

HELMET INTEGRATED SYSTEMS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
YEAR ENDED 31ST DECEMBER 1998

COMPANY NUMBER: 2766754



HELMET INTEGRATED SYSTEMS LIMITED

Directors:

**I.S. Hoyle
R. Phillips
K.J. Korny**

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 31st December 1998.

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 its 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 Group during the year was the design, manufacture, assembly, marketing and testing of protective helmets for military aircrew, emergency services, motorcyclists, respiratory hoods, communication systems, visors and associated equipment.

One of the contracts referred to in last year's report was further delayed because of specification improvements required by the customer. Consequently the growth in turnover previously predicted was not achieved. Income from this contract will start to accrue in 1999.

Markets continue to be competitive but with the introduction of new products in recent years and product upgrades, growth in turnover in 1999 is anticipated. The subsidiary company continues to invest in development and marketing activities.

DIVIDENDS

The directors do not recommend the payment of a dividend at the year end.

HELMET INTEGRATED SYSTEMS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND INTERESTS IN SHARES

The names of the present directors of the company are given at the head of this report. All the directors served throughout the year.

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

	Ordinary shares of £1 each	
	31st December 1998	1st January 1998
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.

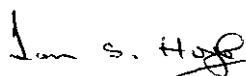
No other director has a shareholding interest required to be disclosed by the Companies Act 1985.

YEAR 2000

The directors have considered the problem generally referred to as the 'Year 2000 problem' or the 'Millennium Bug' and are taking steps in the forthcoming period to ensure that the company's systems are Year 2000 compliant. The potential effect of the problem with regard to customers, suppliers and other relevant parties is not expected to be material and the directors are in the process of addressing these issues to minimise the risk of any adverse effect on the operation of the business. Future costs of minimising the risk of any adverse effect have not been quantified but these are not expected to be material.

AUDITORS

On 1 March 1999, the auditors, Moores Rowland, merged their practice with that of BDO Stoy Hayward and are now practising under that name. 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

Registered office:
Moat Factory
Wheathampstead
St. Albans
Herts

**AUDITORS' REPORT
TO THE MEMBERS OF
HELMET INTEGRATED SYSTEMS LIMITED**

We have audited the accounts on pages 4 to 16.

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.

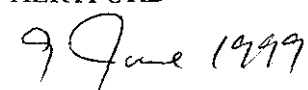
We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 1998 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
Registered Auditors
HERTFORD



HELMET INTEGRATED SYSTEMS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st December 1998

	Note	1998 £	1997 £
TURNOVER	1	7,347,481	7,340,505
Cost of sales		4,457,662	4,497,439
GROSS PROFIT		<u>2,889,819</u>	<u>2,843,066</u>
Distribution costs and administrative expenses	2	2,589,340	2,690,398
OPERATING PROFIT		<u>300,479</u>	<u>152,668</u>
Interest receivable		599	2,628
Interest payable	3	51,963	50,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>249,115</u>	<u>105,296</u>
Taxation on profit on ordinary activities	6	80,740	30,900
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>168,375</u>	<u>74,396</u>
Dividend paid		-	200,250
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>168,375</u>	<u>(125,854)</u>

Details of the movements in reserves are shown in note 15 and 16 to the accounts.

All disclosures relate only to continuing operations.

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

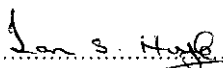
HELMET INTEGRATED SYSTEMS LIMITED

CONSOLIDATED BALANCE SHEET

31st December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	7		1,317,179		1,241,477
CURRENT ASSETS					
Stocks and work in progress	9	1,264,469		789,792	
Debtors	10	1,913,539		1,598,158	
Cash at bank and in hand		19,303		66,596	
			<u>3,197,311</u>	<u>2,454,546</u>	
CREDITORS - amounts falling due within one year	11	2,329,323		1,698,257	
NET CURRENT ASSETS			<u>867,988</u>	<u>756,289</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,185,167</u>	<u>1,997,766</u>	
CREDITORS - amounts falling due after more than one year	12		14,362		20,771
PROVISION FOR LIABILITIES AND CHARGES	13		116,000		95,000
			<u>2,054,805</u>	<u>1,881,995</u>	
CAPITAL AND RESERVES					
Called up share capital	14		400,500		400,500
Profit and loss account	15		1,654,305		1,481,495
EQUITY SHAREHOLDERS' FUNDS			<u>2,054,805</u>	<u>1,881,995</u>	

Approved by the board on ^H19 May 1999

.....


