell B pressurized water reactor to more than £100 million.



Royrolle advanced gas-insulated switchgear secured new orders from National Grid and Dubai. Major projects, including this one at Keadby in Humberside, were completed in Saudi Arabia, Bangladesh and the United Kingdom.



The Italian navy took delivery of two Pegasus-powered Harrier TAV-8B aircraft, the first of 16 Harriers on order and the first fixed wing aircraft in the Italian navy inventory since 1920.

### Electrical Transmission and Distribution

New contracts worth almost £200 million made it a record year for NEI Reyrolle and its world-beating gas-insulated switchgear (GIS) technology. Orders included the world's first 400kV compact substation (which will incorporate new layout and protection concepts), further orders for National Grid and a major turnkey 400kV GIS substation for Dubai.

Projects in Saudi Arabia, Bangladesh and the United Kingdom were completed successfully and testing began on the first co-ordinated control system on the UK grid, supplied by Reyrolle Protection.

The Queen's Award for Export Achievement recognised the

success achieved by NEI Peebles with its large power transformers in North American markets. Peebles won further major orders in New Brunswick and Vermont as well as Malaysia and the United Kingdom.

### Nuclear Engineering

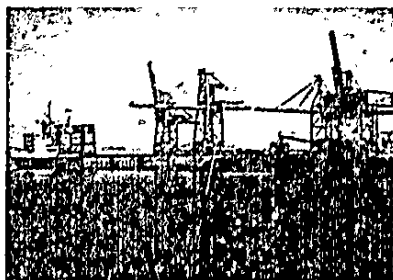
Rolls-Royce demonstrated its nuclear engineering expertise with a major reactor refurbishment at Hunterston B Advanced Gas-cooled Reactor power station and the continued provision of supply and plant services to other nuclear stations.

Royal Navy submarine fleet reactor support continued, offsetting the reduced business for new plant. Rolls-Royce broadened its role in new submarine development, however, with contracts for whole boat safety studies on the

Vanguard class and total propulsion design studies for the Batch 2 Trafalgar class. The new prototype reactor at Dounreay was taken active again after its successful upgrade, while the original prototype provided useful test data in its final phase before decommissioning in 1992. With effect from January 1992 an enlarged and restructured Rolls-Royce Nuclear Engineering Ltd took over the management of all the company's nuclear activities.

### Industrial and Marine Gas Turbines

Oil and gas industry business remained buoyant with substantial orders for Avon and RB211 power and compressor



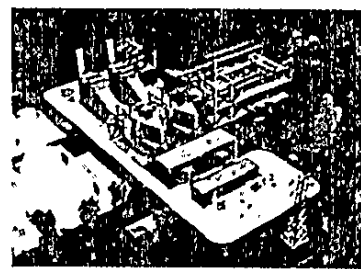
Two 2,600 tonnes-per-hour ore unloaders, supplied by the Cowans Boyd division of NEI Clarke Chapman, were delivered to Port Talbot in Wales and in operation within days of arrival.

## R-R wins £500m engine order in America

By HARVEY ELLIOTT  
AIR CORRESPONDENT

ROLLS-ROYCE, the aero-engine manufacturer, has won an American order

The Times December 17



Combined-cycle power generation plants, similar to the one illustrated here in model form, featured strongly in orders received by Industrial Power Group companies in 1991.

United Parcel Service placed a significant order for RB211-535 engines to power new Boeing 767 aircraft

modules, including the first order for the uprated version of the successful RB211.

Defence cuts worldwide reduced orders for the marine market but there was success in two important areas. The Japanese Defence Agency placed orders for the Spey SM1C, while the order for the development of the US Navy Intercooled Recuperated (ICR) gas turbine propulsion system was won by Rolls-Royce in collaboration with Westinghouse.

Rolls-Royce marine gas turbines powered ships from five navies during the Gulf conflict and were commended for trouble-free service.

