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COMPANIES FORM No. 155(6)a

Declaration in relation to  
assistance for the acquisition  
of shares

155(6)a

CHFP025

Please do not  
write in this  
margin

Pursuant to section 155(6) of the Companies Act 1985

Please complete  
legibly, preferably  
in black type, or  
bold block lettering

To the Registrar of Companies  
(Address overleaf - Note 5)

For official use

Company number

---

1511975

Note  
Please read the notes  
on page 3 before  
completing this form.

Name of company

\* HORSTMAN DEFENCE SYSTEMS LIMITED

\* insert full name  
of company

~~1/1004~~ JOHN GRAHAM HARRIS of 17 Westfield Road, Edgbaston, Birmingham, West  
Midlands B15 3QF

Ø insert name(s) and  
address(es) of all  
the directors

† delete as  
appropriate

[the sole director] ~~all the directors~~ of the above company do solemnly and sincerely declare that:

The business of the company is:

§ delete whichever  
is inappropriate

~~(a) that of a (recognised bank) (licensed institution) within the meaning of the Banking Act 1979~~

~~(b) that of a person authorised under section 1 of the Insurance Companies Act 1982 to carry on  
insurance business in the United Kingdom~~

(c) something other than the above§

The company is proposing to give financial assistance in connection with the acquisition of shares in the

[company] ~~company's holding company~~

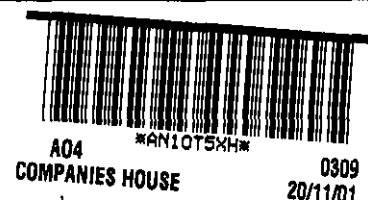
The assistance is for the purpose of [that acquisition] <sup>and/or</sup> [reducing or discharging a liability incurred for the  
purpose of that acquisition].† <sup>limited</sup>

The number and class of the shares acquired or to be acquired is: 50,000 ordinary shares  
of £1 each

Presenter's name address and  
reference (if any) :

Martineau Johnson  
St Philips House  
St Philips Place  
Birmingham  
B3 2PP  
DX 721090 Birmingham 50  
Ref: 62744

For official Use  
General Section



The assistance is to be given to: (note 2) HW MACHINERY LIMITED (Company No. 3721208) of  
45a Waterlinks House, Richard Street, Birmingham B7 4AA

Please do not  
write in this  
margin

Please complete  
legibly, preferably  
in black type, or  
bold block  
lettering

The assistance will take the form of:

See Annexure 1

The person who ~~has acquired~~ [will acquire]<sup>†</sup> the shares is:

<sup>†</sup> delete as  
appropriate

HW MACHINERY LIMITED (Company No. 3721208) of 45a Waterlinks House,  
Richard Street, Birmingham B7 4AA

The principal terms on which the assistance will be given are:

See Annexure 2

The amount of cash to be transferred to the person assisted is £ See Annexure 3

The value of any asset to be transferred to the person assisted is £ nil

The date on which the assistance is to be given is within 8 weeks of the date hereof

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

\* delete either (a) or (b) as appropriate

~~I/we~~ have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

(a) [~~I/we~~ have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]\* (note 3)

(b) [~~It is intended to commence the winding-up of the company within 12 months of that date, and I/we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding-up.]~~\* (note 3)

And ~~I/we~~ make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at St. Philips Howe, St. Philips Place  
Birmingham

Declarants to sign below

on 

Day	Month	Year
11	11	2001

*J. G. Wans*

before me C. J. Parmeron

A ~~Commissioner for Oaths or Notary Public or Justice of the Peace or a~~ Solicitor having the powers conferred on a Commissioner for Oaths.

