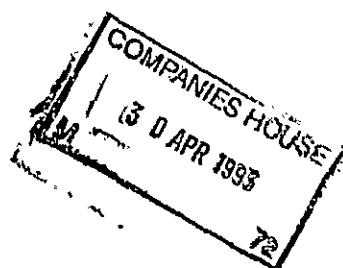


Directors' Report and Accounts

WESTLAND SYSTEM ASSESSMENT LIMITED

2 October 1992



Registered Number 1764218 ENGLAND

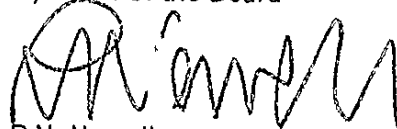
WESTLAND SYSTEM ASSESSMENT LIMITED

**NOTICE OF THE
ANNUAL GENERAL MEETING**

Notice is hereby given that the ninth Annual General Meeting of Westland System Assessment Limited will be held at the Registered Office, Westland Works, Yeovil, Somerset, on 4 January 1993, for the following purposes.

1. To consider the Report of the Directors and the Accounts for the Financial Year Ended 2 October 1992.
2. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board



R.N. Newell
Secretary

Westland Works
Yeovil
BA20 2YB

7 December 1992

Any member of the Company is entitled to appoint another person (whether a member or not) as his proxy to attend the meeting and on a poll to vote instead of him.

WESTLAND SYSTEM ASSESSMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report to shareholders, together with the audited accounts for the financial year ended 2 October 1992.

ACCOUNTS AND DIVIDEND

The results for the year showing a loss of £70k are shown in the profit and loss account on page 7. The Directors do not recommend a final dividend. No interim dividend was paid.

PRINCIPAL ACTIVITIES

The principal activities of the Company were the performance of operational effectiveness studies and development of computer based training systems.

FUTURE DEVELOPMENT OF BUSINESS

With effect from 3 October 1992 the assets and liabilities of Westland System Assessment Limited were transferred to Westland Industries Limited, and Westland System Assessment Limited became a non-trading management company acting on behalf of Westland Industries Limited under a management agreement.

TANGIBLE ASSETS

In the opinion of the Directors the current value for the existing use of freehold and leasehold land and buildings is not materially different from that shown in the accounts.

The movements in tangible assets during the year are set out in Note 8 to the accounts on page 12.

BOARD OF DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the company during the year were:

J W Rosenthal
D J Wright
G Barton
P N Goddard (Resigned 30.9.92)
P J Whittle (Appointed 30.9.92)

WESTLAND SYSTEM ASSESSMENT LIMITED

During the year no Director had any interest in Ordinary Shares, Warrants or Debentures of Westland Group Plc or shares or loan capital of any of its subsidiary undertakings. No Director had any beneficial interest in any material contract to which the Company was a party during the year. Apart from the Westland Savings Related and Directors' and Senior Executives' Share Option Schemes, there are no schemes to benefit Directors under which they are enabled to acquire shares or debentures of Westland Group plc or any other company. The rules of the Westland Savings Related Share Option Scheme restrict the participation of Directors to those who are Executive Directors. The following Directors have options to subscribe for ordinary shares through the scheme:

Mr. D.J. Wright	3,432 shares
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The following Director has an option to subscribe for ordinary shares through the 1985 Directors' and Senior Executives' Scheme:

Mr. J.W. Rosenthal	100,819 shares
Mr. D.J. Wright	10,375 shares

On 30 September 1992 Mr P N Goddard resigned from the Board and Dr P J Whittle was appointed as a Director.

There were no other changes in the interests stated above to 7 December 1992.

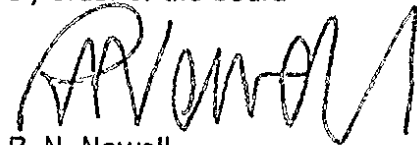
STATUS OF THE COMPANY

The Company is not a close Company for the purpose of Part II of Chapter I of the Income and Corporation Taxes Act 1988.