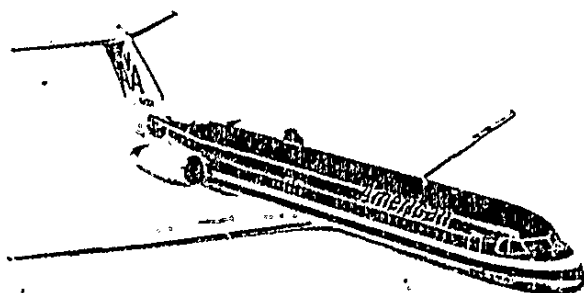
Sound investment in future product development included engineering work on reducing exhaust emissions and initial work on the ICR project.

#### Mining Equipment

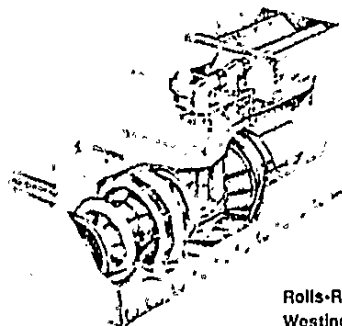
An encouraging increase in export business, with new contracts for Turkey, minewinders for Ghana and the continued supply of underground

equipment to China, compensated for a decline in equipment ordering by British Coal. NEI Mining Equipment led an assault on new markets with on-train telecommunications for British Rail and static telephone systems for the Channel Tunnel. It will also supply hazardous area lighting equipment to offshore platforms.

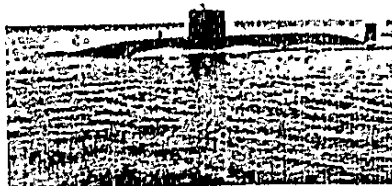
*Confidence is working with the Rolls-Royce team, always in pursuit of excellence and leading the world with appropriate engineering solutions.*



The Tay turbofan celebrated half a million hours in service with further orders from Gulfstream, TAT and Korean Airlines. The engine also entered American Airlines service (above) and deliveries were made to United Parcel Service for the re-engining of their Boeing 727 fleet.



Rolls-Royce collaboration with Westinghouse Electric Corporation resulted in a contract for the development of an intercooled recuperated gas turbine engine system (shown here in artist's impression), based on RB211 aero gas turbine technology, for the US Navy.



HMS Trafalgar — first of the latest class of submarines with the propulsion plant designed and procured by Rolls-Royce and Associates Limited.

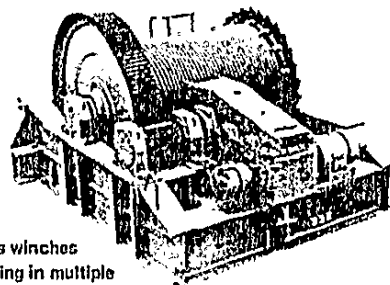
## Dock, Harbour and Marine Equipment

NEI Clarke Chapman orders for two pneumatic alumina unloaders for the Ukraine and refurbishment contracts for Kenya and Kuwait led a resurgence of activity in dock and harbour markets. Two 2,600 tonnes-per-hour ore unloaders were delivered as complete assembled units to Port Talbot in Wales and were operational within days of delivery. Other unloader contracts were completed in Indonesia and Canada.

Syncrolift shiplift contracts were secured in Japan and Morocco, while the installation of the world's largest such system

was confirmed at the Faslane submarine base in Scotland.

Stohtert and Pitt expertise won further orders for offshore cranes on North Sea platforms. Replenishment-at-sea and other deck, steering and main propulsion equipment was supplied for two Royal Fleet Auxiliary vessels currently under construction.



NEI Syncrolift uses winches of this type operating in multiple to lift marine vessels of up to 24,000 tonnes. New orders were received in 1991 from Japan and Morocco.

## Rolls' Trent engine given £250m boost by Emirates

ROLLS-ROYCE has won an order worth up to £250m to supply its Trent engine to Emirates, the airline based in Dubai, to power new fleet of

the US for £400-  
glad on 777s  
of Nippon

The Independent December 20

Further orders for the Trent engine in 1991 from ILFC, Garuda, Thai Airways International and Emirates promise a successful future for the world's most powerful turbofan.

Meeting the customer's need is the Rolls-Royce commitment to the future.



## 1991 Summary financial statement

The directors present the summary financial statement of the Group for the year ended December 31, 1991.

