

COMPLAS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

Company registration number 1683851



COMPLAS LIMITED

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COMPLAS LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report, together with the financial statements of the company, for the year ended 31 December 1997.

PRINCIPLE ACTIVITIES AND BUSINESS REVIEW

The company specialises in the design and manufacture of high performance radomes and composite structures for the aerospace, defence and communication markets.

RESULTS AND DIVIDENDS

The company's profit for the year after taxation is stated on page 5. The directors recommend payment of a dividend of £35,000 (1996: £nil). It is proposed that the retained profit of £1,000 be transferred to reserves (1996: £19,000).

BOARD OF DIRECTORS

The following directors held office during the year:

P A Hogan
G C Cooper
E G Masterson
L J Marshall

The directors' shareholdings and interests are shown in note 7 to the financial statements.

MILLENNIUM AND EUROPEAN MONETARY UNION

The Millennium software issue and the implications of the European Monetary Union on information systems and other aspects of their operations are known. We will ensure that systems modifications and any other initiatives are planned and completed in a timely manner, and this process is underway. It is not expected that a material extra amount of cost will be incurred to ensure compliance.

COMPLAS LIMITED

REPORT OF THE DIRECTORS (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the report of the auditors set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 12, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The financial statements have been prepared on a going concern basis.

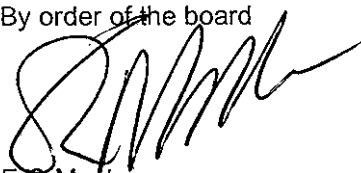
The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

The company's auditors, Price Waterhouse, have signified their willingness to continue in office. In accordance with section 386 of the Companies Act 1985, as a result of an elective resolution passed on 12 March 1991, Price Waterhouse are deemed reappointed as auditors to the company for the forthcoming financial year.

By order of the board



E G Masterson
Secretary

31 March 1998

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF COMPLAS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 2 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 at 31 December 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

31 March 1998

COMPLAS LIMITED

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

TURNOVER

Turnover is based on sales value exclusive of value added tax together with the sales value of work done on long term contracts.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, where there is a reasonable probability that it will become payable within the foreseeable future.

TANGIBLE FIXED ASSETS

Fixed assets are depreciated on a straight line basis over their estimated useful economic lives, as follows:

Freehold building	- 50 years
Plant, machinery, fixtures, fittings, tools and equipment	- Over 3 to 8 years

STOCKS

Stock and work in progress are stated at the lower of cost, which includes an appropriate proportion of production overheads, and net realisable value.

Payments received and receivable on account of work in progress are deducted from the cost of the work carried out at the balance sheet date to the extent of the valuation of the work done.

RESEARCH AND DEVELOPMENT

Research and development expenditure not chargeable to customers is written off in the year in which it is incurred.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

PENSION COSTS

Pension costs represent contributions paid during the period to the company's defined contribution pension scheme and the money purchase scheme for the benefit of PA Hogan.

COMPLAS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £000
TURNOVER	1,2	703	949
Cost of sales		<u>(547)</u>	<u>(798)</u>
GROSS PROFIT		156	151
Distribution costs		(27)	(76)
Administrative expenses		<u>(120)</u>	<u>(134)</u>
OPERATING PROFIT/(LOSS)	2,3	9	(59)
Profit on disposal of discontinued operations		<u>-</u>	<u>20</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		9	(39)
Interest receivable	4	39	46
Interest payable	5	<u>(1)</u>	<u>(1)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		47	6
Tax on profit on ordinary activities	6	<u>(11)</u>	<u>13</u>
PROFIT FOR THE FINANCIAL YEAR		36	19
Dividends	9	<u>(35)</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR	15, 18	<u><u>1</u></u>	<u><u>19</u></u>

The company had no recognised gains or losses other than the above profit for the year.

All the company's current activities are classed as continuing.

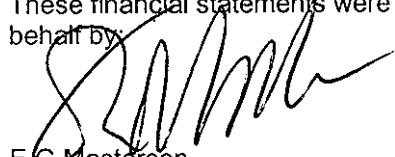
The notes on pages 7 to 12 form part of these financial statements.