AUDITORS

The Auditors, Ernst & Young, have expressed their willingness to continue in office as auditors and a Resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board



R. N. Newell
Secretary

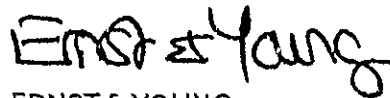
7 December 1992

WESTLAND SYSTEM ASSESSMENT LIMITED

**REPORT OF THE AUDITORS TO THE MEMBERS OF
WESTLAND SYSTEM ASSESSMENT LIMITED**

We have audited the accounts on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 2 October 1992 and of the loss for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor

London

7 December 1992

ACCOUNTING POLICIES

Accounting policies are consistent with those of the previous year.

1. Accounting basis

The Company prepares its accounts on the historical cost basis and in accordance with applicable accounting standards.

2. Turnover

Turnover comprises the invoice value of services provided by the Company.

3. Tangible assets, depreciation and leases

Depreciation is calculated to write off the cost of fixed assets by equal instalments, over their expected useful lives on the following basis:

Leasehold property	
over the remaining period of the Lease	15 years
Fixtures, fittings and equipment	8-15 years
Computer equipment & major software	3-5 years

Tangible assets held under finance leases, which give rights equivalent to ownership, are capitalised and depreciated in accordance with the Company's depreciation policy. Leasing payments comprise interest and capital elements. Interest is charged to revenue and the capital element of future lease payments is included in creditors.

Rental payments under operating leases are charged against revenue as incurred.

4. Stocks

Work-in-progress is valued at the lower of cost and estimated realisable value. Cost of work in progress against customers' contracts comprises prime cost plus production overheads.

Losses are provided for in full as soon as they become likely.

WESTLAND SYSTEM ASSESSMENT LIMITED

5. Deferred tax

Deferred tax is provided at the relevant rates of corporation tax where there is a reasonable probability that a liability will become payable within the foreseeable future.

6. Pension funding

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

7. Research and development

Research and general development expenditure not recoverable under contract is written off in the year in which it is incurred. Expenditure recoverable under design and development contracts is included in work-in-progress.

WESTLAND SYSTEM ASSESSMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FINANCIAL YEAR ENDED 2 OCTOBER 1992**

	<u>Note</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Turnover	2	2138	2362
Cost of Sales	3	(2024)	(2156)
		—	—
Trading Profit		114	206
Research and Development Costs		(107)	(78)
		—	—
Operating Profit		7	128
Net Interest Payable	5	(55)	(10)
		—	—
Profit on ordinary activities before exceptional items and taxation		(48)	118
Exceptional items	6	(33)	-
		—	—
Profit on ordinary activities before taxation		(81)	118
Taxation	7	11	(52)
		—	—
Profit on ordinary activities after taxation		(70)	66
Dividends		-	-
		—	—
Movement on Unappropriated Profit		(70)	66
		—	—

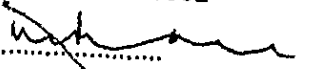
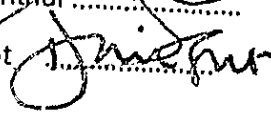
Movement on reserves are shown in Note 15.

WESTLAND SYSTEM ASSESSMENT LIMITED

BALANCE SHEET AT 2ND OCTOBER 1992

	<u>Note</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	8	268	281
CURRENT ASSETS			
Stocks	9	282	118
Debtors	10	616	600
Cash at bank and in hand		63	134
		<u>961</u>	<u>852</u>
CREDITORS - amounts falling due within one year	11	(836)	(608)
NET CURRENT ASSETS		<u>125</u>	<u>244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>393</u>	<u>525</u>
Financed by:			
CREDITORS - amounts falling due after more than one year	12	352	382
Provision for liabilities and charges	13	-	32
CAPITAL AND RESERVES			
Called-up share capital	14	200	200
Profit and loss account	15	(159)	(89)
SHAREHOLDERS' FUNDS		<u>41</u>	<u>111</u>
TOTAL FUNDS EMPLOYED		<u>393</u>	<u>525</u>

The report and accounts
were approved by the Board
of Directors on 7 December 1992

J. W. Rosenthal 
D. J. Wright 

NOTES FORMING PART OF THE ACCOUNTS

1. The company's accounting period covers the 53 weeks ended 2 October 1992. The comparative period covered 52 weeks ended 27 September 1991.

2. **TURNOVER**

	1992 <u>£000</u>	1991 <u>£000</u>
United Kingdom	2119	2169
Other EEC	19	24
North America & Canada	-	92
Australia & New Zealand	-	77
	<u>2138</u>	<u>2362</u>

Turnover was primarily in respect of the performance of operational effectiveness studies and software development.

