

Advanced Composite Components Limited

Annual report

31 August 1995

Registered number 1275395



Advanced Composite Components Limited

Annual report

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Advanced Composite Components Limited

Director's report

The director presents his report and the audited financial statements for the year ended 31 August 1995.

Principal activities

The company is engaged in the development, design and production of specialised tooling, press mouldings, tubing and prototypes, using composite materials. The company's customers are in a wide range of industries, but it has strong representation in the aerospace and motor racing markets.

Business review

Trading in the components business continues to be difficult. The outlook for the coming year is one of cautious optimism.

Results and dividend

The results for the year are shown in the profit and loss account on page 5.

The director does not recommend the payment of a dividend.

Research and development

The director considers that the future of the company lies in the technical superiority of its products and service and is committed to maintaining and enhancing this superiority by continuing programmes of research and development.

During the year £62,954 (1994: £292,898) was expended on research and development programmes by the company.

Fixed assets

Changes in fixed assets are set out in note 7 to the financial statements.

Directors

The director who held office during the year was RM Sloman.

RM Sloman is also a director of the ultimate parent company. He held no interest in the shares of the company at any time during the year and his interests in the shares of the ultimate parent company are shown in the financial statements of that company.

Advanced Composite Components Limited

Director's report *(continued)*

Directors' and officers' liability insurance

The company maintains directors' and officers' liability insurance as permitted by section 310(3) of the Companies Act 1985.

Employees

Employee participation and involvement in matters which affect their interests continue to be developed. The company gives equal consideration to applications for employment from disabled people, having regard to their particular aptitudes and abilities.

Health, safety and the environment

The company has a continuing commitment to health and safety issues. A positive stance is maintained towards environmental issues and the company is committed to compliance with all applicable laws and regulations.

Quality systems

The company has Civil Aviation Authority certification and is approved by many major aerospace and defence companies.

ISO 9002 certification has now been approved and the company operates an active Total Quality Management System.

Close company status

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AB Moore
Secretary

Composites House
Adams Close
Heanor Gate Industrial Estate
Heanor
Derbyshire

13 September 1996

Advanced Composite Components Limited

Statement of director's responsibilities

Company law requires the director to prepare financial statements 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 for that period. In preparing those financial statements, the director is 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 financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



5 Stuart Street
Derby
DE1 2EQ

Report of the auditors to the members of Advanced Composite Components Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of the directors and the auditors

As described on page 3, the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director 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 financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty as to the continued availability of support from the parent company. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company as at 31 August 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

13 September 1996

Advanced Composite Components Limited

Profit and loss account for the year ended 31 August 1995

	Note	1995 £	1994 £
Turnover			
Cost of sales	1	3,740,095 (2,340,284)	2,633,296 (1,737,416)
Gross profit		<u>1,399,811</u>	<u>895,880</u>
Administrative expenses			
Other operating income	2	(1,510,564) 420,998	(1,555,981) -
Operating profit/(loss)		<u>310,245</u>	<u>(660,101)</u>
Interest payable and similar charges	3	(54,857)	(58,838)
Profit/(loss) on ordinary activities before and after taxation and retained profit/(deficit) for the financial year	4	<u>255,388</u>	<u>(718,939)</u>
Deficit brought forward		<u>(1,735,629)</u>	<u>(1,016,690)</u>
Deficit carried forward		<u><u>(1,480,241)</u></u>	<u><u>(1,735,629)</u></u>

All results are derived from continuing operations.

There were no recognised gains or losses and no movements in shareholders' funds other than those included in the profit and loss account.

Note of historical cost profits and losses

	1995 £	1994 £
Reported profit/(loss) on ordinary activities before taxation	255,388	(718,939)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,318	1,318
Historical cost profit/(loss) on ordinary activities before taxation	<u>256,706</u>	<u>(717,621)</u>
Retained profit/(deficit) for the year on a historical cost basis.	<u><u>256,706</u></u>	<u><u>(717,621)</u></u>

Advanced Composite Components Limited

Balance sheet at 31 August 1995

	Note	1995		1994	
		£	£	£	£
Fixed assets					
Tangible assets	7		455,688		509,337
Investments	8		50,949		50,949
			<u>506,637</u>		<u>560,286</u>
Current assets					
Stocks	9	177,680		314,277	
Debtors	10	1,797,855		756,925	
		<u>1,975,535</u>		<u>1,071,202</u>	
Creditors: amounts falling due within one year	11	(3,738,147)		(3,135,312)	
Net current liabilities			<u>(1,762,612)</u>		<u>(2,064,110)</u>
Total assets less current liabilities			<u>(1,255,975)</u>		<u>(1,503,824)</u>
Creditors: amounts falling due after more than one year	12		(40,380)		(47,919)
Net liabilities			<u>(1,296,355)</u>		<u>(1,551,743)</u>
Capital and reserves					
Called up share capital	14		100,000		100,000
Revaluation reserve			83,886		83,886
Profit and loss account			(1,480,241)		(1,735,629)
Equity shareholders' funds	15		<u>(1,296,355)</u>		<u>(1,551,743)</u>

These financial statements were approved by the director on 13 September 1996



RM Sloman
Director

Advanced Composite Components Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of freehold property.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

The company is reliant on funding from the parent company for its day to day working capital requirements.

