



ROLLS-ROYCE (1971) LIMITED

Statement of Accounts

and

Report of the Directors

Year ended 31st December 1973

Rolls-Royce (1971) Limited

Contents

	Page
Notice of annual general meeting	2
Board of directors	3
Report of the directors	4
Report of the auditors to the members	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Parent company balance sheet	9
Notes to the accounts	10
Principal subsidiary and associated companies	17

Rolls-Royce (1971) Limited

Notice of Annual General Meeting

Notice is hereby given that the Third Annual General Meeting of Rolls-Royce (1971) Limited will be held at Norfolk House on Friday the 27th day of September 1974 at 12.30 p.m. for the following purposes:

- 1 To receive the report of the directors and statement of accounts for the year ended 31st December 1973.**
- 2 To authorise the directors to fix the remuneration of the auditors.**

A member who is entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and upon a poll to vote instead of him. A person so appointed as a proxy need not also be a member of the Company. To be effective, proxies must be received at Norfolk House not less than 48 hours before the time for holding the meeting.

By order of the Board
H. E. Trevan-Hawke
Secretary
Norfolk House
St James's Square
London SW1Y 4JR
5th September 1974

Rolls-Royce (1971) Limited

Board of Directors

Chairman

Sir Kenneth Keith

Deputy Chairman

Sir William Nield GCMG KCB

Vice Chairmen

Marshal of the Royal Air Force

Sir Denis Spotswood GCB CBE DSO DFC

Kenneth Wilkinson

Directors

Sir William Cook KCB

Sir St John Elstob CBE

John Gardner

Dennis Head

Sir Stanley Hooker CBE

Arthur Knight

Donald Pepper

Raymond Whitfield

Secretary

H E Trevan-Hawke

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

Registered Office

Norfolk House

St James's Square

London SW1Y 4JR

Rolls-Royce (1971) Limited

Report of the Directors

1 General

The accounts for the year ended 31st December 1973 incorporate the settlement of the price for the gas turbine undertaking and assets taken over from the Receiver of Rolls-Royce Limited on 23rd May 1971. The Hearing to decide a purchase price commenced on 2nd May 1973, but was not completed as the parties concerned agreed an amount of £87,500,000 on 26th June 1973 outside the Hearing. The final payment was made to the Receiver on 23rd July 1973.

Following settlement with the Receiver of Rolls-Royce Limited, agreement was reached with Her Majesty's Government in August 1974 as to the capitalisation appropriate to the price paid for the assets acquired. Although this agreement took place after 31st December 1973 the accounts at that date incorporate the effects of this capitalisation.

Accordingly, the Authorised Share Capital has been increased by 50,000,000 Ordinary Shares of £1 each to a total of £100,000,000 and the Issued Share Capital has been increased to £60,000,000 by the issue of 30,000,000 Ordinary Shares of £1 each at par to Her Majesty's Government on 3rd September 1974 in part satisfaction of advances from Her Majesty's Government. The balance of the advances has been converted into a five year loan expiring on 23rd July 1978.

2 Principal Activities

The Company is primarily concerned with the design, development, manufacture and sale of gas turbine engines and ancillary equipment for aircraft and industrial and marine applications. A list of principal subsidiary companies appears on page 17. These 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.

3 Results

The turnover and profit before and after tax and extraordinary items shown by the accounts are set out below:

	1973	1972
	£000	£000
Turnover	432,039	374,894
Profit before Taxation and Extraordinary Items	22,847	18,373
Profit after Taxation and before Extraordinary Items	8,690	10,681
Profit after Taxation and Extraordinary Items	1,020	10,681

The 1973 results include items relating to prior years (see Note 14 to the Accounts).

To bring the Company's pension benefits up to modern levels, a substantial pension funding charge was made during the year (see Note 17 to the Accounts).

The present and future profitability of the Company and its cash requirements should be viewed in the light of the following points.