3. **COST OF SALES**

	1992 <u>£000</u>	1991 <u>£000</u>
Other Operating Charges	329	409
(Increase)/Decrease in Stocks of Finished Goods and Work in Progress	(164)	83
Payroll Costs:		
wages and salaries	1409	1290
social security costs	118	106
other pension costs	152	128
Depreciation:		
on cost - owned assets	82	58
on cost - leased assets	33	29
Operating Lease Rentals:		
plant, machinery and equipment	32	21
land and buildings	28	28
Auditors' remuneration	5	4
	<u>2024</u>	<u>2156</u>

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

4. DIRECTORS AND EMPLOYEES

	<u>1992</u>	<u>1991</u>
The emoluments of the Chairman	£Nil	£Nil

The emoluments of the Directors paid by the Company inclusive of pension scheme contributions:

a. fees	£Nil	£Nil
b. for executive services	£54,683	£46,977

Highest paid Director, excluding pension scheme contributions:

£46,499	£41,100
---------	---------

The number of Directors whose emoluments, excluding pension scheme contributions, fell in to the following brackets:

£ 0 to £ 5000	4	3
£ 40,000 to £45,000	-	1
£ 45,000 to £50,000	1	-

The average number of persons employed by the Company during the year was 65 (1991, 62).

The number of persons employed by the Company (including Directors) as at 2 October 1992 was 67 (1991, 64).

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

5. NET INTEREST PAYABLE

	1992 <u>£000</u>	1991 <u>£000</u>
Lease Interest	13	10
Interest payable to Parent Undertaking	42	-
	<u>55</u>	<u>10</u>

6. EXCEPTIONAL ITEMS

Exceptional items relate to redundancy payments of £33k during the year (1991 Nil).

7. TAXATION

	1992 <u>£000</u>	1991 <u>£000</u>
The tax charge/(credit) comprises:		
UK Corporation tax at 33% (1991-33.5%) on the taxable profit/(loss) for the year	(8)	17
Group relief payable	-	50
Adjustment in respect of prior periods	(1)	(1)
Deferred tax	(2)	(14)
	<u>(11)</u>	<u>52</u>

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

8. TANGIBLE ASSETS

	Leasehold property £000	Fixtures fittings & equipment £000	TOTAL £000
<u>COST</u>			
Balance at 27.9.91	55	660	715
Additions	-	105	105
Disposals	-	(214)	(214)
Balance at 2.10.92	<u>55</u>	<u>551</u>	<u>606</u>
<u>ACCUMULATED DEPRECIATION</u>			
Balance at 27.9.91	10	424	434
Charge for the year	4	111	115
Disposals	-	(211)	(211)
Balance at 2.10.92	<u>14</u>	<u>324</u>	<u>338</u>
Net book value 2.10.92	<u>41</u>	<u>227</u>	<u>268</u>
Net Book Value 27.9.91	<u>45</u>	<u>236</u>	<u>281</u>
Net book value of assets held under finance leases or lease purchase agreements included in net book value at 2.10.92			<u>47</u>

9. STOCKS

	1992 £000	1991 £000
Short term contract work in progress	<u>282</u>	<u>118</u>

WESTLAND SYSTEM ASSESSMENT LIMITED

Notes to the Accounts for the financial year 2 October 1992

10. DEBTORS

	1992 <u>£000</u>	1991 <u>£000</u>
Trade debtors	342	429
Amounts due from Group Undertakings	240	155
Prepayments	26	16
Tax-Group Relief receivable	8	-
	<u>616</u>	<u>600</u>

11. CREDITORS - amounts falling due within one year

	1992 <u>£000</u>	1991 <u>£000</u>
Amounts due to Group Undertakings	491	245
Trade creditors	124	76
Accruals	37	49
VAT	43	52
Tax - Group relief payable	-	50
Corporation tax	-	17
Obligations under finance leases and lease purchase agreements	30	23
Payments in advance	86	76
Pension Creditor	25	20
	<u>836</u>	<u>608</u>

12. CREDITORS - amounts falling due after more than one year

	1992 <u>£000</u>	1991 <u>£000</u>
Unsecured Convertible Loan Stock from Parent Undertaking	300	300
Obligations under finance leases	52	82
	<u>352</u>	<u>382</u>

