

**ALVIS INVESTMENTS (HMC) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
30 SEPTEMBER 1997**



Company Number: 2696043

ALVIS INVESTMENTS (HMC) LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the financial year ended 30 September 1997.

ACTIVITIES

The Company is an investment holding company.

PROFIT AND DIVIDENDS

The profit and loss account shows a profit after tax of £96,578 (1996:£181,616). The Company does not recommend payment of a dividend (1996: Paid a dividend of £175,000). Retained profits of £96,578 have been transferred to reserves (1996: £6,616).

DIRECTORS AND THEIR INTERESTS


The directors who held office during the year were: -

Mr N M Prest
Mr A R Pearson
Mr S R Mitchell

All the directors are directors of the ultimate holding company, Alvis Plc, and their interests are set out in the accounts of that company.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.


By order of the board

31 March 1998

Registered Office:
34 Grosvenor Gardens
LONDON SW1W 0AL

ALVIS INVESTMENTS (HMC) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
To the members of ALVIS INVESTMENTS (HMC) LIMITED

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies, set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 2 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30 September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
LONDON
1 April 1998

ALVIS INVESTMENTS (HMC) LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 30 SEPTEMBER 1997

	NOTES	1997 £	1996 £
Administrative (Expense)/Income		-	3,020
OPERATING PROFIT		<u>-</u>	<u>3,020</u>
Income from investments		100,578	114,596
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		<u>100,578</u>	<u>117,616</u>
Taxation	2	(4,000)	64,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>96,578</u>	<u>181,616</u>
Dividends	3	-	(175,000)
TRANSFER TO RESERVES	10	<u><u>96,578</u></u>	<u><u>6,616</u></u>

There are no gains or losses for the period other than those already dealt with in the profit and loss account.

ALVIS INVESTMENTS (HMC) LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1997

	NOTES	1997 £	1996 £
Fixed Assets			
Investments	4	3,947,049	3,947,049
Current Assets			
Investments	5	100	100
Debtors	6	114,519	188,941
		<u>114,619</u>	<u>189,041</u>
Creditors due within one year			
Other creditors	7	(3,000)	(175,000)
		<u>(3,000)</u>	<u>(175,000)</u>
Net Current Assets		111,619	14,041
Total Assets less Current Liabilities		4,058,668	3,961,090
Provisions for liabilities and charges	8	(1,000)	-
		<u>4,057,668</u>	<u>3,961,090</u>
Capital and Reserves			
Called up share capital	9	3,947,051	3,947,051
Reserves	10	110,617	14,039
	11	<u>4,057,668</u>	<u>3,961,090</u>

These accounts were approved by the board on 31 March 1998

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Director

ALVIS INVESTMENTS (HMC) LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1997

1 ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at closing rates of exchange. Any differences are included in the profit and loss account.

(c) Investments

Fixed asset investments are included at cost.

2 TAXATION

The tax charge/(credit) comprises :-

	1997	1996
	£	£
UK corporation tax		
Current tax at 32% (1996:33%)	3,000	(32,000)
Deferred taxation	1,000	(32,000)
	<u>4,000</u>	<u>(64,000)</u>

Current tax is inclusive of Group relief.

3 DIVIDENDS

	1997	1996
	£	£
Dividends paid	<u>-</u>	<u>175,000</u>

ALVIS INVESTMENTS (HMC) LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1997

4 FIXED ASSET INVESTMENTS

	1997	1996
	£	£
Shares in Avimo Group Limited	<u>3,947,049</u>	<u>3,947,049</u>

Investments held by the Company at 30 September 1997 were as follows:

	% Ordinary Share Capital Owned	Country of Incorporation and Operation
Avimo Group Limited	5.7	Singapore

Avimo Group Limited is listed on the Singapore Stock Exchange. At the mid-market closing share price of Singapore \$2.475 on 30 September 1997, the market value of the Company's investment in Avimo Group Limited was £5,903,677 compared with an amount of £3,947,049 included above.

5 CURRENT ASSET INVESTMENTS

	1997	1996
	£	£
Exchequer Stock	<u>100</u>	<u>100</u>

6 DEBTORS

	1997	1996
	£	£
Amounts due within one year:		
Amounts owed by parent undertaking	114,519	188,941
	<u>114,519</u>	<u>188,941</u>

ALVIS INVESTMENTS (HMC) LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1997

7 OTHER CREDITORS

	1997	1996
	£	£
Amounts due within one year:		
Amount owed to parent undertaking	<u>3,000</u>	<u>175,000</u>

8 PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred Taxation:	
As at 1 October 1997	-
Charge for the year	1,000
As at 30 September 1997	<u>1,000</u>

9 SHARE CAPITAL

	1997	1996
	£	£
Authorised		
3,947,051 ordinary shares of £1 each	<u>3,947,051</u>	<u>3,947,051</u>
Alloted, called up and fully paid		
3,947,051 Ordinary Shares of £1 each	<u>3,947,051</u>	<u>3,947,051</u>

ALVIS INVESTMENTS (HMC) LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1997

10 RESERVES

	Profit & Loss Account £
As at 1 October 1996	14,039
Retained profit for year	96,578
As at 30 September 1997	<u>110,617</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit on ordinary activities after taxation	96,578	181,616
Dividends		(175,000)
Net addition to shareholders' funds	<u>96,578</u>	<u>6,616</u>
Shareholders' funds at 1 October	3,961,090	7,425
Issue of new shares		3,947,049
Shareholders' funds at 30 September	<u>4,057,668</u>	<u>3,961,090</u>

12 RELATED PARTY DISCLOSURES

As permitted by FRS 8 the Company has not prepared a statement on transactions with related parties as it is a wholly owned subsidiary undertaking of Alvis PLC.

ALVIS INVESTMENTS (HMC) LIMITED

NOTES TO THE ACCOUNTS AT 30 SEPTEMBER 1997

13 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking company is Alvis Plc, which is incorporated in Great Britain and registered in England. The largest and smallest group for which group accounts are prepared is the Alvis Plc group. Copies of their accounts may be obtained from Alvis Plc, 34 Grosvenor Gardens, London, SW1W 0AL