

Aerovac Systems Limited

Directors' report and financial statements

Registered number 1472714

31 March 2008



Aerovac Systems Limited

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Directors' report

The directors present their annual report and the audited financial statements for the year to 31 March 2008.

Principal activities

The principal activities of the company are the manufacture of vacuum tools and distribution of a range of consumable products used within the composite materials industry.

Results and business review

The company traded well during the year and continues to secure new customers. Profits for the financial year were £2,715,897 (2007: £2,255,497), the result for the year is shown in the profit and loss account on page 8.

The company is exposed to risks associated with the markets in which it operates and attributable to the wider social and economic environment. The company's performance could be adversely affected if conditions in the marketplace deteriorate. The company also faces risks specific to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks.

Aerovac Systems Limited is a wholly owned subsidiary of Umeco plc, and the detailed business review can be found on page 18 onwards of Umeco plc's 2008 annual report.

Directors

The directors who held office during the year as recorded in the register of directors' interests, were as follows:

CJ Snowdon	(Chairman)	
RJK Beaumont		resigned 20 July 2007
TT Brown		
TJ Cooper		
MD Goldstein		
P McEwen		
AB Moss		
DG Robertson		appointed 30 July 2007

None of the directors has any interest in the shares of Aerovac Systems Limited.

The interests of CJ Snowdon and DG Robertson in the shares of the ultimate holding company, Umeco plc, are disclosed in the directors' report of that company.

Directors' report *(continued)*

Payment policy

It is the company's normal procedure to agree terms of transactions, including payment patterns, with suppliers in advance and to adhere to those terms when making payment. At 31 March 2008, the company had 82 days purchases outstanding in creditors (2007: 82 days).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



SJ Bowers
Secretary

Concorde House
24 Warwick New Road
Leamington Spa
Warwickshire
CV32 5JG

3 June 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Aerovac Systems Limited

We have audited the financial statements of Aerovac Systems Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 financial statements.

Independent auditors' report to the members of Aerovac Systems Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

3 June 2008

Profit and loss account
for the year to 31 March 2008

	<i>Note</i>	2008 £	2007 £
Turnover	2	16,311,911	15,838,414
Cost of sales		(11,490,587)	(11,458,362)
Gross profit		4,821,324	4,380,052
Administrative expenses		(2,396,123)	(2,296,299)
Operating profit	3	2,425,201	2,083,753
Net interest payable	5	(7,072)	(6,268)
Investment income	6	996,668	810,470
Profit on ordinary activities before taxation		3,414,797	2,887,955
Tax on profit on ordinary activities	7	(698,900)	(632,458)
Profit for the financial year		2,715,897	2,255,497

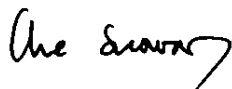
The results shown in the profit and loss account derive wholly from continuing operations.

The company had no recognised gains and losses other than the profit for the year.

Balance sheet
at 31 March 2008

	Note	£	2008 £	£	2007 £
Fixed assets					
Tangible assets	9		1,422,823		1,271,835
Investments	10		812,368		812,368
			<u>2,235,191</u>		<u>2,084,203</u>
Current assets					
Stocks	11	1,153,511		1,259,778	
Debtors	12	8,218,378		6,764,750	
Cash at bank and in hand		1,327,517		2,277,282	
			<u>10,699,406</u>	<u>10,301,810</u>	
Creditors: amounts falling due within one year	13	(4,922,368)		(4,716,762)	
Net current assets			<u>5,777,038</u>		<u>5,585,048</u>
Total assets less current liabilities			<u>8,012,229</u>		<u>7,669,251</u>
Creditors: amounts falling due after more than one year	14		(13,191)		(41,489)
Provisions for liabilities	15		(4,677)		(22,386)
Net assets			<u>7,994,361</u>		<u>7,605,376</u>
Capital and reserves					
Called up share capital	16		1,000		1,000
Profit and loss account	17		7,993,361		7,604,376
Equity shareholders' funds	18		<u>7,994,361</u>		<u>7,605,376</u>

These financial statements were approved by the board of directors on 3 June 2008 and were signed on its behalf by:



CJ Snowden
Director

Notes*(forming part of the financial statements)***1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted under s228 of the Companies Act 1985 the company has not prepared group accounts. Accordingly, these accounts present information for the company only.

In accordance with FRS1, a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary of a company which presents a consolidated cash flow statement in its accounts. As the company is a wholly owned subsidiary of Umeco plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value on a straight line basis over their estimated useful lives as follows:

Freehold buildings	-	2%
Motor vehicles	-	25%
Plant and machinery	-	15%-25%

No depreciation is provided on freehold land.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Taxation

The charge for tax is based on the profit for the year and takes into account tax deferred because of timing differences between the treatment of certain items for tax and accounting purposes except as otherwise required by FRS19. Liabilities are calculated on a non-discounted full provision basis. Assets are recognised on the same basis, but only to the extent that it is probable they will be recovered.