This summary financial statement does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or of the Group. For further information, the full accounts, the auditors' report on those accounts and the directors' report should be consulted. The Companies Act 1985 gives members the right to receive, free of charge, a copy of the full annual accounts, the auditors' report on those accounts and the directors' report. You may request a copy by filling in and posting the card attached to your proxy form.

Full accounts for the year ended December 31, 1990 have been filed with the Registrar of Companies. The full accounts for the year ended December 31, 1991 will be presented to the shareholders at the forthcoming annual general meeting and, accordingly, have not yet been delivered to the Registrar of Companies.

The auditors' report on the annual accounts of the Group was unqualified. It did not contain a

statement under either S237(2) of the Companies Act 1985 (accounting records or returns inadequate or accounts not agreeing with records and returns) or S237(3) (failure to obtain necessary information and explanations).

The Chairman's Statement (pages 2-3) and the Review of Activities (pages 4-12) give information relating to the year's operations, research and development activities and future prospects.

The directors described on page 17 were in office throughout 1991 apart from Mr M. Townsend, appointed November 7, 1991 and Mr J. E. V. Rose and Mr R. T. Turner who were appointed on January 1, 1992. Mr P. F. Macfarlane resigned from the Board on September 30, 1991 and Dr R. Hawley, Mr J. O. Keir and Mr F. Turner resigned from the Board on December 31, 1991. The aggregate emoluments, including pension contributions, of the directors of the Company for the year ended December 31, 1991 were £1,544,000 (1990 £1,500,000). Excluding pension contributions, the emoluments of the Chairman were £156,000 (1990 £180,000) and the emoluments of the highest paid director were £256,000 (1990 £249,000).

### Statement of the auditors

KPMG Peat Marwick

To the members of Rolls-Royce plc

In our opinion the summary financial statement set out on pages 13-15 is consistent with the annual accounts and directors' report of Rolls-Royce plc for the year ended December 31, 1991 and complies with the requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Peat Marwick

Chartered Accountants

Registered Auditor

London

March 4, 1992

# Summary Group profit and loss account

for the year ended December 31, 1991

	1991 £m	1990 £m
<b>Turnover</b>	<b>3,515</b>	<b>3,670</b>
<b>Operating profit</b>	<b>335</b>	<b>468</b>
Research and development (r.d.)	(216)	(237)
Income from interests in associated undertakings	6	2
Net interest payable	(16)	(7)
<b>Profit before exceptional items and taxation</b>	<b>109</b>	<b>226</b>
Exceptional items*	(58)	(50)
<b>Profit on ordinary activities before taxation</b>	<b>51</b>	<b>176</b>
Taxation	(32)	(36)
<b>Profit on ordinary activities after taxation</b>	<b>19</b>	<b>140</b>
Attributable to minority interests in subsidiary undertakings	5	(6)
<b>Profit attributable to the shareholders of Rolls-Royce plc</b>	<b>24</b>	<b>134</b>
Dividends – Interim 2.55p (1990 2.55p) per share	(25)	(24)
– final proposed 4.7p (1990 4.7p) per share	(45)	(45)
<b>Transferred (from) to reserves</b>	<b>(46)</b>	<b>65</b>
<b>Earnings per ordinary share</b>		
Not basis	2.5p	13.9p
Nil distribution basis	3.5p	15.3p

\* Exceptional items in 1991 relate to further restructuring and severance payments and exceptional charges in relation to overseas subsidiaries. 1990 related to a provision to cover restructuring costs and to provide for uncertainties faced by customer airlines.

## Analysis by business segment

	Turnover		Profit		Net assets	
	1991 £m	1990 £m	1991 £m	1990 £m	1991 £m	1990 £m
<b>Aerospace</b>	<b>2,033</b>	<b>2,339</b>	<b>(6)</b>	<b>81</b>	<b>830</b>	<b>737</b>
<b>Industrial Power</b>	<b>1,482</b>	<b>1,331</b>	<b>73</b>	<b>102</b>	<b>267</b>	<b>295</b>
	<b>3,515</b>	<b>3,670</b>	<b>67</b>	<b>183</b>	<b>1,097</b>	<b>1,032</b>

Profit is 'Profit on ordinary activities before taxation', after exceptional items, as adjusted for 'Net interest payable'.

