

DOWTY ROTOL STOP PRESS

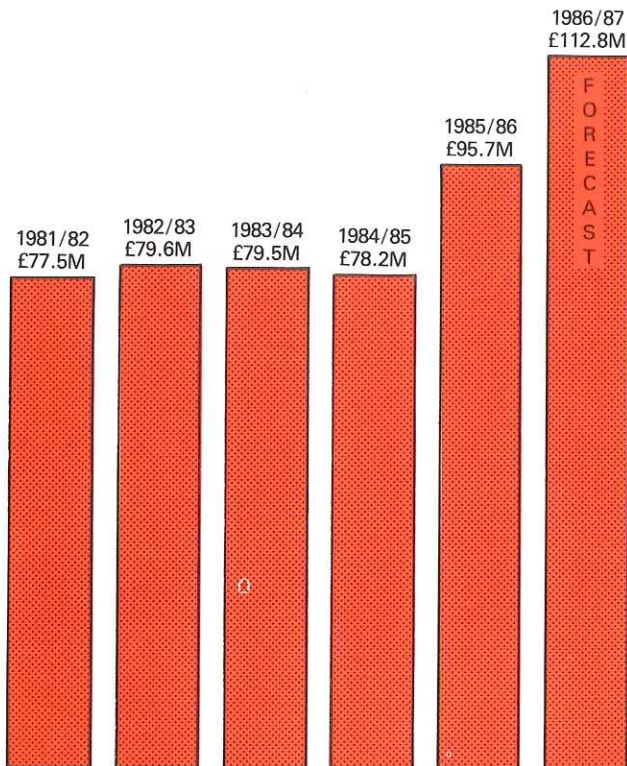
Company results for 1985/86

In the last issue of the NEWSLETTER we reported that we had achieved our turnover target of £95 million for the last financial year (April 1985 to March 1986). Our accounts have now been published and in this special edition we are able to tell you about last year's performance in more detail and show how this compares with previous years.

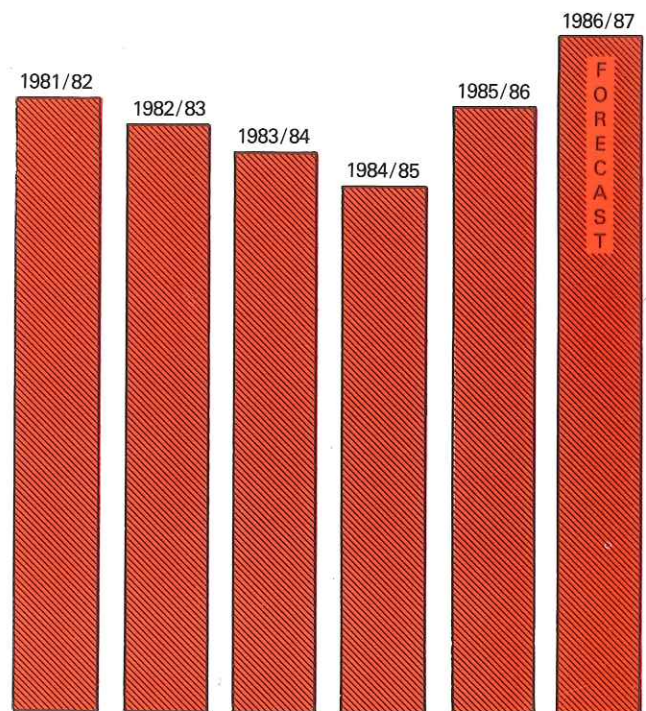
How much did we sell?

Last year we despatched equipment worth a total of £95,718,000. The chart on the left hand side below shows the value of our sales over the last five financial years and our forecast of £112.8 million for the current financial year. For the purposes of comparison the graph on the right hand side gives a more accurate picture because it illustrates our turnover at 1985/86 price levels and therefore takes account of inflation. This shows that last year we were able to recover our turnover to the level we achieved in 1981/82 and that we are forecasting an increase of 12% for 1986/87.