Notes (continued)**1 Accounting policies (continued)*****Pensions***

Pension costs are recognised in the financial statements in accordance with the requirement of FRS17. The company operates a defined contribution scheme and participates in the Umeco plc Pension and Life Assurance Plan defined contribution section. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Share based payments

The fair value of options granted to employees of the company in respect of shares in the ultimate parent undertaking, Umeco plc, and which vested since 1 April 2004 are expensed where material. The fair value is measured at grant date and spread over the period during which employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. Details of the share option schemes are set out in note 26 to Umeco plc's consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in trading profit. 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.

Investments

Investments are included at cost less any amounts provided against their carrying value for impairment.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. The turnover is attributable to the company's principal activity.

Analysis of turnover by geographical market

	2008 £	2007 £
United Kingdom	6,129,268	5,698,353
Rest of Europe	7,124,931	7,402,868
Rest of world	3,057,712	2,737,193
	<hr/>	<hr/>
	16,311,911	15,838,414
	<hr/>	<hr/>

Notes (continued)**3 Operating profit**

	2008 £	2007 £
<i>Operating profit is stated after charging/(crediting):</i>		
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the annual accounts	14,750	14,750
Depreciation of tangible fixed assets:		
- owned assets	119,486	94,431
- leased assets	32,663	41,096
Profit on sale of tangible fixed assets	(3,958)	(3,665)
Exchange (gain) / loss	(181,536)	3,358

Details of non-audit fees paid by the Umeco plc Group of companies to the company's auditors are disclosed in the accounts of Umeco plc.

4 Directors and employees

	2008 £	2007 £
Staff costs including directors' emoluments:		
Wages and salaries	1,514,568	1,395,339
Social security costs	155,861	121,786
Pension costs	50,882	27,113
	1,721,311	1,544,238

Average monthly number employed including executive directors:

	Number	Number
Production staff	26	23
Administration staff	20	17
	46	40

Remuneration of directors

	£	£
Salary, bonus, benefits in kind and pension contributions	505,397	441,016

The company made contributions to defined contribution pension schemes on behalf of the directors' totalling £37,721 (2007: £19,578). Retirement benefits accrued to four (2007: four) directors under defined contribution pension schemes.

Highest paid director

	£	£
Salary, bonus and benefits in kind	161,105	201,349
Pension contributions	10,152	6,964
	171,257	208,313

During the year, options over shares in the ultimate parent undertaking, Umeco plc, were exercised by three directors. No options were exercised by the highest paid director. In the preceding year, three directors exercised options over shares in the ultimate parent undertaking.

Notes (continued)**5 Net interest payable**

	2008 £	2007 £
Interest payable on finance leases	(7,234)	(6,326)
Other interest receivable	162	58
	<u> </u>	<u> </u>
Net interest payable	<u>(7,072)</u>	<u>(6,268)</u>

6 Investment income

	2008 £	2007 £
Dividend receivable from group undertaking	996,668	810,470
	<u> </u>	<u> </u>

7 Taxation

	2008 £	2007 £
UK taxation charge at 30% (2007: 30%)		
- current year	716,609	628,313
- prior years	-	(16,531)
	<u> </u>	<u> </u>
Current taxation	716,609	611,782
Deferred taxation (credit)/charge		
- current year	(17,709)	4,145
- prior years	-	16,531
	<u> </u>	<u> </u>
	<u>698,900</u>	<u>632,458</u>

Notes (continued)**7 Taxation (continued)**

The current tax charge for the year is below (2007: below) the standard rate of UK corporation tax. The reasons for this are as follows:

	2008 £	2007 £
Profit on ordinary activities before taxation	3,414,797	2,887,955
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	1,024,439	866,386
Effects of		
- expenses not deductible for tax purposes	6,483	9,213
- writing down allowances in excess of depreciation	(14,252)	(11,966)
- income and expenditure timing differences	(1,061)	(8,710)
- relief for overseas taxation – current year	(299,000)	(243,141)
	716,609	611,782

The company's future tax charge will be affected by the fall in the UK mainstream corporation tax rate from 30% to 28% from 1 April 2008. Deferred tax has been calculated at 28%.

8 Dividends

	2008 £	2007 £
Equity dividends paid	2,326,912	708,285

The dividend paid per ordinary share was £2,327 (2007: £708).

Notes (continued)**9 Tangible fixed assets**

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Total £
Cost				
At 1 April 2007	1,087,662	282,860	1,137,673	2,508,195
Additions	83,662	52,161	189,756	325,579
Disposals	-	(82,166)	(1,409)	(83,575)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	1,171,324	252,855	1,326,020	2,750,199
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2007	135,563	131,603	969,194	1,236,360
Charge for year	19,575	70,084	62,490	152,149
Disposals	-	(60,605)	(528)	(61,133)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	155,138	141,082	1,031,156	1,327,376
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2008	1,016,186	111,773	294,864	1,422,823
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	952,099	151,257	168,479	1,271,835
	<hr/>	<hr/>	<hr/>	<hr/>

Net book value of tangible fixed assets at 31 March 2008 includes £46,229 (2007: £96,410) in respect of assets acquired under finance leases. Depreciation of £32,663 (2007: £41,096) has been charged on these assets.

