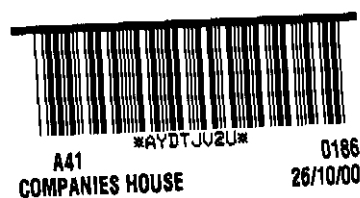


Helmet Integrated Systems Limited

Directors' Report and Accounts

31 December 1999



BDO Stoy Hayward

HELMET INTEGRATED SYSTEMS LIMITED

Annual report and financial statements for the year ended 31 December 1999

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Directors

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Directors

I S Hoyle (Chairman)
R Phillips
K J Korny

Registered office

Moat Factory, Wheathampstead, St Albans, Herts AL4 8QT.

Company number

2766754

Registered auditors

BDO Stoy Hayward, Prospect Place, 85 Great North Road, Hatfield,
Herts AL9 5BS.

HELMET INTEGRATED SYSTEMS LIMITED

Report of the directors for the year ended 31 December 1999

The directors submit their report and the accounts for the year ended 31st December 1999.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for the financial year. In doing so the directors are required to select suitable accounting policies and apply them consistently; make judgements and estimates that are reasonable and prudent and 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 maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the year was the design, manufacture, assembly, marketing and testing of protective helmets for military aircrew, emergency services, law enforcement, motorcyclists, respiratory hoods, visors and associated equipment incorporating communication systems, conventional headsets, Active Noise Reduction, microphones including bone conducting, cameras, radios, video recording and microwave transmission.

The anticipated increase in turnover materialised, resulting in a growth of 13.3% to £8.3m, with a corresponding increase in profit before tax of 28.2 % to £319k. The strong pound limits the opportunities in Europe, but, despite this, further growth in turnover for 2000 is expected.

Investment continues in both development and marketing activities.

The results for the year are shown in the profit and loss account on page 4.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year.

HELMET INTEGRATED SYSTEMS LIMITED

Report of the directors for the year ended 31 December 1999 (continued)

The directors of the company during the year were I.S. Hoyle, R. Phillips and K.J. Korny

R. Phillips declared the following interest in the share capital of the parent company:

	Ordinary shares of £1 each	
	31st December 1999	1st January 1999
R. Phillips	24,330	24,330

I.S. Hoyle is a director of the parent company and his shareholding interest is disclosed in the parent company's accounts.

No other director has a shareholding interest required to be disclosed by the Companies Act 1985.

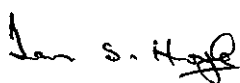
YEAR 2000

Since the end of 1999 no problems have been experienced by the company. The board, however, is continuing to monitor the issue both internally and externally.

AUDITORS

A resolution will be proposed at the Annual General Meeting that BDO Stoy Hayward be re-appointed as auditors to the company for the ensuing year.

On behalf of the board


Ian S Hoyle

17 May 2000

Registered office:
Moat Factory
Wheathampstead
St. Albans
Herts

HELMET INTEGRATED SYSTEMS LIMITED

Report of the auditors

We have audited the accounts on pages 4 to 16, which have been prepared under the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

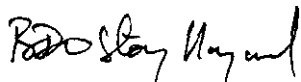
Basis of opinion

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 group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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 and the group as at 31st December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
HATFIELD

17 May 2000

HELMET INTEGRATED SYSTEMS LIMITED

Consolidated profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	1	8,321,783	7,347,481
Cost of sales		5,104,372	4,457,662
Gross profit		<u>3,217,411</u>	<u>2,889,819</u>
Distribution costs and administrative expenses	2	2,856,253	2,589,340
Operating profit		<u>361,158</u>	<u>300,479</u>
Interest receivable		9,898	599
Interest payable	3	51,601	51,963
Profit on ordinary activities before taxation	4	<u>319,455</u>	<u>249,115</u>
Taxation on profit on ordinary activities	6	87,000	80,740
Profit on ordinary activities after taxation		<u>232,455</u>	<u>168,375</u>
Retained profit for the financial year		<u><u>232,455</u></u>	<u><u>168,375</u></u>

Details of the movements in reserves are shown in note 15 to the accounts.

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit for the year.

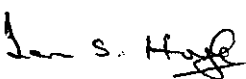
The notes on pages 7 to 16 form part of these financial statements.

