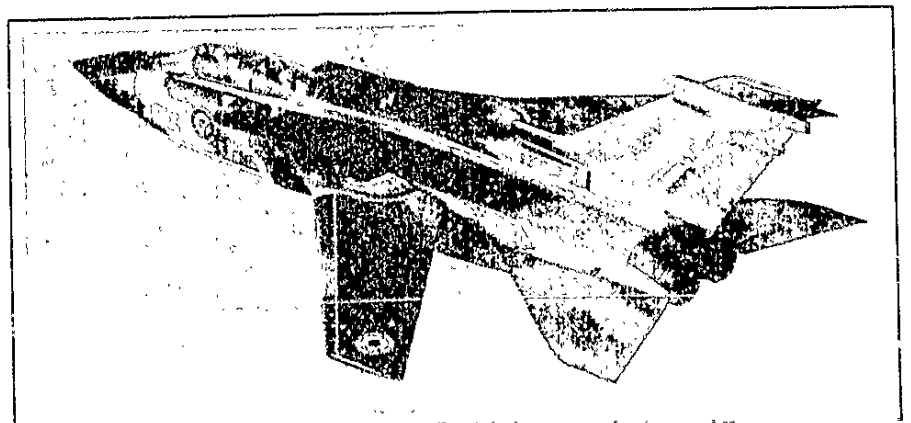
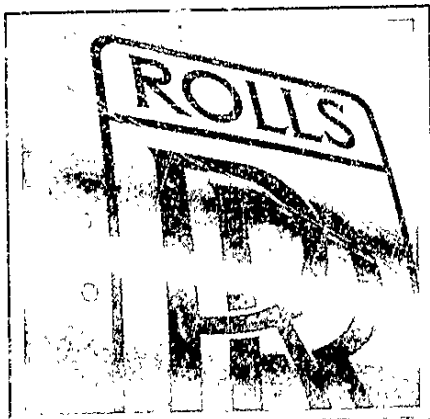
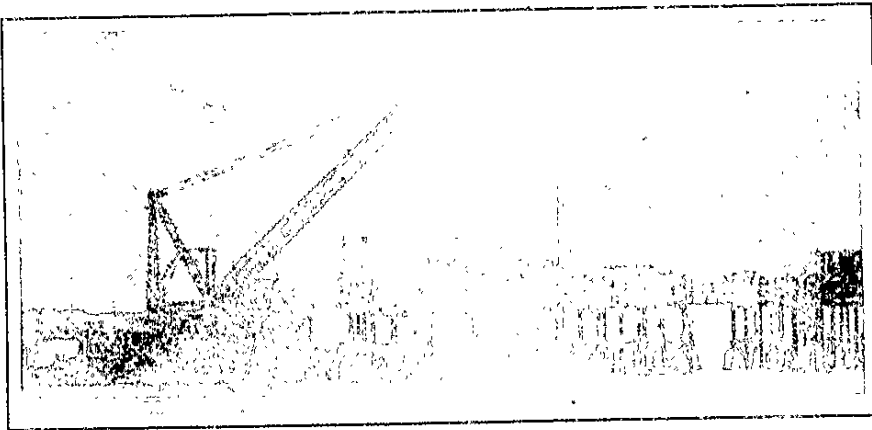
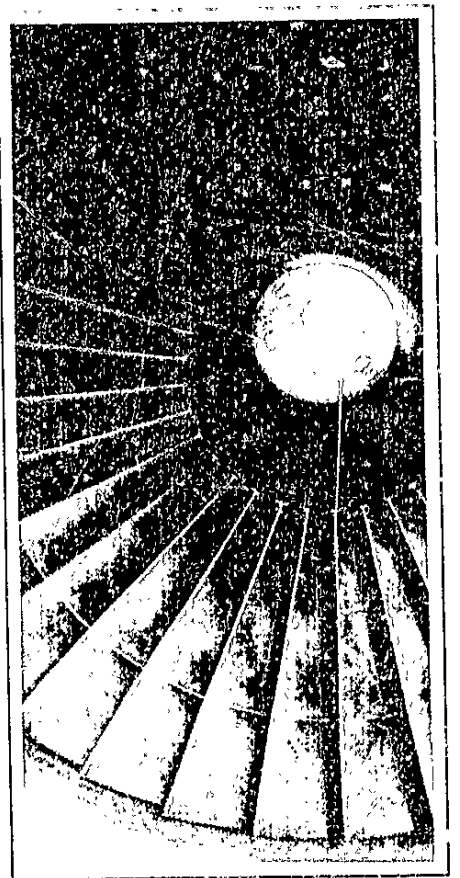
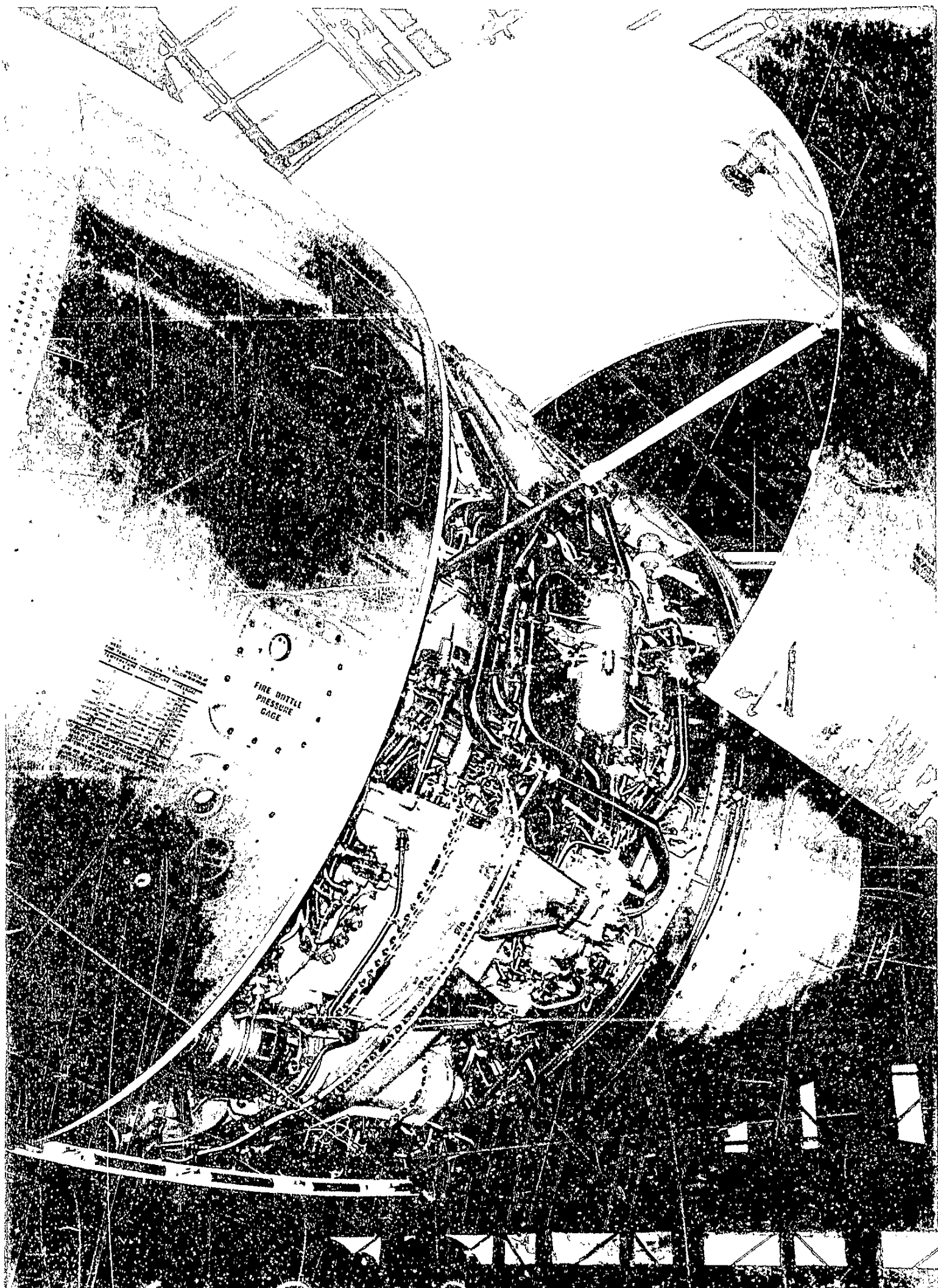
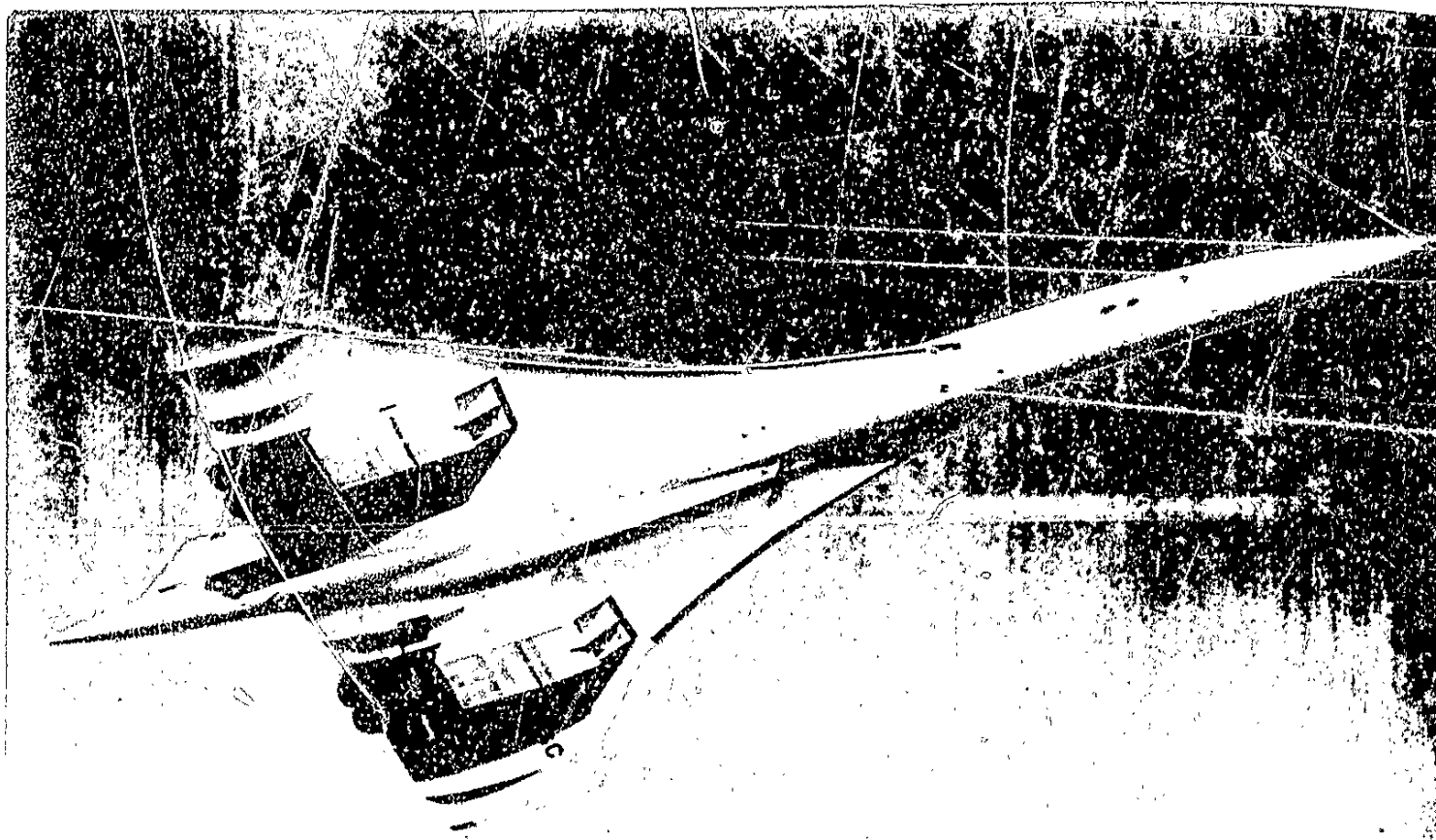


