

Becorit (Holdings) Limited
and Subsidiary Undertakings

Directors' report and accounts

31 December 1994

Registered number 2116731



Becorit (Holdings) Limited and Subsidiary Undertakings

Accounts

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Becorit (Holdings) Limited and Subsidiary Undertakings

Directors and advisors

Directors

HD Cone
G Allan

Secretary

J Warren

Registered office

NEI House
Regent Centre
Newcastle upon Tyne
NE3 3SB

Auditors

KPMG
5 Stuart Street
Derby
DE1 2EQ

Becorit (Holdings) Limited and Subsidiary Undertakings

Directors' report

The Directors present their annual report and the audited accounts for the year ended 31 December 1994.

Principal activities and business review

On 4 March 1994 the fixed assets, stocks and business of the Company were sold as a going concern to Long-Airdox/Becorit Limited.

Results for the year

The loss for the year before taxation amounted to £74,000 (1993: loss £2,443,000). The profit and loss account is shown on page 6.

Dividends

The Directors do not recommend the payment of a dividend for the year (1993: *£nil*).

Directors

The Directors of the Company are listed on page 1.

The Directors retiring under the provisions of the Articles of Association are Mr G Allan and Mr HD Cone who, being eligible, offer themselves for re-election.

The only interests of Directors in the shares or debentures of Rolls-Royce plc, the ultimate parent company, requiring disclosure were as follows:

	Holdings		1.1.94	Options		31.12.94
	1.1.94	31.12.94		Granted in 1994	Exercised in 1994	
HD Cone	-	-	141,214	-	-	141,214
G Allan	-	-	1,823	-	-	1,823

There were no contracts of any significance during the year in which any Director had a material interest.

Becorit (Holdings) Limited and Subsidiary Undertakings

Directors' report *(continued)*

Fixed assets

Movements in the tangible fixed assets of the Group are shown in note 10 to the accounts.

Charitable and political donations

The Company made no charitable contributions during the year (1993: £200).

Auditors

On 6 February 1995 our auditors changed the name under which they practice to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board,


J Warren
Secretary

16 February 1995

Becorit (Holdings) Limited and Subsidiary Undertakings

Statement of directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



5 Stuart Street
DERBY
DE1 2EQ

Report of the auditors to the members of Becorit (Holdings) Limited

We have audited the accounts on pages 6 to 23 in accordance with Auditing Standards.

Respective responsibilities of directors and auditors

As described on page 4, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit of those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

16 February 1995



Becorit (Holdings) Limited and Subsidiary Undertakings

Consolidated profit and loss account for the year ended 31 December 1994

	Notes	1994 £000	1993 £000
Turnover	2	1,623	15,584
Cost of sales		(1,349)	(13,196)
Gross profit		274	2,388
Net operating expenses	3	(451)	(2,527)
Exceptional net operating expenses	3	-	(2,185)
Operating loss		(177)	(2,324)
Other interest receivable and similar income		76	4
Interest payable and similar charges	4	(9)	(110)
Profit/(loss) on disposal of fixed assets in discontinued operations		36	(13)
Loss on ordinary activities before taxation	5	(74)	(2,443)
Tax on loss on ordinary activities	8	75	134
Retained profit/(loss) for the financial year		1	(2,309)

All results were from discontinued operations.

The Group has no recognised gains or losses in either the current or preceding years other than those disclosed in the consolidated profit and loss account.

Note of historical cost profits and losses for the year ended 31 December 1994

	1994 £000	1993 £000
Reported loss on ordinary activities before taxation	(74)	(2,443)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	52	261
Historical cost loss on ordinary activities before taxation	(22)	(2,182)
Historical cost profit/(loss) retained after taxation	53	(2,048)

Becorit (Holdings) Limited and Subsidiary Undertakings

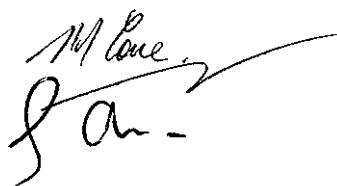
Consolidated balance sheet

at 31 December 1994

	Notes	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		-		1,408
Current assets					
Stocks	12		-		1,286
Debtors	13		89		2,023
Cash at bank and in hand			2,121		355
			<u>2,210</u>		<u>3,664</u>
Creditors: amounts falling due within one year	14		(45)		(1,847)
Net current assets			<u>2,165</u>		<u>1,817</u>
Total assets less current liabilities			<u>2,165</u>		<u>3,225</u>
Creditors: amounts falling due after more than one year	15		-		(583)
Provisions for liabilities and charges	16		-		(478)
Net assets			<u>2,165</u>		<u>2,164</u>
Capital and reserves					
Called up share capital	17		6,822		6,822
Other reserves	18		118		118
Profit and loss account	18		(4,775)		(4,776)
Equity shareholders' funds			<u>2,165</u>		<u>2,164</u>