The parent company itself is reliant on funding in the form of bank loans and overdrafts and significant loans from the non equity shareholders for its day to day working capital requirements. Overdraft facilities in the USA have expired, however facilities continue to be available pending the negotiations detailed below.

In order to provide the parent company with adequate working capital in line with a cash flow forecast prepared by the group for the period to 31 August 1997, an increase in funding is required over and above that which is currently available, including the overdraft facility, from its financiers.

The assumption that the going concern basis is appropriate for the parent company relies on the continuing support of the bank and non equity shareholders and also the availability of further finance to the parent company.

The non equity shareholders have indicated to the directors of the parent company their intention to continue to support that company. Negotiations are taking place with the parent company's bankers to ensure that the funds required by the group are available; however these negotiations have not been concluded at the date of approval of the financial statements.

The financial statements of the parent company have been prepared on the going concern basis and note that this is considered appropriate by its directors since they believe that the necessary funding will be available to it as required. The director of Advanced Composite Components Limited believe that, in turn, the parent company will continue to make available to it sufficient funds as required, and therefore consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustments that would result from the required finance not being available to the company.

Advanced Composite Components Limited

Notes (continued)

1 Accounting policies (continued)

Consolidated financial statements

The company is exempt by virtue of section 228 from the requirement to prepare group accounts. Hence the financial statements present information about the undertaking as an individual undertaking and not about its group.

The results of this company and those of its subsidiaries are included within the ultimate parent undertaking, Advanced Composites Group Limited's financial statements.

Turnover

Turnover represents the invoiced value of sales, excluding value added tax.

Fixed assets and depreciation

Fixed assets other than freehold land are depreciated over their anticipated useful lives at the following annual rates:

Freehold buildings	2%
Portable buildings	10%
Plant and equipment	6.6% to 15%
Fixtures and fittings	15%
Office equipment	15%
Motor vehicles	25%
Computer equipment	33%

Stock and work in progress

Stock and work in progress are valued at the lower of net realisable value and cost, including attributable overheads where appropriate.

Work in progress is stated net of attributable progress payments. Where progress payments exceed the cost of the related work in progress, the balance is recorded in creditors.

Deferred taxation

Provision is made for deferred taxation using the liability method at the current rate of corporation tax except where there is a reasonable probability that such tax will not become payable in the foreseeable future.

Research and development

Expenditure on research and development is written off against profits as incurred.

Patents and trade marks

Registration and agents' fees in respect of Patents and Trade Marks are written off as incurred.

Advanced Composite Components Limited

Notes (continued)

1 Accounting policies (continued)

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability. Rentals paid under operating leases are charged to income as incurred.

Foreign currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Advanced Composites Group Limited.

Pension scheme

Pension contributions are charged to the profit and loss account so as to spread the cost of providing benefits over the service lives of employees.

2 Other operating income

	1995	1994
	£	£
Royalty and management income from fellow subsidiary undertaking	420,998	-
	<u>420,998</u>	<u>-</u>

3 Interest payable and similar charges

	1995	1994
	£	£
Bank overdraft and loans	54,857	54,436
Hire purchase contracts	-	4,402
	<u>54,857</u>	<u>58,838</u>

Advanced Composite Components Limited

Notes (continued)

4 Profit/(loss) on ordinary activities before and after taxation

	1995 £	1994 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging the following:</i>		
Depreciation - owned assets	57,819	56,868
- assets held under hire purchase contracts	-	5,450
Auditors' remuneration - audit work	6,000	6,000
Operating lease and contract hire charges - other	32,774	52,531
Research and development costs	62,954	292,898
	<u> </u>	<u> </u>

There was no directors' remuneration in the year (1994: £Nil).

5 Staff numbers and costs

The average number of persons, including directors, employed during the year was as follows:

	Number 1995	Number 1994
Production	34	39
Non-production and administration	24	20
	<u> </u>	<u> </u>
	58	59
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were:

	1995 £	1994 £
Wages and salaries	970,857	1,027,037
Social security costs	104,816	90,291
Other pension costs	11,294	9,076
Redundancy	-	26,138
	<u> </u>	<u> </u>
	1,086,967	1,152,542
	<u> </u>	<u> </u>

6 Tax on profit/(loss) on ordinary activities

There is no taxation charge in the year due to the accumulated losses of the company and the anticipation of the availability of group relief.

