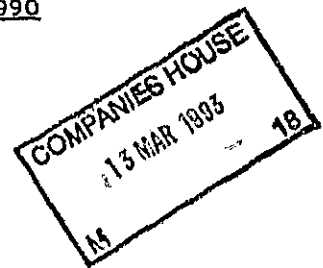


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P K ELECTRONIC INTERNATIONAL LIMITED

DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS

for the year ended 31st December, 1990



**W.A. SAGGERS & CO**

*Chartered Accountants*

74A, HEATH ROAD,  
TWICKENHAM, TW1 4BW

TELEPHONE: 001-891 2233

P K ELECTRONIC INTERNATIONAL LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31st DECEMBER 1990

FINANCIAL STATEMENTS

The Directors present their report and financial statements for the year ended 31 December 1990.

PRINCIPAL ACTIVITIES

The principal activity of this company is the sale of sophisticated electronic security systems to governments and other organisations throughout the world.

DIVIDENDS

The Director does not recommend payment of a dividend for the year ended 31st December 1990, which leaves a profit of £868,407 after taxation to be taken to reserves.

FIXED ASSETS

Changes in fixed assets are shown in note 5 to the financial statements.

TAX STATUS

In the opinion of the Director the company is a close company within the meaning of Section 414 Income and Corporation Taxes Act 1988.

DIRECTORS

The members of the Board who served throughout the year and their interests in the share capital of the company were:

	<u>Ordinary shares</u>	
	<u>1989</u>	<u>1990</u>
L Nelson	-	-
D A Myers (appointed 22 February 1990)	-	1
P N Welch (resigned 31st October 1989)	1	-

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing that W A Siggers & Co be reappointed as Auditors of the Company will be put to the Annual General Meeting.

*D Myers.*

Secretary

AUDITORS REPORT

TO THE MEMBERS OF P K ELECTRONIC INTERNATIONAL LIMITED

We have audited the attached financial statements in accordance with the approved Auditing Standards.

In our opinion the financial statements which have been prepared under the historical cost convention give a true and fair view of the Company's affairs as at 31 December 1990 and comply with the Companies Act 1985.



W A SAGGERS & CO  
74a Heath Road  
Twickenham  
Middlesex  
TW1 4BW

Chartered Accountants  
Registered Auditor

P K ELECTRONIC INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1990

	<u>Notes</u>	<u>1989</u>	<u>1990</u>
Turnover		417,836	4,360,717
Cost of Sales		(228,787)	(3,121,687)
<b>GROSS PROFIT</b>		<u>189,049</u>	<u>1,239,030</u>
Distribution costs and Administrative expenses		(161,862)	(340,443)
Interest payable and similar charges		(674)	(14,586)
Other interest receivable and similar charges		<u>195</u>	<u>31,156</u>
<b>Profit on ordinary activities before taxation and exceptional items</b>	2	26,708	915,157
Tax on (loss)/profit on ordinary activities	3	(172)	(46,750)
Exceptional item	4	(258,160)	-
<b>(Loss)/profit for the financial year</b>	11	<u>£(231,624)</u>	<u>£868,407</u>

P. K. ELECTRONIC INTERNATIONAL LIMITED

BALANCE SHEET

as at 31st December 1990

	<u>Notes</u>	<u>1989</u>	<u>1990</u>
<u>TANGIBLE FIXED ASSETS</u>	5	4,487	19,276
<u>CURRENT ASSETS</u>			
Stocks		3,640	3,456
Debtors		278,116	326,004
Cash at Bank and in Hand		2,797	234,995
		<hr/>	<hr/>
		284,553	564,455
CREDITORS: amounts falling due within one year	7	(1,050,134)	(476,416)
		<hr/>	<hr/>
Net Current (Liabilities) /Assets		(765,579)	88,039
		<hr/>	<hr/>
Total Assets less Current Liabilities		(761,092)	107,315
CREDITORS: amounts falling due after more than one year	8		-
		<hr/>	<hr/>
Net Liabilities		£(761,092)	£107,315
		<hr/>	<hr/>
<u>CAPITAL AND RESERVES</u>			
Called-up share capital	10	100	100
Profit and loss account	11	(761,192)	107,215
		<hr/>	<hr/>
		£(761,092)	£107,315
		<hr/>	<hr/>

The financial statements on pages 3 to 8 were approved by the Board on

*D Myers* )  
 Directors

*[Signature]*

P K ELECTRONIC INTERNATIONAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December 1990

