

COMPANY NUMBER 2116731

BECORIT (HOLDINGS) LIMITED

**Annual Report
for the Year Ended 31 December 1998**

Directors on
3 March 1999 :

G Allan
J Warren

Secretary :

J Warren



Registered Office : Moor Lane, Derby DE24 8BJ

BECORIT (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

The directors present their Annual Report for the year ended 31 December 1998.

DIRECTORS RESPONSIBILITY FOR FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining 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 financial statements comply with the requirements of 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.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was that of a holding company.

RESULTS

The profit for the year before taxation amounted to £205,000 (1997: £177,000). The results for the year are given on page 5 of the financial statements. The directors do not recommend payment of a dividend for the year (1997: Nil).

DIRECTORATE

The directors of the Company during the year were as follows.

G Allan
J Warren

BECORIT (HOLDINGS) LIMITED

DIRECTORS' SHARE INTERESTS

None of the directors, or their immediate family, had any beneficial interest in the shares of the Company during the year.

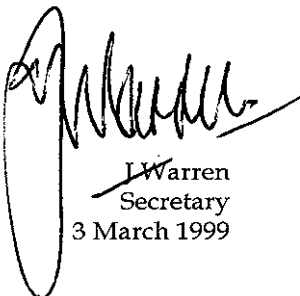
The beneficial interests of directors holding office at 31 December 1998, including immediate family, in the ordinary share capital of Rolls-Royce plc are as follows:

	<u>HOLDINGS</u>		<u>OPTIONS</u>			
	<u>1. 1. 98</u>	<u>31. 12. 98</u>	<u>1. 1. 98</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.98</u>
G Allan	-	-	4,835	-	1,840	2,995
J Warren	-	750	9,905	-	750	9,155

AUDITORS

A resolution to re-appoint the auditors, KPMG Audit Plc, will be proposed at the forthcoming Annual General Meeting to be held on 15 June 1999.

By Order of the Board



J Warren
Secretary
3 March 1999

BECORIT (HOLDINGS) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BECORIT (HOLDINGS) LIMITED

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants,
Registered Auditor

Newcastle upon Tyne
3 March 1999

BECORIT (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	<u>1998</u> £000	<u>1997</u> £000
Net operating expenses	2	(1)	(1)
Operating Loss		(1)	(1)
Other interest receivable and similar income	3	<u>206</u>	<u>178</u>
Profit On Ordinary Activities Before taxation	5	205	177
Taxation on profit on ordinary activities	6	(56)	(33)
Retained Profit For The Financial Year	14	<u>149</u>	<u>144</u>

All results have been derived from continuing activities.

There are no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account above.

The results for the year have been derived on an unmodified historical cost basis.

The notes on pages 9 to 12 form part of these financial statements.

BECORIT (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	<u>1998</u> £000	<u>1997</u> £000
Fixed Assets			
Tangible assets	7	-	-
Current Assets			
Debtors	9	16	17
Cash at bank and in hand	10	2,938	2,781
		<u>2,954</u>	<u>2,798</u>
Creditors: amounts falling due within one year	11	<u>(177)</u>	<u>(170)</u>
Net Current Assets		<u>2,777</u>	<u>2,628</u>
Net Assets		<u>2,777</u>	<u>2,628</u>
Capital And Reserves			
Called up share capital	13	6,822	6,822
Other reserves	14	118	118
Profit and Loss account	14	<u>(4,163)</u>	<u>(4,312)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2,777</u>	<u>2,628</u>

These accounts were approved by the board of directors on 3 March 1999 and were signed on its behalf by:


 G Allan
Director

The notes on pages 9-12 form part of these financial statements.

BECORIT (HOLDINGS) LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	<u>1998</u> £000	<u>1997</u> £000
Fixed Assets			
Tangible assets	7	-	-
Investments	8	2,760	2,760
		<hr/>	<hr/>
		2,760	2,760
Current Assets			
Debtors	9	16	17
Cash at Bank and in hand	10	2,938	2,781
		<hr/>	<hr/>
		2,954	2,798
Creditors - amounts falling due within one year	11	(177)	(170)
		<hr/>	<hr/>
Net Current Assets		2,777	2,628
		<hr/>	<hr/>
Total Assets Less Current Liabilities		5,537	5,388
Creditors : amounts falling due after more than a year	12	(3,296)	(3,296)
		<hr/>	<hr/>
Net Assets		2,241	2,092
		<hr/> <hr/>	<hr/> <hr/>
Capital And Reserves			
Called up share capital	13	6,822	6,822
Profit and Loss	14	(4,581)	(4,730)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		2,241	2,092
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of Directors on 3 March 1999, and are signed on its behalf by :


 G Allan
 Director

The notes on pages 9 to 12 form part of these financial statements.

BECORIT (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	<u>1998</u> £000	<u>1997</u> £000
Net Cash Outflow From Operating Activities	16	(2)	(4)
Net Cash Inflow From Returns On Investments And Servicing Of Finance			
Interest received		206	178
Interest paid		-	-
		<u>206</u>	<u>178</u>
Taxation			
Corporate tax paid		(47)	-
Net cash inflow from investing activities			
Other cash inflows from investing activities		<u>-</u>	<u>-</u>
Increase in cash		<u>157</u>	<u>174</u>
Reconciliation of increase in Movement in Net Funds			
Increase in cash		157	174
Cash at bank at 1st January		<u>2,781</u>	<u>2,607</u>
Cash at bank at 31st December		<u>2,938</u>	<u>2,781</u>

The notes on pages 9 to 12 form part of these financial statements.