The segmental analysis of exceptional items is Aerospace £32m (1990 £50m) and Industrial Power £26m (1990 £nil).

Net assets exclude net cash balances of £52m (1990 £170m).

# Summary Group balance sheet

at December 31, 1991

	1991 £m	1990 £m
<b>Fixed assets</b>		
Tangible assets	721	676
Investments	49	36
	<b>770</b>	<b>712</b>
<b>Current assets</b>		
Stocks	924	888
Debtors	931	816
Short-term deposits and cash	410	431
	<b>2,265</b>	<b>2,135</b>
<b>Creditors – amounts falling due within one year</b>		
Borrowings	(23)	(100)
Other creditors	(1,201)	(1,074)
<b>Net current assets</b>	<b>1,041</b>	<b>961</b>
<b>Total assets less current liabilities</b>	<b>1,811</b>	<b>1,673</b>
<b>Creditors – amounts falling due after one year</b>		
Borrowings	(335)	(161)
Other creditors	(160)	(127)
<b>Provisions for liabilities and charges</b>	<b>(167)</b>	<b>(183)</b>
	<b>1,149</b>	<b>1,202</b>
<b>Capital and reserves</b>		
Called up share capital	193	192
Share premium account	242	239
Revaluation reserve	128	132
Other reserves	29	22
Profit and loss account	539	579
<b>Shareholders' funds</b>	<b>1,122</b>	<b>1,164</b>
<b>Minority interests in subsidiary undertakings</b>	<b>27</b>	<b>38</b>
	<b>1,149</b>	<b>1,202</b>

Approved by the Board, March 4, 1992

Lord Tombs of Brailes } Directors  
M. Townsend

Tombs  
h.L.

# Group five year review

for the years ended December 31

## Profit and loss account

	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m
<b>Turnover</b>	<b>3,515</b>	<b>3,670</b>	<b>2,962</b>	<b>1,973</b>	<b>2,059</b>
Operating profit	335	468	383	333	354
Research and development (net)	(216)	(237)	(161)	(149)	(187)
Income from interests in associated undertakings	6	2	—	—	—
Net interest (payable) receivable	(16)	(7)	15	13	(4)
<b>Profit before exceptional items and taxation</b>	<b>109</b>	<b>226</b>	<b>237</b>	<b>197</b>	<b>163</b>
Exceptional items	(58)	(50)	(4)	(29)	(7)
<b>Profit on ordinary activities before taxation</b>	<b>51</b>	<b>176</b>	<b>233</b>	<b>168</b>	<b>156</b>
Taxation	(32)	(36)	(36)	(22)	(21)
<b>Profit on ordinary activities after taxation</b>	<b>19</b>	<b>140</b>	<b>197</b>	<b>146</b>	<b>135</b>
Attributable to minority interests in subsidiary undertakings	5	(6)	(5)	(1)	(1)
<b>Profit attributable to the shareholders</b>	<b>24</b>	<b>134</b>	<b>192</b>	<b>145</b>	<b>134</b>
Dividends	(70)	(69)	(67)	(50)	(42)
<b>Transferred (from) to reserves</b>	<b>(46)</b>	<b>65</b>	<b>125</b>	<b>95</b>	<b>92</b>
<b>Earnings per ordinary share</b>					
Net basis	2.5p	13.9p	21.3p	18.1p	18.2p
Nil distribution basis	3.5p	15.3p	23.3p	19.7p	20.1p
Dividends per ordinary share	7.25p	7.25p	7.0p	6.3p	5.25p

