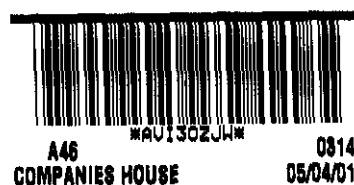


**ALVIS INVESTMENTS (HMC) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2000**



Company Number: 2696043

ALVIS INVESTMENTS (HMC) LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

ACTIVITIES

The Company is an investment holding company. On 5 January 2001, the Company sold its interest in Avimo Group to Thomson CSF Invest SAS.

PROFIT AND DIVIDENDS

The profit and loss account shows a profit after tax of £32,391 for the year (1999 fifty three weeks profit: £110,084). The Company did not pay a dividend (1999 fifty three weeks: £nil). Retained profits of £32,391 (1999 fifty three weeks profits: £110,084) have been transferred to reserves.

AUDITORS' REMUNERATION

Auditors' remuneration is borne by Alvis plc.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

Mr N M Prest
Mr P E Jarman
Mr M F Greenslade (appointed 1 April 2000)
Mr S R Mitchell (resigned 31 March 2000)

The interests of the directors in the share capital of Alvis plc at 31 December 2000 were as follows:

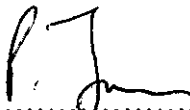
	Options		Options Granted
	31 December 2000	31 December 1999	
Mr P E Jarman	120,000	50,000	70,000

Messrs Prest and Greenslade 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. Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board


.....
P E Jarman
Company Secretary

29 March 2001

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 financial statements on pages 6 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

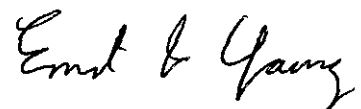
Basis of opinion

We conducted our audit in accordance with the 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Registered Auditor
London

24 March 2001

ALVIS INVESTMENTS (HMC) LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2000**

	Notes	Year ended 31 December 2000 £	Fifty Three Weeks ended 31 December 1999 £
Income from Investments		24,391	140,084
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,391	140,084
Taxation	2	8,000	(30,000)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND TRANSFERRED TO RESERVES	9	32,391	110,084
		=====	=====

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 31 DECEMBER 2000

	Notes	31 December 2000 £	31 December 1999 £
Current Assets			
Investments	3	3,947,149	3,947,149
Debtors due within one year	4	307,294	282,903
		<hr/> 4,254,443	<hr/> 4,230,052
Creditors due within one year			
Other creditors	5	(39,000)	(32,000)
		<hr/>	<hr/>
Net Current Assets		4,215,443	4,198,052
Total Assets less Current Liabilities		4,215,443	4,198,052
Provisions for liabilities and charges	6	-	(15,000)
		<hr/> 4,215,443	<hr/> 4,183,052
		<hr/>	<hr/>
Equity Reserves			
Called up share capital	7	3,947,051	3,947,051
Reserves	8	268,392	236,001
		<hr/>	<hr/>
	9	4,215,443	4,183,052
		<hr/>	<hr/>

These accounts were approved by the Board on 29th March 2001.

Mark Greenleade Director

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

1 ACCOUNTING POLICIES

(a) Accounting Convention

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

(b) Basis of Preparation

As permitted by S.228 of the Companies Act 1985 the company has not prepared consolidated accounts as it is a wholly owned subsidiary undertaking of Alvis plc, a company registered in England. These accounts therefore present information about the company as an individual undertaking and not about its group. As permitted by FRS1, the company has not prepared a cash flow statement as it is a wholly owned subsidiary undertaking of Alvis plc.

(c) Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(d) Investments

Fixed asset investments are included at the lower of cost and net realisable value.

2 TAXATION

The tax (credit)/charge comprises:

UK corporation tax

	Year ended 31 December 2000 £	Fifty Three Weeks ended 31 December 1999 £
Current tax at 30% (1999: 30%)	7,000	25,000
Deferred taxation	(15,000)	5,000
	----- (8,000) =====	----- 30,000 =====

Current tax is inclusive of Group relief. The tax credit is due to the reversal of short term timing differences.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

	Year ended 31 December 2000 £	Fifty Three Weeks ended 31 December 1999 £
3 INVESTMENTS		
Investments at 31 December 2000 and 31 December 1999		
Avimo Group Limited	3,947,049	3,947,049
Exchequer Stock	100	100
	<u>3,947,149</u>	<u>3,947,149</u>

The Company held the following investment in Avimo Group Limited at 31 December 2000:

	% Ordinary Share Capital Owned	Country of Incorporation and Operation
Avimo Group Limited	5.50	Singapore

Avimo Group Limited is listed on the Singapore Stock Exchange. On 5 January 2001, the Company sold its remaining interest in Avimo Group Limited to Thomson CSF Invest SAS for a consideration of £8,320,075.

	31 December 2000 £	31 December 1999 £
4 DEBTORS		
Amounts due within one year:		
Amounts owed by ultimate parent undertaking	<u>307,294</u>	<u>282,903</u>

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

	31 December 2000 £	31 December 1999 £
5 OTHER CREDITORS		
Amounts due within one year:		
Amounts owed to fellow subsidiaries	7,000	-
Amounts owed to parent undertakings	28,000	28,000
Corporation tax payable	4,000	4,000
	<u>39,000</u>	<u>32,000</u>
	31 December 2000 £	31 December 1999 £
6 PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation at beginning of year	15,000	10,000
(Credit)/charge for the period	(15,000)	5,000
Deferred taxation at end of year	<u>-</u>	<u>15,000</u>
	31 December 2000 £	31 December 1999 £
7 SHARE CAPITAL		
Authorised:		
3,947,051 ordinary shares of £1 each	<u>3,947,051</u>	<u>3,947,051</u>
Allotted, called up and fully paid:		
3,947,051 ordinary shares of £1 each	<u>3,947,051</u>	<u>3,947,051</u>

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

	Profit and Loss Account £
8 RESERVES	
At 31 December 1999	236,001
Retained profit for the year	32,391
	<u>-----</u>
At 31 December 2000	<u>268,392</u>

	Year ended 31 December 2000 £	Fifty Three Weeks ended 31 December 1999 £
9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit on ordinary activities after taxation	32,391	110,084
	<u>-----</u>	<u>-----</u>
Net addition to shareholders' funds	32,391	110,084
Shareholders' funds at beginning of year	4,183,052	4,072,968
	<u>-----</u>	<u>-----</u>
Shareholders' funds at end of year	<u>4,215,443</u>	<u>4,183,052</u>

10 RELATED PARTY TRANSACTIONS

As permitted by FRS8, the Company has not prepared a statement on transactions with related parties as it is a wholly owned subsidiary undertaking of Alvis plc.

11 POST BALANCE SHEET EVENT

On 5 January 2001, the Company sold its interest in Avimo Group Limited to Thomson CSF Invest SAS for gross consideration of £8,320,075, resulting in profit before tax of approximately £4.3 million.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

12 ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking 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.