ROLLS-ROYCE (1971) LIMITED

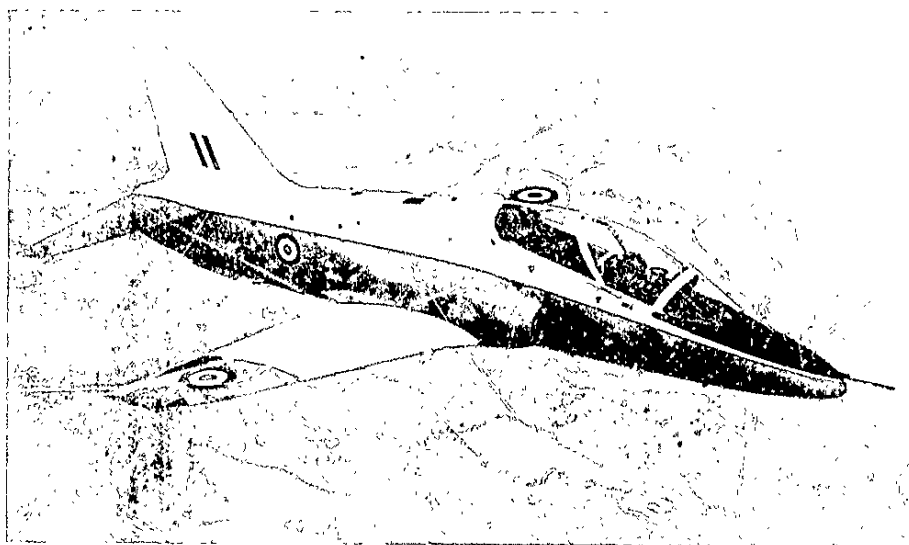


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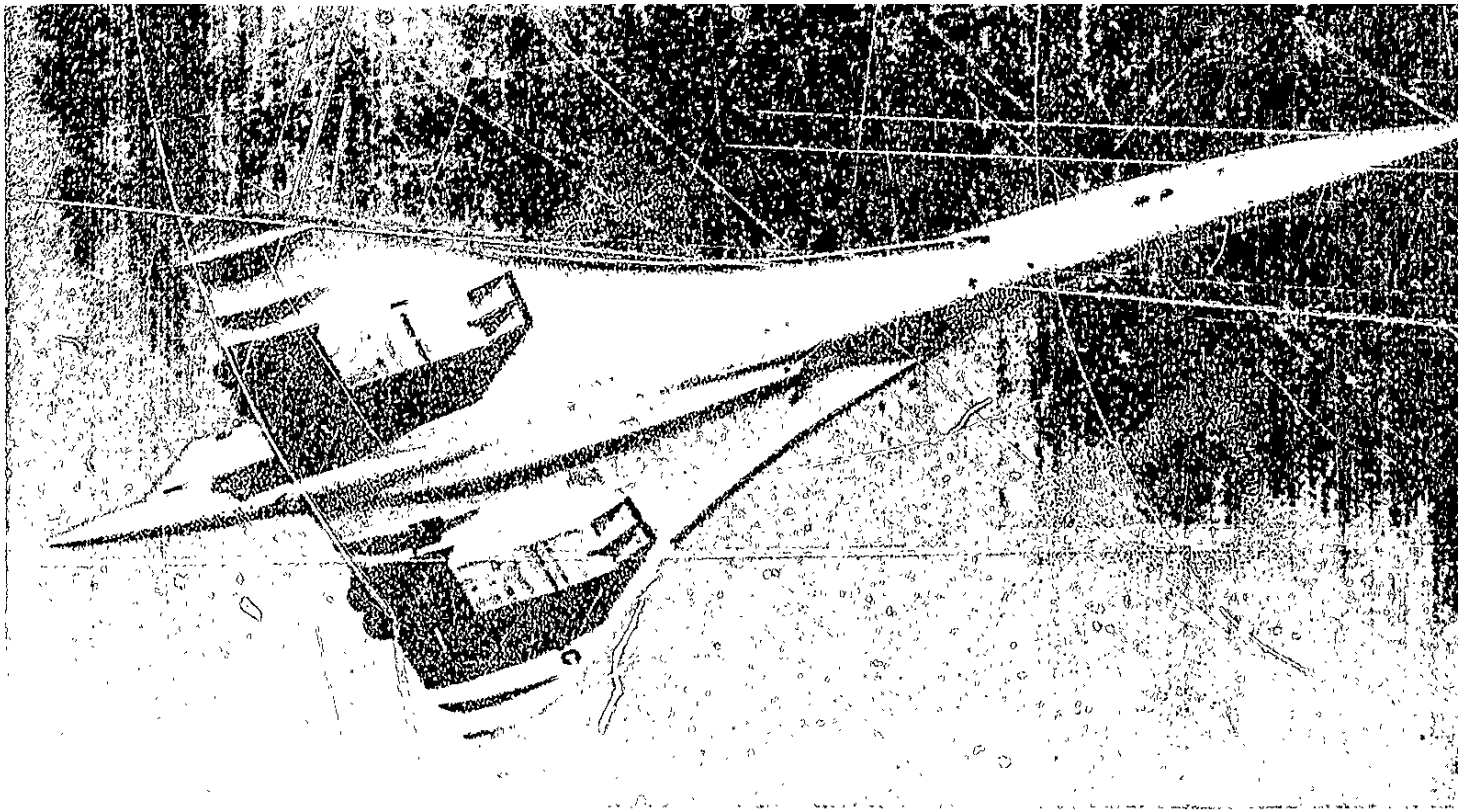
Commander, powered by Rolls Royce/SNECMA Olympus 593 turbofan, is now in scheduled passenger service.