The Company is still bearing a low charge for Research and Development because development costs in certain major contracts, including the RB211 contract, which would otherwise fall on the Company, are being borne by the Government. As these contracts come to an end the cost of Research and Development falling on the Company is likely to rise substantially.

The fixed assets acquired from the Receiver are being written off over the balance of their useful lives. By reason of inflation, the replacement cost of equivalent assets is likely to be substantially in excess of original cost, and of the depreciation accumulated by the Company.

Under the circumstances described above it is the present view of the Board that the Company needs to retain in the business the whole of the net profits after taxation and, in addition, that it will probably be necessary to raise additional capital in the future.

4 RB211 Engine

Negotiations of outstanding points on the contract for the launching and production funding of the RB211-22 engine continued during the year and agreement was reached with Her Majesty's Government in March 1974. The effect of the agreed contract terms has been incorporated in these accounts.

Rolls-Royce (1971) Limited

Report of the Directors

continued

It has always been realised that the ultimate success of the RB211 was dependent on the establishment of other versions. For some time development work has been proceeding on the RB211-524 engine of 48,000/50,000 lbs thrust needed by Lockheed Aircraft Corporation to match L1011 airframe development and suitable for application to the Boeing 747.

5 Olympus Engines for Concorde Aircraft

The Company has a substantial interest in the Concorde. Her Majesty's Government is fully funding the engine development costs and production costs of the engines for use with the sixteen aircraft so far authorised for manufacture.

6 Value of Land and Buildings

In the opinion of the directors, any difference between the market value of land and buildings and the amount at which they are included in the Balance Sheet is not of significance to the members of the Company.

7 Changes in Fixed Assets and Valuation

There were no material physical changes in fixed assets during 1973, which are now shown at the original cost to Rolls-Royce Limited, less the depreciation provided by that Company, but without deduction of Investment Grants.

8 Exports

Total exports from the United Kingdom, including sales to overseas subsidiaries, were £197,922,531, including direct exports of £176,022,787.

9 Employees and Remuneration

The weekly average number of persons employed by the Company and its subsidiaries working wholly or mainly in the United Kingdom was 61,446. Their aggregate remuneration was £130,863,562.

10 Donations

No donations of a political nature were made by the Company or its subsidiaries in the United Kingdom. Charitable donations amounted to £2,861.

11 Directors

Recent appointments to the Board were Sir William Nield on 1st April 1973; Mr. Arthur Knight on 30th September 1973; Mr. Dennis Head, Mr. Donald Pepper and Mr. Raymond Whitfield on 1st January 1974; Mr. John Gardner on 26th February 1974; and Sir Denis Spotswood on 31st March 1974.

Resignations from the Board were Mr. Gordon Richardson on 1st April 1973; Sir Ian Morrow and Sir Arnold Weinstock on 30th September 1973; and Lord Elworthy on 31st March 1974.

The present directors are listed on page 3.

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

12 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

Rolls-Royce (1971) Limited

Report of the Auditors to the Members

- 1 We report on the accounts set out on pages 7 to 17 which, as explained in Note 3, incorporate certain changes in the Company's capital structure since 31st December 1973.
- 2 In our opinion the accounts together give a true and fair view of the state of affairs at 31st December 1973 as adjusted to reflect the above-mentioned changes and of the profit for the year ended on that date and comply with the Companies Acts, 1948 and 1967.

COOPERS & LYBRAND
Chartered Accountants

London, 3rd September 1974

Rolls-Royce (1971) Limited

Consolidated Profit and Loss Account for the year ended 31st December 1973

	Note	1973 £000	1972 £000
Turnover	6	<u>432,039</u>	<u>374,894</u>
Profit before Taxation and Extraordinary Items	3, 4 & 14	22,847	18,373
Taxation	8 & 15	<u>14,101</u>	<u>7,594</u>
		8,746	10,779
Net Profit attributable to Minority Interests in Subsidiary Companies		56	98
Profit after Taxation and before Extraordinary Items	3 & 4	<u>8,690</u>	<u>10,681</u>
Extraordinary Items less taxation attributable thereto	17	<u>7,670</u>	<u>—</u>
Net Profit Retained	3 & 4	<u>1,020</u>	<u>10,681</u>
Held by:			
Subsidiary Companies		1,552	1,964
Parent Company		<u>(532)</u>	<u>8,717</u>
		<u>1,020</u>	<u>10,681</u>

