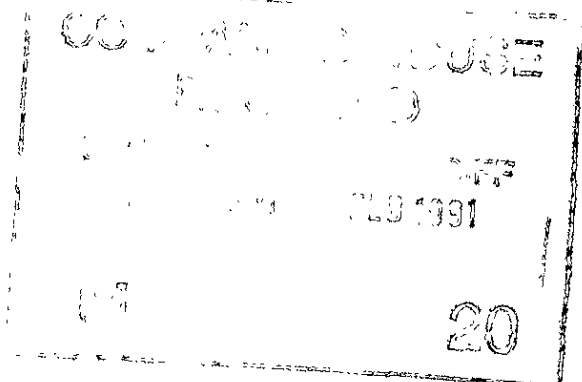


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WALLOP HOLDINGS LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST MARCH 1990



WALLOP HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1990

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## WALLOP HOLDINGS LIMITED

### REPORT OF THE DIRECTORS

The directors present their annual report together with audited financial statements for the year ended 31st March 1990.

#### 1. Principal activities

The principal activity of the company is the holding of shares in companies involved in the design, development and manufacture of pyrotechnics, decoy systems, dispensers, optical sights and remotely piloted vehicles for military applications.

#### 2. Results for the year

The company made a loss on ordinary activities before taxation of £91,775 (1989 loss £50,935).

#### 3. Directors

The directors who served during the year are listed below.

Sir Peter Morsley

J.D. Loveridge

M.R. Mobbs (appointed 1st May 1989)

The directors' holdings in the shares of the ultimate holding company, ML Holdings PLC, are as disclosed in its financial statements. In addition, Mr J D Loveridge held the following interests in the shares of ML Holdings PLC:

Beneficial interest ordinary shares of 5p each		Options for ordinary shares of 5p each	
31 March 1990	1 April 1989	31 March 1990	1 April 1989
500	500	100,000	85,000

Mr J D Loveridge is to retire by rotation and offers himself for re-election at the forthcoming AGM.

#### 4. Fixed assets

Movements in fixed assets during the year are summarised in the notes to the financial statements.


WALLIOP HOLDINGS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

5. Auditors

On 1st January, 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Registered Office: Arkay House  
Weyhill Road  
Andover, Hampshire  
SP10 3NR

 BY ORDER OF THE BOARD  
J D Loveridge  
Secretary

WALLOP HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

WALLOP HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st March 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*ICMA Peter Morish Mcintosh*

LONDON

CHARTERED ACCOUNTANTS

*10th July, 1990*

WALLOP HOLDINGS LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST MARCH 1990

The financial statements have been prepared under the historical cost convention modified by the revaluation of freehold property.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

(a) Depreciation

Depreciation is calculated to write off the valuation of freehold buildings and the cost of other tangible fixed assets over their estimated useful economic lives as follows:

	% per annum
Freehold premises	4
Plant and machinery	10-20
Motor vehicles	20
Fixtures, fittings and equipment	10-20

(b) Investments

Investments are included at cost less amounts written off.

(c) Deferred tax

Deferred tax 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.

(d) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All exchange differences arising from the above are included in the profit and loss account.

# WALLOP HOLDINGS LIMITED

## \* PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1990

	Notes	1990	1989
		£	£
Administrative expenses charged to group company		35,510	36,489
		-	(100,000)
		-----	-----
		(35,510)	63,511
		-----	-----
Operating (loss)/profit		(35,510)	63,511
Income from shares in group companies		-	100,000
Income from fixed asset investment		-	11,700
		-----	-----
		(35,510)	175,211
Interest payable and similar charges	2	(56,265)	(226,146)
		-----	-----
Loss on ordinary activities before taxation	1	(91,775)	(50,935)
Tax on loss on ordinary activities	4	71,862	6,711
		-----	-----
Loss on ordinary activities after taxation		(19,913)	(44,224)
Proposed Dividend		-	(100,000)
		-----	-----
Retained loss for the financial year	12	(19,913)	(144,224)
		=====	=====

The accounting policies and notes on pages 5 and 9 to 13 form part of these financial statements.

# WALLOP HOLDINGS LIMITED

## BALANCE SHEET AS AT 31ST MARCH 1990

	Notes	1990	1989
		£	£
<b>Fixed assets</b>			
Tangible assets	5	966,600	1,002,110
Investments	6	672,086	672,086
		<u>1,638,686</u>	<u>1,674,196</u>
<b>Current assets</b>			
Debtors	7	60,762	203,891
		<u>60,762</u>	<u>203,891</u>
Creditors: amounts falling due within one year	8	(1,294,459)	(1,446,665)
<b>Net current liabilities</b>		<u>(1,233,697)</u>	<u>(1,242,774)</u>
<b>Total assets less current liabilities</b>		404,989	431,422
Provisions for liabilities and charges	9	(8,769)	(15,389)
		<u>396,220</u>	<u>416,133</u>
<b>Capital and reserves</b>			
Called up share capital	11	75,336	75,336
Revaluation reserve	12	619,600	619,600
Profit and loss account	12	(298,716)	(278,803)
		<u>396,220</u>	<u>416,133</u>

These financial statements were approved by the board of directors on 10th July 1990.

M.R. Mobbs.....) Directors  
J.D. Loveridge.....)

The accounting policies and notes on pages 5 and 9 to 13 form part of these financial statements.