Actual Sales Turnover



Turnover at 1985/86 Price Levels



What were our



AV-8B

Listed below is a breakdown of our turnover showing the split between production, repairs and spares.

Production	£ million	
Tornado	15.821	
AV-8B	6.917	
BAe 146	5.701	
Harrier	4.072	
A310	2.462	
SF340	2.280	
Jaguar	1.879	
Marine equipment	1.605	
Shorts 360	1.514	
F.28	1.183	
F.27	1.110	
Others	9.154	
Total production	<u>53.698</u>	(56%)
Repairs	8.743	(9%)
Spares	31.691	(33%)
Development	1.285	
Tooling and test rigs	0.301	
DOWTY ROTOL TOTAL	<u>95.718</u>	



BAe 146



Har



Jag

major projects?



rier



A310



Tornado



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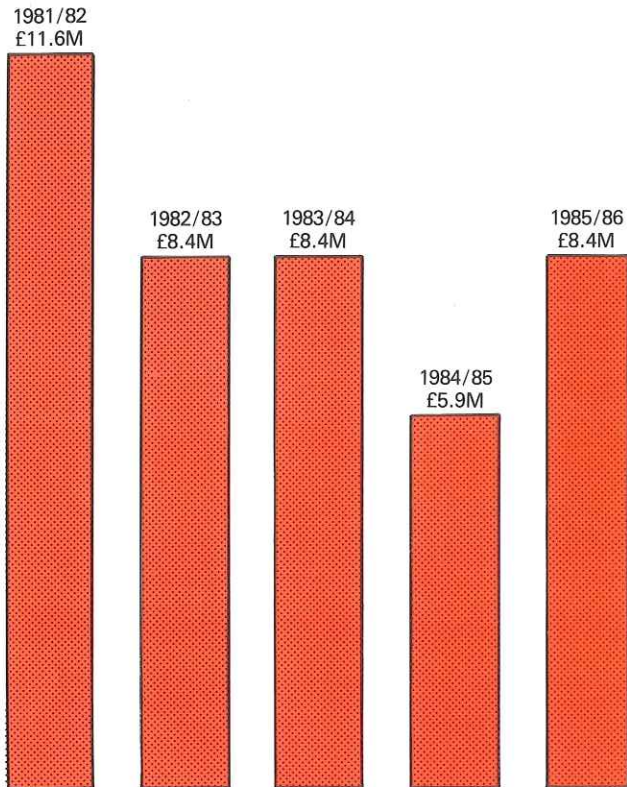


SF340

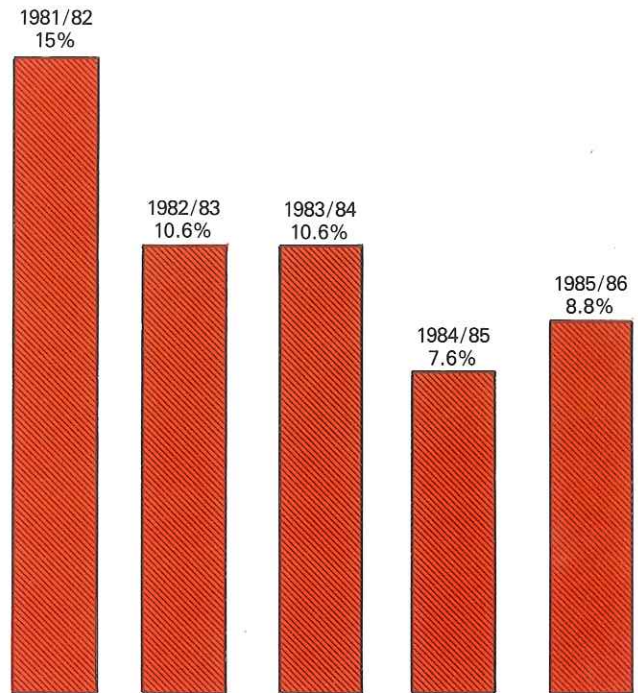
How much profit did we make?