HELMET INTEGRATED SYSTEMS LIMITED

Consolidated balance sheet at 31 December 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	7		1,506,484		1,317,179
Current assets					
Stocks and work in progress	9	1,150,395		1,264,469	
Debtors	10	2,104,388		1,913,539	
Cash at bank and in hand		17,796		19,303	
			<u>3,272,579</u>	<u>3,197,311</u>	
Creditors - amounts falling due within one year	11	2,353,554		2,329,323	
Net current assets			<u>919,025</u>		<u>867,988</u>
Total assets less current liabilities			<u>2,425,509</u>		<u>2,185,167</u>
Creditors - amounts falling due after more than one year	12		10,647		14,362
Provision for liabilities and charges	13		130,000		116,000
			<u>2,284,862</u>		<u>2,054,805</u>
Capital and reserves					
Called up share capital	14		400,500		400,500
Profit and loss account	15		1,884,362		1,654,305
Equity shareholders' funds			<u>2,284,862</u>		<u>2,054,805</u>

Approved by the board on 17 May 2000



Director

IAN S HOYLE

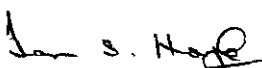
The notes on pages 7 to 16 form part of these financial statements.

HELMET INTEGRATED SYSTEMS LIMITED

Company balance sheet at 31 December 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Tangible assets	7		1,471,579		1,278,702
Investments	8		401,117		401,117
			<u>1,872,696</u>		<u>1,679,819</u>
Current assets					
Stocks and work in progress	9	1,129,246		1,251,441	
Debtors	10	2,550,270		2,161,841	
Cash at bank and in hand		13,234		13,008	
			<u>3,692,750</u>	<u>3,426,290</u>	
Creditors - amounts falling due within one year	11	2,754,158		2,722,954	
Net current assets			<u>938,592</u>	<u>703,336</u>	
Total assets less current liabilities			<u>2,811,288</u>	<u>2,383,155</u>	
Creditors - amounts falling due after more than one year	12		10,647		14,362
Provision for liabilities and charges	13		130,000		116,000
			<u>2,670,641</u>	<u>2,252,793</u>	
Capital and reserves					
Called up share capital	14		400,500		400,500
Profit and loss account	15		2,270,141		1,852,293
Equity shareholders' funds			<u>2,670,641</u>	<u>2,252,793</u>	

Approved by the board on 17 May 2000


Director

The notes on pages 7 to 16 form part of these financial statements.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999

1. ACCOUNTING POLICIES

Basis of preparation:

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

Basis of consolidation:

The consolidated profit and loss account includes the results of the company and any trading subsidiaries for the year ended 31st December 1999. The consolidated balance sheet includes the assets and liabilities of the company and its subsidiaries at that date.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.

Turnover:

Turnover is stated exclusive of value added tax and trade discounts. The directors are of the opinion that disclosure of a geographical analysis of turnover would be seriously prejudicial to the group's business.

Depreciation of tangible fixed assets:

Short-term leasehold improvements are written off over the remaining term of the lease. Other fixed assets are being depreciated so as to write them off over their anticipated useful lives at the following annual rates based on cost:

Plant and machinery	10.0 %
Fixtures and fittings	10.0 %
Motor vehicles	25.0 %
Moulds	15.0 %
Computer	25.0 %
Exhibition equipment	33.3 %

Stocks and work in progress:

Stocks and work in progress are stated at the lower of cost and net realisable value.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

1. ACCOUNTING POLICIES (continued)

Long-term contracts

Profit on long-term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty.

The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end by recording turnover and related costs as contract activity progresses. Full provision is made for estimated losses on all contracts in the year in which they are first foreseen.

Lease and hire purchase contracts:

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments is charged to the profit and loss account at a constant rate over the period of the agreement.

Operating lease charges have been expensed in the year to which they relate.

Deferred taxation:

Provision is made for the deferred taxation liability arising from timing differences to the extent that it is probable that the tax will become payable in the foreseeable future.

Deferred taxation has been provided at the rate applicable to the future accounting periods in which it is foreseen that timing differences will be reversed.

Research and development:

Research and development costs are written off in the year in which they occur except where these costs relate to commercially viable projects for which there are expected future revenue streams. In such instances, the development costs are capitalised within current assets provided the future expected revenue is in excess of both the current capitalised costs and the future expected costs associated with completion. The current capitalised costs will be written off over the periods in which these future revenue streams will be generated.

Foreign currency transactions:

Foreign currency transactions have been translated at the rates ruling at the times of the transactions. Foreign currency balances have been translated at the rate of exchange ruling at the balance sheet date. Any differences are dealt with in the profit and loss account.