Notes (continued)**10 Fixed asset investments**

	Investments other than loans £
<i>Cost and net book value</i>	
At start and end of year	812,368

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by company
<i>Subsidiary undertakings</i>			
Aerovac Systemes France SARL	France	Ordinary	100%
Fluorovac Limited	England and Wales	Ordinary	100%
Aerovac Systems Italia S.R.L.	Italy	Ordinary	90%

The principal activities of Aerovac Systemes France SARL and Aerovac Systems Italia S.R.L. are the manufacture of vacuum tools and distribution of a range of consumable materials used within the composite bonding industry. Aerovac Systems Italy S.R.L. commenced trading on 1st April 2003 and Fluorovac Limited is a non-trading dormant company.

Notes (continued)**11 Stocks**

	2008 £	2007 £
Finished goods and goods for resale	1,153,511	1,259,778

12 Debtors

	2008 £	2007 £
Amounts falling due within one year		
Trade debtors	3,499,060	2,708,805
Amounts owed by group undertakings	4,516,709	3,888,393
VAT recoverable	68,710	29,297
Prepayments and accrued income	133,899	138,255
	<u>8,218,378</u>	<u>6,764,750</u>

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	2,840,934	2,577,017
Amounts owed to group undertakings	1,181,641	1,185,472
Corporation tax	377,063	310,118
Other taxation and social security	37,139	36,030
Obligations under finance leases	21,026	41,125
Other creditors	5,876	6,617
Accruals and deferred income	458,689	560,383
	<u>4,922,368</u>	<u>4,716,762</u>

Obligations under finance leases and hire purchase creditors are secured on the assets concerned.

Notes *(continued)***14 Creditors: amounts falling due after more than one year**

	2008 £	2007 £
Obligations under finance leases due within 1 to 2 years	<u>13,191</u>	<u>41,489</u>

15 Provisions for liabilities*Deferred tax*

	2008 £	2007 £
Opening deferred tax liability	(22,386)	(1,710)
Profit and loss account	17,709	(20,676)
	<u> </u>	<u> </u>
Closing deferred tax liability	<u>(4,677)</u>	<u>(22,386)</u>

The closing balance is analysed as follows:

	2008 £	2007 £
Capital allowances in excess of depreciation	<u>(4,677)</u>	<u>(22,386)</u>

The liability is based upon a rate of 28% (2007: 30%).

Notes (continued)**16 Called up share capital**

	Number of shares	2008 £	Number of shares	2007 £
<i>Authorised</i>				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Reserves

	2008 £	2007 £
At the beginning of the year	7,604,376	6,057,164
Profit for the year	2,715,897	2,255,497
Dividends	(2,326,912)	(708,285)
	<u> </u>	<u> </u>
At the end of the year	7,993,361	7,604,376
	<u> </u>	<u> </u>

18 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Opening shareholders' funds	7,605,376	6,058,164
Retained profit for the year	2,715,897	2,255,497
Dividends	(2,326,912)	(708,285)
	<u> </u>	<u> </u>
Closing shareholders' funds	7,994,361	7,605,376
	<u> </u>	<u> </u>

19 Parent company

The company's immediate holding company is Launchfirm Limited, a company registered in England and Wales. The company's ultimate holding company is Umeco plc.

The results of the company are included in the consolidated accounts of Umeco plc which are available to the public and may be obtained from Umeco plc, Concorde House, 24 Warwick New Road, Leamington Spa, Warwickshire, CV32 5JG. No other group accounts include the results of the company.

20 Contingent liabilities

Under group banking facilities, the Company is jointly and severally liable for bank borrowings due by other group companies. At 31 March 2008 this contingent liability amounted to £89,213,836 (2007: £58,184,722).

Notes (continued)**21 Commitments**

The minimum annual lease payments to which the company was committed, all of which are non-cancellable operating leases in respect of land & buildings, are analysed to expire as follows:

	2008 £	2007 £
Within one year	32,584	-
Between two and five years	-	53,808
	<u>32,584</u>	<u>53,808</u>

Contracted capital commitments at the end of the financial year for which no provision has been made were £225,699 (2007: £4,549)

22 Pension Schemes

The company operates a defined contribution pension scheme, and participates in the Umeco plc Pension and Life Assurance Plan defined contribution section.

The Umeco Pension and Life Assurance Plan ('the Plan'), has two schemes – the defined benefit scheme (closed to new entrants in 2000) and the defined contribution scheme. The Plan is for the benefit of all relevant employees of Umeco plc and its UK subsidiary undertakings. Details of the latest actuarial valuation of the Plan are given in Umeco plc's consolidated financial statements. Note 19 gives details of how to obtain a copy of the financial statements of Umeco plc.

The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £50,882 (2007: £27,113). There were no outstanding contributions to the scheme at 31 March 2008 (2007: £nil).