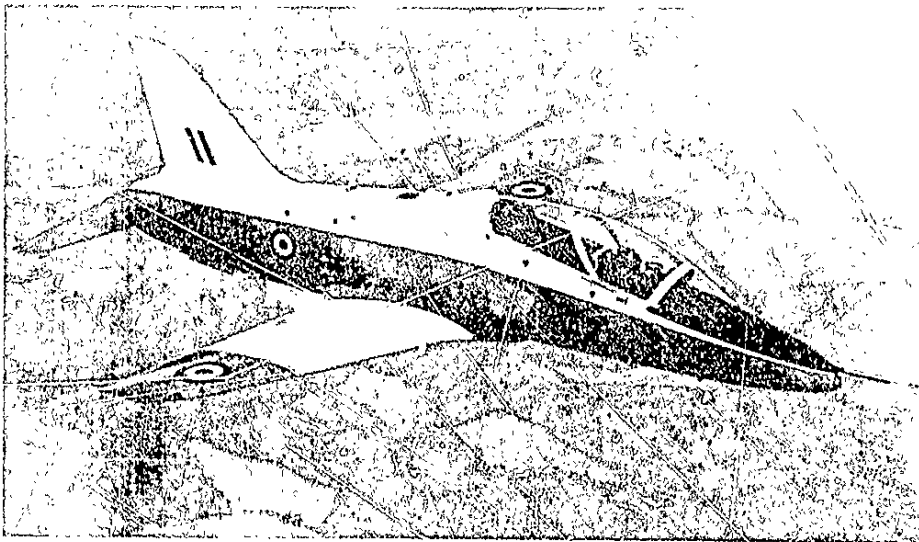
The new Harrier Siddeley Hawk, advanced trainer/ground attack aircraft for the Royal Air Force is powered by a Rolls Royce Turbomeca Adour engine.



The Sikorsky HO4S helicopter, a multi-mission aircraft, is now in scheduled passenger service.



Comet, powered by Rolls Royce GNLMA Olympus 503 turbojets, is now in scheduled passenger service.



The new Hawker Siddeley Hawk, advanced trainer/ground attack aircraft for the Royal Air Force is powered by a Rolls Royce Turbomeca Adour engine.



The new Westland Wessex helicopter, powered by a Rolls Royce Turbomeca Adour engine, is now in service with the Royal Navy.

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Rolls-Royce (1971) Limited

Board of Directors

Chairman

Sir Kenneth Keith

Vice-Chairman

Marshal of the Royal Air Force
Sir Denis Spotswood, GCB, CBE, DSO, DFC

Directors

Sir William Cook, KCB

Sir St John Elstob, CBE

John Gardner

Dennis Head

Sir Stanley Hooker, CBE

Sir Arthur Knight

Donald Pepper

Raymond Whitfield

Secretary

H. E. Trevan-Hawke

Registered Office

Norfolk House
St James's Square
London SW1Y 4JR

Auditors

Coopers & Lybrand
Abacus House, Gutter Lane
Cheapside, London EC2V 8AH

Bankers

National Westminster Bank Limited
15 Bishopsgate, London EC2P 2AP

Solicitors

Freshfields
Grindall House, 25 Newgate Street
London EC1A 7LH

Statement by the Chairman

The year's results

The Company's sales in 1975 were over £600 million, an increase of almost 30% over 1974. Profits for the year before charging interest and research and development costs were £48.0 million, compared with £35.7 million in 1974, but sharply increased charges under both these headings reduced the net profit before tax to £4.5 million, against a 1974 figure of £16.7 million.

Research and development

The Company's Research and Development expenditure increased from £18.3 million in 1974 to £38.5 million. The largest single item in our development budget is the cost of supporting the 600 RB211-22 engines in service with airlines all over the world. We have put a very considerable effort into ensuring the success of this engine. Some very encouraging performance figures are now being achieved, but we still have some way to go. In previous years these costs were borne in full by Her Majesty's Government under the launch aid contracts, but since August 1975 they have been a Company responsibility.

The development of the more powerful RB211-524, initially for the Lockheed L1011 and Boeing 747 aircraft, is on programme with the initial batch of development engines delivered to Lockheed and Boeing for flight testing. Production engines are due to be delivered in 1977.

The development of the RB401 is also going well and the first engine ran on schedule in December. It is hoped that the U.S. Justice Department can be persuaded to allow this engine to proceed in collaboration with Pratt & Whitney Canada—a subsidiary of United Technologies Corporation.

During the year discussions with Pratt & Whitney commenced on a collaborative project for a new intermediate engine and, although no agreement for funding has yet been reached, the development programme for this engine is under way.

Substantial civil engine investment programmes are necessary to ensure the Company's future in the 1980s and beyond as is the continued development of military engines which, in the main, is undertaken under contracts with Her Majesty's Government. Currently the major example of military development is on the RB199 engine for the MRCA, a European collaborative project with our German and Italian partners. The development is progressing well and it is expected that a production contract for this engine will be entered into very shortly.

Profitability

The major preoccupation of the Board at this time is to improve the productivity and profitability of our existing projects to ensure that future projects are price-competitive. We have as part of this policy recently announced the closure of three of our smaller plants and we are also cutting back our work-force elsewhere through voluntary severance, early retirement and natural wastage.

We have also been looking at ways of exploiting to the full the substantial investment made in the past in existing engines. The Spey licensing contract signed with China last December is an example of this activity, as is the added emphasis being placed on the industrial and marine markets, as new outlets for gas turbine engines.

Cash

In 1975 the Company received capital funds from Her Majesty's Government amounting to £110 million to meet its financing requirements. It must be remembered that the Company has never been given adequate permanent capital. Also – and more important – 1975 was a year of unprecedented inflation in the U.K. This caused our inventories to increase in cash value by some £60 million. 1975 was also a year of major recession in the airline business world-wide, and progress payments from customers were some £30 million lower than in 1974. Both inflation, though at a lower level, and the airline recession will continue to be major factors affecting our cash position during the current year.

The future

Commercial airlines all over the world have suffered from severely depressed markets over the last two years, as stated in the previous paragraph. This has resulted in very little requirement for new equipment, which has meant that the air-frame and engine manufacturers have suffered from a disastrously low level of order intake over that period. Rolls-Royce has been no exception. Fortunately, we started this period with a healthy order book and this has kept us busy through 1975. New orders are still proving difficult to obtain, but recently there have been some encouraging signs for the future. In the early months of 1976 airline activity has been at a higher level and, if this continues, is bound to lead eventually to further orders for new aircraft. In this situation we are confident of a sharp upturn in business before long, and when this comes we can look forward to a much improved financial performance.

Kenneth Keith

Report of the Directors

Principal Activities

The Company's principal business is the design, development, manufacture and sale of gas turbine engines and ancillary equipment for aircraft and for industrial and marine applications.

Subsidiary companies include Rolls-Royce and Associates Limited which designs, develops and procures nuclear steam-raising plant for naval purposes. The other subsidiaries are mainly concerned with providing sales and service support for the Company's products in overseas countries.

Results for the Year

Turnover for the year was £602m (1974 £469m). Profit before Tax amounted to £4.5m (1974 £16.7m) after bearing a sharply increased development charge of £38.5m (1974 £18.3m).

During 1975 the Company increased its level of development expenditure on new engines such as the RB211-524, RB401 and a number of industrial and marine applications for aero engines. It also, for the first time, had to bear the ongoing in-service development costs of the RB211-22 as the period covered by the launch cost contract with Her Majesty's Government ended in August 1975.

The world economic recession has caused a slowdown in the growth of civil air transport and this in turn has adversely affected all our major civil aero engine programmes and will continue to do so throughout the current year.

The major factor causing the Group's cash outflow of £104m (1974 £31m) is the effect of the high rates of inflation in the United Kingdom on the value of inventory carried by the Group.

The Board considers it necessary to retain for the business the whole of the net profit after taxation.

The National Enterprise Board

A statement consenting to the transfer of all the issued share capital of the Company from Her Majesty's Government to the National Enterprise Board was placed before Parliament on 27th February 1976.

Capitalisation

During 1975 Her Majesty's Government provided the Company with £110m in new capital. This involved the issue of 77m shares of £1 each at par and five year loans of £33m. No further funds have been provided by Her Majesty's Government to the Company since the end of 1975.

On 27th April 1976 the authorised share capital of the Company was increased from £150m to £200m.

The National Enterprise Board is continuing to meet the short-term capital requirements of the Company on a similar basis to that on which funds were previously provided by Her Majesty's Government.

Up to the date of this report £35m has been provided by the National Enterprise Board to the Company, £24m in new share capital and £11m in 5 year loans.