The accounts of the overseas subsidiary undertaking are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

1. ACCOUNTING POLICIES (continued)

Pension costs:

Helmet Integrated Systems Limited is a member of a group pension scheme which is a defined contribution scheme. The assets of the scheme are held in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

	1999 £	1998 £
2. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES		
Distribution costs	765,409	674,296
Administration expenses	2,090,844	1,915,044
	<u>2,856,253</u>	<u>2,589,340</u>
3. INTEREST PAYABLE		
Finance charge from parent company	50,000	50,000
Finance lease interest	1,601	1,963
	<u>51,601</u>	<u>51,963</u>
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation has been arrived at after charging:		
Depreciation of fixed assets:		
- owned by the group	379,712	340,566
- held under finance lease and hire purchase contracts	3,207	7,387
Auditors' remuneration:		
- parent company	16,000	15,250
- subsidiary companies	-	-
Other operating lease payments:		
- property	195,250	195,250
- plant and machinery	65,120	89,860
	<u></u>	<u></u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

	1999	1998
5. DIRECTORS AND OTHER EMPLOYEES		
The average number of persons employed by the group was as follows:		
	Number	Number
Production	119	113
Selling and distribution	19	19
Administration	46	43
	<u>184</u>	<u>175</u>
	£	£
Staff costs include the following:		
Wages and salaries	2,701,613	2,466,978
Social security costs	248,532	224,875
Other pension costs		
- money purchase	92,300	80,513
	<u>3,042,445</u>	<u>2,772,366</u>
Directors' emoluments were as follows:		
Directors' remuneration	290,634	274,715
Company contributions to money purchase pension schemes	12,752	16,442
	<u>303,386</u>	<u>291,157</u>
	Number	Number
Number of directors accruing benefits under money purchase pension schemes	<u>3</u>	<u>3</u>
Highest paid director:	£	£
Directors' remuneration	139,212	133,207
Company contributions to money purchase pension schemes	167	2,757
	<u>139,379</u>	<u>135,964</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

7. TANGIBLE FIXED ASSETS (continued)

The net book value of plant, vehicles and equipment includes £6,414 (1998: £9,621) in respect of assets being acquired under finance lease and hire purchase contracts.

	Short leasehold buildings & improvements £	Plant, vehicles and equipment £	Total £
COMPANY			
Cost:			
At 1st January 1999	328,892	4,111,492	4,440,384
Additions	25,952	546,102	572,054
Disposal	-	(13,150)	(13,150)
At 31st December 1999	<u>354,844</u>	<u>4,644,444</u>	<u>4,999,288</u>
Depreciation:			
At 1st January 1999	310,354	2,851,328	3,161,682
Charge for the year	8,342	369,395	377,737
Disposals	-	(11,710)	(11,710)
At 31st December 1999	<u>318,696</u>	<u>3,209,013</u>	<u>3,527,709</u>
Net book value:			
At 31st December 1999	<u>36,148</u>	<u>1,435,431</u>	<u>1,471,579</u>
At 31st December 1998	<u>18,538</u>	<u>1,260,164</u>	<u>1,278,702</u>

The net book value of plant, vehicles and equipment includes £6,414 (1998: £9,621) in respect of assets being acquired under finance lease and hire purchase contracts.

8. INVESTMENTS

COMPANY

	£
Cost:	
At 1st January 1999	401,117
Additions	-
At 31st December 1999	<u>401,117</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

8. INVESTMENTS (continued)

COMPANY

The subsidiary undertakings, all of which are wholly owned, are as follows:

Helmets Limited
Top Tek International Limited
Pureflo Safety Limited

None of the above subsidiaries traded during the year.

Interactive Safety Products Inc - registered in USA

This company's principal activity was the marketing, testing and assembly of protective helmets for military air crew, emergency services, communication systems, visors and associated equipment.

