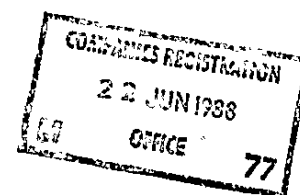


SAC CONSULTANTS LIMITED
DIRECTORS REPORT AND ACCOUNTS
YEAR ENDED 31 AUGUST 1987



SAC CONSULTANTS LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 31 August 1987.

BUSINESS REVIEW

The principal activities of the Company consist of the provision of an engineering design service to aerospace, defence and electronics industries overseas.

Overseas sales are now being undertaken by this company in conjunction with fellow subsidiaries of SAC International plc.

A geographical analysis of turnover is given in note 2 to the accounts.

RESULTS AND DIVIDENDS

The results for the period are shown on page 5 of the financial statements.

The Directors propose to pay a dividend of £200,000 at £222.22 per share. The balance remaining of £182,000 will be transferred to Reserves.

RESEARCH AND DEVELOPMENT

No research and development programmes were undertaken by the company.

TAX STATUS

In the opinion of the Directors, the close Company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

DIRECTORS

The Directors who served during the period were:-

- R W Smedley	-	Resigned 4 April 1988
- W T Neen		
- T P Brennan		
- P H Wells	-	Resigned 2 February 1988
- J H Williams		
- C Plotkin	-	Appointed 23 October 1986
		Resigned 16 February 1988
- N A P Westlake	-	Appointed 2 February 1988

The Directors had no direct or family interest in the shares of the Company nor rights to acquire its shares.

The Directors' interests in the share capital of the ultimate holding company are as disclosed in the accounts of that company.

EMPLOYEES

The average number of employees of the company during the year was 110.

The contribution made by all our employees is recognised by the Board and the Directors express their gratitude to our staff at all levels for their loyalty and support during the year.

The maintenance of a highly qualified technical work-force is a key to the future of the business. The Company has maintained an excellent record of industrial relations.

The Company policy toward the employment of disabled persons is as follows:-

- 1 The Company does not exclude disabled persons from employment. The Company is fully aware of the obligation imposed by the Disabled Persons (Employment) Act, and makes regular applications to the Manpower Services Commission, Employment Services Division on Form DP39.
- 2 Persons who become disabled whilst in the Company's employment, are encouraged to continue in that employment and suitable re-training is given wherever possible.
- 3 The Company encourages and operates training, career, development and promotion prospects for disabled people.

Action has been taken during the financial year to introduce, retain or develop arrangements aimed at providing employees, on a regular basis, with information on matters of concern to them as employees.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



J A Heaman
Secretary

12 April 1988

REPORT OF THE AUDITORS
TO THE MEMBERS
OF SAC CONSULTANTS LIMITED

We have audited the financial statements on pages 5 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 August 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read "Price Waterhouse", with a large, stylized initial "P" and a horizontal line extending to the right.

PRICE WATERHOUSE
Chartered Accountants
Bristol

12 April 1988

SAC CONSULTANTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 AUGUST 1987

	<u>NOTE</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
<u>TURNOVER</u>	2	8,782	5,017
Cost of sales		<u>(6,640)</u>	<u>(3,914)</u>
<u>GROSS PROFIT</u>		2,142	1,103
Administration costs		(1,456)	(981)
Interest payable	3	(130)	(1)
Income from shares in group companies		124	51
Revaluation of investment in subsidiary companies	8	<u>(80)</u>	<u>103</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	5	600	275
Taxation on profit on ordinary activities	6	<u>(218)</u>	<u>(58)</u>
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		382	217
Proposed dividend		<u>(200)</u>	<u>(100)</u>
<u>PROFIT FOR THE FINANCIAL YEAR</u>	12	<u>182</u>	<u>117</u>

Note 12 to the accounts details the movements on reserves for the financial year.

The notes on pages 8 to 14 form part of these accounts.