Last year we made an operating profit of £8,422,000. Out of this we have to pay taxes and interest charges on the money that we have borrowed to finance our investments. The chart on the left hand side shows our profit over the last five financial years. This does not take account of inflation or of the turnover which had to be generated to produce the profit. A more accurate picture is given by the graph on the right hand side which shows our profit as a percentage of our sales turnover.

Operating Profit



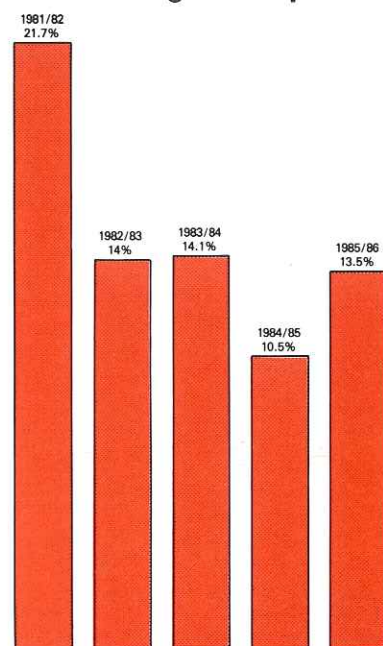
Operating Profit as a Percentage of Sales Turnover



The normal way of assessing a company's profitability is by looking at profit as a percentage of the capital employed. The capital employed is the value of the company's land and buildings, plant and machinery, stock and work-in-progress. As our business involves taking risks it is essential that we produce a better return on the capital we employ than investors could obtain by putting their money into a bank or building society which does not entail any risk.

The chart on the right shows that whilst our profitability last year showed some improvement we still have some way to go to get back to the performance we achieved in 1981/82. A company in our type of business should be aiming for a return on capital employed of 18%.

Profit as a Percentage of Capital Employed



How did we spend our income?

The chart below shows how we spent the £95.7 million which we earned from our customers last year.

Payroll costs

In addition to wages and salaries this figure includes National Insurance and pension contributions.

Outside purchases

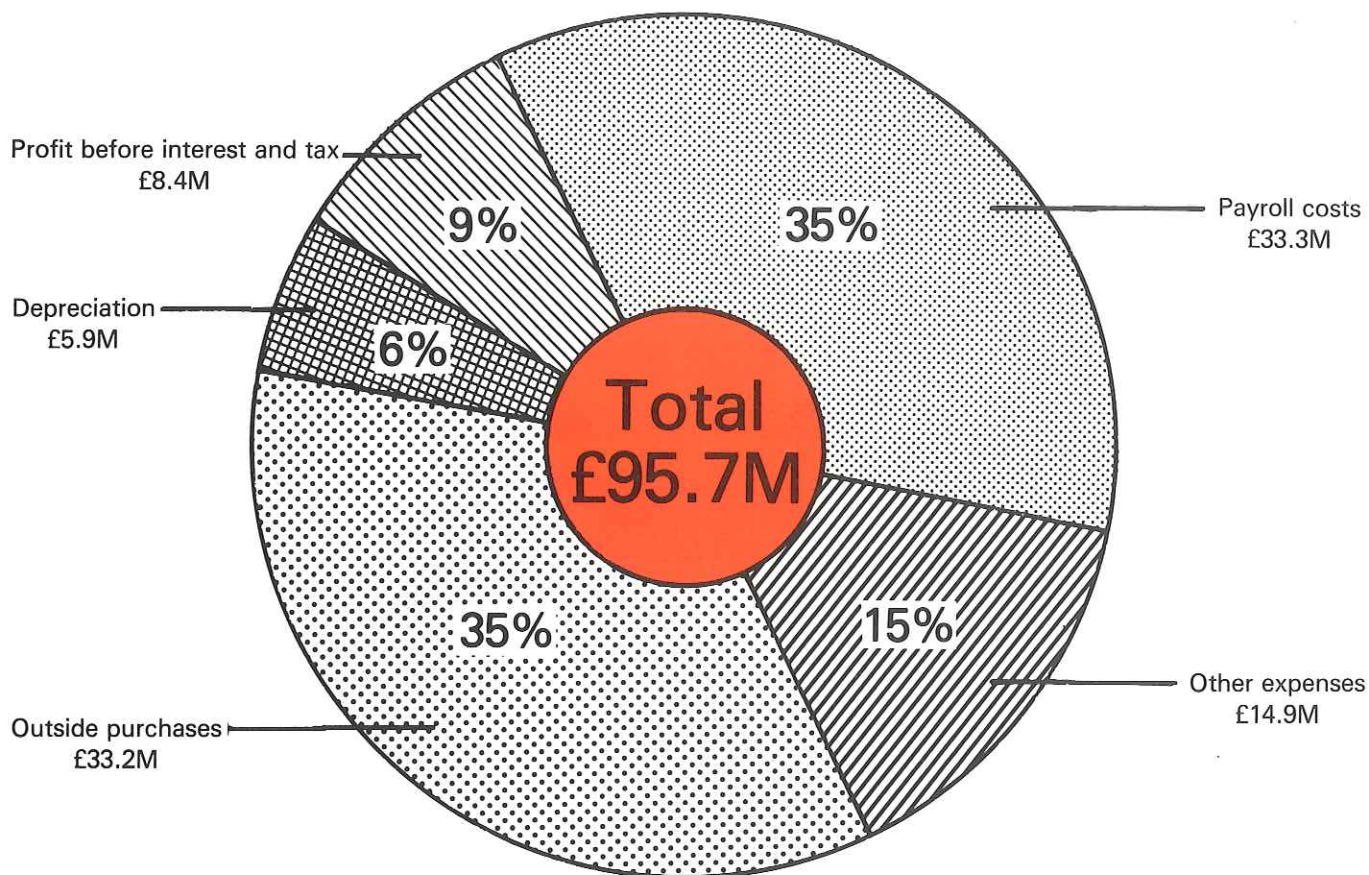
Includes raw materials, bought-out finished components and purchases from sub-contractors.