The notes on pages 10 to 17 form part of these accounts
Auditors' Report—Page 6

Rolls-Royce (1971) Limited

Consolidated Balance Sheet at 31st December 1973

	Note	1973 £000	1972 £000
Employment of Capital			
Property, Plant & Equipment	5 & 18	65,523	47,743
Investments	5 & 19	146	146
		<u>65,669</u>	<u>47,891</u>
Current Assets			
Inventories	5, 9 & 20	100,445	82,505
Accounts Receivable	13 & 21	94,682	84,584
Bank Balances & Deposits		26,262	11,209
		<u>221,389</u>	<u>178,298</u>
Current Liabilities			
Accounts Payable & Provisions	11 & 13	93,382	79,000
Bank Loans & Overdrafts		1,884	1,630
Short Term Loan		92	214
Taxation	8	33,043	9,271
		<u>128,401</u>	<u>90,121</u>
Net Current Assets		<u>92,908</u>	<u>88,177</u>
		158,657	136,068
Deferred Liabilities	13 & 22	45,157	11,357
		<u>113,500</u>	<u>124,711</u>
Capital Employed			
Share Capital	23	60,000	30,000
Capital Reserve	24	9,389	76,613
Retained Profits	25	15,185	12,165
		<u>84,574</u>	<u>118,778</u>
Loan from Her Majesty's Government	26	25,264	—
Debentures & Long Term Loans	27	2,483	3,077
Minority Interests in Subsidiary Companies		695	674
Fund for Future Development	25	—	2,000
Regional Development Grants		484	182
		<u>113,500</u>	<u>124,711</u>

The notes on pages 10 to 17 form part of these accounts
Auditors' Report—Page 6

Rolls-Royce (1971) Limited

Balance Sheet at 31st December 1973

	Note	1973 £000	1972 £000
Employment of Capital			
Property, Plant & Equipment	5 & 18		43,794
Investments	5 & 19		9,083
Subsidiary Companies		10,239	131
Unquoted Investments		131	
		<u>72,456</u>	<u>53,008</u>
Current Assets			
Inventories	5, 9 & 20	91,569	74,645
Accounts Receivable	13 & 21	81,064	73,665
Bank Balances & Deposits		23,048	9,346
		<u>195,681</u>	<u>157,656</u>
Current Liabilities			
Accounts Payable & Provisions	11 & 13	84,406	71,880
Taxation	8	31,322	7,797
		<u>115,728</u>	<u>79,671</u>
Net Current Assets		<u>79,953</u>	<u>77,985</u>
		152,409	130,993
Deferred Liabilities	13 & 22	44,571	10,921
		<u>107,838</u>	<u>120,072</u>
Capital Employed			
Share Capital	23	60,000	30,000
Capital Reserve	24	9,389	76,613
Retained Profits	25	11,107	9,639
		<u>80,496</u>	<u>116,252</u>
Loan from Her Majesty's Government	26	25,264	—
Long Term Loans	27	1,594	1,638
Fund for Future Development	25	—	2,000
Regional Development Grants		484	182
		<u>107,838</u>	<u>120,072</u>

Kenneth Keith }
John Gardner } Directors

The notes on pages 10 to 17 form part of these accounts
Auditors' Report—Page 6

Rolls-Royce (1971) Limited

Notes to the Accounts

General and Accounting Policies

1 Comparative figures for 1972

Following the settlement with the Receiver of Rolls-Royce Limited which covered the price for the assets acquired, a number of provisions were no longer required and were released. The interest payable under the settlement also became known.