These accounts were approved by the board of directors on 16 February 1995 and were signed on its behalf by:

HD Cone
G Allan
Directors



Becorit (Holdings) Limited and Subsidiary Undertakings

Balance sheet

at 31 December 1994

	Notes	1994		1993	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		-		1,408
Investments in subsidiaries	11		2,760		2,760
			<u>2,760</u>		<u>4,168</u>
Current assets					
Stocks	12		-		1,286
Debtors	13		89		2,023
Cash at bank and in hand			2,121		355
			<u>2,210</u>		<u>3,664</u>
Creditors: amounts falling due within one year	14		(45)		(1,847)
Net current assets			<u>2,165</u>		<u>1,817</u>
Total assets less current liabilities			<u>4,925</u>		<u>5,985</u>
Creditors: amounts falling due after more than one year	15		(3,296)		(3,879)
Provisions for liabilities and charges	16		-		(478)
Net assets			<u>1,629</u>		<u>1,628</u>
Capital and reserves					
Called up share capital	17		6,822		6,822
Profit and loss account	18		(5,193)		(5,194)
Equity shareholders' funds			<u>1,629</u>		<u>1,628</u>

These accounts were approved by the board of directors on 16 February 1995 and were signed on its behalf by:

HD Cone
G Allan
Directors



Becorit (Holdings) Limited and Subsidiary Undertakings

Consolidated cash flow statement

for the year ended 31 December 1994

	Notes	1994		1993	
		£000	£000	£000	£000
Net cash inflow from operating activities	20		166		1,106
Returns on investments and servicing of finance					
Interest received		76		4	
Interest paid		(40)		(71)	
Interest element of finance lease rental payments		-		(8)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			36		(75)
Taxation					
Corporation tax received/(paid)			222		(66)
Investing activities					
Purchase of tangible fixed assets		(2)		(25)	
Disposal of tangible fixed assets		1,398		99	
Net cash inflow from investing activities			1,396		74
Net cash inflow before financing			1,820		1,039
Financing					
Payments on finance leases	21		54		(15)
Increase in cash and cash equivalents	22, 23		1,766		1,054
			1,820		1,039

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes

(forming part of the accounts)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Consolidation

The consolidated accounts incorporate the accounts of Becorit (Holdings) Limited and all of its subsidiary undertakings for the year ended 31 December 1994.

A separate profit and loss account dealing with the results of the Company itself has not been presented, as permitted by S230 of the Companies Act 1985.

Tangible fixed assets

Fixed assets are included at cost with the exception of freehold land and buildings and some plant and machinery which were revalued on the basis of an open market valuation in 1978 and 1981. Depreciation is calculated so as to write off the valuation of freehold buildings and the cost of other tangible fixed assets by equal instalments over their estimated useful lives as follows:

Freehold buildings	2% - 5% per annum
Plant and machinery	5% - 25% per annum
Fixtures, fittings, tools and equipment	5% - 25% per annum
Motor vehicles	20% per annum

Investments

Investments are valued at cost, or at written down value where in the opinion of the Directors there is a permanent diminution in value of an investment.

Leased assets

Assets acquired by leasing arrangements which give rights approximating to ownership ('finance leases') are capitalised at the amount representing the outright purchase price of such assets and are depreciated in line with assets purchased outright.

The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding.

Expenditure on leases other than finance leases ('operating leases') is charged to the profit and loss account on a straight line basis over the lease period.

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

1 Principal accounting policies (continued)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

For bought raw materials and parts, cost is the purchase cost; for manufactured articles and work in progress, cost is the prime cost of materials and labour with additions for overheads. Deductions are made where appropriate for obsolete and slow moving stock items and provision is made for losses on realisation.

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. All exchange differences arising are dealt with through reserves.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Pension fund

The Company is a member of a Group scheme. This is a defined benefits scheme, for which Northern Engineering Industries (Pension Trustees) Limited are the trustees. Details of the actuarial valuation are in the accounts of Northern Engineering Industries plc.

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

2 Turnover

Turnover represents amounts invoiced by the Group in respect of goods sold during the year, excluding value added tax and trade discounts. The analysis of turnover by geographical area is as follows:

	1994 £000	1993 £000
United Kingdom	1,557	6,913
Rest of Europe	66	451
North America	-	202
Africa	-	37
Asia	-	7,965
South & Central America	-	6
Australasia	-	10
	<u>1,623</u>	<u>15,584</u>

3 Net operating expenses

	1994 £000	1993 £000
Distribution costs	131	1,116
Administrative expenses	320	1,411
Exceptional administrative expenses:		
Rationalisation costs:		
- reorganisation costs	-	536
- redundancy costs	-	722
Write down of assets to net realisable value		
- stock	-	636
- fixed assets	-	291
	<u>-</u>	<u>2,185</u>
	<u>451</u>	<u>4,712</u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