Other expenses

Includes fuel and power, maintenance, rent and rates.

Depreciation

This is the reduction in the value of our plant and equipment over the year.

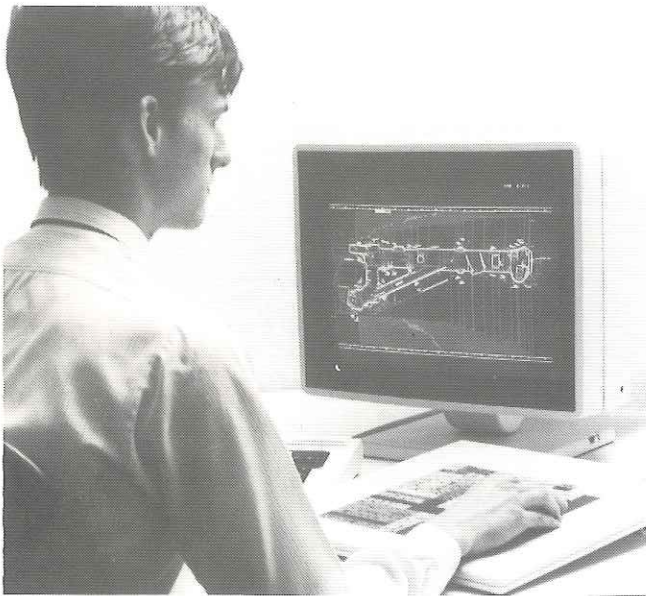


Out of the £8.4 million profit which we made and the £5.9 million put aside for depreciation we have to bear the cost of interest charges, tax, dividends, investment in fixed assets and any increase required in our stock and work-in-progress.

In 1985/86 these costs could not be funded by our profit and depreciation alone and we had to borrow £12.2 million from the Dowty Group to make up the balance. This high level of investment is a reflection of the confidence in the future of the company.

How much did we invest in fixed assets?

Last year we spent a total of £11.7 million on fixed assets. This was a 48% increase on 1984/85 but was less than we forecast because of the lead times for taking delivery of new plant. Tooling and test rigs accounted for £5.4 million and substantial amounts were spent on new machine tools and equipment for our computer aided design facility.