Prices for Government Contracts

Reference was made in last year's Directors' Report to a disagreement with the Ministry of Defence over the valuation for pricing purposes of certain fixed assets taken over by the Company from the Receiver of Rolls-Royce Limited. An agreement was reached on 27th February 1976 substantially in the Company's favour. The Company has always assumed that the dispute would be resolved in its favour and has prepared accounts on that basis. Accordingly, no material adjustment to the accounts was required to reflect the settlement of the dispute.

Report of the Directors continued

	1975		1974
Exports and Overseas Activities	£m	£m	£m
Direct exports, including sales to overseas subsidiaries		240	201
Indirect exports incorporated in products of other companies		36	31
Total exports from the United Kingdom		276	232
Sales of overseas subsidiaries	53		
Less Direct exports to overseas subsidiaries	19	34	17
Total overseas business		309	249

Fixed Assets

There were no material physical changes in the Company's fixed assets in 1975.

Market Value of Land and Buildings

A professional valuation of the Company's land and buildings on an existing use basis was completed as at 31st December 1975. The allocated figure for land and buildings, excluding certain items of plant, is approximately £57m compared with the £15m at which they are valued in the accounts.

Employees

The total number of employees at 31st December 1975 was 64,082 (1974 65,245), the analysis being:

	1975	1974
United Kingdom	61,491	62,782
Overseas	2,591	2,463
	<u>64,082</u>	<u>65,245</u>

The weekly average number of persons employed by the Company and its subsidiaries working wholly or mainly in the United Kingdom was 62,375 (1974 61,924). Their aggregate remuneration was £205,334,052 (1974 £154,853,325).

Donations

No donations of a political nature were made by the Company or its subsidiaries in the United Kingdom. Charitable donations amounted to £10,100 (1974 £7,537).

Directors

The directors listed on page 2 were in office throughout 1975. Mr. Kenneth Wilkinson resigned from the Board on 31st March 1976 and Sir William Nield resigned on 30th June 1976.

None of the directors had any interest in the shares or debentures of the Company or any of its subsidiaries.

Auditors

Coopers & Lybrand continue in office in accordance with section 159 (2) of the Companies Act 1948.

By order of the Board

H. E. Trevan-Hawke Secretary
1st July 1976

Consolidated Profit and Loss Account for the year ended 31st December 1975

	Notes	1975 £m	1974 £m
Turnover		<u>602.1</u>	<u>469.2</u>
Operating and Other Costs			
Wages, Salaries and Employee Benefits		246.7	184.6
Materials, Sub-contracting and Bought Out Items		305.0	226.1
Other Expenses		<u>144.7</u>	<u>114.0</u>
		696.4	524.7
Less Contributions to certain Research and Development costs and other recoveries		21.1	13.8
Increase in Inventories		<u>77.7</u>	<u>58.4</u>
		<u>597.6</u>	<u>452.5</u>
Profit before Taxation	1	4.5	16.7
Taxation	2	<u>2.5</u>	<u>4.4</u>
Profit after Taxation		2.0	12.3
Minority Interests in Subsidiary Companies		<u>0.1</u>	<u>0.1</u>
Net Profit Retained		<u>1.9</u>	<u>12.2</u>
Retained Profits			
For the year:			
Parent Company		(2.5)	9.7
Subsidiary Companies		<u>4.4</u>	<u>2.5</u>
		1.9	12.2
At 1st January		<u>27.4</u>	<u>15.2</u>
At 31st December		<u>29.3</u>	<u>27.4</u>

The notes on pages 10 to 16 form part of these accounts
The auditors' report is on page 9

**Consolidated Balance Sheet
at 31st December 1975**

	Notes	1975 £m	1974 £m
Net Assets Employed			
Current Assets	3	415.5	281.0
Current Liabilities	4	177.2	159.0
		<hr/>	<hr/>
Net Current Assets		238.3	122.0
Property and Plant	5	88.0	69.2
		<hr/>	<hr/>
Deferred Liabilities	6	326.3	191.2
		87.7	66.1
		<hr/>	<hr/>
		238.6	125.1
		<hr/>	<hr/>
Financed by:			
Share Capital	7	137.0	60.0
Capital Reserves		9.4	9.4
Retained Profits		29.3	27.4
		<hr/>	<hr/>
		175.7	96.8
Loans and Other Funding	8	62.1	27.5
Minority Interests in Subsidiary Companies		0.8	0.8
		<hr/>	<hr/>
		238.6	125.1
		<hr/>	<hr/>

The notes on pages 10 to 16 form part of these accounts
The auditors' report is on page 9

Rolls-Royce (1971) Limited

Parent Company Balance Sheet at 31st December 1975

	Notes	1975 £m	1974 £m
Net Assets Employed			
Current Assets	3	378.4	251.2
Current Liabilities	4	157.1	147.2
		<hr/>	<hr/>
Net Current Assets		221.3	104.0
Property and Plant	5	79.8	64.8
Subsidiary Companies	10	9.3	12.9
		<hr/>	<hr/>
		310.4	181.7
Deferred Liabilities	6	86.0	64.8
		<hr/>	<hr/>
		224.4	116.9
		<hr/>	<hr/>
Financed by:			
Share Capital	7	137.0	60.0
Capital Reserves		9.4	9.4
Retained Profits		18.3	20.8
		<hr/>	<hr/>
		164.7	90.2
Loans and Other Funding	8	59.7	26.7
		<hr/>	<hr/>
		224.4	116.9
		<hr/>	<hr/>

Kenneth Keith
John Gardner } *Directors*

The notes on pages 10 to 16 form part of these accounts
The auditors' report is on page 9

Report of the Auditors to the Members

We report on the accounts set out on pages 6 to 17, which have been prepared on the historic cost basis.

In our opinion these accounts give, on the historic cost basis, a true and fair view of the state of affairs at 31st December 1975 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

We have also examined the consolidated accounts adjusted for inflation, together with the explanatory notes, set out on pages 18 to 20, so far as they relate to the years 1974 and 1975. These have been prepared in accordance with the Provisional Statement of Standard Accounting Practice No. 7 and, on this basis, in our opinion, fairly restate, in summarised form, the profit for the year, and the financial position of the Group expressed in terms of the general purchasing power of money at 31st December 1975.

London
1st July 1976

Coopers & Lybrand
Chartered Accountants

Accounting Policies

Basis of Consolidation

The Consolidated Profit and Loss Account and the Consolidated Balance Sheet incorporate the accounts of the Company and its subsidiaries after eliminating unrealised profits on intra-group sales and minority interests.

The results of associated companies are not included except to the extent of dividends received, as neither the results, nor the net assets concerned, are material.

The Company and its major subsidiaries made up their accounts for the period ending on the Saturday before 31st December.

Turnover

Turnover comprises:

- (i) Amounts invoiced to customers (excluding Value Added Tax) where provisional or final prices have been agreed on executed orders, completed contracts, actual deliveries on uncompleted contracts and work done on development contracts.
- (ii) Conservatively estimated sales values, where prices have not been agreed with customers.
- (iii) Income from royalties and management fees.

Exchange Rates

Foreign currencies are converted to sterling on the following bases:

- (i) Turnover and profits at the average rates for the year and the net surplus on exchange added to profit on consolidation.
- (ii) Assets and liabilities at the exchange rates ruling at the year end.

Taxation

- (i) Parent Company and UK Subsidiaries:
UK Corporation Tax at the rate for the year is provided on the profits adjusted for taxation purposes.

The deferred taxation account represents tax at the rate ruling at the end of the year on the difference between the book and tax written down value of property and plant, less an adjustment for provisions charged in the accounts but only allowable for tax when and if charges are made against those provisions.

Further provision is included in the deferred taxation account for taxation on profits deferred as a result of continuing relief for increase in stock values under the proposals contained in Clause 32 of the Finance Bill 1976.

- (ii) Overseas Subsidiaries:
Overseas taxation is provided on the profits.

The Close Company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

Accounting Policies continued

Research and Development

Capital expenditure on research laboratories, equipment and plant is written off over its expected working life. All other research and development expenditure borne by the Company is written off in the year of expenditure.

Her Majesty's Government bears, or makes contributions by way of launching aid towards, the cost of some of the Company's research and development. In such cases arrangements are made for the Company to pay levies in respect of future sales.

Inventories

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

Depreciation of Property and Plant

Depreciation is provided on a straight line basis related to the original cost and estimated life of the fixed assets. The original cost to Rolls-Royce Limited has been used as the depreciation base for property and plant acquired from that company.

Progress Payments and Deposits from Customers

Progress payments received are deducted from Inventories up to the limit of the relevant work in progress. Other advance payments and deposits are included in Accounts Payable.

Provisions

Provisions are made, on the basis of information at present available, for all anticipated future losses on current contracts and projects, and for bad and doubtful debts.