## Balance sheet

<b>Fixed assets</b>	<b>770</b>	<b>712</b>	<b>683</b>	<b>473</b>	<b>438</b>
<b>Current assets</b>	<b>2,265</b>	<b>2,135</b>	<b>1,910</b>	<b>1,309</b>	<b>1,106</b>
	<b>3,035</b>	<b>2,847</b>	<b>2,593</b>	<b>1,782</b>	<b>1,544</b>
<b>Liabilities and provisions</b>	<b>(1,888)</b>	<b>(1,845)</b>	<b>(1,394)</b>	<b>(830)</b>	<b>(685)</b>
	<b>1,149</b>	<b>1,202</b>	<b>1,199</b>	<b>952</b>	<b>859</b>
<b>Share capital</b>	<b>193</b>	<b>192</b>	<b>192</b>	<b>160</b>	<b>160</b>
<b>Reserves</b>	<b>929</b>	<b>972</b>	<b>934</b>	<b>789</b>	<b>695</b>
<b>Shareholders' funds</b>	<b>1,122</b>	<b>1,164</b>	<b>1,126</b>	<b>949</b>	<b>855</b>
<b>Minority interests in subsidiary undertakings</b>	<b>27</b>	<b>38</b>	<b>73</b>	<b>3</b>	<b>4</b>
	<b>1,149</b>	<b>1,202</b>	<b>1,199</b>	<b>952</b>	<b>859</b>

## Other financial information

<b>Research and development (gross)</b>	<b>498</b>	<b>480</b>	<b>343</b>	<b>304</b>	<b>328</b>
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## Board of directors

on March 4, 1992

### **Lord Tombs of Brilles**

**BSc(Econ), F Eng\***

**Chairman**

Elected to the Board in 1982 and appointed Chairman in 1985. He is also a Non-Executive Director of N. M. Rothschild & Sons Limited and Shell UK Limited. Age 67.

### **Sir Ralph Robins**

**BSc(Eng), F Eng\***

**Chief Executive & Deputy Chairman**

Elected to the Board in 1982. He became Managing Director in 1984 and was appointed Deputy Chairman in 1989 and Chief Executive in 1991. He is also a Non-Executive Director of Schroders plc, Standard Chartered PLC and ASW Holdings PLC. Age 59.

### **Dr Terence Harrison**

**DL, BSc(Eng), F Eng**

**Managing Director,**

**Industrial Power Group**

Elected to the Board in 1989 and appointed Managing Director, Industrial Power Group in 1991. He has been a Director of Northern Engineering Industries plc since 1977 and its Executive Chairman since 1986. Age 58.

### **Sir Gordon Higginson**

**BSc(Eng), PhD, F Eng**

**Non-Executive Director**

Elected to the Board in 1988.

He is Vice-Chancellor of Southampton University. Age 62.

### **Air Chief Marshal**

**Sir Douglas Lowe**

**GCB, DFC, AFC, CRAeS\***

**Non-Executive Director**

Elected to the Board in 1984.

He has been Chief of Defence Procurement with the Ministry of Defence. Age 69.

### **Stewart C. Miller**

**CBE, BSc(Eng), F Eng**

**Managing Director,**

**Aerospace Group**

Elected to the Board in 1985 he was appointed Managing Director, Aerospace Group in 1991. He joined Rolls-Royce in 1954 and was formerly Director of Engineering. Age 57.

### **Harold G. Mourgue FCA\***

**Non-Executive Director**

Elected to the Board in 1985.

He is also a Non-Executive Director of T&N plc and Thames Television PLC. Age 64.

### **Sir Robin Nicholson**

**FRS, F Eng**

**Non-Executive Director**

Elected to the Board in 1986.

He is an Executive Director of Pilkington plc and also a Non-Executive Director of The British Petroleum Company plc. Age 57.

### **John E. V. Rose MA**

**Director - Corporate**

**Development**

Elected to the Board on

January 1, 1992. He joined Rolls-Royce in 1984 and was formerly Company Treasurer. Age 39.

### **Sir Philip Shelbourne MA\***

**Non-Executive Director**

Elected to the Board in 1986.

He is also a Non-Executive Director of Allied-Lyons PLC. Age 67.

### **Michael Townsend MA, FCA**

**Finance Director**

Elected to the Board in 1991.

He joined Rolls-Royce in 1990 and was formerly Group Financial Controller. Age 50.

### **Richard T. Turner OBE, BA**

**Group Marketing Director**

Elected to the Board on

January 1, 1992. He rejoined

Rolls-Royce in 1991 having

previously been with the

Company from 1965 to 1988,

latterly as Commercial Director Civil Engines. Age 49.