As stated in Note 4 below, outstanding points on the contract for the launching and production funding of the RB211-22 project were agreed with Her Majesty's Government. This gave rise to substantial adjustments to profits of prior years, necessitating an additional provision in 1973.

With the exception of Note 18, comparative figures for 1972 have not been adjusted for the above items, but their effect on prior years is shown in Notes 14 and 17.

2 Purchase Price for Assets acquired and interest thereon

On 26th June 1973 a settlement was reached with the Receiver of Rolls-Royce Limited which covered the price to be paid for the assets acquired from him on 23rd May 1971. The balance of the sum payable was paid on 23rd July 1973, together with interest thereon in accordance with the settlement of 26th June 1973.

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

3 Capitalisation

Following settlement with the Receiver of Rolls-Royce Limited, agreement was reached with Her Majesty's Government in August 1974 as to the capitalisation appropriate to the price paid for the assets acquired. Although this agreement took place after 31st December 1973 the accounts at that date incorporate the effects of this capitalisation.

Accordingly, the Authorised Share Capital has been increased by 50,000,000 Ordinary Shares of £1 each to a total of £100,000,000 and the Issued Share Capital has been increased to £60,000,000 by the issue of 30,000,000 Ordinary Shares of £1 each at par to Her Majesty's Government on 3rd September 1974 in part satisfaction of advances from Her Majesty's Government. The balance of the advances has been converted into a five year loan expiring on 23rd July 1978.

4 RB211-22 Engine

Negotiation of outstanding points on the contract for the launching and production funding of this project was completed with Her Majesty's Government in March 1974. The effect of the agreed contract terms has been incorporated in the accounts for the year ended 31st December 1973 (see Note 14).

5 Assets and Liabilities taken over from Rolls-Royce Limited and valuation thereof

The assets acquired from the Receiver of Rolls-Royce Limited were brought into the Company's accounts on the following bases:

- (i) Inventories at the net book value in the books of Rolls-Royce Limited, other than the RB211-22 inventories at the agreed value of £1.
- (ii) Fixed assets (including those relating exclusively to the RB211-22 project, originally acquired for £1) at the gross book value, less accumulated depreciation in the books of Rolls-Royce Limited at 22nd May 1971, before deducting investment grants received by that Company.
- (iii) Investments in subsidiary and associated companies at the net book amount of the assets and liabilities at 22nd May 1971.

The difference between the above amounts and the purchase price is reflected in the Capital Reserve (see Note 24).

6 Turnover

Turnover comprises:

- (i) Amounts invoiced to customers (excluding Value Added Tax) where provisional or final prices have been agreed:
 - (a) On executed orders and completed contracts.
 - (b) On the sales value of actual deliveries for uncompleted contracts and of 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.

Notes to the Accounts

General and Accounting Policies continued

7 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. In view of this policy of writing off such expenditure as incurred, the amount of £2,000,000 set aside in 1971 for Future Development has been transferred to Retained Profits (Note 25).

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

8 Taxation

(i) Parent Company:

UK Corporation Tax at the average rate for the year is provided on the Company's profit, adjusted for taxation purposes. The deferred taxation account has been computed on the "liability method" and represents tax at the current rate on the difference between the book and tax written down value of fixed assets less an adjustment for provisions charged in the accounts but only allowable for tax when and if charges are made against these provisions (Note 22).

(ii) UK Subsidiaries:

UK Corporation Tax and deferred taxation accounts have been provided on the same basis as for the parent company.

(iii) Overseas Subsidiaries:

Overseas taxation has been provided on the profits.

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

9 Inventories

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

10 Depreciation of Fixed Assets

Depreciation is provided on a straight line basis related to the original cost and estimated life of the fixed assets. The original gross cost to Rolls-Royce Limited has been used as the depreciation base for assets acquired from that company at 23rd May 1971.

11 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.

12 Exchange Rates

Foreign currencies have been converted to sterling at the exchange rates ruling at the year end.