4 Interest payable and similar charges

	1994 £000	1993 £000
On amounts derived from group companies	8	31
On bank loans, overdrafts and other loans repayable within five years	-	71
On finance leases	1	8
	<u>9</u>	<u>110</u>

5 Loss on ordinary activities before taxation

	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting) the following:</i>		
(Profit)/loss on sale of fixed assets	(36)	13
Research and development	1	14
Auditors' remuneration		
- for audit work	3	22
- for non-audit work	1	1
Depreciation	48	222
Hire of other assets - operating leases	-	96
	<u></u>	<u></u>

6 Staff numbers and costs

	Number	Number
<i>The average number of persons employed by the group (including Directors) during the year was as follows:</i>		
Production	13	132
Administration	2	20
Distribution	2	15
	<u>17</u>	<u>167</u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

7 Staff numbers and costs (continued)

	1994 £000	1993 £000
<i>The aggregate payroll costs were:</i>		
Wages and salaries	373	2,009
Social security costs	33	265
Other pension costs	20	136
	<u>426</u>	<u>2,410</u>

7 Directors' emoluments

	£000	£000
Emoluments (including pension contributions)	-	30
	<u>-</u>	<u>30</u>

Excluding pension contributions, the emoluments of the Chairman were £Nil (1993: £Nil) and those of the highest paid Director were £Nil (1993: £26,931).

8 Taxation on loss on ordinary activities

	£000	£000
<i>Taxation based on the loss for the year of the</i>		
<i>Company and its subsidiary undertakings:</i>		
UK Corporation tax charge/(credit) at 33%/13% (1993: 33%)	9	(343)
Group relief unpaid	-	205
Adjustments in respect of prior year	(84)	4
	<u>(75)</u>	<u>(134)</u>
Tax credit for the year	(75)	(134)

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

9 Profit/(loss) for the financial year

	1994 £000	1993 £000
Dealt within the accounts of the Company	1	(2,309)
Retained by subsidiaries	-	-
	<u>1</u>	<u>(2,309)</u>

10 Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery, fixtures & fittings £000	Finance leases assets £000	Total £000
<i>Cost or valuation:</i>				
At 1 January 1994	1,453	2,510	389	4,352
Additions	-	2	-	2
Transfers	-	(12)	-	(12)
Disposals	(1,453)	(2,493)	(389)	(4,335)
At 31 December 1994	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
<i>Depreciation:</i>				
At 1 January 1994	628	2,014	302	2,944
Charge for the year	14	28	6	48
Transfers	-	(6)	-	(6)
Disposals	(642)	(2,029)	(308)	(2,979)
At 31 December 1994	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
<i>Net book value:</i>				
At 31 December 1994	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1993	<u>825</u>	<u>496</u>	<u>87</u>	<u>1,408</u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

11 Investments

Group - Trade Investment	Investment £000
<i>Cost:</i>	
At 1 January and 31 December 1994	1,452
<i>Amounts written off:</i>	
At 1 January and 31 December 1994	1,452
<i>Net book value:</i>	
At 31 December 1993 and 31 December 1994	-

The investment relates to a 15.1 % investment in Becker-Prunte GmbH, a German company which manufactures and sells machines, conveying devices, chains and accessories.

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

11 Investments (continued)

Company - Investments in subsidiaries

	Shares £000	Loans £000	Total £000
<i>Cost:</i>			
At 1 January and 31 December 1994	2,799	1,572	4,371
<i>Amounts written off:</i>			
At 1 January and 31 December 1994	39	1,572	1,611
<i>Net book value:</i>			
At 31 December 1993 and 31 December 1994	2,760	-	2,760

The following are subsidiary companies of Becorit (Holdings) Limited:

Company	Activity
Becorit Limited	Non-trading
Becorit & Herweg Limited	Non-trading
Becorit Hudson Limited	Non-trading
Robert Hudson Ralettrux (Midlands) Limited	Investment Company
Wultex Machine Company Limited	Non-trading
AFC Wultex Limited	Non-trading
Olympus Welding Supplies Limited	Non-trading
Wultex Overseas Investments Limited	Non-trading

All subsidiaries are wholly owned and registered in England and are included in the consolidation. All companies are owned directly by the Company.