### **Secretary and General Counsel**

**Richard W. Hinchley**

Appointed 1989. He is a

Solicitor, Specialist Member of

the Law Society Council and a

Governor of the College of Law.

Age 48.

\* Member of the audit committee



Back row from left to right: Harold G. Mourgue, Richard W. Hinchley, John E. V. Rose, Sir Philip Shelbourne.  
Second row: Sir Robin Nicholson, Michael Townsend, Sir Douglas Lowe, Sir Gordon Higginson, Richard T. Turner  
Front row: Stewart C. Miller, Sir Ralph Robins, Lord Tombs, Dr Terence Harrison.

# Notice of Annual General Meeting

Rolls-Royce plc will hold its Annual General Meeting at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1 on Wednesday May 27, 1992 at 11.30 am for the following purposes:

1. To receive the Report of the Directors and the audited accounts for the year ended December 31, 1991 and to declare a dividend.
2. To re-elect Mr J. E. V. Rose as a director.
3. To re-elect Lord Tombs as a director.
4. To re-elect Mr M. Townsend as a director.

5. To re-elect Mr R. T. Turner as a director.

6. To reappoint KPMG Peat Marwick as auditors to the Company and to authorise the directors in their absolute discretion to determine the auditors' remuneration.

7. To consider and, if thought fit, to pass the following as an ordinary resolution:

That the Company empowers its directors to allot ordinary shares up to a total nominal amount of £63,562,619, such authority to expire on May 26, 1997. Before that date the Company may make an offer or enter into an agreement which would or might require the Company to allot such shares subsequently. In these circumstances the directors shall have the power to allot such shares.

8. To consider and, if thought fit, to pass the following as a special resolution:

That the Company empowers its directors to allot ordinary shares for cash as if Section 89(1) of the Act did not apply. This power shall be limited to:

- (1) allotting ordinary shares on a rights issue to holders of ordinary shares, so that the number of shares allotted to them is in proportion (as nearly as possible) to the number of ordinary shares already held. The directors may deal as they see fit with fractional entitlements and with legal or practical problems or the requirements of any regulatory body or stock exchange; and

- (2) allotting ordinary shares (other than under sub-paragraph (1)) up to a total nominal amount of £9,641,869. This amount represents five per cent of the Company's issued share capital.

The power shall expire on August 26, 1993 or the conclusion of the next Annual General Meeting, whichever is the earlier.

The Company may make an offer or enter an agreement before this expiry date which will or may subsequently require the directors to allot such shares on the Company's behalf. In these circumstances the directors shall have the power to allot such shares.

9. To consider and, if thought fit, to pass the following as an ordinary resolution:

That the Company empowers its directors to amend The Rolls-Royce plc Executive Share Option Scheme rules to allow the grant of options at a subscription price of not less than 85 per cent of the current market value of the shares concerned.

10. To consider and, if thought fit, to pass the following as an ordinary resolution:

That the Company empowers its directors to amend The Rolls-Royce Sharesave Scheme rules to increase to £250 a month the maximum sum that a participant can save under the Scheme.

By order of the Board



Richard W. Hinchley

Secretary

April 3, 1992

Notes:

- (1) Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of them. A proxy need not be a member of the Company. Appointing a proxy will not preclude members from attending and voting at the meeting if they later decide to do so.
- (2) Members must lodge proxy forms with the Registrar not less than 48 hours before the time fixed for holding the meeting for them to be effective. The address of the Registrar is on page 21 of this Report.
- (3) Members may inspect the register of directors' interests in shares of the Company, the directors' contracts of service, the rules of the Sharesave and Executive Share Option Schemes and the proposed amendments. Members may do this from the date of this notice until the date of the meeting at the Company's registered office during normal business hours and from 10.30 am on the date and at the place of the meeting until it closes.

# Notice of Annual General Meeting

## Explanatory Notes

The Annual General Meeting is a meeting of shareholders which the Company must hold each year. This year there are ten resolutions which the Company will ask the shareholders to approve.

### **Resolution 1: To receive the report and accounts and declare a dividend**

The directors will present the Report of the Directors and the audited accounts for 1991 to the meeting. The Company paid an interim dividend on January 6, 1992. However the shareholders must declare the final dividend, which cannot exceed the amount the directors recommend. If approved, the Company will pay this final dividend on July 13, 1992.