Warranties and Guarantees

Provision is made for likely future expenditure on warranties and guarantees related to sales up to the year end. The sum set aside for this purpose is included under deferred liabilities.

Notes to the Accounts

	1975 £m	1974 £m
1 Profit before Taxation		
The profit is arrived at after charging (crediting):		
Company research and development	38.5	18.3
Depreciation	13.9	12.8
Hire of plant and machinery	6.2	4.1
Audit fees and expenses (1975 £220,000, 1974 £192,000)	0.2	0.2
Emoluments of directors (1975 £261,000, 1974 £248,000) (Note 15)	0.3	0.2
Interest payable:		
On bank overdrafts and other short term indebtedness	7.1	4.7
On loans in excess of five years	0.1	0.1
Interest receivable	(1.6)	(4.1)

	1975 £m	1974 £m
2 Taxation		
The tax charge is made up as follows:		
United Kingdom Corporation Tax:		
For the current year	1.0	8.6
Adjustments relating to previous years	(0.5)	(5.5)
Overseas Taxation	2.0	1.3
Net charge in Consolidated Profit and Loss Account	2.5	4.4

A United Kingdom Corporation Tax rate of 52% has been used for 1975.
 United Kingdom taxation includes deferred tax charges of £8.5m (1974 £2.8m) for the current year and £2.4m (1974 £2.8m) for previous years.

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
3 Current Assets				
Inventories	318.5	246.6	340.1	262.4
Progress Payments against Inventories	(81.8)	(110.4)	(83.8)	(112.3)
Accounts Receivable	140.4	114.5	154.4	129.1
Bank Balances and Deposits	1.3	0.5	4.8	1.8
	378.4	251.2	415.5	281.0
Amounts due from overseas customers on deferred terms included in Accounts Receivable	7.8	8.9	7.8	9.4

The comparative figures for 1974 show a change from those given in the 1974 published accounts due to a reclassification of certain items. A corresponding adjustment appears under current liabilities.

	£m	£m	£m	£m
4 Current Liabilities				
Accounts Payable and Provisions	166.5	138.4	179.9	148.3
Bank Loans and Overdrafts	—	7.3	5.3	8.7
Short Term Loan	—	—	0.4	—
Taxation	(9.4)	1.5	(8.4)	2.0
	157.1	147.2	177.2	159.0

Notes to the Accounts continued

6 Property and Plant	Land and Buildings			Plant, Machinery and Equipment	1975 Total £m
	freehold £m	Long lease £m	Short lease £m		
Consolidated Original cost:					
At 1st January	31.5	3.5	2.3	104.2	201.5
Exchange Adjustments	0.4	—	—	0.9	1.3
Additions	2.2	0.1	0.1	30.2	32.6
Disposals	—	—	(0.2)	(3.3)	(3.5)
At 31st December	34.1	3.6	2.2	132.0	271.9
Accumulated depreciation:					
At 1st January	17.6	1.8	1.6	111.6	132.6
Exchange Adjustments	0.3	—	—	0.9	1.2
Provided during year	1.2	0.2	—	12.5	13.9
Disposals	—	—	—	(3.3)	(3.3)
At 31st December	19.1	1.8	1.6	121.7	143.2
Net book value at 31st December	15.2	1.8	0.7	70.3	88.0
Parent					
Original cost:					
At 1st January	27.4	2.2	2.2	155.5	187.3
Additions	1.6	—	0.1	28.5	29.2
Disposals	—	—	(0.1)	(3.1)	(3.2)
At 31st December	29.0	2.2	2.2	178.9	212.3
Accumulated depreciation:					
At 1st January	15.6	0.7	1.4	104.8	122.5
Provided during year	1.1	0.1	—	11.8	13.0
Disposals	—	—	—	(3.0)	(3.0)
At 31st December	16.7	0.8	1.4	113.6	132.5
Net book value at 31st December	12.3	1.4	0.8	65.3	79.8

Original cost includes property and plant acquired from the Receiver of Rolls-Royce Limited at the original cost shown in the books of that company.

The original cost of assets still in use, but now fully written off, amounts to £74m (1974 £64m).

Transfer of all the legal titles to the properties acquired from the Receiver of Rolls-Royce Limited has still to be completed.

Notes to the Accounts continued

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
6 Deferred Liabilities				
Deferred Taxation	32.4	21.9	34.1	23.2
Other Deferred Liabilities	53.9	42.9	53.6	42.9
	<u>86.0</u>	<u>64.8</u>	<u>87.7</u>	<u>66.1</u>

Deferred taxation includes £77.0m attributable to relief for appreciation of inventories less a deduction of £44.9m in respect of losses for taxation purposes carried forward which arise as a result of claiming this relief.

	Parent and Consolidated	
	1975 £m	1974 £m
7 Share Capital		
Authorised at 1st January	100.0	60.0
Increase by Ordinary Resolution on 1st May 1976	50.0	50.0
Authorised at 31st December	<u>150.0</u>	<u>100.0</u>
Issued at 1st January	60.0	30.0
60 million Ordinary Shares of £1 each fully paid		
Further issues during 1975	77.0	30.0
77 million Ordinary Shares of £1 each fully paid		
Issued at 31st December	<u>137.0</u>	<u>60.0</u>

The shares issued in 1974 represent a capitalisation of loans.

During 1976 all the issued share capital has been transferred to the National Enterprise Board, which is incorporated in Great Britain.

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
8 Loans and Other Funding				
Loans from Her Majesty's Government				
expiring on 23rd July 1978	25.2	25.2	25.2	25.2
expiring during 1980	33.0	—	33.0	—
Debentures and Long Term Loans (Note 9)	1.5	1.5	3.9	2.3
	<u>59.7</u>	<u>26.7</u>	<u>62.1</u>	<u>27.5</u>
9 Debentures and Long Term Loans	£m	£m	£m	£m
6½% Debenture Stock 1970/81 (secured)				
repayable by equal annual instalments	—	—	0.8	0.8
1970 to 1981				
Mortgage (secured) repayable over 5 years	—	—	1.6	—
from 1976				
Mortgage (secured) repayable over 24 years	1.3	1.3	1.3	1.3
from 1970 with interest averaging 9½%				
Deferred purchase of equipment, payable over	0.2	0.2	0.2	0.2
20 years from 1970 with interest at 10%				
	<u>1.5</u>	<u>1.5</u>	<u>3.9</u>	<u>2.3</u>

Notes to the Accounts continued

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
6 Deferred Liabilities				
Deferred Taxation	32.4	21.9	34.1	23.2
Other Deferred Liabilities	53.6	42.9	53.6	42.9
	<u>86.0</u>	<u>64.8</u>	<u>87.7</u>	<u>66.1</u>

Deferred taxation includes £77.8m attributable to relief for appreciation of inventories less a deduction of £44.9m in respect of losses for taxation purposes carried forward which arise as a result of claiming this relief.

	Parent and Consolidated	
	1975 £m	1974 £m
7 Share Capital		
Authorised at 1st January	100.0	50.0
Increase by Ordinary Resolution on 1st May 1975	50.0	50.0
Authorised at 31st December	<u>150.0</u>	<u>100.0</u>
Issued at 1st January	60.0	50.0
60 million Ordinary Shares of £1 each fully paid		
Further issues during 1975	77.0	30.0
77 million Ordinary Shares of £1 each fully paid		
Issued at 31st December	<u>137.0</u>	<u>80.0</u>

The shares issued in 1974 represent a capitalisation of loans.

During 1976 all the issued share capital has been transferred to the National Enterprise Board, which is incorporated in Great Britain.

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
8 Loans and Other Funding				
Loans from Her Majesty's Government				
expiring on 23rd July 1978	25.2	25.2	25.2	25.2
expiring during 1980	33.0	—	33.0	—
Debentures and Long Term Loans (Note 9)	1.5	1.5	3.9	2.3
	<u>59.7</u>	<u>26.7</u>	<u>62.1</u>	<u>27.5</u>

	£m	£m	£m	£m
9 Debentures and Long Term Loans				
6½% Debenture Stock 1970/81 (secured)				
repayable by equal annual instalments				
1970 to 1981	—	—	0.8	0.8
Mortgage (secured) repayable over 5 years				
from 1976	—	—	1.6	—
Mortgage (secured) repayable over 24 years				
from 1970 with interest averaging 9½%	1.3	1.3	1.3	1.3
Deferred purchase of equipment, payable over				
20 years from 1970 with interest at 10%	0.2	0.2	0.2	0.2
	<u>1.5</u>	<u>1.5</u>	<u>3.9</u>	<u>2.3</u>

Notes to the Accounts continued

	1975 £m	Parent 1974 £m
10 Investments		
Subsidiary Companies:		
Shares, less amounts written off	3.1	4.6
Amounts owing from subsidiaries	10.9	12.1
Amounts owing to subsidiaries	(4.7)	(3.8)
	<u>9.3</u>	<u>12.9</u>

Investments in subsidiary companies are in the Company's books at the net book value of the assets and liabilities at 22nd May 1971, with subsequent additions at cost less post-acquisition losses. Investments in associated companies are not material.