SAC CONSULTANTS LIMITED

BALANCE SHEET AS AT 31 AUGUST 1987

	NOTE	f'000	31 August 1987 f'000	31 August 1986 f'000
<u>FIXED ASSETS</u>				
Tangible assets	7		45	5
Investments	8		511	591
			-----	-----
			556	596
<u>CURRENT ASSETS</u>				
Debtors	9	2,493		995
Cash and Bank Balances		472		202
			-----	-----
		2,965		1,197
<u>CREDITORS</u>				
Amounts falling due within one year	10	(3,265)		(1,669)
<u>NET CURRENT LIABILITIES</u>			(300)	(472)
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			256	124
			=====	=====
<u>CAPITAL AND RESERVES</u>				
Called up Share Capital	11		1	1
Revenue Reserves	12		255	123
			-----	-----
SHAREHOLDERS FUNDS			256	124
			=====	=====

The notes on pages 8 to 14 form part of these accounts.
These accounts were approved by the Board of Directors on 12 April 1988.

J H Williams - Director

W T Neen - Director

R.W. L. L. L.
[Signature]

SAC CONSULTANTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR TO 31 AUGUST 1987

	1987		1986	
	----- £'000	----- £'000	----- £'000	----- £'000
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities before taxation		600		275
Adjustment for items not involving the movement of funds				
Depreciation and profit/(loss) on disposal of fixed assets		7		1
Revaluation of investments in subsidiary companies		80		(103)
Exchange rate movements		(50)		-
		-----		-----
<u>TOTAL GENERATED FROM OPERATIONS</u>		637		173
<u>APPLICATION OF FUNDS</u>				
Purchase of investments in subsidiary companies		-		(488)
Purchase of fixed assets		(47)		(6)
		-----		-----
		590		(321)
<u>DECREASE/(INCREASE) IN WORKING CAPITAL</u>				
Debtors	(1,498)		(988)	
Creditors	1,018		1,511	
	-----		-----	
		(480)		523
		-----		-----
		110		202
		=====		=====
<u>MOVEMENT IN NET LIQUID FUNDS</u>				
Cash and bank	270		202	
Bank overdraft	(160)		-	
	-----		-----	
		110		202
		=====		=====

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987

1 ACCOUNTING POLICIES

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

(a) Basis of Accounting

Investments in subsidiary companies have been revalued to the amount of the net assets of the companies concerned. All other items are stated in the accounts under the historical cost accounting convention.

(b) Subsidiaries

Details of subsidiaries are given in note 8 to the Accounts.

Consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of another company incorporated in the United Kingdom.

(c) Depreciation

Depreciation is provided to write off the valuation of tangible fixed assets over their estimated useful lives as follows:-

Fixtures fittings and equipment	- at 25% pa on the reducing balance
Plant and machinery	- at 25% pa on the reducing balance

(d) Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All profits and losses are taken to the profit and loss account.

Loans denominated in foreign currency to overseas subsidiaries are translated into sterling at the rate of exchange ruling at the balance sheet date. The profits and losses on such loans are shown as a movement on reserves.

(c) 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.

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

2 TURNOVER

Turnover represents the amount of goods sold and services provided net of Value Added Tax.

Turnover by geographical area:

	<u>1987</u> £'000	<u>1986</u> £'000
United Kingdom	-	56
Europe	8,534	4,523
North America	248	438
	-----	-----
	<u>8,782</u>	<u>5,017</u>

3 INTEREST PAYABLE

	<u>1987</u> £'000	<u>1986</u> £'000
Interest payable on loans repayable within five years - Group companies	(120)	(1)
Other	(10)	-
	-----	-----
	<u>(130)</u>	<u>(1)</u>

4 STAFF COSTS

	<u>1987</u> £'000	<u>1986</u> £'000
Staff costs charged to the profit and loss account are as follows:-		
Wages and salaries	2,196	869
Social Security costs	187	89
Other pension costs	8	7
	-----	-----
	<u>2,391</u>	<u>965</u>

The average number of persons employed by the Company during the period was as follows:-

	<u>1987</u>	<u>1986</u>
Management & Administration	11	11
Production	99	92
	-----	-----
	<u>110</u>	<u>103</u>

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(i) This is shown after charging/(crediting):-

	<u>1987</u> £'000	<u>1986</u> £'000
Directors' emoluments	34	30
Auditors' remuneration	2	2
Depreciation	7	1
Other Income and commissions	(72)	(98)
	<u> </u>	<u> </u>