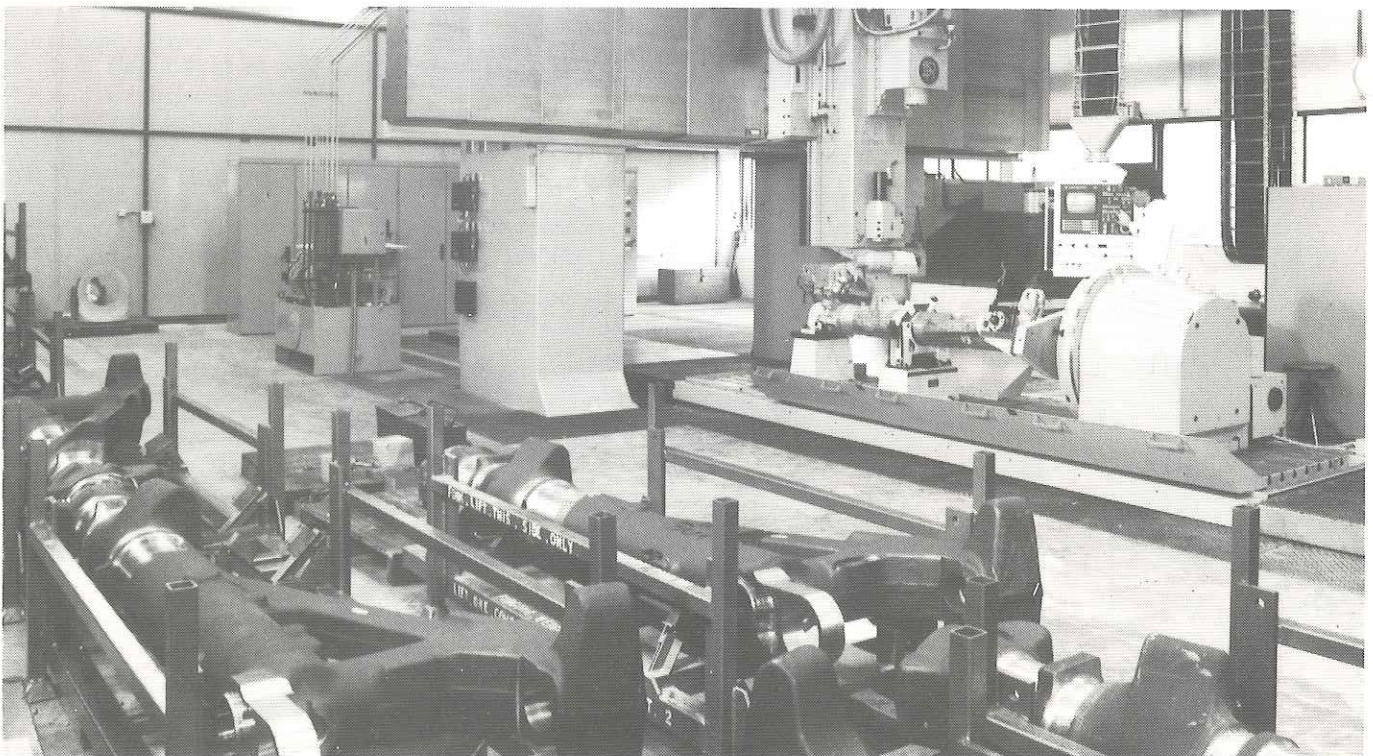


CAD station



New Gildemeister turning machines in No. 1 Machine Shop

In the current financial year (1986/87) we are intending to further increase our spending on fixed assets to £12.5 million which includes £4 million for tooling and test rigs. Out of the remainder, £1.6 million will be initial payments for the extension to No. 2 Machine Shop and new equipment for this area. The total cost of this project is £5.2 million and the balance will be paid for in 1987/88.



A320 Main Fitting in Single-Spindle Seven-Axis Machine Centre