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

12 Stocks and work in progress

	Group and Company	
	1994	1993
	£000	£000
Raw materials and consumables	-	1,006
Work in progress	-	834
Finished goods and goods for resale	-	82
	<hr/>	<hr/>
	-	1,922
Write down to net realisable value	-	(636)
	<hr/>	<hr/>
	-	1,286
	<hr/>	<hr/>

13 Debtors

	Group and Company	
	1994	1993
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade debtors	26	1,830
Amounts owed by group undertakings	38	23
Other debtors	4	4
Prepayments and accrued income	7	32
Corporation tax	14	134
	<hr/>	<hr/>
	89	2,023
	<hr/>	<hr/>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

14 Creditors: amounts falling due within one year

	Group and Company	
	1994 £000	1993 £000
Trade creditors	15	1,279
Amounts owed to group undertakings	-	200
Other creditors including taxation and social security	27	185
Obligations under finance leases	-	17
Accruals and deferred income	3	166
	<u>45</u>	<u>1,847</u>
<i>Other creditors including taxation and social security comprises:</i>		
Corporation tax	27	-
Taxation and social security	-	83
Other creditors	-	102
	<u>27</u>	<u>185</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Amounts owed to group undertakings	-	546	3,296	3,842
Obligations under finance leases payable within 5 years	-	37	-	37
	<u>-</u>	<u>583</u>	<u>3,296</u>	<u>3,879</u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

16 Provisions for liabilities and charges

Group and Company	Redundancy provision £000	Warranty provision £000	Total £000
Balance at 1 January 1994	200	278	478
Utilisation	(200)	(278)	(478)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 1994	-	-	-
	<u> </u>	<u> </u>	<u> </u>

The amounts provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:

	1994		1993	
Group and Company	Amount provided £000	Full potential liability £000	Amount provided £000	Full potential liability £000
Accelerated capital allowances	-	-	96	96
Other timing differences	-	-	(96)	(96)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Called up share capital

	1994 £000	1993 £000
<i>Authorised:</i>		
Ordinary shares of £1 each	7,000	7,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	6,822	6,822
	<u> </u>	<u> </u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

18 Reserves

	Other reserves £000	Group Profit and loss account £000	Company Profit and loss account £000
At 1 January 1994	118	(4,776)	(5,194)
Profit for the financial year	-	1	1
	<u>118</u>	<u>(4,775)</u>	<u>(5,193)</u>
At 31 December 1994	118	(4,775)	(5,193)

19 Reconciliation of movements in shareholders' funds

	Group £000	Company £000
At 1 January 1994	2,164	1,628
Profit for the financial year	1	1
	<u>2,165</u>	<u>1,629</u>
At 31 December 1994	2,165	1,629

20 Reconciliation of operating profit to net cash flow from operating activities

	1994 £000	1993 £000
Operating loss	(177)	(2,324)
Depreciation		
- exceptional charge	-	291
- other	48	222
Increase/(decrease) in provisions		
- exceptional redundancy	(200)	200
- other	(278)	103
Decrease in stocks		
- write down to net realisable value	-	636
- other	1,286	3,378
Decrease in debtors	1,814	372
Decrease in creditors	(2,327)	(1,772)
Net cash inflow from operating activities	<u>166</u>	<u>1,106</u>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

21 Analysis of changes in financing during the year

	1994 £000	1993 £000
Finance leases		
Balance at 1 January	54	69
Repayments of capital	(54)	(15)
	<hr/>	<hr/>
Balance at 31 December	-	54
	<hr/>	<hr/>

22 Analysis of changes in cash and cash equivalents during the year

	1994 £000	1993 £000
Balance at 1 January	355	(699)
Net cash inflow	1,766	1,054
	<hr/>	<hr/>
Balance at 31 December	2,121	355
	<hr/>	<hr/>

23 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994 £000	1993 £000	Change in year £000
Cash at bank and in hand	2,121	355	1,766
	<hr/>	<hr/>	<hr/>

24 Commitments

Group and company

There were no capital commitments at 31 December 1994 (1993: £Nil).

At 31 December 1994 the annual commitments under non-cancellable operating leases on contracts which expire within the following periods from the balance sheet date were:

	Group and Company	
	1994 £000	1993 £000
Within one year	-	-
Within two to five years inclusive	-	23
Over five years	-	-
	<hr/>	<hr/>
	-	23
	<hr/>	<hr/>

Becorit (Holdings) Limited and Subsidiary Undertakings

Notes (continued)

25 Contingent liabilities

The Company has contingent liabilities in respect of guarantees and performance bonds which at 31 December 1993 totalled £42,000 (1993: £1,538,000).

26 Contingent gain

The sale and purchase agreement for the sale of the fixed assets, stocks and business of the Company to Long-Airbox/Becorit Limited contained the following clause:

"If by the first anniversary of completion the aggregate amount of redundancy payments paid or payable to any employees made redundant by the purchaser has been less than £200,000 the purchaser shall within 5 business days of that date pay to the vendor an amount equal to the difference".

Although it is probable that some gain will be realised the directors have, as yet, received no indication of the exact amount.

27 Ultimate parent company

The Company's ultimate parent company is Rolls-Royce plc, a company registered in England. A copy of the ultimate parent company's accounts may be obtained from Rolls-Royce plc, 65 Buckingham Gate, London SW1A 6AT.