COMPLAS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	10	477	499
CURRENT ASSETS			
Stocks	11	32	70
Debtors	12	<u>913</u>	<u>752</u>
		945	822
CREDITORS: Amounts falling due within one year	13	<u>(395)</u>	<u>(295)</u>
NET CURRENT ASSETS		<u>550</u>	<u>527</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,027</u>	<u>1,026</u>
CAPITAL AND RESERVES			
Called up share capital	14	10	10
Profit and loss account	15	<u>1,017</u>	<u>1,016</u>
SHAREHOLDERS' FUNDS	18	<u>1,027</u>	<u>1,026</u>

These financial statements were approved by the board on 31 March 1998 and were signed on its behalf by



E. G. Masterson
Director

The notes on pages 7 to 12 form part of these financial statements.

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER

All sales are made in the United Kingdom and are deemed as being attributable to one class of business.

2 CONTINUING AND DISCONTINUED OPERATIONS

	Continuing £'000	1997 Discontinued £'000	Total £'000	Continuing £'000	1996 Discontinued £'000	Total £'000
Turnover	703	-	703	487	462	949
Cost of sales	(547)	-	(547)	(426)	(372)	(798)
Gross profit	156		156	61	90	151
Distribution costs	(27)	-	(27)	(25)	(51)	(76)
Administrative expenses	(120)	-	(120)	(88)	(46)	(134)
Operating profit/(loss)	<u>9</u>	<u>-</u>	<u>9</u>	<u>(52)</u>	<u>(7)</u>	<u>(59)</u>

The discontinued operations in 1996 relates to the plastics distribution business which was disposed of in September 1996.

3 OPERATING PROFIT/(LOSS)

	1997 £000	1996 £000
The operating profit/(loss) is stated after charging:		
Depreciation	35	23
Auditors' remuneration - in respect of audit	<u>2</u>	<u>2</u>

4 INTEREST RECEIVABLE

	1997 £000	1996 £000
Interest receivable from group undertakings	<u>39</u>	<u>46</u>

5 INTEREST PAYABLE

	1997 £000	1996 £000
On bank loans and overdrafts	<u>1</u>	<u>1</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
Based on the result for the year:		
UK corporation tax at 31.5% (1996: 33%)	<u>11</u>	<u>(13)</u>

No deferred taxation provision has been made as there is no foreseeable reversal of timing differences. The total amount of unprovided deferred tax on a full provision basis is:

	1997 £'000	1996 £'000
Accelerated capital allowances	<u>31</u>	<u>23</u>

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 DIRECTORS

Directors' shareholdings and interests

None of the directors held an interest in the company's shares or rights to subscribe for such shares.

The interests of G C Cooper and his family in the shares of the ultimate parent undertaking and rights to subscribe for such shares are disclosed in the financial statements of the ultimate parent undertaking.

The interests of P A Hogan, E G Masterson and L J Marshall and their families in the shares of the ultimate parent undertaking and their rights to subscribe for such shares were:

	<u>At 31 December 1997</u>		<u>At 31 December 1996</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
P A Hogan	-	4,312	-	4,312
E G Masterson	302	3,605	261	2,757
L J Marshall	1,216	-	88	1,093

The following options were granted during the year:

	<u>Number</u>	<u>Exercise price (p)</u>	<u>Exercise period</u>
E G Masterson	848	691	01/02/2003 to 01/08/2003

The following options were exercised during the year:

	<u>Number</u>	<u>Exercise price (p)</u>	<u>Market price at date of exercise (p)</u>
L J Marshall	1,093	144	617.5

Directors' emoluments

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Aggregate emoluments excluding pension contributions	-	57
Aggregate amounts (excluding shares) receivable under long term incentive schemes	-	-
Sums paid to third parties for directors' services	-	-
Company pension contributions to money purchase schemes	-	4
	<u>-</u>	<u>61</u>

Retirement benefits are accruing to 1 (1996: 1) director under a money purchase scheme. There are no benefits accruing to directors under defined benefit schemes.