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form.
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies  
37 Castle Terrace  
Edinburgh  
EH1 2EB

**ANNEXURE 1 TO FORM G155(6)a**

**HORSTMAN DEFENCE SYSTEMS LIMITED Company Number 1511975**

AD  
CJP

1. The Company entering into a facility letter and an additional letter both dated 3 October 2001, together with the standard conditions of First National Invoice Finance Limited ("First National"), whereby confidential factoring services and other facilities as therein set out were to be made available to the Company ("the Facility Letter");
2. The Company creating a fixed and floating charge over all assets, both present and future in First National's standard form ("the First National Charge");
3. The Company creating a fixed and floating charge over all assets, both present and future in relation to the liabilities of AB Precision (Poole) Limited ("ABP") in favour of First National ("the ABP Charge");
4. The Company creating a fixed and floating charge over all assets both present and future, in relation to the liabilities of Aeronautical & General Instruments Limited ("AGI") in favour of First National ("the AGI Charge");
5. The Company entering into a guarantee and indemnity in favour of First National in respect of the liabilities of ABP to First National ("the ABP Guarantee");
6. The Company entering into a guarantee and indemnity in favour of First National in respect of the liabilities of AGI to First National ("the AGI Guarantee");
7. The Company creating a legal charge over the property at Locksbrook Road, Bath in favour of EIS Group plc and ABPH Limited ("the Vendors") ("the EIS Charge");
8. The Company entering into a guarantee in favour of the Vendors in respect of the Purchaser ("the EIS Guarantee");
9. The Company entering into a deed of priorities between First National, the Vendors and the Company to regulate the status of the security of the creditors of the Company ("the Priority Deed");
10. The Company entering into a loan agreement between the Purchaser, the Company, ABP and AGI (the "Loan Agreement") pursuant to which each of ABP, AGI and the Company would lend monies to the Purchaser to enable the Purchaser to enter into the Share Transfer Agreement;
11. The Company entering into a support agreement between the Company, ABP and AGI pursuant to which ABP and AGI would provide loans to the Company (the "Support Agreement");
12. The Company entering into an arrangement with Close Asset Finance Limited for the disposal by the Company of certain plant and equipment ("the Equipment"), identified in a schedule attached to an invoice from Close Asset Finance Limited, thereafter, the Company will enter into a lease purchase agreement with Close Asset Finance Limited in relation to the Equipment (together "the Close Arrangements");
13. The Company entering into an arrangement with Key Equipment Finance Limited for the disposal by the Company of the Equipment, identified in a schedule attached to an invoice from Key Equipment Finance Limited, thereafter, the Company will enter into a

lease purchase agreement with Key Equipment Finance Limited in relation to the Equipment (together "the Key Arrangements");

14. The Company entering into an arrangement with IBM United Kingdom Financial Services Limited for the disposal by the Company of the Equipment, identified in a schedule attached to an invoice from IBM Global Financing Limited, thereafter, the Company will enter into a lease purchase agreement with IBM United Kingdom Financial Services Limited in relation to the Equipment (together "the IBM Arrangements");
15. The Company entering into an arrangement with De Lage Landen Technology Finance Limited for the disposal by the Company of the Equipment, identified by an invoice from De Lage Landen Technology Finance Limited, thereafter, the Company will enter into a lease purchase agreement with De Lage Landen Technology Finance Limited in relation to the Equipment (together "the De Lage Arrangements").

