

COMPANY NUMBER 39045

NEI CLARKE CHAPMAN LIMITED

Annual Report
for the year ended 31 December 1998

Directors on
3 March 1999 :

G Allan
J Warren

Secretary :

D Goma



Registered Office : Moor Lane, Derby DE24 8BJ

NEI CLARKE CHAPMAN LIMITED

REPORT OF THE DIRECTORS

The directors present their Report and audited Financial Statements 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 results 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 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 financial statements 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.

ACTIVITY

The principal activity of the Company is to act as a holding company.

DIRECTORATE

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

G Allan
J Warren

DIRECTORS' SHARE INTERESTS

None of 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 :

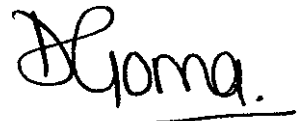
	HOLDINGS		OPTIONS			
	<u>1.1.98</u>	<u>31.12.98</u>	<u>1.1.98</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.98</u>
G Allan	-	-	4,835	-	1,840	2,995
J Warren	-	750	9,905	-	750	9,155

NEI CLARKE CHAPMAN LIMITED

AUDITORS AND ANNUAL GENERAL MEETING

Elective Resolutions are in force to dispense with the obligations of laying the Annual Report before the Company in general meeting, appointing auditors annually and holding Annual General Meetings.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'D Goma', with a horizontal line underneath the name.

D Goma
Secretary
3 March 1999

NEI CLARKE CHAPMAN LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
NEI CLARKE CHAPMAN LIMITED

We have audited the financial statements on pages 5 to 8.

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

NEI CLARKE CHAPMAN LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998


	<u>note</u>	<u>1998</u> <u>(£'000)</u>	<u>1997</u> <u>(£'000)</u>
Profit on Liquidation of subsidiary	7	-	69
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	69
Taxation and profit on ordinary activities		-	-
		<hr/>	<hr/>
Retained profit for the financial year		-	69
		<hr/>	<hr/>

NEI CLARKE CHAPMAN LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	<u>note</u>	<u>1998</u> (£'000)	<u>1997</u> (£'000)
Fixed Assets			
Investments	2	161	161
Current Assets			
Debtors - amounts falling due within one year	4	22,061	22,061
Net Current Assets		<u>22,061</u>	<u>22,061</u>
Total Assets Less Current Liabilities		<u>22,222</u>	<u>22,222</u>
Creditors - Amounts due after more than one year	5	(163)	(163)
Net Assets		<u>22,059</u>	<u>22,059</u>
Capital And Reserves			
Called up share capital	6	8,619	8,619
Share Premium Account		12,074	12,074
Profit and Loss Account	7	1,366	1,366
Total Shareholders' Funds		<u>22,059</u>	<u>22,059</u>
<i>Analysed as:</i>			
<i>Equity Shareholders' Funds</i>		21,457	21,457
<i>Non Equity Shareholder's Funds</i>		602	602
		<u>22,059</u>	<u>22,059</u>

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


 G Allan
Director

The notes on pages 7 & 8 form part of these financial statements.

NEI CLARKE CHAPMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

a) Basis of Accounting

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

b) Cash flow statements

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly-owned subsidiary undertaking.

c) 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 wholly owned subsidiary undertaking.

2. Fixed Asset Investments

	Shares in subsidiary undertakings £'000	Other unlisted investments other than loans £'000	Total £'000
At 1 st January 1998 and 31 st December 1998	-	161	161
	<u> </u>	<u> </u>	<u> </u>

3. Directors' Remuneration

None of the directors received any separate remuneration from the Company in respect of their services to the Company.

4. Debtors

	<u>1998</u> (£'000)	<u>1997</u> (£'000)
Amounts owed by parent company :	<u>22,061</u>	<u>22,061</u>

5. Creditors - Amounts falling due after more than one year

Other unsecured loan :	<u>163</u>	<u>163</u>
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6. Share Capital

Authorised At 1 January & 31 December 1998

Ordinary Shares of 25p each	10,000,000
7.25% Cumulative preference share of £1 each	<u>620,000</u>
	<u>10,620,000</u>

NEI CLARKE CHAPMAN LIMITED

6. continued...

Issued and Fully Paid At 1 January & 31 December 1998

Ordinary shares of 25p each	8,016,849
7.25% Cumulative preference share of £1 each	<u>601,975</u>
	<u>8,618,824</u>

Under a scheme of arrangement which became effective on 20th September 1997 the dividends on the preference shares will be no longer paid.

7. <u>Profit and loss Account</u>	1998	1997
	£'000	£'000
At 1 st January 1998	1,366	1,297
Retained profit for the year	<u>-</u>	<u>69</u>
At 31 st December 1998	<u>1,366</u>	<u>1,366</u>

8. <u>Reconciliation of Movements in Shareholders Funds</u>	1998	1997
	£000	£000
Retained profit for the year	-	69
Opening shareholders' funds	<u>21,990</u>	<u>21,990</u>
Closing shareholders' funds	<u>21,990</u>	<u>22,059</u>

9. <u>Subsidiary Undertakings</u>				
<u>Subsidiary Undertakings</u>	<u>Activities</u>	<u>Incorporation</u>	<u>Issued Share Capital</u>	<u>% Held</u>
John Thompson (Design & Contracting Division) Ltd	Dormant	England & Wales	£1 Ord. Shares	100
			£1 'A' Pref Shares	100
			£1 'B' Pref Shares	100

10. Ultimate Parent Company

The Company's ultimate parent company is Rolls-Royce plc which is incorporated in Great Britain and registered in England and Wales. Copies of the annual report of Rolls-Royce plc can be obtained from Rolls-Royce plc, PO Box 31, Moor Lane, Derby DE24 8BJ.