BECORIT (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 1998**

1. Principal Accounting Policies

a) Basis of accounting

The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

b) Consolidation

The consolidated financial statements incorporate the accounts of Becorit (Holdings) Limited and all of its subsidiary undertakings for the year ended 31 December 1998. The Company is exempt from preparing a separate profit & loss account in accordance with S230 of Companies Act 1985.

c) Tangible Fixed Assets

Fixed assets are included at cost. Depreciation is calculated so as to write off the tangible fixed assets by equal instalments over their estimated useful lives as follows:

Plant and Machinery	5% - 25% per annum
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d) 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.

e) Related Party Transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with the Rolls-Royce group and its associates on the grounds that it is a 90% owned subsidiary undertaking.

f) 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.

2 Net Operating Expenses

	<u>1998</u>	<u>1997</u>
	£000	£000

Administrative expenses	<u>1</u>	<u>1</u>
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3 Other Interest Receivable And Similar Income

Bank Interest	206	178
Other income	-	-
	<u>206</u>	<u>178</u>

4 Directors' Emoluments

No emoluments were paid to the directors by the company in respect of their services.

BECORIT (HOLDINGS) LIMITED

	<u>1998</u> £000	<u>1997</u> £000
5	<u>Profit On Ordinary Activities Before Taxation</u>	
	Profit on ordinary activities before taxation is stated after charging auditors' remuneration :	
	<u>1</u>	<u>1</u>
6	<u>Taxation On Profit On Ordinary Activities</u>	
	<i>Taxation based on the profit for the year of the company and its subsidiary undertakings:</i>	
	UK Corporation tax charge at 31% (1997; 31.5%)	(64) (56)
	Adjustments in respect of prior year	8 23
	Tax (charge)/credit for the year	<u>(56) (33)</u>
7	<u>Tangible Fixed Assets</u>	
		<u>Plant and Machinery</u>
	<i>Group & Company</i>	£000
	<i>Cost</i>	
	At 31 December 1997 and 31 December 1998	<u>7</u>
	<i>Depreciation:</i>	
	At 31 December 1997 and 31 December 1998	<u>7</u>
	<i>Net book value:</i>	
	At 31 December 1997 and 31 December 1998	<u>-</u>
8	<u>Investments</u>	
	<i>Company</i>	
	Shares in Group Undertakings	
		Shares Total
		£000 £000
	<i>Cost:</i>	
	At 31 December 1997 and 31 December 1998	<u>2,760 2,760</u>
	<i>Amounts written off:</i>	
	At 31 December 1997 and 31 December 1998	- -
	<i>Net book value:</i>	
	At 31 December 1997 and 31 December 1998	<u>2,760 2,760</u>

The following are dormant subsidiary undertakings of Becorit (Holdings) Limited:

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

All subsidiaries are wholly owned and registered in England and Wales and are included in the consolidation.

BECORIT (HOLDINGS) LIMITED

9	<u>Debtors- Amounts falling due within one year</u>	<u>1998</u> £000	<u>1997</u> £000
	<i>Group & Company</i>		
	Due from parent company	16	17
		<hr/>	<hr/>
10	<u>Cash At Bank And In Hand</u>		
	<i>Group and Company</i>		
	Amount due from ultimate parent company	<u>2,938</u>	<u>2,781</u>
11	<u>Creditors-Amounts falling due within one year</u>		
	<i>Group and Company</i>		
	Corporation tax - Group relief	168	160
	Other creditors	<u>9</u>	<u>10</u>
		<u>177</u>	<u>170</u>
12	<u>Creditors-Amounts falling due after one year:</u>		
	<i>Company</i>		
	Amounts owed to group undertakings	<u>3,296</u>	<u>3,296</u>
13	<u>Share Capital</u>	<u>1998</u> £000	<u>1997</u> £000
	<i>Ordinary shares of £1 each:</i>		
	Authorised	<u>7,000</u>	<u>7,000</u>
	Issued and fully paid	<u>6,822</u>	<u>6,822</u>
14	<u>Reserves</u>	Group Other Reserves £000	Group Profit And loss Account £000
			Company Profit and Loss Account £000
	At 1 January 1998	118	(4,312)
	Profit for the financial year	-	149
		<hr/>	<hr/>
	At 31 December 1998	<u>118</u>	<u>(4,163)</u>
15	<u>Reconciliation Of Movement In Shareholders' Funds</u>	Group	Company
		<u>1998</u> £000	<u>1997</u> £000
			<u>1998</u> £000
			<u>1997</u> £000
	At 1 January	2,628	2,484
	Profit for the financial year	149	144
		<hr/>	<hr/>
	At 31 December	<u>2,777</u>	<u>2,241</u>
		<hr/>	<hr/>

BECORIT (HOLDINGS) LIMITED

16 Reconciliation Of Operating Loss
To Net Cash Flow From Operating Activities

	<u>1998</u> £000	<u>1997</u> £000
Operating loss	(1)	(1)
Increase in debtors	1	(3)
Decrease in creditors	(2)	-
Net cash outflow from operating activities	<u>(2)</u>	<u>(4)</u>

17 Provisions for Liabilities and Chargers

No potential deferred taxation liability existed at 31 December 1998 or 31 December 1997.

18. Ultimate Parent Company

The Company's ultimate parent company is Rolls-Royce plc, registered in England and Wales. Copies of Rolls-Royce plc's accounts are available from Rolls-Royce plc, PO Box 31, Moor Lane, Derby, DE24 8BJ.