11 Principal Subsidiary and Associated Companies

The Company's shareholdings in its principal subsidiary and associated companies did not change during the year. The companies and the percentage of equity held in each are as follows:

	Percentage of equity
Subsidiary Companies	
Registered in England:	
Bristol Engine Rentals Limited	100
Bristol Engine Services Limited	100
Rolls-Royce and Associates Limited (25% 'A' Shares 100% 'B' Shares)	43
Rolls-Royce (Far East) Limited	100
Rolls-Royce (France) Limited	100
Rolls-Royce Leasing Limited	100
Sawley Packaging Company Limited	100
Incorporated Overseas:	
Australia - Rolls-Royce of Australia Pty. Limited	100
Brazil - Motores Rolls-Royce S.A.	100
Canada - Rolls-Royce Holdings North America Limited	100
- Bristol Aero-Industries (Montreal) Limited	100*
- Bristol Aerospace Limited	100*
- Rolls-Royce (Canada) Limited	100*
U.S.A. - Rolls-Royce Aero Engines Inc.	100*
Associated Companies	
Registered in England:	
Concorde Engines Support Organisation Limited (100% 'A' Shares)	50
Rolls-Royce Turbomeca Limited (100% 'B' Shares)	50
Turbo-Union Limited (40% Ordinary Shares 37.5% 'A' Shares)	40
Incorporated Overseas:	
France - Rolls-Royce Turbomeca International S.A. (50% Ordinary Shares)	50

Interests in companies marked * are held by Rolls-Royce Holdings North America Limited.

12 Pension Funding

The several pension schemes of the Company and its subsidiaries are administered by trustees, and the assets of the funds are invested by them independently of the finances of the Group. The schemes are funded by annual contributions based upon a three yearly professional valuation.

Notes to the Accounts continued

	Parent		Consolidated	
	1975 £m	1974 £m	1975 £m	1974 £m
13 Future Capital Expenditure				
Capital expenditure authorised but not spent at 31st December	26.6	32.9	27.2	33.3
of which there has been committed	<u>14.7</u>	<u>21.7</u>	<u>15.2</u>	<u>21.8</u>

	£m	£m	£m	£m
14 Contingent Liabilities				
Guarantees, Customs Bonds and other matters estimated at	<u>12.6</u>	<u>10.9</u>	<u>12.8</u>	<u>11.1</u>

The Company has indemnified the Receiver of Rolls-Royce Limited against liabilities under agreements (other than the RB211-22 agreements) entered into by him relating to any part of the undertaking or assets of Rolls-Royce Limited acquired by Rolls-Royce (1971) Limited. No significant costs are expected to fall on the Company.

15 Directors' and Senior Employees' Remuneration

The emoluments of directors, charged before arriving at profit before taxation, were:

	1975 £	1974 £
Fees	3,000	3,375
Management, including pension contributions	257,781	244,278

The remuneration of directors, and of senior employees working wholly or mainly in the United Kingdom, excluding pension contributions, fell within the ranges below:

Directors	Number	
	1975	1974
Nil to £2,500	3	4
£15,001 to £17,500	1	1
£17,501 to £20,000	1	2
£20,001 to £22,500	1	2
£25,001 to £27,500	5	3
£32,501 to £35,000	1	—
£35,001 to £37,500	—	1
Including:	£	£
Chairman	—	1,047
Highest paid director	35,000	35,130

Senior Employees	Number	
	1975	1974
£10,001 to £12,500	35	16
£12,501 to £15,000	19	9
£15,001 to £17,500	7	4
£17,501 to £20,000	3	1
£20,001 to £22,500	1	—

Consolidated Funds Flow

	1975 £m	1974 £m
Source of Funds		
Profit before taxation	4.5	16.7
Depreciation	13.9	12.8
	<u>18.4</u>	<u>29.5</u>
Application of Funds		
Capital expenditure (net of disposals, etc.)	32.7	16.5
Taxation payments	2.0	19.8
Increase in inventories	77.7	58.4
Decrease (1974 increase) in progress payments	28.5	(8.7)
Increase in accounts receivable	25.3	4.0
Increase in accounts payable and provisions	(31.6)	(24.7)
Increase in deferred liabilities (other than tax)	(10.7)	(4.9)
Other items	(1.9)	0.3
	<u>122.0</u>	<u>60.7</u>
Net Cash Outflow for Year	<u>103.6</u>	<u>31.2</u>
Capital Funds from Her Majesty's Government		
Share capital	77.0	30.0
Loans	33.0	(30.0)
	<u>110.0</u>	<u>—</u>
Increase/(Decrease) in Group Cash	<u>6.4</u>	<u>(31.2)</u>

Consolidated Accounts Adjusted for Inflation

Because of inflation, the amounts shown in the accounts set out on pages 6 to 17 include transactions to which they relate. The following statements show the effect of expressing all 31st December 1975.

pounds
the amount

Profit and Loss Account

Turnover

Profit before Taxation and Extraordinary Items

Taxation

Extraordinary Items (less Taxation)

Minority Interests in Subsidiary Companies

Retained Profits/(Losses)

1975

£m

602.1

4.6

2.5

0.1

1.9

Balance Sheet

Inventories

Progress Payments against Inventories

Accounts Receivable and Cash

Current Liabilities

Net Current Assets

Property and Plant

Deferred Liabilities

Loans and Other Funding

Minority Interests in Subsidiary Companies

Total Equity Interest

340.1

(83.8)

159.2

415.5

177.2

238.3

88.0

328.3

87.7

238.6

62.1

0.8

175.7

17 include
expressing all

pounds of different purchasing power, depending on the value of the pound at the time of the
the amounts included in the accounts in terms of the current purchasing power of the pound at

Historic basis			
1975 £m	1974 £m	1973 £m	1972 £m
602.1	469.2	432.0	374.9
4.5	16.7	22.8	18.4
2.5	4.4	14.1	7.6
—	—	7.7	—
0.1	0.1	—	0.1
1.9	12.2	1.0	10.7

Current purchasing power basis			
1975 £m	1974 £m	1973 £m	1972 £m
648.1	632.4	672.3	636.8
(12.6)	13.7	26.2	27.6
2.5	5.5	20.9	12.4
—	—	11.9	—
0.1	0.1	0.1	0.2
(15.2)	8.1	(6.7)	15.0

340.1	282.4	204.0	175.9
(83.8)	(112.3)	(103.6)	(75.0)
159.2	130.9	149.4	133.1
415.5	281.0	249.8	234.0
177.2	159.0	156.6	127.1
238.3	122.0	93.2	106.9
88.0	69.2	65.5	71.1
326.3	191.2	158.7	178.0
87.7	66.1	45.7	42.7
238.6	125.1	113.0	135.3
62.1	27.5	27.7	51.0
0.8	0.8	0.7	0.7
176.7	96.8	84.6	83.6

358.5	342.7	312.6	295.6
(83.8)	(140.3)	(154.2)	(122.8)
159.2	163.5	221.7	217.8
433.9	365.3	380.1	390.6
177.2	198.5	233.0	209.6
256.7	167.4	147.1	181.0
137.0	131.7	136.0	153.0
393.7	299.1	283.1	334.0
87.7	82.7	67.9	69.9
308.0	216.4	215.2	264.1
62.1	34.4	41.3	83.6
1.4	1.3	1.3	1.2
242.5	180.7	172.6	179.3

Notes on Consolidated Accounts Adjusted for Inflation

Basis

1 The figures in historic pounds have been converted to their current purchasing power (CPP) by reference to the movements in the United Kingdom consumers' expenditure deflator for years up to 1962 and the general index of retail prices since then. During 1975 the index rose from 116.9 at 1st January to 146.0 at 31st December implying a rate of inflation in the United Kingdom of 25% during 1975 (1974 19%). Other index figures used were: 31st December 1971 82.4; 1972 88.8; 1973 98.1.