WALLOP HOLDINGS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST MARCH 1990

	<u>1990</u>	<u>1989</u>
	<u>£</u>	<u>£</u>
Source of funds		
From operations:		
Loss on ordinary activities before taxation	(91,775)	(50,935)
Adjustment for items not involving the movement of funds:		
Depreciation	35,510	36,447
	<u>-----</u>	<u>-----</u>
	(56,265)	(14,488)
Funds from other sources:		
group tax	41,046	-
	<u>-----</u>	<u>-----</u>
	(15,219)	(14,488)
Application of funds		
Purchase of tangible fixed assets	-	(7,471)
Dividends paid	(100,000)	-
Tax paid	-	(2,761)
	<u>-----</u>	<u>-----</u>
Net (outflow) of funds	(115,219)	(24,720)
	<u>=====</u>	<u>=====</u>
Increase/(Decrease) in working capital:		
Debtors	(167,425)	135,021
Creditors: amounts falling due within one year	52,206	(88,506)
	<u>-----</u>	<u>-----</u>
	(115,219)	46,515
Cash at bank and in hand	-	(71,235)
	<u>-----</u>	<u>-----</u>
	(115,219)	(24,720)
	<u>=====</u>	<u>=====</u>

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 1990

1. Loss on ordinary activities before taxation.

	<u>1990</u>	<u>1989</u>
	£	£
Trading loss is arrived at after charging:		
Depreciation	<u>35,510</u>	<u>36,447</u>

2. Interest payable and similar charges.

	<u>1990</u>	<u>1989</u>
	£	£
Amounts payable to group companies	38,092	226,146
Other charges	18,173	-
	<u>56,265</u>	<u>226,146</u>

3. Directors and Employees.

The Directors did not receive any remuneration in the year (1989: £NIL).

The company had no other employees.

4. Tax on loss on ordinary activities.

	<u>1990</u>	<u>1989</u>
	£	£
Corporation tax @ 35%	(24,296)	-
Deferred tax	(6,520)	(6,711)
Adjustments in respect of prior years	(41,046)	-
	<u>(71,862)</u>	<u>(6,711)</u>

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 1990

5. Tangible fixed assets

	Total £	Freehold Land and Buildings £	Fixtures Fittings & Equipment £
Cost/valuation			
At 1st April, 1989	1,121,310	985,000	136,310
	-----	-----	-----
At 31st March 1990	1,121,310	985,000	136,310
	=====	=====	=====
Depreciation			
At 1st April, 1989	119,200	-	119,200
Provided in the year	35,510	18,400	17,110
	-----	-----	-----
At 31st March 1990	154,710	18,400	136,310
	=====	=====	=====
Net book value at 31st March 1990	966,600	966,600	-
	=====	=====	=====
Net book value at 31st March 1989	1,002,110	985,000	17,110
	=====	=====	=====

If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:  
The date of the last revaluation was the 14th July 1989.

	£
Cost	427,310
Accumulated depreciation	63,002
	-----
Net book value at 31st March 1990	364,308
	=====
Net book value at 31st March 1989	365,400
	=====

There was no change to the depreciation charge for the year. No provision has been made in the deferred taxation account for the estimated corporation tax which would be payable on the disposal at valuation, because, in the opinion of the directors, those assets are unlikely to be disposed of in the foreseeable future.

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 1990

6. Investments

	Shares in Group Companies £
At 31st March 1990 and 31st March 1989.	
Cost	695,616
Amounts written off	23,530
	-----
Net book value	672,086
	=====

At 31st March 1990 the company held more than 10% of the allotted share capital of the following companies:

	Country of incorporation and operation	Class of share capital held	Proportion held by holding company	Nature of business
	-----	-----	-----	-----
Subsidiaries				
ML Wallop Defence Systems Ltd	England	Ordinary	100%	Engineering
Civil Protection Ltd	England	Ordinary	100%	Dormant
Wallop Avionics Ltd	England	Ordinary	100%	Dormant
Wallop SES Ltd	England	Ordinary	100%	Dormant
Walloptronics Ltd	England	Ordinary	100%	Dormant
Wallop Systems Ltd	England	Ordinary	100%	Dormant
Wallop Simbrow Ltd	England	Ordinary	100%	Dormant

The company has not produced consolidated group accounts because it is a wholly-owned subsidiary of ML Holdings PLC, a company incorporated in England.

7. Debtors

	<u>1990</u> £	<u>1989</u> £
Amounts owed by group companies	36,320	103,745
Other debtors	146	146
Dividend receivable	-	100,000
Group relief receivable	24,296	-
	-----	-----
	<u>60,762</u>	<u>203,891</u>
	=====	=====

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 1990

8. Creditors - amounts falling due within one year.

	<u>1990</u>	<u>1989</u>
	£	£
Amounts owed to group companies:		
Subsidiaries	1,044,459	1,067,100
Holding company	250,000	250,000
Loan interest payable	-	29,565
Proposed dividend	-	100,000
	<u>1,294,459</u>	<u>1,446,665</u>

9. Provisions for liabilities and charges

	Deferred taxation (see note 10)
	<u>1990</u>
	£
At 1st April 1989	15,289
Released during the year	(6,520)
At 31st March 1990	<u>8,769</u>

10. Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability, including the amount provided, set out below:

	Amount provided and Potential Liability
	<u>1990</u>
	£
Accelerated capital allowances	<u>8,769</u>
	<u>15,289</u>

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH 1990

11. Called up share capital

	<u>1990</u>	<u>1989</u>
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
75,336 ordinary shares of £1 each	<u>75,336</u>	<u>75,336</u>

12. Reserves

	Revaluation Reserve	Profit & Loss Account
	£	£
At 1st April 1989	619,600	(278,803)
Trading loss for year	-	(19,913)
At 31st March 1990	<u>619,600</u>	<u>(298,716)</u>

13. Contingent liabilities

The bank held an unlimited cross guarantee between Wallop Holdings Ltd and all other ML Holdings PLC group companies. At the balance sheet date the exposure on these guarantees was £NIL (1989 : £NIL).

14. Ultimate holding company

The ultimate holding company is ML Holdings PLC, a company registered in England.