

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

29 NOV 1991

KPMG PEAT MARWICK McLINTOCK  
1 Puddle Dock, Blackfriars, London EC4V 3PD

WALTON HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1991

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WALLOP HOLDINGS LIMITEDDIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for the year ended 31st March, 1991.

PRINCIPAL ACTIVITIES

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

RESULTS FOR THE YEAR

The Company made a profit on ordinary activities before taxation of £1,043,946 (1990: loss £91,775). The Directors recommend the payment of a final dividend for the year ended 31st March, 1991 of £1,191,611 (1990: £nil). The amount to be transferred from reserves is £135,334 (1990: £19,913).

DIRECTORS

The Directors who served during the year are listed below:

J.D. Loveridge	
M.R. Mobbs	(resigned 5th January 1991)
I. Pickering	(appointed 1st August 1990)

The Directors had no beneficial interest in the shares of the company.

The interests of Mr. M.R. Mobbs in the shares of the ultimate holding company, ML Holdings, are as disclosed in that company's financial statements.

In addition, the following Directors' holdings in the shares of the ultimate holding company, ML Holdings PLC, are as follows:

	Beneficial interest ordinary shares of 5p each		Options for ordinary shares of 5p each	
	31st March, 1991	1st April, 1990*	31st March, 1991	1st April, 1990*
J.D. Loveridge	500	500	110,000	100,000
I. Pickering	-	-	15,000	15,000

\* or at subsequent date of appointment if later

FIXED ASSETS

During the year all of the fixed assets were transferred to a group undertaking. This is disclosed in note 7 to the financial statements.

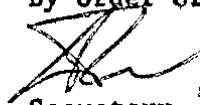
WALLOP HOLDINGS LIMITED

DIRECTORS' REPORT  
(continued)

AUDITORS

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.

By order of the Board

  
Secretary

Registered office:

Arkay House,  
Weyhill Road,  
Andover,  
Hampshire  
SP10 3NR

5th July, 1991

REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK,  
TO THE MEMBERS OF WALLOP HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 11 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, 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

5th July, 1991

*KPMG Peat Marwick McLintock*

Chartered Accountants

WALLOP HOLDINGS LIMITEDPROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 1991

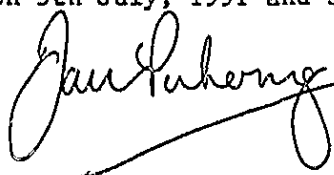
	<u>Notes</u>	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
Other income		1,100,250	-
Administrative expenses		(18,400)	(35,510)
OPERATING PROFIT/(LOSS)		<u>1,081,850</u>	<u>(35,510)</u>
Interest payable and similar charges	3	(37,904)	(56,265)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>1,043,946</u>	<u>(91,775)</u>
Tax on profit/(loss) on ordinary activities	5	12,331	71,862
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,056,277</u>	<u>(19,913)</u>
Proposed dividend	6	(1,191,611)	-
RETAINED LOSS FOR THE FINANCIAL YEAR	14	<u>(135,334)</u> =====	<u>(19,913)</u> =====

The notes on pages 7 to 11 form part of these financial statements.

WALLOP HOLDINGS LIMITEDBALANCE SHEET  
AS AT 31ST MARCH, 1991

	<u>Notes</u>	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
<b>FIXED ASSETS</b>			
Tangible assets	7	-	966,600
Investments in group undertakings	8	672,086	672,086
		<u>672,086</u>	<u>1,638,686</u>
<b>CURRENT ASSETS</b>			
Debtors	9	1,109,674	60,762
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(1,320,874)	(1,294,459)
NET CURRENT LIABILITIES		<u>(411,200)</u>	<u>(1,233,697)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>260,886</u>	<u>404,989</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(8,769)
NET ASSETS		<u>260,886</u> =====	<u>396,220</u> =====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	75,336	75,336
Revaluation reserve	14	-	619,600
Profit and loss account	14	185,550	(298,716)
		<u>260,886</u> =====	<u>396,220</u> =====

These financial statements were approved by the Board of Directors on 5th July, 1991 and signed on its behalf:

 Director

The notes on pages 7 to 11 form part of these financial statements.