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

13. PROVISION FOR LIABILITIES AND CHARGES

	1992 <u>£000</u>	1991 <u>£000</u>
Warranty provision	-	30
Deferred taxation	-	<u>2</u>
	-	32

14. CALLED-UP SHARE CAPITAL

	1992 <u>£000</u>	1991 <u>£000</u>
Authorised Share Capital	700	700
Allotted and issued 200,000 ordinary shares of £1 each fully paid	<u>200</u>	<u>200</u>
	200	200

15. PROFIT AND LOSS ACCOUNT

	1992 <u>£000</u>	1991 <u>£000</u>
Balance at beginning of year	(89)	(155)
Profit/(Loss) for year	(70)	66
Balance at end of year	<u>(159)</u>	<u>(89)</u>

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

16. FUTURE CAPITAL EXPENDITURE AND OPERATING LEASES

	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Committed	-	-
Authorised but not committed	18	47
	<u>18</u>	<u>47</u>

The annual commitment under non-cancellable operating leases was as follows:

	<u>Land and buildings</u> <u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>	<u>Plant and machinery</u> <u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Lease expiring:				
Within one year	-	-	3	9
Within two to five years	-	-	21	-
Thereafter	28	28	-	11
	<u>28</u>	<u>28</u>	<u>24</u>	<u>20</u>

17. CONTINGENT LIABILITIES

Westland Group plc and its wholly owned United Kingdom subsidiary undertakings have given, jointly and severally, a guarantee of the borrowings and other facilities granted by the Group's principal bankers. These borrowings and facilities are secured by means of fixed and floating charges, which rank immediately behind the floating charge securing the Groups 12³/₈% Debenture Stock.

18. PENSION SCHEMES

There are two pension schemes covering employees of Group undertakings: Westland Staff Pension Scheme and Westland Executive Pension Scheme.

The Group's pension arrangements provide employees with benefits related to final pay and service at the rates defined in the rules of each scheme. The Group undertakings pay contributions to the schemes in order to provide security for existing pensions and deferred pensions and the accrued benefits of active members. The assets of the schemes are invested and are held separately from those of Group undertakings. The schemes hold no investments in the Group or any of its undertakings.

The most significant assumptions used for assessing the pension cost charge and the funding of the schemes based on the most recent actuarial valuations as at 5 April 1991, were:

rate of investment return:	9 1/2% per annum compound
rate of increase in pensionable earnings:	7% per annum compound
rate of increase to pensions in payment:	4 1/2% per annum compound on pensions in excess guaranteed minimum pensions. 3% per annum compound on guaranteed minimum pensions accrued after April 1988 and nil otherwise.

Calculations were carried out using the projected unit method.

The pension cost for the current year of £152k (previous year £128k) comprises a regular cost of £157k (previous year £135k) reduced by a net variation credit of £7k (previous year credit £5k) and a debit adjustment for interest on the creditor at the start of the year of £2k (previous year credit adjustment of £2k on the prepayment at the start of the year of £22k). The variation credit represents amortisation of the accounting surplus/deficit in the schemes as at 5 April 1991 over the future service lifetimes of the membership and includes an allowance for interest.

WESTLAND SYSTEM ASSESSMENT LIMITED
Notes on the Accounts for the financial year 2 October 1992

Details of the actuarial valuations of the Group's pension schemes are contained within the financial statements of Westland Group Plc.

19. PARENT UNDERTAKING

The parent undertaking of the Group of Undertakings for which Group accounts are drawn up and of which the company is a member is Westland Group Plc, the ultimate parent company, registered in England. Copies of the Westland Group Plc's accounts can be obtained from the registered office, Westland Works, Yeovil.

20. POST BALANCE SHEET EVENTS

Events relating to the financial year ended 2 October 1992 which occurred before 7 December 1992, the date of approval of the accounts by the Board of Directors, have been included in the accounts to the extent that is required by Statement of Standard Accounting Practice 17.

With effect from 3 October 1992 the assets and liabilities of Westland System Assessment Limited were transferred to Westland Industries Limited, and Westland System Assessment Limited became a non-trading management company acting on behalf of Westland Industries Limited under a management agreement.

NS/SLC/WSAL/762
October 1992