	1999 GROUP £	1998 GROUP £	1999 COMPANY £	1998 COMPANY £
9. STOCKS AND WORK IN PROGRESS				
Raw materials and consumables	579,280	558,413	558,131	558,413
Work in progress	517,917	671,498	517,917	658,470
Finished goods	53,198	34,558	53,198	34,558
	<u>1,150,395</u>	<u>1,264,469</u>	<u>1,129,246</u>	<u>1,251,441</u>
10. DEBTORS				
Trade debtors	1,342,196	1,667,454	1,326,933	1,656,667
Amounts owed by group undertakings	-	-	466,497	263,170
Other debtors	7,952	6,681	2,600	2,600
Prepayments and accrued income	193,657	239,404	193,657	239,404
Amounts recoverable on long term contracts	560,583	-	560,583	-
	<u>2,104,388</u>	<u>1,913,539</u>	<u>2,550,270</u>	<u>2,161,841</u>

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

	1999 GROUP £	1998 GROUP £	1999 COMPANY £	1998 COMPANY £
11. CREDITORS - amounts falling due within one year				
Bank overdraft	1,088,520	1,075,767	1,088,520	1,075,767
Trade creditors	567,533	577,259	563,322	572,735
Amount owed to ultimate parent company	176,659	172,515	188,159	184,015
Amount owed to group undertakings	-	-	400,497	400,496
Corporation tax	72,277	59,700	72,277	59,700
Taxation and social security	191,486	221,167	189,123	217,957
Other creditors	20,012	17,529	20,012	17,529
Accruals and deferred income	237,067	205,386	232,248	194,755
	<u>2,353,554</u>	<u>2,329,323</u>	<u>2,754,158</u>	<u>2,722,954</u>
The bank overdraft facility is secured by charges over the company's assets. The charges also secure liabilities to the bank of the ultimate parent company and other group undertakings.				
12. CREDITORS - amounts falling due after more than one year				
Obligations under finance lease and hire purchase contracts				
- between two and five years	<u>10,647</u>	<u>14,362</u>	<u>10,647</u>	<u>14,362</u>
13. PROVISION FOR LIABILITIES AND CHARGES				
Deferred taxation				
Balance at 1st January 1999	116,000	95,000	116,000	95,000
Profit and loss account	14,000	21,000	14,000	21,000
Balance at 31st December 1999	<u>130,000</u>	<u>116,000</u>	<u>130,000</u>	<u>116,000</u>
The balance comprises:				
Accelerated capital allowances	150,000	139,000	150,000	139,000
Other timing differences	(20,000)	(23,000)	(20,000)	(23,000)
	<u>130,000</u>	<u>116,000</u>	<u>130,000</u>	<u>116,000</u>

All deferred taxation has been provided in full.

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

	1999 GROUP £	1998 GROUP £	1999 COMPANY £	1998 COMPANY £
14. CALLED UP SHARE CAPITAL				
Authorised: 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
Allotted and fully paid: 400,500 ordinary shares of £1 each	400,500	400,500	400,500	400,500
15. PROFIT AND LOSS ACCOUNT				
At 1st January 1999	1,654,305	1,481,495	1,852,293	1,565,844
Retained profit for the year	232,455	168,375	417,848	286,449
Currency translation difference	(2,398)	4,435	-	-
At 31st December 1999	1,884,362	1,654,305	2,270,141	1,852,293
16. RECONCILIATION OF SHAREHOLDERS' FUNDS				
Shareholders' funds at 1st January 1999	2,054,805	1,881,995	2,252,793	1,966,344
Currency translation difference	(2,398)	4,435	-	-
Retained profit for the year	232,455	168,375	417,848	286,449
Shareholders' funds at 31st December 1999	2,284,862	2,054,805	2,670,641	2,252,793
17. FUTURE CAPITAL EXPENDITURE				
Contracted for but not provided	62,014	32,788	62,014	32,788

HELMET INTEGRATED SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31 December 1999 (continued)

	1999 GROUP £	1998 GROUP £	1999 COMPANY £	1998 COMPANY £
18. OTHER FINANCIAL COMMITMENTS				
Annual commitments under operating leases				
Land and buildings:				
Expiring within one year	-	7,211	-	-
Expiring between one and two years	110,000	110,000	110,000	110,000
Expiring between two and five years	-	-	-	-
Expiring after five years	85,250	85,250	85,250	85,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:				
Expiring within one year	26,863	19,505	26,863	18,072
Expiring between two and five years	37,173	39,752	37,173	39,752
Expiring after five years	1,084	1,346	1,084	1,346
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19. RELATED PARTY TRANSACTIONS

The company has relied on the exemption granted by FRS 8 not to disclose transactions with its parent company.

20. ULTIMATE PARENT COMPANY

The directors regard Middlemace Limited as the company's ultimate parent company.

21. ULTIMATE CONTROLLING PARTY

I.S. Hoyle and his wife are trustees of a trust. The shares in Middlemace Limited held by the trust, if aggregated with Mr. and Mrs. Hoyle's personal holdings, would amount to 50.57% of the issued share capital.