Director

HELMET INTEGRATED SYSTEMS LIMITED

COMPANY BALANCE SHEET

31st December 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	7		1,278,702		1,234,912
Investments	8		401,117		400,500
			<u>1,679,819</u>		<u>1,635,412</u>
CURRENT ASSETS					
Stocks and work in progress	9	1,251,441		785,404	
Debtors	10	2,161,841		1,692,763	
Cash at bank and in hand		13,008		58,329	
		<u>3,426,290</u>		<u>2,536,496</u>	
CREDITORS - amounts falling due within one year	11	2,722,954		2,089,793	
NET CURRENT ASSETS			<u>703,336</u>		<u>446,703</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,383,155</u>		<u>2,082,115</u>
CREDITORS - amounts falling due after more than one year	12		14,362		20,771
PROVISION FOR LIABILITIES AND CHARGES	13		116,000		95,000
			<u>2,252,793</u>		<u>1,966,344</u>
CAPITAL AND RESERVES					
Called up share capital	14		400,500		400,500
Profit and loss account	15		1,852,293		1,565,844
EQUITY SHAREHOLDERS' FUNDS			<u>2,252,793</u>		<u>1,966,344</u>

Approved by the board on19th May 1999.

.....*Jan S. Hogg*..... Director

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

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 1998. 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 rate 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 TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Long-term contracts

Profit on long-term contracts is taken 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 TO THE ACCOUNTS (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.

	1998 £	1997 £
2. DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES		
Distribution costs	674,296	724,928
Administration expenses	1,915,044	1,965,470
	<u>2,589,340</u>	<u>2,690,398</u>
3. INTEREST PAYABLE		
Finance charge from parent company	50,000	50,000
Finance lease interest	1,963	-
	<u>51,963</u>	<u>50,000</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	340,566	291,035
- held under finance lease and hire purchase contracts	7,387	7,387
Auditors' remuneration:		
- parent company	15,250	14,800
- subsidiary companies	-	1,400
Other operating lease payments:		
- property	195,250	195,250
- plant and machinery	89,860	86,885

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998	1997
5. DIRECTORS AND OTHER EMPLOYEES		
The average monthly number of persons employed by the group was as follows:		
	Number	Number
Production	113	112
Selling and distribution	19	21
Administration	43	45
	<u>175</u>	<u>178</u>
	£	£
Staff costs include the following:		
Wages and salaries	2,466,978	2,358,403
Social security costs	224,875	207,580
Other pension costs		
- defined benefit	-	26,525
- money purchase	80,513	51,080
	<u>2,772,366</u>	<u>2,643,588</u>
Directors' emoluments were as follows:		
Directors' remuneration	274,715	259,272
Company contributions to money purchase pension schemes	16,442	12,581
	<u>291,157</u>	<u>271,853</u>
	Number	Number
Number of directors accruing benefits under money purchase pension schemes	<u>3</u>	<u>3</u>
Highest paid director:	£	£
Directors' remuneration	133,207	126,526
Company contributions to money purchase pension schemes	2,757	2,690
	<u>135,964</u>	<u>129,216</u>

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 £	1997 £
6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax based on the taxable profits for the year	59,700	21,700
Adjustment relating to prior years		
- corporation tax	40	-
Group relief surrendered	-	(3,800)
	<u>59,740</u>	<u>17,900</u>
Deferred tax		
- Current year	21,000	13,000
	<u>80,740</u>	<u>30,900</u>

Group relief has been surrendered to the parent company for a consideration of £1 for every £1 of tax relief.

7. TANGIBLE FIXED ASSETS

GROUP

	Short leasehold buildings & improvements £	Plant, vehicles and equipment £	Total £
Cost:			
At 1st January 1998	301,085	3,819,948	4,121,033
Additions	27,807	395,848	423,655
Disposals	-	(61,890)	(61,890)
At 31st December 1998	<u>328,892</u>	<u>4,153,906</u>	<u>4,482,798</u>
Depreciation:			
At 1st January 1998	301,085	2,578,471	2,879,556
Charge for the year	9,269	338,684	347,953
Disposals	-	(61,890)	(61,890)
At 31st December 1998	<u>310,354</u>	<u>2,855,265</u>	<u>3,165,619</u>
Net book value:			
At 31st December 1998	<u>18,538</u>	<u>1,298,641</u>	<u>1,317,179</u>
At 31st December 1997	<u>-</u>	<u>1,241,477</u>	<u>1,241,477</u>

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

7. TANGIBLE FIXED ASSETS (continued)

The net book value of plant, vehicles and equipment includes £9,621 (1997: £17,008) 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 1998	301,085	3,812,659	4,113,744
Additions	27,807	360,723	388,530
Disposal	-	(61,890)	(61,890)
At 31st December 1998	<u>328,892</u>	<u>4,111,492</u>	<u>4,440,384</u>
Depreciation:			
At 1st January 1998	301,085	2,577,747	2,878,832
Charge for the year	9,269	335,471	344,740
Disposals	-	(61,890)	(61,890)
At 31st December 1998	<u>310,354</u>	<u>2,851,328</u>	<u>3,161,682</u>
Net book value:			
At 31st December 1998	<u>18,538</u>	<u>1,260,164</u>	<u>1,278,702</u>
At 31st December 1997	<u>-</u>	<u>1,234,912</u>	<u>1,234,912</u>

The net book value of plant, vehicles and equipment includes £9,621 (1997: £17,008) in respect of assets being acquired under finance lease and hire purchase contracts.