WALLOP HOLDINGS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST MARCH, 1991

	<u>1991</u> <u>£</u>	<u>1990</u> <u>£</u>
SOURCE OF FUNDS		
From operations:		
Profit/(loss) on ordinary activities before taxation	1,043,946	(91,775)
Adjustment for items not involving the movement of funds:		
Depreciation	18,400	35,510
	<u>1,062,346</u>	<u>(56,265)</u>
From other sources:		
Group tax	20,308	41,046
Transfer of fixed assets to group undertaking	948,200	-
	<u>2,030,854</u>	<u>(15,219)</u>
APPLICATION OF FUNDS		
Dividends paid	-	(100,000)
Transfer of deferred tax to group undertaking	(5,862)	-
NET INFLOW/(OUTFLOW) OF FUNDS	<u>2,024,992</u> =====	<u>(115,219)</u> =====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Debtors	1,059,796	(167,425)
Creditors: amounts falling due within one year	965,196	52,206
	<u>2,024,992</u> =====	<u>(115,219)</u> =====



WALLOP HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings.

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 on the straight line basis as follows:

Freehold premises	-	4% per annum
Fixtures, fittings and equipment	-	10%-20% per annum

(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.

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1991</u> £	<u>1990</u> £
Trading profit/(loss) is arrived at after charging:		
Depreciation	18,400	35,510
	=====	=====

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1991</u> £	<u>1990</u> £
Amounts payable to group undertakings	37,904	38,092
Other charges	-	18,173
	<u>37,904</u>	<u>56,265</u>
	=====	=====

WALLOP HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS4. DIRECTORS AND EMPLOYEES

The Directors did not receive any remuneration in the year (1990: £nil).

The Company had no other employees.

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>1991</u> £	<u>1990</u> £
Corporation tax @ 34% (1990: 35%)	(13,412)	(24,296)
Deferred tax	(2,907)	(6,520)
Adjustments in respect of prior years	3,988	(41,046)
	<u>(12,331)</u> =====	<u>(71,862)</u> =====

6. DIVIDENDS

	<u>1991</u> £	<u>1990</u> £
Ordinary shares:		
Proposed final dividend £15.817 per share (1990: nil)	1,191,611 =====	- =====

7. TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Fixtures, fittings and equipment</u> £	<u>Total</u> £
<u>Cost or valuation</u>			
At 1st April, 1990	985,000	136,310	1,121,310
Transfer to group undertaking	(985,000)	(136,310)	(1,121,310)
At 31st March, 1991	- =====	- =====	- =====
<u>Depreciation</u>			
At 1st April, 1990	18,400	136,310	154,710
Provided in the year	18,400	-	18,400
Transfer to group undertaking	(36,800)	(136,310)	(173,110)
At 31st March, 1991	- =====	- =====	- =====
<u>Net book value</u>			
At 31st March, 1991	- =====	- =====	- =====
At 31st March, 1990	966,600 =====	- =====	966,600 =====

WALLOP HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS8. INVESTMENTS IN GROUP UNDERTAKINGS

	£
At 31st March, 1991 and 31st March, 1990	
Shares at cost	695,616
Amounts written off	(23,530)
	<u>672,086</u>
	=====

At 31st March, 1991 the Company held 100% of the allotted share capital of the following companies:

	<u>Country of incorporation and operation</u>	<u>Class of share capital held</u>	<u>Proportion held by holding company</u>	<u>Nature of business</u>
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 itself a wholly-owned group undertaking of ML Holdings PLC, a company incorporated in England and Wales.

9. DEBTORS

	<u>1991</u> £	<u>1990</u> £
Amount owed by group undertakings	1,096,262	36,320
Other debtors	-	146
Group relief receivable	13,412	24,296
	<u>1,109,674</u>	<u>60,762</u>
	=====	=====

WALLOP HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTS10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1991</u> £	<u>1990</u> £
Amounts owed to group undertakings	329,263	1,294,459
Proposed dividend	1,191,611	-
	<u>1,520,874</u> =====	<u>1,294,459</u> =====

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1991</u> £
(For deferred taxation see Note 12)	
At 1st April, 1990	8,769
Released during the year	(2,907)
Deferred tax liability transferred to group company	(5,862)
At 31st March, 1991	<u>-</u> =====

12. DEFERRED TAXATION

At 31st March, 1991 there were no material potential timing differences (1990: £8,769).

13. CALLED UP SHARE CAPITAL

	<u>1991</u> £	<u>1990</u> £
Authorised:		
1,000,000 Ordinary shares of £1 each	1,000,000 =====	1,000,000 =====
Allotted, called up and fully paid:		
75,336 Ordinary shares of £1 each	75,336 =====	75,336 =====

14. RESERVES

	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £
At 1st April, 1990	619,600	(298,716)
Trading loss for year	-	(135,334)
Transferred to profit and loss account	(619,600)	619,600
At 31st March, 1991	<u>-</u> =====	<u>185,550</u> =====

WALLOP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is ML Holdings PLC, a company registered in England and Wales. Copies of this group's financial statements can be obtained from Hamilton House, 1 Temple Avenue, London, EC4Y 0HA.