13 Provisions and Deferred Liabilities

- (i) Provisions have been made, on the basis of information at present available, for all anticipated future losses on current contracts and projects, and bad and doubtful debts.
- (ii) Deferred Liabilities include all amount set aside to meet possible future expenditure on warranties and guarantees (Note 22).

Rolls-Royce (1971) Limited

Notes to the Accounts Consolidated Profit and Loss Account

14 Profit before Taxation	1973	1972
The profit is arrived at after charging (crediting):	£000	£000
Formation and acquisition expenses (provision released)	(391)	450
Depreciation (Note 10)	12,928	10,819
Hire of plant and machinery	4,109	4,473
Audit fees and expenses	143	196
Emoluments of directors		
Fees (£375 waived by one director in 1973)	1	—
Management including pension contributions	132	71
Interest payable (excluding that treated as an extraordinary item — Note 17)		
On bank overdrafts and other short term indebtedness	2,317	580
On loans in excess of five years	267	257
Interest receivable	(3,865)	(611)
Amounts relating to prior years (other than normal price adjustments)		
RB211-22 project:	£000	
1971	(1,330)	
1972	5,384	
	<u>4,054</u>	<u>—</u>

15 Taxation (Note 8)	1973	1972
	£000	£000
United Kingdom Corporation Tax at 49% (1972 — 40%)	26,091	7,134
Overseas Taxation	1,330	538
Deferred Taxation	(13,320)	(78)
	<u>14,101</u>	<u>7,594</u>

16 Directors' and Senior Executives' Remuneration

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

Directors

	1973	1972
Nil to £2,500	5	5
£2,501 to £5,000	1	1
£7,501 to £10,000	—	1
£10,001 to £12,500	—	1
£12,501 to £15,000	1	—
£15,001 to £17,500	3	—
£17,501 to £20,000	—	1
£22,501 to £25,000	1	—
£35,001 to £37,500	—	—

Including:

Chairmen—Lord Cole (to 5th October 1972)

Sir Kenneth Keith (from 5th October 1972)

Highest paid director

	1973	1972
£	£	£
NIL	15,000	NIL
4,635	NIL	25,000
35,162		

Senior Employees

	1973	1972
£10,001 to £12,500	15	13
£12,501 to £15,000	2	4
£15,001 to £17,500	4	2
£17,501 to £20,000	1	1
£25,001 to £27,500	1	1

Rolls-Royce (1971) Limited

Notes to the Accounts

Consolidated Profit and Loss Account continued

17 Extraordinary Items	1971 £000	1972 £000	1973 £000	Total £000
Interest payable on purchase price of assets acquired on 23rd May 1971	1,547	3,322	2,581	7,450
Special pension funding	—	—	7,960	7,960
	<u>1,547</u>	<u>3,322</u>	<u>10,541</u>	<u>15,410</u>
Less Taxation	—	—	7,740	7,740
Total net charge for Extraordinary Items	<u>1,547</u>	<u>3,322</u>	<u>2,801</u>	<u>7,670</u>

The settlement reached with the Receiver and Manager of Rolls-Royce Limited required the payment by the Company of interest on the outstanding balance of the purchase price for the period from 23rd May 1971 to the date upon which the balance was paid. This interest is unrelated either to the normal activities of the Company or to the future capital structure and has therefore been treated in the accounts as an extraordinary payment.

Notes to the Accounts

The gross book value of capital expenditure on assets still in use, but now fully written off, amounted to £50,000,000 at 31st December 1973 (1972 – £51,000,000).

The results of associated companies have not been included (except to the extent of dividends received) as neither the results nor the net assets attributable to these investments are significant.