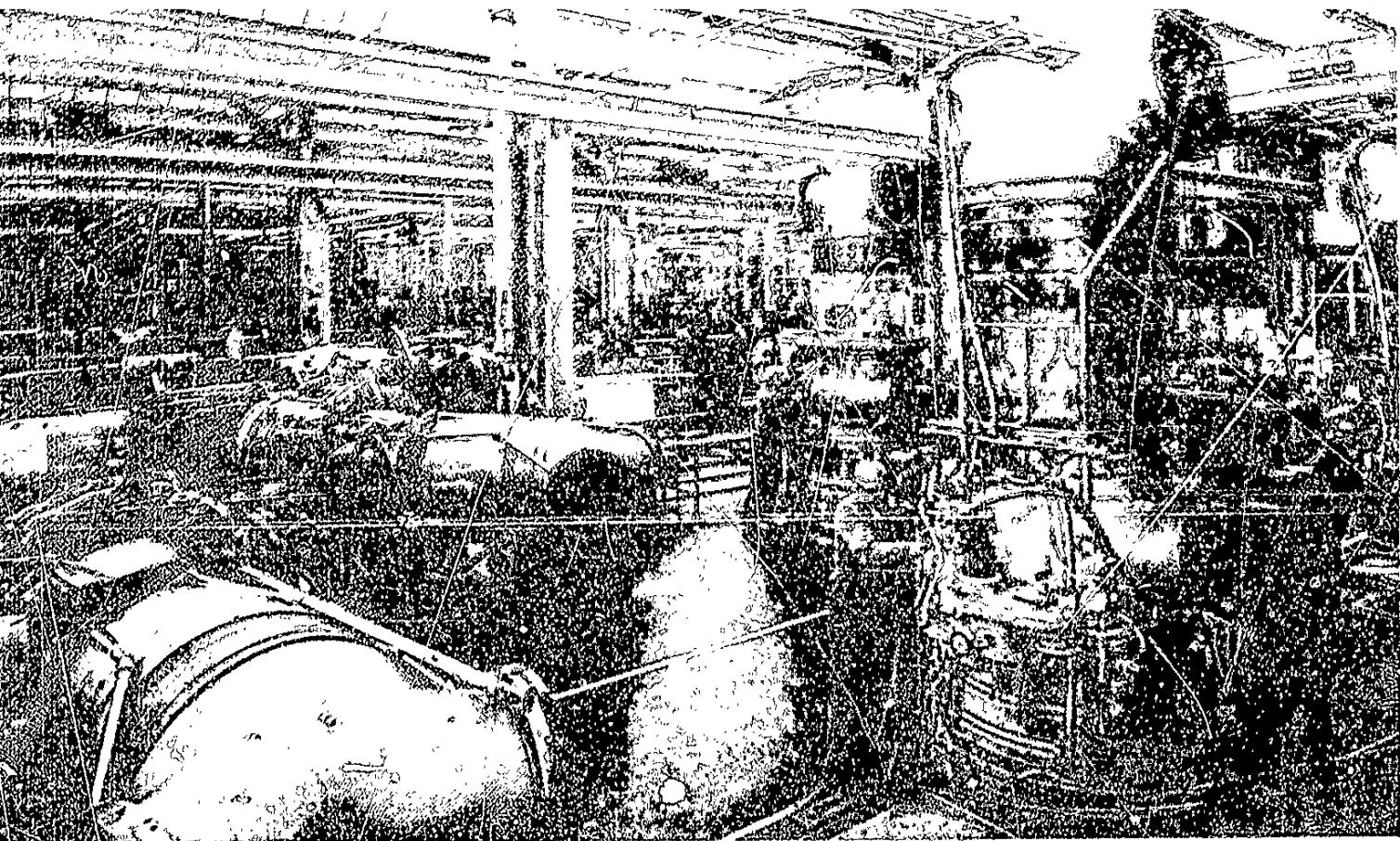
2 The figures in historic pounds for inventories and fixed assets have been converted by factors which reflect the changes in the purchasing power of the pound from the date of the original transactions to 31st December 1975. The figures in historic pounds for other assets and liabilities at 31st December 1975 (including progress payments against inventories) are taken to be already expressed in CPP pounds.

3 The conversion process described above increases the net book value of fixed assets by a total of £49m to £137m. This does not imply that these assets could be realised at this higher figure.

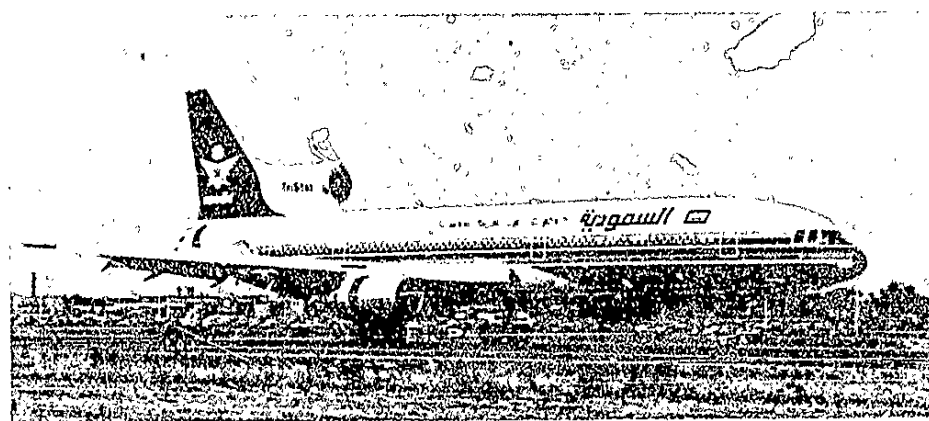
Profit before Tax

4 The main sources of the difference between the profits before tax shown in the historic accounts and those arrived at after adjustment to the current purchasing power basis (CPP) are shown in the following reconciliation:

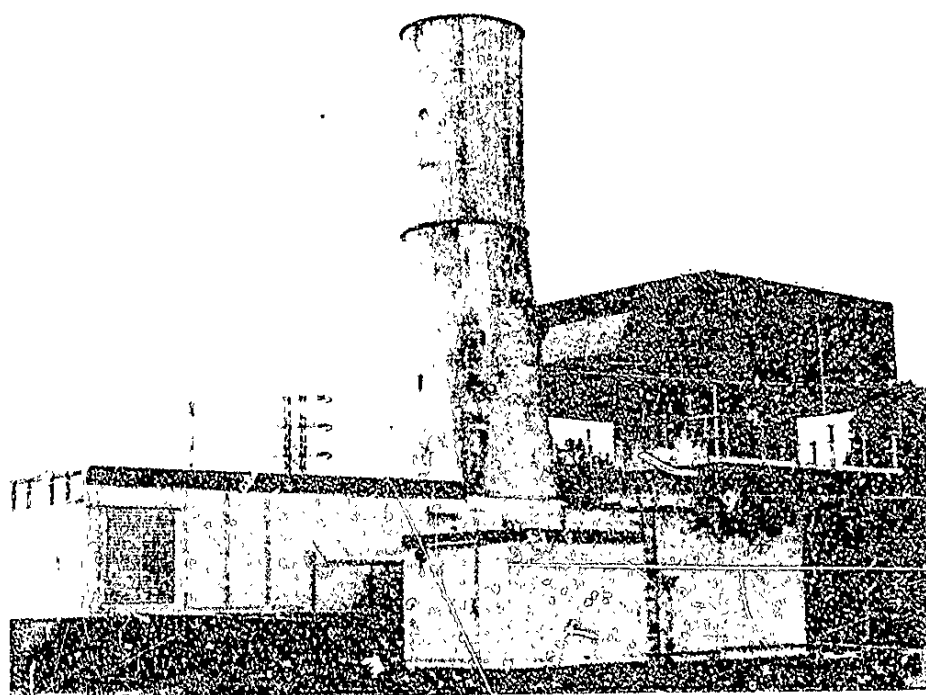
	1975 £m	1974 £m	1973 £m	1972 £m
Profit before Tax – Historic	4.6	16.7	22.8	18.4
Adjustments required to convert to CPP basis:				
Depreciation – increase resulting from restatement of fixed assets in year-end pounds	(11.4)	(6.5)	(5.9)	(5.3)
Inventories – additional charge resulting from restating opening and closing inventories in year-end pounds, thus eliminating the inflationary element from the profit on the sale of inventories	(62.0)	(33.8)	(10.1)	(7.9)
Monetary Items – inflationary gain arising because the net liabilities, the amounts of which are fixed in monetary terms, have declined during the year in real terms	49.5	30.2	14.1	11.4
Sales, Purchases and Other Costs – increase in profit arising from the restatement of transactions during the year in year-end pounds	6.8	4.5	2.8	0.6
	(12.6)	11.1	17.7	17.2
	—	2.6	8.5	10.4
Adjustment to update profits to 1975 pounds				
Profit before Tax – CPP Basis	(12.6)	13.7	26.2	27.6