	<u>1989</u>	<u>1990</u>
<u>APPLICATION OF FUNDS</u>		
(Loss)/profit after exceptional items and before taxation	(231,452)	915,157
Adjustment for items not involving the movement of funds		
Depreciation	5,942	6,425
Profit on disposal of fixed assets	(10,343)	-
	<hr/>	<hr/>
Funds (absorbed by)/generated from operations	(235,852)	921,582
Other source of funds:		
Increase in loans from group companies	-	-
Disposal proceeds of fixed assets	32,717	-
<u>APPLICATION OF FUNDS</u>		
Taxation paid	(172)	-
Purchase of fixed assets	(1,251)	(21,214)
	<hr/>	<hr/>
NET (APPLICATION)/SOURCE OF FUNDS	£(204,559)	£900,368
	<hr/>	<hr/>
<u>MOVEMENT OF WORKING CAPITAL</u>		
Stocks	(28,455)	(184)
Debtors	(247,723)	47,888
Creditors	96,572	675,105
Movement in net liquid funds:		
Cash at Bank	(24,953)	177,559
	<hr/>	<hr/>
	£(204,559)	£900,368
	<hr/>	<hr/>

P K ELECTRONIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, on a going concern basis. As can be seen from the balance sheet on page 4, the company had a net deficiency of assets of £761,092 at 31 December 1989. The going concern basis is appropriate as the company traded profitably during 1990, enabling it to repay in full its deferred loan from the holding company, and returned to a positive net asset position.

(b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Depreciation is charged on straight line basis over the following periods:

Antique furniture	-	20 years
Office equipment	-	4 years
Office furniture	-	5 years
Motor vehicles	-	4 years

(c) Stock

Stock is valued at the lower of cost and net realisable value.

(d) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the transaction date. All differences are taken to the profit and loss account.

(e) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

2. PROFIT ON ORDINARY ACTIVITIES

<u>BEFORE TAXATION AND EXCEPTIONAL ITEMS</u>	<u>1989</u>	<u>1990</u>
is stated after charging:	£	£
Depreciation	5,942	6,425
Auditors' remuneration	9,290	21,290
Directors' remuneration	17,850	47,567
Losses on exchange	274	-
Profit on disposal of fixed assets	10,343	-
	<hr/>	<hr/>

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation Tax	£172	£ 46,750
	<hr/>	<hr/>

P. K. ELECTRONIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990 (continued)

4. EXCEPTIONAL ITEMS

Exceptional items represents amounts written off, trade debtors relating to prior years and before the change of management, referred to in the Directors' report.

<u>5. TANGIBLE FIXED ASSETS</u>	<u>Office furniture</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost				
1 January 1990	3,878	22,653	-	26,531
Additions	-	9,220	11,994	21,214
<hr/>				
31 December 1990	3,878	31,873	11,994	47,745
<hr/>				
Depreciation				
1 January 1990	1,971	20,073	-	22,044
Charge for the year	477	2,950	2,998	6,425
<hr/>				
31 December 1990	2,448	23,023	2,998	28,469
<hr/>				
Net book value				
31 December 1990	1,430	8,850	8,996	19,276
<hr/>				
31 December 1989	1,907	2,580	-	4,487

<u>6. Debtors</u>	<u>1989</u>	<u>1990</u>
Trade debtors	8,477	157,052
Amounts owed by group companies	3,231	-
Amounts owed by related companies	262,966	150,845
Other debtors	150	18,107
Prepayments and accrued income	3,292	-
	<hr/>	<hr/>
	£278,116	£326,004

7. CREDITORS: amounts falling due within one year

Bank loans and overdrafts	1,007	55,646
Trade creditors	10,947	431
Other creditors including taxation and social security	1,160	88,765
Accruals and deferred income	321,918	308,950
Amounts owed to group companies	19,656	22,624
Amounts owed to holding company	695,444	-
	<hr/>	<hr/>
	£1,050,132	£476,416



F K ELECTRONIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1990 (continued)

8. <u>CREDITORS:</u> amounts falling due after more than one year	<u>1989</u>	<u>1990</u>
Amounts owing to the holding company	£595,444	-

These amounts are interest-free and unsecured with no fixed terms for repayment.

The company's profitability has improved in 1990, enabling the loan to be repaid in full on 12 October 1990.

9. INFORMATION REGARDING DIRECTORS

The remuneration paid to the company directors who held office during the year amounted to:

Remuneration as executives (managing director)	15,650	47,567
Payment in lieu of notice	2,200	-
	<u>£17,850</u>	<u>£47,567</u>

The other director who held office during the year did not receive any remuneration.

10. SHARE CAPITAL

Authorised, allotted, issued and fully paid Ordinary shares of £1 each	£100	£100
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11. PROFIT AND LOSS ACCOUNT

Deficit at 1 January 1990		(761,192)
Profit for the year after taxation		888,407
Balance at 31 December 1990		<u>£107,215</u>

12. EMPLOYEES

The average number of persons employed during the year was 2.

Their total remuneration (excluding directors) was:

Salaries paid	28,509	-
Social security costs	4,583	-
	<u>£33,092</u>	<u>£ -</u>

13. ULTIMATE PARENT COMPANY

MIL Electronic Company Establishment, incorporated in Liechtenstein, is regarded by the Directors as being the company's ultimate parent company.