

Engine maker Rolls-Royce logs record loss of £4bn

British engine maker Rolls-Royce slumped into a record £4 billion annual net loss in 2016, ravaged by the Brexit-fuelled collapse in the pound and a corruption fine.



Rolls-Royce

The loss after taxation, equivalent to US\$5 billion or 4.8 billion euros, contrasted with a slender net profit of £84 million in the previous financial year, the company said in a results statement - but stressed it made an underlying profit.

Rolls took a vast £4.4 billion hit from the drop in the value of the pound in the wake of Britain's shock EU exit referendum, alongside a £671 million penalty to settle bribery allegations.

The London-listed company, whose engines are used in Airbus and Boeing aeroplanes, added that underlying pre-tax profits almost halved to £813 million.

On track with efforts to slash costs

Rolls-Royce, which also makes power systems for use on land and at sea, stated it was on track with efforts to slash costs and expected a "modest" performance improvement in 2017.

"2016 has been an important year as we accelerated the transformation of Rolls-Royce," said chief executive Warren East, who has overseen a radical restructuring.

"We have made operational progress and performed ahead of our expectations for the year as a whole. At the same time, we have delivered major changes to our management and processes and, while we have made good progress in our cost-cutting and efficiency programmes, more needs to be done to ensure we drive sustainable margin improvements within the business."

A string of profit warnings

The huge annual loss also follows a tough past few years for Rolls, which faced a string of profit warnings on the back of

weak demand in its aerospace and marine markets.

The company was fined £671 million in January to settle bribery and corruption claims probed by Britain's Serious Fraud Office and authorities in Brazil and the United States.

Rolls will pay the penalty over five years but has taken the full cost as an impairment charge against its 2016 profits.

The pound has fallen by almost a fifth against the dollar since the Brexit referendum that was held on 23 June.

Source: AFP

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