(ii) Emoluments of directors and senior employees

Excluding pension contributions, the emoluments of the highest paid director, were £33,743 (1986 - £30,000); the Chairman and the other directors received no emoluments (1986-Nil)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1987</u> £'000	<u>1986</u> £'000
United Kingdom corporation tax at 35% (1986-38%)	287	58
less: Double tax relief	(87)	-
	<u>200</u>	<u>58</u>
Overseas taxation payable by subsidiaries	23	-
less: Prior year adjustment	(5)	-
	<u>218</u>	<u>58</u>

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

7 TANGIBLE FIXED ASSETS

	Fixtures Fittings & Equipment	Plant & Machinery	Total
	----- £'000	----- £'000	----- £'000
<u>COST OR</u> <u>VALUATION</u>			
At 31 August 1986	6	-	6
Additions at cost	20	4	24
Transfers	12	16	28
	-----	-----	-----
At 31 August 1987	38	20	58

	Fixtures Fittings & Equipment	Plant & Machinery	Total
	----- £'000	----- £'000	----- £'000
<u>DEPRECIATION</u>			
At 31 August 1986	1	-	1
Depreciation during year	6	1	7
Transfers	-	5	5
	-----	-----	-----
At 31 August 1987	7	6	13
	-----	-----	-----
Net Book Value at 31 August 1987	31	14	45
	-----	-----	-----
Net Book Value at 31 August 1986	5	-	5
	-----	-----	-----

The transfers were from fellow subsidiaries of SAC International plc.

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

8 INVESTMENTS

<u>Name of Company</u> <u>& Nominal value</u> <u>of holding</u>	<u>Registered in</u>	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
<u>Wholly owned</u> <u>subsidiary companies</u>			
SAC Technical Services Inc	USA	(270)	(36)
250,000 Ordinary \$1 shares			
SAC Technology Services Ltd	Canada	14	14
20,000 Ordinary \$1 shares			
SAC Consultants GmbH	Germany	78	117
20,000 DM 1 Ordinary shares			
SAC Consultants AG	Switzerland	621	443
50 SF 1000 Ordinary shares			
SAC Technologie BV	Holland	53	53
100 DF 1000 Ordinary shares			
Technical Marketing Services	Guernsey	15	-
2,000 Ordinary £1 Shares			
		-----	-----
		511	591
		=====	=====

In the opinion of the directors the value of the investment in the subsidiaries is not less than the aggregate amount shown in the balance sheet.

9 DEBTORS

	<u>1987</u> <u>£'000</u>	<u>1986</u> <u>£'000</u>
Trade debtors	1,189	615
Amounts owed by group companies	1,304	380
	-----	-----
	2,493	995
	=====	=====

All of these amounts are due within one year of the balance sheet date.

SAG CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

10 CREDITORS

	<u>1987</u> £'000	<u>1986</u> £'000
Bank overdraft	160	-
Accruals	103	11
UK corporation tax	276	58
Amounts owed to group companies	2,726	1,583
Other creditors	-	17
	<u>3,265</u>	<u>1,669</u>

The bank overdraft is unsecured.

11 SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted and fully paid</u>	
		<u>1987</u>	<u>1986</u>
	£'000	£'000	£'000
900 Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>

12 RESERVES

	<u>Revenue</u> £'000
Balance at 31 August 1986	123
Profit for the year	182
Exchange rate movements	(50)
	<u>255</u>

13 CAPITAL COMMITMENTS

At 31 August 1987 there were no capital commitments contracted but not provided for in the accounts (1986-£Nil).

Capital expenditure authorised but not committed amounted to £Nil (1986-£Nil).

14 PENSIONS

The Company operates non-contributory pension schemes for Directors and Senior Employees. The scheme funds are administered by Trustees and are independent of the Company's finances. Contributions are paid to the schemes in accordance with recommendations of independent actuaries and are charged against profits in the year in which they are made.

SAC CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 AUGUST 1987
(CONTINUED)

15 CONTINGENT LIABILITIES

The company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £1,094,360 at 31 August 1987 (1986 £1,427,000).

16 HOLDING COMPANY

The ultimate holding company is SAC International plc, a company incorporated in England.