

Company Registration No. 617031

BAJ COATINGS LIMITED

Report and Financial Statements

31 December 1998



REPORT AND FINANCIAL STATEMENTS 1998

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BAJ COATINGS LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of BAJ Coatings Limited will be held at Farris House, Cowgrove, Wimborne, Dorset at 5.00 p.m. on 14 September 1999 to transact the following business:

1. To receive and approve the report of the directors and the audited financial statements for the year ended 31 December 1998.
2. To re-elect Mr D H Clark a director of the company.
3. To reappoint Messrs Deloitte & Touche as auditors of the company and to authorise the directors to fix the auditors' remuneration.
4. To transact the other business of an Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'D H Clark', written in a cursive style.

D H Clark
Secretary

OFFICERS AND COMPANY INFORMATION

DIRECTORS

D H Clark
P E Green

SECRETARY

D H Clark

REGISTERED OFFICE

Farrs House
Cowgrove
Wimborne
Dorset
BH21 4EL

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of BAJ Coatings Limited was the development, manufacture and sale of surface coatings.

On 21 September 1995 the business and assets of BAJ Coatings Limited were sold to Praxair Surface Technologies Limited for the aggregate of £1,410,000 and US \$3,400,000 paid in cash subject to adjustment by reference to the value of the assets at completion. In addition deferred consideration is payable over the subsequent five years on the basis of 10% of sales of the business' electrodeposition coatings process.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Details of the company's performance are given in the profit and loss account on page 7 and the notes on page 9. The position of the company at the end of the year is set out in the balance sheet on page 8 and the notes on pages 10 to 11.

The directors anticipate that the company's activities will be unchanged until September 2000 at which point the future of the company will be considered.

DIVIDENDS

The directors do not recommend the payment of a dividend (1997: £5,373,000).

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year:

D H Clark
P E Green

D H Clark retires by rotation and, being eligible, offers himself for re-election.

The directors held no interest in the shares of the company at 1 January 1998 and 31 December 1998.

Their interests in the shares of the holding company, Meggitt PLC, were as follows:

Meggitt PLC Ordinary 5 pence shares

	Ordinary share options (i)		Ordinary share options (ii)		Ordinary share options (iii)		Ordinary share options (iv)		Ordinary shares fully paid	
	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98
D H Clark	5,000	10,311	19,917	14,670	45,083	30,330	9,729	7,274	17,841	17,753
P E Green	-	30,000	18,963	6,846	212,982	179,194	7,253	4,798	13,380	1,748

- (i) Options granted under the terms of the Meggitt PLC 1984 Share Option Scheme.
- (ii) Options granted under the terms of the Meggitt 1996 No 1 Executive Share Option Scheme.
- (iii) Options granted under the terms of the Meggitt 1996 No 2 Executive Share Option Scheme.
- (iv) Options granted under the terms of the Meggitt PLC Savings Related Share Option Schemes.

In addition, directors' interests in share schemes, the shares for which are held in the Meggitt Employees Share Ownership Trust, were as follows:

<u>Restricted Share Scheme</u>	<u>Date of Award</u>	<u>Number of Shares</u>
P E Green	29.4.96	15,435
<u>Equity Participation Scheme</u>	<u>Date of Allocation</u>	<u>Number of Shares</u>
P E Green	27.3.97	19,917
	20.4.98	22,888

Further details of the Meggitt PLC Share Schemes are given in the accounts of that company.

DIRECTORS' REPORT


YEAR 2000

The directors consider that the advent of the Year 2000 will have no impact on the company.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and
signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'D H Clark', with a stylized, cursive-like flourish at the end.

D H Clark
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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; and
- prepare the financial statements on the 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BAJ COATINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 11 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5, 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.

DeLoitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

10 September 1999

BAJ COATINGS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Operating expenses		-	(4)
OPERATING LOSS - discontinued operations	2	-	(4)
Profit on sale of discontinued operations		-	101
Interest receivable – group interest	3	47	48
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		47	145
Tax on profit on ordinary activities	5	(15)	(52)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		32	93
Proposed dividend	6	-	(5,373)
Retained profit/(loss) for the financial year		32	(5,280)
Profit and loss account brought forward		-	5,280
Profit and loss account carried forward		32	-

The company has no recognised gains and losses other than the profit for the financial year and the preceding financial year. Accordingly no statement of total recognised gains and losses has been prepared. There have been no movements in shareholders' funds other than the retained profit for the financial year and the retained loss for the preceding financial year, and accordingly no reconciliation of movements in shareholders' funds is included in these financial statements.

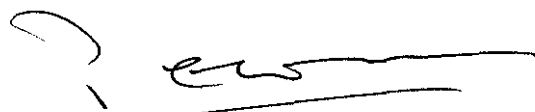
BAJ COATINGS LIMITED

BALANCE SHEET
31 December 1998

	Note	1998 £'000	1997 £'000
CURRENT ASSETS			
Debtors	7	6,198	6,341
CREDITORS: amounts falling due within one year	8	(3,916)	(4,091)
NET CURRENT ASSETS		<u>2,282</u>	<u>2,250</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,282</u>	<u>2,250</u>
CAPITAL AND RESERVES			
Called up share capital	9	2,250	2,250
Profit and loss account		32	-
TOTAL SHAREHOLDERS' FUNDS		<u>2,282</u>	<u>2,250</u>
Shareholders' funds are attributable to:			
Equity shareholders		1,032	1,000
Non-equity shareholders		1,250	1,250
		<u>2,282</u>	<u>2,250</u>

These financial statements were approved by the Board of Directors on 9 April 1999.

Signed on behalf of the Board of Directors



P E Green
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting Convention

The financial statements have been prepared under the historical cost convention.

2. OPERATING PROFIT

Operating profit is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration	-	-

Audit fees are borne by another group company.

3. PROFIT ON SALE OF DISCONTINUED OPERATIONS

	1998 £'000	1997 £'000
Sale of Coatings business to Praxair Surface Technologies Ltd	-	101

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company paid no directors' emoluments during the financial year. All of the directors are employees of Meggitt PLC and are remunerated by that company for their services to the group as a whole. It is not practicable to apportion their remuneration between the individual companies of which they are directors.

The company had no employees during the year.

Both of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (1997 - none).

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
Corporation tax at 31% (1997: 31.5%) based on the profit for the year	15	52

6. DIVIDENDS - EQUITY

	1998 £'000	1997 £'000
Final proposed - Nil (1997: £5.373 per ordinary share)	-	5,373

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

7. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	-	7
Amounts owed by group companies	5,419	5,135
Prepayments and accrued income	779	1,199
	<u>6,198</u>	<u>6,341</u>

The bank account of BAJ Coatings Limited is in the name of Meggitt PLC - re BAJ Coatings Limited. The legal title to this account rests with Meggitt PLC and thus rather than show a cash or overdraft balance at the year end it is shown as an inter company trading balance.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Trade creditors	-	21
Amount owed to fellow subsidiaries	3,901	3,901
Corporation tax	15	52
Accruals and deferred income	-	117
	<u>3,916</u>	<u>4,091</u>

9. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised		
1,250,005 deferred shares of £1 each	1,250	1,250
1,000,100 ordinary shares of £1 each	1,000	1,000
	<u>2,250</u>	<u>2,250</u>
Called up, allotted and fully paid		
1,250,005 deferred shares of £1 each	1,250	1,250
1,000,100 ordinary shares of £1 each	1,000	1,000
	<u>2,250</u>	<u>2,250</u>

Rights attached to shares

The deferred shares have the following rights:

- no right to receive dividends;
- on liquidation the holders of the deferred shares receive an amount not exceeding the paid up amount after payment to the holders of the ordinary shares of £20,000 per share; and
- no right to vote at any general meeting of the company.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

10. CASH FLOW STATEMENT

As a wholly owned subsidiary of a UK registered company, BAJ Coatings Limited has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Meggitt PLC group accounts.

11. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Meggitt PLC, a company incorporated in the United Kingdom and registered in England and Wales. Copies of the group accounts may be obtained from Meggitt PLC, Farris House, Cowgrove, Wimborne, Dorset, BH21 4EL.

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.