Advanced Composite Components Limited

Notes (continued)

7 Tangible fixed assets

	Freehold property £	Portable buildings £	Plant and equip- ment £	Fixtures and fittings £	Office equip- ment £	Computer equip- ment £	Motor vehicles £	Total £
<i>Cost or valuation</i>								
At beginning of year	324,432	27,208	760,420	146,640	59,293	52,694	9,367	1,380,054
Additions	-	-	159	1,162	600	2,553	-	4,474
Disposals	-	-	-	-	-	(304)	-	(304)
At end of year	324,432	27,208	760,579	147,802	59,893	54,943	9,367	1,384,224
<i>Depreciation</i>								
At beginning of year	37,117	23,229	553,626	143,496	55,078	49,004	9,167	870,717
Charge for year	6,368	1,493	44,033	1,477	2,141	2,107	200	57,819
At end of year	43,485	24,722	597,659	144,973	57,219	51,111	9,367	928,536
<i>Net book value</i>								
At 31 August 1995	280,947	2,486	162,920	2,829	2,674	3,832	-	455,688
At 31 August 1994	287,315	3,979	206,794	3,144	4,215	3,690	200	509,337

The cost of freehold property includes an amount of £318,432 (1994: £318,432) which is depreciable.

The valuation of freehold property comprises:

	£
Original cost of property	252,527
Revaluation adjustment (October 1988)	71,905
Revalued amount	324,432

The effect of this revaluation on the depreciation charge is shown in the Note of Historical Cost Profits and Losses on page 5. The net book value of freehold property based on a historical cost basis at 31 August 1995 would have been £223,678.

Advanced Composite Components Limited

Notes (continued)

8 Fixed asset investments

Shares in group undertakings

Ordinary shares of £1 each

	Shareholding %	1995 £	1994 £
Advanced Composite Panels Limited	100	-	-
Advanced Composite Technology Limited	100	50,847	50,847
Advanced Composite Materials Limited	100	100	100
Advanced Composite Engineering Limited	100	2	2
		<u>50,949</u>	<u>50,949</u>

All subsidiaries are incorporated in Great Britain and registered in England and Wales.

Advanced Composite Materials Limited manufactures impregnated materials used for the manufacture of composite tooling and components. The other subsidiaries are dormant.

Full provision has been made for any loss in the value of investments in subsidiary undertakings where the diminution in value is considered to be permanent.

9 Stocks

	1995 £	1994 £
Raw materials	82,323	61,986
Work in progress	95,357	252,291
	<u>177,680</u>	<u>314,277</u>

The net cost less foreseeable losses of the work in progress stock was £380,585 (1994: £329,476), which had applicable payments on account of £285,228 (1994: £77,185) offset.

10 Debtors

	1995 £	1994 £
Trade debtors	997,880	664,871
Amounts owed by group undertakings:		
Attributable to dealings with its parent		
undertaking or fellow subsidiary undertakings	786,620	77,769
Other debtors	-	248
Prepayments	13,355	14,037
	<u>1,797,855</u>	<u>756,925</u>

Advanced Composite Components Limited

Notes (continued)

11 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank loans	13,140	22,235
Payments on account in excess of work in progress	45,360	127,519
Trade creditors	-	18,873
Amounts owed to group undertakings	3,628,041	2,946,051
Other creditors	30,052	-
Accruals	21,554	20,634
	<u>3,738,147</u>	<u>3,135,312</u>
Amount owed to group undertakings:		
Attributable to dealings with its parent undertaking or fellow subsidiary undertakings	1,786,256	1,026,758
Attributable to dealings with subsidiary undertakings of the company	1,841,785	1,919,293
	<u>3,628,041</u>	<u>2,946,051</u>

12 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Bank loan	40,380	47,919
Bank loan	<u>40,380</u>	<u>47,919</u>

The bank loan is secured by fixed and floating charges over the assets of the group and bears interest at 3% over bank base rate, subject to a minimum rate of 8%. The loan is serviced by fixed instalments of £18,240 per annum, to include interest at the prevailing rate.

13 Provision for liabilities and charges

No deferred tax has been provided, due to the accumulated losses of the company. The maximum potential liability for deferred tax is as follows:

	1995 £	1994 £
Accelerated capital allowances	47,895	-
Tax losses carried forward	(47,895)	-
	<u>-</u>	<u>-</u>

Advanced Composite Components Limited

Notes (continued)

14 Called up share capital

	1995 £	1994 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>

15 Reconciliation of movements in shareholders' funds

	£	£
Profit/(loss) for the financial year	255,388	(718,939)
Opening shareholders' funds	(1,551,743)	(832,804)
Closing shareholders' funds	(1,296,355)	(1,551,743)
	<u> </u>	<u> </u>

16 Contingent liabilities

There is a cross guarantee between all group companies in relation to the bank borrowing of each company.

17 Leasing commitments

The minimum lease payments, for equipment and motor vehicles, to which the group was committed at 31 August 1995, all of which are non-cancellable operating leases, are analysed to expire as follows:

	1995 £	1994 £
Within 1 year	7,520	-
Between 1 and 5 years	31,764	37,728
	<u> </u>	<u> </u>

18 Ultimate parent undertaking

The ultimate parent undertaking is Advanced Composites Group Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts are available from Composites House, Adams Close, Heanor Gate Industrial Estate, Heanor, Derbyshire.

19 Pensions

The company is a member of the Advanced Composites Group pension scheme, a defined benefit pension scheme, details of which are included in the financial statements of Advanced Composites Group Limited.