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 EMPLOYEES

	<u>1997</u> Number	<u>1996</u> Number
Average number of employees	<u>12</u>	<u>16</u>
	<u>1997</u> £000	<u>1996</u> £000
Employment costs:		
Wages and salaries	201	280
Social security costs	18	29
Other pension costs (note 16)	<u>3</u>	<u>10</u>
	<u>222</u>	<u>319</u>

9 DIVIDENDS

	<u>1997</u> £000	<u>1996</u> £000
Interim dividend at £1.20 per share (1996: £nil)	12	-
Final dividend at £2.30 per share (1996: £nil)	<u>23</u>	<u>-</u>
	<u>35</u>	<u>-</u>

10 TANGIBLE FIXED ASSETS

	Land and buildings (freehold) £000	Plant and machinery (including vehicles) £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At 1 January 1997	395	324	85	804
Additions	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>
At 31 December 1997	<u>395</u>	<u>337</u>	<u>85</u>	<u>817</u>
Depreciation				
At 1 January 1997	48	184	73	305
Charge for year	<u>6</u>	<u>25</u>	<u>4</u>	<u>35</u>
At 31 December 1997	<u>54</u>	<u>209</u>	<u>77</u>	<u>340</u>
Net book amount				
At 31 December 1997	<u>341</u>	<u>128</u>	<u>8</u>	<u>477</u>
At 31 December 1996	<u>347</u>	<u>140</u>	<u>12</u>	<u>499</u>

Capital commitments

At 31 December 1997 and 31 December 1996 the company had no outstanding capital commitments.

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 STOCKS

	<u>1997</u> £000	<u>1996</u> £000
Raw materials and consumables	13	36
Work in progress	<u>19</u>	<u>34</u>
	<u>32</u>	<u>70</u>

There is no significant difference between the replacement cost and value of stocks shown.

12 DEBTORS

	<u>1997</u> £000	<u>1996</u> £000
Trade debtors	149	59
Amounts owed by group undertakings	674	527
Other debtors	-	3
Prepayments and accrued income	3	11
Amounts recoverable on contracts	87	139
Taxation recoverable	<u>-</u>	<u>13</u>
	<u>913</u>	<u>752</u>

13 CREDITORS: Amounts falling due within one year

	<u>1997</u> £000	<u>1996</u> £000
Bank loans and overdrafts	5	11
Payments received on account	56	-
Trade creditors	141	166
Amounts owed to group undertakings	100	100
Other creditors	-	1
Taxation and social security	44	7
Accruals and deferred income	15	10
Corporation tax payable	11	-
Dividends payable	<u>23</u>	<u>-</u>
	<u>395</u>	<u>295</u>

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 CALLED UP SHARE CAPITAL

The share capital of the company consists of 10,000 authorised, allotted and fully paid ordinary shares of £1 each. There have been no changes during the year.

15 PROFIT AND LOSS ACCOUNT

	£000
At 1 January 1997	1,016
Retained profit for the year	<u>1</u>
At 31 December 1997	<u>1,017</u>

16 PENSION COSTS

The company operates a defined contribution scheme for senior employees. The pension cost for the year was £3,000 (1996: £6,000).

There is also a money purchase scheme for the benefit of one director, P A Hogan. The pension cost for the year was nil (1996: £4,000).

17 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Chelton Limited and its ultimate parent undertaking is Cobham plc. The smallest and largest group for which group financial statements are prepared is Cobham plc and copies of its financial statements may be obtained from the Secretary, Cobham Plc, Brook Road, Wimborne, Dorset BH21 2BJ.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £000	<u>1996</u> £000
Profit for the financial year	36	19
Dividends	<u>(35)</u>	<u>-</u>
Net change in shareholders' funds	1	19
Opening shareholders' funds	<u>1,026</u>	<u>1,007</u>
Closing shareholders' funds	<u>1,027</u>	<u>1,026</u>

COMPLAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 CASH FLOW STATEMENT

The Cobham plc financial statements for the year ended 31 December 1997 contain a consolidated statement of cash flows. The company has taken advantage of the exemption granted by Financial Reporting Standard 1 (revised) whereby it is not required to publish its own cash flow statement.

20 CONTINGENT LIABILITIES

The company has given an unlimited guarantee to the bankers of Cobham plc and its subsidiary undertakings.

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided by paragraph 3(c) of FRS 8 not to disclose transactions with entities that are part of the Cobham plc group.

The company is controlled by Chelton Limited, the company's immediate parent undertaking. The ultimate controlling company is Cobham plc.