Rolls-Royce (1971) Limited

Notes to the Accounts

Balance Sheets

18 Property Plant and Equipment (Note 5)	Parent		Consolidated	
	1973	1972	1973	1972
	Restated £000	Original £000	Restated £000	Original £000
Cost at 1st January	170,822	165,831	183,635	178,109
Additions at cost	7,870	7,449	8,541	8,109
	178,692	173,280	192,176	186,218
Disposals at cost	3,510	2,458	4,195	2,583
Cost at 31st December	175,182	170,822	187,981	183,635
Cumulative depreciation provision at 31st December	113,096	103,672	122,458	112,536
Net book value at 31st December	62,086	67,150	65,523	71,099
Restatement of Property, Plant and Equipment (Note 5)		23,356		23,356
		67,150		71,099
Net book value comprises:				
Land and Buildings:				
Freehold	12,072	12,858	13,850	15,333
Long Lease (over 50 years)	1,599	1,694	1,812	1,875
Short Lease (under 50 years)	817	875	819	877
Plant and Equipment	47,598	51,723	49,042	53,014
	62,086	67,150	65,523	71,099

The gross book value of capital expenditure on assets still in use, but now fully written off, amounted to £50,000,000 at 31st December 1973 (1972 – £51,000,000).

19 Investments	<i>Parent</i>			
	1973	1972		
	£000	£000		
Subsidiary Companies:				
Shares (Note 5)	38,285	37,894		
Amounts owing from subsidiaries	9,062	8,071		
	<u>47,347</u>	<u>45,965</u>		
<i>Less amounts owing to subsidiaries</i>	37,108	36,882		
	<u>10,239</u>	<u>9,083</u>		
			<i>Consolidated</i>	
	1973	1972	1973	1972
	£000	£000	£000	£000
Unquoted Investments:				
Associated Companies	67	67	71	67
Other Investments	64	64	75	81
	<u>131</u>	<u>131</u>	<u>146</u>	<u>148</u>

	<i>Consolidated</i>	
	1973	1972
	£000	£000
Aggregate income for year from unquoted investments (included in operating profit)	4	3
Share of aggregate profits (less losses)		
before tax	(55)	45
after tax	(42)	30
Share of undistributed profits less losses accumulated since acquisition	14	59

The results of associated companies have not been included (except to the extent of dividends received) as neither the results nor the net assets attributable to these investments are significant.

Rolls-Royce (1971) Limited

Notes to the Accounts Balance Sheets continued

20 Inventories

	<i>Parent</i>		<i>Consolidated</i>	
	1973	1972	1973	1972
	£000	£000	£000	£000
Stock and work in progress (Notes 5 and 9)	193,638	154,383	204,031	164,192
Less Progress payments (Note 11)	102,069	79,738	103,596	81,687
	<u>91,569</u>	<u>74,645</u>	<u>100,445</u>	<u>82,505</u>

21 Accounts Receivable

	<i>Parent</i>		<i>Consolidated</i>	
	1973	1972	1973	1972
	£000	£000	£000	£000
Amounts due from overseas customers on deferred terms included in Accounts Receivable	5,835	1,740	6,169	1,783

22 Deferred Liabilities (Note 13)

	<i>Parent</i>		<i>Consolidated</i>	
	1973	1972	1973	1972
	£000	£000	£000	£000
Deferred Taxation (Note 8)	7,045	—	7,631	390
Other Deferred Liabilities	37,526	10,921	37,526	10,967
	<u>44,571</u>	<u>10,921</u>	<u>45,157</u>	<u>11,357</u>

23 Share Capital (Note 3)

	<i>Parent and Consolidated</i>	
	1973	1972
	£000	£000
Authorised at 31st December	50,000	50,000
Increase by Ordinary Resolution on 19th August 1974	50,000	—
	<u>100,000</u>	<u>50,000</u>
Issued at 31st December 30,000,000 Ordinary Shares of £1 each fully paid	30,000	30,000
Further Issue, on 3rd September 1974, of 30,000,000 Ordinary Shares of £1 each fully paid (Note 26)	30,000	—
	<u>60,000</u>	<u>30,000</u>