### **Resolutions 2 to 5: Re-election of directors**

Under the Company's Articles of Association some of the directors retire each year. They may seek re-election.

The four directors seeking re-election this year are Mr J. E. V. Rose, Lord Tombs, Mr M. Townsend and Mr R. T. Turner. Page 17 gives information on these directors.

### **Resolution 6: Reappointment and remuneration of auditors**

A resolution to reappoint KPMG Peat Marwick as the Company's auditors and to authorise the directors to determine the auditors' remuneration will be proposed.

### **Resolution 7: General five year authority to allot shares**

The authorised capital is £256,400,001. The issued capital is £192,837,382. Resolution 7 will, if passed, allow the directors to allot the balance of £63,562,619 unissued ordinary shares at any time over the next five years.

This authority applies whether the shares are offered for cash or not. However, if the shares are allotted for cash, resolution 8 below will also be relevant.

### **Resolution 8: Limited authority to allot shares**

Any shares which the Company offers for cash, it must generally offer first to shareholders in proportion to their existing shareholdings. This is the 'pre-emption right' of shareholders. Resolution 8 is a special resolution to renew the existing authority, which expires at the end of the 1992 Annual General Meeting, to exclude this statutory pre-emption right to a limited extent. The resolution would enable the directors to allot shares for cash, other than proportionately to existing shareholders, over the period until the 1993 Annual General Meeting, or August 26, 1993 if earlier. The maximum allotment would be £9,641,869, which is equal to 5 per cent of the Company's issued share capital. The resolution follows Stock Exchange guidelines. The resolution also allows the directors to allot shares for cash by rights issue. The directors consider that this limited exclusion of Section 89 of the Companies Act 1985 will provide a desirable degree of flexibility to take advantage of business opportunities as they arise.

### **Resolution 9: Amendment to Executive Share Option Scheme Rules**

As permitted by the Finance Act 1991 and having regard to guidelines issued by bodies representing institutional shareholders, resolution 9 will, if passed, allow the directors to discount the option price under the Executive Share Option Scheme by up to 15 per cent.

### **Resolution 10: Amendment to Sharesave Scheme Rules**

As permitted by the Finance Act 1991, resolution 10 will, if passed, increase the maximum sum participants can save from £150 to £250 a month.



# Shareholders' information

## Financial calendar

Ex dividend date for final dividend	March 9, 1992
Calculation period for scrip dividend	March 9-13, 1992
Qualifying date for final dividend	March 27, 1992
Last date for new scrip dividend instructions	May 22, 1992
Annual General Meeting	May 27, 1992
Payment of final/scrip dividend	July 13, 1992
Press advertisement of 1992 Interim Results*	September 4, 1992
Ex dividend date for interim dividend	September 7, 1992
Calculation period for scrip dividend	September 7-11, 1992
Qualifying date for interim dividend	September 25, 1992
Last date for new scrip dividend instructions	October 23, 1992
Financial year end	December 31, 1992
Payment of interim/scrip dividend	January 11, 1993
Press advertisement of 1992 Preliminary Results*	March, 1993
1992 Annual Report published	April, 1993

\*Note: Preliminary and Interim Results are notified by press advertisement only.

## Analysis of ordinary shareholders at December 31, 1991

Size of holding	Number of holdings	% of total holdings	% of total shares
1 - 150	345,974	58.21	5.26
151 - 500	200,769	33.78	4.63
501 - 10,000	45,521	7.66	8.10
10,001 - 100,000	1,348	0.23	4.71
100,001 - 1,000,000	574	0.10	21.34
1,000,001 and over	149	0.02	55.96
	594,335	100.00	100.00

You can obtain the current market price of the Company's shares by telephoning 0839 500 232.

If you would prefer to receive new shares instead of cash dividends please ask the Registrar for a Scrip Dividend Mandate.

If you have any queries about your shareholding please write to or telephone the Registrar.

Registrar:  
National Westminster Bank Plc  
Registrar's Department  
PO Box 82  
Caxton House  
Redcliffe Way  
Bristol BS99 7NH  
Telephone: 0272 306600