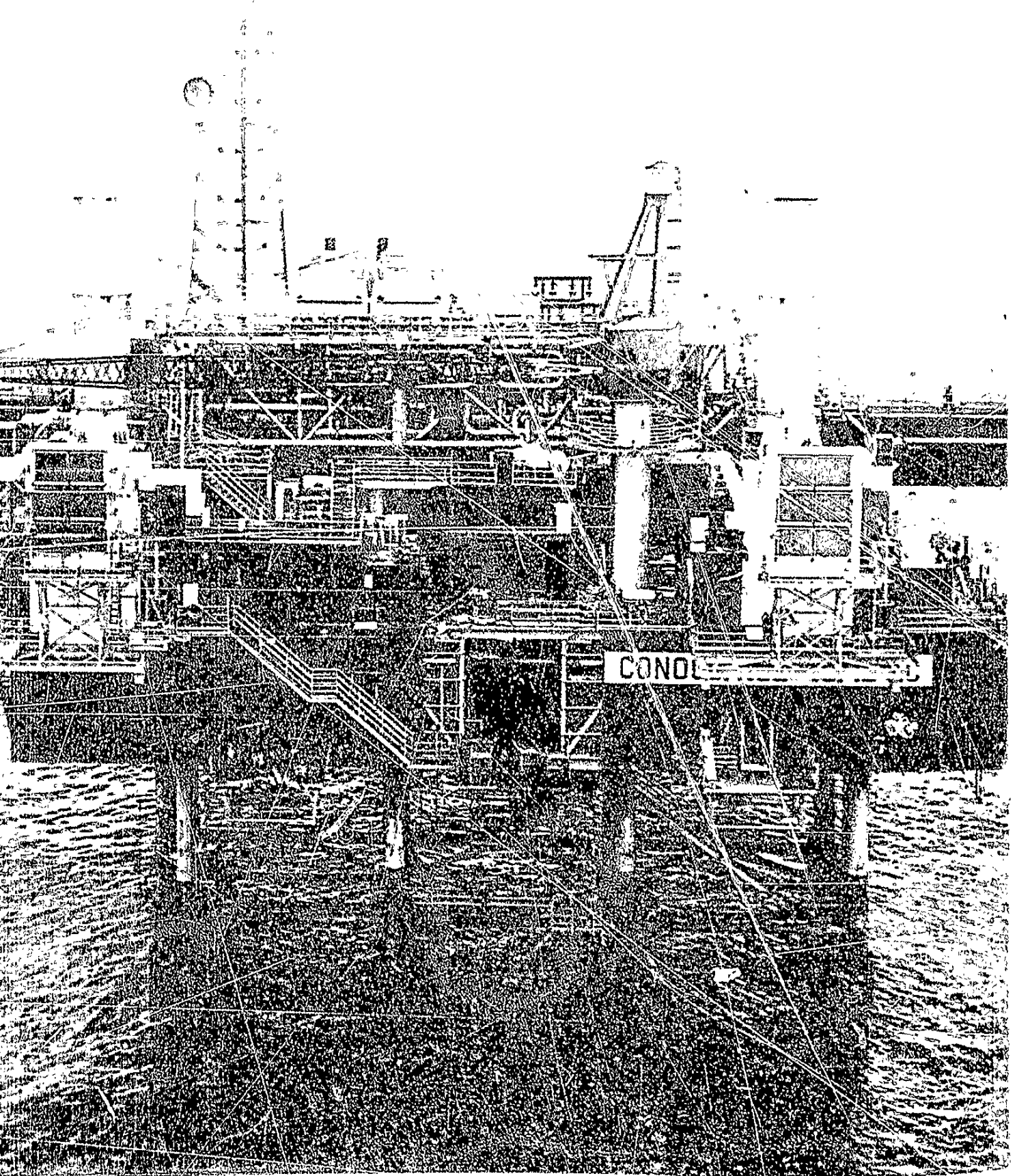


Pegasus vectored thrust turbofan engines being assembled for Hawker Siddeley Harrier combat aircraft at the Bristol factories of the Aero Division.



In 1975 Saudi Arabian Airlines became the tenth operator to fly RB 211-powered Lockheed TriStars on its routes. Saudia will be the first airline to operate TriStars with increased thrust RB 211-524 engines when they enter service in 1977.





Name, nationality (if other than British) and date of birth (where applicable)	Address	Business occupation and particulars of other directorships
George Vernon Kennedy Burton CBE, MBE (MIL)	22 Trevor Place London SW7	Chairman - Fisons Limited Other Directorships:- Matthews Holdings Limited Barclays Bank International Limited Thomas Tilling Limited
Sir William (Richard Joseph) Cook KCB	Adbury Springs Newbury Berkshire	Executive Director - Rolls-Royce (1971) Limited Other Directorships:- Buck & Hickman Limited GEC - Marconi Electronics Limited Rolls-Royce Developments Limited Ship Propulsion Limited
Sir St. John (de Holt) Elstob CBE	Perry House Hartlebury Worcestershire	Company Director Other Directorships:- Averys Limited British Engine Boiler & Electrical Insurance Company Limited Hill Samuel Group Limited Tube Investments Limited
John Edgar Macintosh Gardner	Cross Keys House Sevenoaks Kent	Finance Director - Rolls-Royce (1971) Limited
Dennis Alec Head	3 Newton Park Newton Solney Burton-upon-Trent Staffordshire	Managing Director - Aero Division of Rolls-Royce (1971) Limited Other Directorships:- Rolls-Royce Turbomeca Limited
Sir Stanley (George) Hooker CBE	Orchard Hill Milbury Heath Wotton-under-Edge Gloucestershire	Group Technical Director - Rolls-Royce (1971) Limited

Sir Kenneth (Alexander) Keith

Sir Arthur William Knight

Donald John Packer

Marshal of the Royal Air Force
Sir Denis (Frank) Spotswood
CBE, CBE, DSO, DFC

Raymond Tindall Whitfield

80 Eaton Square
London SW1W 9AP

9 Radnor Place
London W2 2TF

99 York Mansions
Prince of Wales
Drive
London SW11

Cocombe Cottage
Pheasants Hill
Hambleton
Henley-on-Thames
Oxton

Lime Breach
Cadbury Camp Lane
Clapton-in-Gordano
Bristol

Banker
Other Directorships:-
Beecham Group Limited
C.G.M. Securities Limited
Hill Samuel Group Limited
Philip Hill Investment Trust Limited
Times Newspapers Limited

Chairman - Courtaulds Limited
Other Directorships:-
Courtaulds Limited
Prinex Limited

Executive Director - Rolls-Royce (1971) Limited
Other Directorships:-
Nuclear Developments Limited
Rolls-Royce and Associates Limited
Rolls-Royce Developments Limited
Rolls-Royce (1971) Pension Trust Limited
Ship Propulsion Limited

Vice-Chairman - Rolls-Royce (1971) Limited
Other Directorships:-
Rolls-Royce Turbomeca Limited
Turbo-Union Limited

Executive Director - Rolls-Royce (1971) Limited
Other Directorships:-
Turbo Union Limited

STATEMENT ANNEXED TO ANNUAL RETURN
IN COMPLIANCE WITH COMPANIES ACT 1907

Subsidiary Companies

Percentage
of Equity

Registered in England:-

Armstrong Siddeley Motors Limited	100
Blackburn Engines Limited	100
Bristol Aero-Engines Limited	100
Bristol Engine Rentals Limited	100
Bristol Engine Services Limited	100
Bristol Siddalay Engines Limited	100
Rolls-Royce and Associates Limited (25% 'A' Shares 100% 'B' Shares)	49
Rolls-Royce Developments Limited (100% 'A' Shares)	52
Rolls-Royce (Far East) Limited	100
Rolls-Royce (France) Limited	100
Rolls-Royce Leasing Limited	100
Sawley Packaging Company Limited	100
The de Havilland Engine Company Limited	100

Incorporated Overseas:-

Australia	- Rolls-Royce of Australia Pty. Limited	100
Brazil	- Motores Rolls-Royce SA	100
Canada	- Bristol Aero-Industries Limited	100 *
	Bristol Aero-Industries (Montreal) Limited	100 *
	Bristol Aerospace Limited	100 *
	Rolls-Royce (Canada) Limited	100 *
	Rolls-Royce Holdings North America Limited	100
	The Bristol Aeroplane Company of Canada Limited	100 *
Mexico	- Rolls-Royce SA	100
Spain	- Rolls-Royce de Espana SA	50½
USA	- Dulles International Aero-services Inc.	51 *
	Rolls-Royce Aero Engines Inc	100 *
	Royalif Realty Inc.	100 *
	Roylind Realty Inc.	100 *

Note: Interests in companies marked * are held indirectly.

Associated Companies

Percentage
of Equity

Registered in England:-

Coburn Limited
(100% 'B' Shares)

33½

Concorde Engine Support Organisation Limited
(100% 'A' Shares)

50

Nuclear Developments Limited
(100% 'C' Shares)

33½

Nuclear Fuels Limited

33½*

Rolls-Royce Turbomeca Limited
(100% 'B' Shares)

50

Turbo Union Limited

40

(40% Ordinary Shares 37.5% 'A' Shares)

Incorporated Overseas:-

Australia - Commair Pty. Limited

10

Commonwealth Aircraft Corporation Limited

10

Rex Aviation Holdings Limited

10*

France - Rolls-Royce Turbomeca International SA
(50% Ordinary Shares)

50

Note: Interests in companies marked * are held indirectly.