24 Capital Reserve (1972 Suspense Account) (Notes 2 and 5)

	<i>Parent and Consolidated</i>	
	1973	1972
	£000	£000
Capital Reserve Balance at 1st January	76,813	76,917
Sundry adjustments	(940)	(304)
<i>Deduct:</i>	<u>75,873</u>	<u>76,613</u>
Balance of £87,500,000 settlement with the Receiver of Rolls-Royce Limited paid during the year	69,236	—
	<u>6,437</u>	<u>—</u>
Release of provisions at 23rd May 1971, no longer required	7,829	—
Arising on restatement of fixed assets acquired (Note 5)	<u>26,242</u>	<u>34,071</u>
	<u>40,508</u>	<u>—</u>
Less Deferred Tax	<u>31,119</u>	<u>—</u>
Capital Reserve Balance at 31st December	<u>9,389</u>	<u>76,613</u>

Rolls-Royce (1971) Limited

Notes to the Accounts Balance Sheets continued

25 Retained Profits	Parent		Consolidated	
	1973 £000	1972 £000	1973 £000	1972 £000
Amount at 1st January	9,639	922	12,165	1,484
Profits (losses) retained for year	(532)	8,717	1,020	10,681
Transfer from Fund for Future Development (Note 7)	2,000	—	2,000	—
Amount at 31st December	<u>11,107</u>	<u>9,639</u>	<u>15,185</u>	<u>12,165</u>

26 Loan from Her Majesty's Government (Note 3)	Parent		Consolidated	
	1973 £000	1972 £000	1973 £000	1972 £000
Loan and advances from Her Majesty's Government relating to the purchase of assets acquired on 23rd May 1971 and interest thereon	82,264	—	82,264	—
Less amount applied as payment in full for 30,000,000 Ordinary Shares of £1 each at par (Note 23)	30,000	—	30,000	—
	<u>52,264</u>	<u>—</u>	<u>52,264</u>	<u>—</u>
Less amount repaid by Company, but available if required	27,000	—	27,000	—
	<u>25,264</u>	<u>—</u>	<u>25,264</u>	<u>—</u>

27 Debentures and Long Term Loans	Parent		Consolidated	
	1973 £000	1972 £000	1973 £000	1972 £000
6½% Debenture Stock 1970/81 (secured) issued by Canadian subsidiary, repayable at par by equal annual instalments 1970 to 1981	—	—	864	962
Mortgage fully repayable by 1981 at 9½% interest	—	—	25	477
Mortgage (secured) on buildings repayable over 24 years with interest averaging 9½%	1,396	1,417	1,396	1,417
Deferred purchase of equipment, payable over 20 years with interest at 10%	171	173	171	173
Northern Ireland Government loan repayable over 20 years at 7% interest	27	48	27	48
	<u>1,594</u>	<u>1,638</u>	<u>2,483</u>	<u>3,077</u>

28 Contingent Liabilities	Parent		Consolidated	
	1973 £000	1972 £000	1973 £000	1972 £000
Counter Indemnities, Customs Bonds and other matters estimated at	23,483	20,450	23,679	20,700

Under the Heads of Agreement, 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. The amount of such indemnities cannot be quantified, but no substantial costs are expected to fall on the Company.

29 Future Capital Expenditure	Parent		Consolidated	
	1973 £000	1972 £000	1973 £000	1972 £000
Capital expenditure authorised but not spent at 31st December	18,435	5,858	18,933	6,100
of which there has been committed	<u>8,012</u>	<u>2,682</u>	<u>8,164</u>	<u>2,762</u>

Rolls-Royce (1971) Limited

Principal Subsidiary and Associated Companies

Subsidiary Companies	<i>Percentage of equity</i>
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
Spain —Talleres Aeronauticos de Barajas S.A. (25% Ordinary Shares)	25

Interests in companies marked with an asterisk* are held by Rolls-Royce Holdings North America Limited. Companies which are not material in respect of assets or profits have been omitted.

Auditors' Report—Page 6