AB  
C.S.P

**ANNEXURE 2 TO FORM G155(6)a**  
**HORSTMAN DEFENCE SYSTEMS LIMITED Company Number 1511975**

1. By executing the Facility Letter in favour of First National, First National will provide confidential factoring facilities to the Company of up to £2,500,000.
2. By executing the First National Charge in favour of First National the Company will as security for the payment and discharge of the liabilities and obligations set out therein, charge in favour of First National, all its assets and undertaking by way of fixed and floating charges.
3. By executing the ABP Charge in favour of First National, the Company will as security for the payment and discharge of the liabilities and obligations set out therein, charge in favour of First National, all its assets and undertaking by way of fixed and floating charges.
4. By executing the AGI Charge in favour of First National, the Company will as security for the payment and discharge of the liabilities and obligations set out therein, charge in favour of the First National, all its assets and undertaking by way of fixed and floating charges.
5. By executing the ABP Guarantee in favour of the First National, the Company will guarantee to First National to pay to First National on demand all sums now or at any time after today due to First National from ABP and granting the due performance of all obligations of ABP to First National howsoever arising and indemnifying First National fully against all actions, costs, proceedings, claims, damages, demands or expenses which First National may sustain, suffer or incur as a result of the insolvency of ABP or of any breach of non-observance by ABP or by the Company of any obligations to First National.
6. By executing the AGI Guarantee in favour of First National, the Company will guarantee to First National to pay to First National on demand all sums now or at any time after today due to First National from AGI and granting the due performance of all obligations of AGI to First National howsoever arising and indemnifying First National fully against all actions, costs, proceeding claims damages demands or expenses which First National may sustain, suffer or incur as a result of the insolvency of AGI or of any breach of non-observance by AGI or by the Company of any obligations to First National.
7. By executing the EIS Charge in favour of the Vendors, the Company will as security for the payment and discharge of the liabilities and obligations set out therein, charge in favour of the Vendors the property at Locksbrook Road, Bath.
8. By executing the EIS Guarantee in favour of the Vendors, the Company undertakes to pay to the Vendors forthwith on demand an amount equal to any and each amount demanded from the Vendors in respect of the Guaranteed Liabilities as therein defined and further indemnifies the Vendors against all liabilities which the Vendors may incur or suffer under the said guarantee and to pay interest.
9. By executing the Priority Deed, First National, the Vendors and the Company, AGI and ABP will acknowledge the arrangements, rights and obligations of the parties to the Priority Deed and agree to act in accordance with those arrangements with respect to, inter alia, claims of First National and the Vendors as creditors of the Company.

10. The Loan Agreement provides that the Company, AGI and ABP will lend to the Purchaser such monies to enable the Purchaser to enter in to and perform the Share Transfer Agreement.
11. The Support Agreement provides that ABP and AGI will provide loans to the Company.
12. By entering into the Close Arrangements, the Company will dispose of the Equipment and enter into a lease purchase agreement in relation to the Equipment.
13. By entering into the Key Arrangements, the Company will dispose of with the Equipment and enter into a lease purchase agreement in relation to the Equipment.
14. By entering into the IBM Arrangements, the Company will dispose of the Equipment and enter into a lease purchase agreement in relation to the Equipment.
15. By entering into the De Lage Arrangements, the Company will dispose of the Equipment and enter into a lease purchase agreement in relation to the Equipment.

ANNEXURE 3 TO FORM G155(6)a

HORSTMAN DEFENCE SYSTEMS LIMITED Company Number 1511975

ADD  
CSP

The amount from time to time loaned by the Company and/or AGI and/or ABP pursuant to the Loan Agreement.



Heathcote House 136 Hagley Road Edgbaston Birmingham B16 9PN  
Tel 0121 454 4141 Fax 0121 454 4949  
Email heathcotes@btinternet.com www.heathcote-coleman.co.uk



Our ref: CSW/RM

The Board of Directors  
Horstman Defence Systems Limited ("the Company")  
Locksbrook Road  
Bath  
BA1 3EX

Victor Lyttle  
Gerald Davis  
Steven Heathcote  
Charles Farran  
Charles Wright

12 November 2001

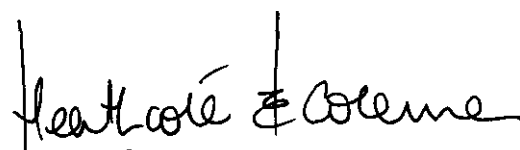
Dear Sirs,

**REPORT OF THE AUDITORS TO THE DIRECTORS OF THE COMPANY  
RELATING TO A PROPOSAL TO GIVE FINANCIAL ASSISTANCE FOR THE  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY  
BY HW MACHINERY LIMITED PURSUANT TO SECTION 156(4) OF THE  
COMPANIES ACT 1985.**

We have enquired into the state of affairs of the Company in connection with the proposal that the Company shall give financial assistance for the purchase of the entire issued share capital of the Company by HW Machinery Limited.

We are not aware of anything to indicate that the opinions expressed by the Directors in the attached Statutory Declaration dated 12 November 2001 (which we have initialled for the purposes of identification) as to the solvency of the Company are unreasonable in all the circumstances.

Yours faithfully,

  
Heathcote Coleman