8. INVESTMENTS

COMPANY

	£
Cost:	
At 1st January 1998	400,500
Additions	617
At 31st December 1998	<u>401,117</u>

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (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.

	1998 GROUP £	1997 GROUP £	1998 COMPANY £	1997 COMPANY £
9. STOCKS AND WORK IN PROGRESS				
Raw materials and consumables	558,413	520,576	558,413	520,576
Work in progress	671,498	210,979	658,470	210,979
Finished goods	34,558	58,237	34,558	53,849
	<u>1,264,469</u>	<u>789,792</u>	<u>1,251,441</u>	<u>785,404</u>

Included within work in progress is an amount of £388,204 (1997 - £nil) which is being treated as a long term contract in accordance with the provisions of SSAP 9 - Stocks and long term contracts.

10. DEBTORS

Trade debtors	1,667,454	1,261,164	1,656,667	1,260,607
Amounts owed by group undertakings	-	-	263,170	102,735
Other debtors	6,681	27,093	2,600	19,520
Prepayments and accrued income	239,404	309,901	239,404	309,901
	<u>1,913,539</u>	<u>1,598,158</u>	<u>2,161,841</u>	<u>1,692,763</u>

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 GROUP £	1997 GROUP £	1998 COMPANY £	1997 COMPANY £
11. CREDITORS - amounts falling due within one year				
Bank overdraft	1,075,767	157,627	1,075,767	157,627
Trade creditors	577,259	831,456	572,735	815,749
Amount owed to ultimate parent company	172,515	391,480	184,015	402,980
Amount owed to group undertakings	-	-	400,496	400,496
Corporation tax	59,700	21,700	59,700	21,700
Taxation and social security	221,167	80,111	217,957	77,950
Other creditors	17,529	4,595	17,529	2,000
Accruals and deferred income	205,386	211,288	194,755	211,291
	<u>2,329,323</u>	<u>1,698,257</u>	<u>2,722,954</u>	<u>2,089,793</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	14,362	20,771	14,362	20,771
	<u>14,362</u>	<u>20,771</u>	<u>14,362</u>	<u>20,771</u>

13. PROVISION FOR LIABILITIES AND CHARGES				
Deferred taxation				
Balance at 1st January 1998	95,000	82,000	95,000	82,000
Profit and loss account	21,000	13,000	21,000	13,000
Balance at 31st December 1998	<u>116,000</u>	<u>95,000</u>	<u>116,000</u>	<u>95,000</u>
The balance comprises:				
Accelerated capital allowances	139,000	109,000	139,000	109,000
Other timing differences	(23,000)	(14,000)	(23,000)	(14,000)
	<u>116,000</u>	<u>95,000</u>	<u>116,000</u>	<u>95,000</u>

All deferred taxation has been provided in full.

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 GROUP £	1997 GROUP £	1998 COMPANY £	1997 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 1998	1,481,495	1,606,636	1,565,844	1,305,742
Retained profit/(loss) for the year	168,375	(125,854)	286,449	260,102
Currency translation difference	4,435	713	-	-
At 31st December 1998	1,654,305	1,481,495	1,852,293	1,565,844
16. RECONCILIATION OF SHAREHOLDERS' FUNDS				
Retained profit/(loss) for the year	168,375	(125,854)	286,449	260,102
Currency translation difference	4,435	713	-	-
Shareholders' funds at 1st January 1998	1,881,995	2,007,136	1,966,344	1,706,242
Shareholders' funds at 31st December 1998	2,054,805	1,881,995	2,252,793	1,966,344
17. FUTURE CAPITAL EXPENDITURE				
Contracted for but not provided	32,788	100,110	32,788	95,524

HELMET INTEGRATED SYSTEMS LIMITED

NOTES TO THE ACCOUNTS (continued)

	1998 GROUP £	1997 GROUP £	1998 COMPANY £	1997 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	-
Expiring between two and five years	-	116,941	-	110,000
Expiring after five years	85,250	85,250	85,250	85,250
Other:				
Expiring within one year	19,505	4,730	18,072	4,730
Expiring between two and five years	39,752	62,993	39,752	55,888
Expiring after five years	1,346	3,427	1,346	3,427
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 is a trustee of certain trusts and his wife is a trustee of certain other trusts. The shares in Middlemace Limited held by these trusts, if aggregated with Mr and Mrs Hoyle's personal holdings, would amount to 50.57% of the issued share capital.				