

## **Advanced Composites Limited**

### **Directors' report and financial statements**

31 August 1998

Registered number 1623042



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 August 1998.

### **Principal activities and business review**

The company provides administrative and technical support to the other group companies.

Although it is not anticipated that there will be any change in these activities in the foreseeable future, income streams have now been developed in order to defray some of the costs of the technical support function.

### **Dividends**

The directors do not recommend the payment of a dividend.

### **Research and development**

The directors consider that the future of the company and fellow group companies 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 £394,358 (1997: £149,117) was expended on research and development programmes by the company.

### **Directors**

The directors who held office during the year were as follows:

RM Sloman  
SR King  
C Ridgard (resigned 11 November 1998)  
AJ Street  
AB Moore  
MT Murney  
JP Mabbitt  
HA Potts  
R Francombe  
E Ghavam-Shahidi  
G Prediger  
S Cope  
CL Davies  
CR Bennett

No director had an interest in the shares of the company at any time during the year.

RM Sloman, AJ Street and AB Moore are also directors of the parent company. Their interests in the shares of the parent company are shown in the financial statements of that company.

## **Directors' report** *(continued)*

### **Employees**

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

### **Year 2000**

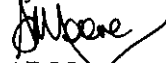
The Group, of which the company is a member, has adopted the following programme to ensure the risks associated with the Year 2000 issue are minimised:

- A project manager has been appointed to co-ordinate all necessary measures.
- The Group maintains a complete inventory of all computer based systems, both hardware and software.
- The Group employs a recognised software product for the purpose of evaluating the year 2000 effects.
- All existing equipment using date and time functions has been checked for the effects of Year 2000 as recognised by the industry's major hardware and software manufacturers and all new additions to the Group's inventory are checked for compliance before being activated.
- The costs of maintaining this policy are written off as incurred. No significant costs have been incurred, or are expected to arise in the future.

### **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  
Sinclair Close  
Heanor Gate Industrial Estate  
Heanor  
Derbyshire

31 March 1999

## **Statement of directors' responsibilities**

Company law requires the directors 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 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 financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



5 Stuart Street  
Derby  
DE1 2EQ

## Report of the auditors to the members of Advanced Composites Limited

We have audited the financial statements on pages 5 to 13.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are 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 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 1998 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*

31 March 1999

## **Profit and loss account**

*for the year ended 31 August 1998*

	<i>Note</i>	1998 £	1997 £
Administrative expenses		(1,815,235)	(2,442,778)
Other operating income	4	1,487,606	2,127,656
		<hr/>	<hr/>
<b>Operating loss</b>		(327,629)	(315,122)
Interest payable and similar charges	2	(25,326)	(6,743)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	3	(352,955)	(321,865)
Tax on loss on ordinary activities	7	29,004	(24,506)
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation and deficit for the financial year</b>		(323,951)	(346,371)
Deficit brought forward		(503,643)	(157,272)
		<hr/>	<hr/>
<b>Deficit carried forward</b>		(827,594)	(503,643)
		<hr/> <hr/>	<hr/> <hr/>

All results are derived from continuing operations.

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

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical costs basis.

## Balance sheet

at 31 August 1998

	Note	1998		1997	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		537,440		622,939
<b>Current assets</b>					
Stocks	9	1,117,612		905,034	
Debtors	10	151,806		2,522,363	
Cash at bank and in hand		-		56,476	
		<u>1,269,418</u>		<u>3,483,873</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,608,050)</u>		<u>(4,552,552)</u>	
<b>Net current liabilities</b>			<u>(1,338,632)</u>		<u>(1,068,679)</u>
<b>Total assets less current liabilities</b>			<u>(801,192)</u>		<u>(445,740)</u>
<b>Provision for liabilities and charges</b>	12		<u>(26,400)</u>		<u>(57,901)</u>
<b>Net liabilities</b>			<u>(827,592)</u>		<u>(503,641)</u>
<b>Capital and reserves</b>					
Called up share capital	13		2		2
Profit and loss account			<u>(827,594)</u>		<u>(503,643)</u>
<b>Equity shareholders' funds</b>	14		<u>(827,592)</u>		<u>(503,641)</u>

These financial statements were approved by the board of directors on 31 March 1999 and were signed on its behalf by:

RM Sloman  
Director





## 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.

#### *Going concern*

These financial statements have been prepared on a going concern basis, which assumes the continued support of the parent company. The directors of the parent company have indicated that they will continue to support the company.

#### *Research and development*

Research and development expenditure is written off as incurred.

#### *Other operating income*

Other operating income represents the recharge of costs to other companies in the Advanced Composites Group and royalty income from a fellow subsidiary undertaking.

#### *Fixed assets and depreciation*

Fixed assets are depreciated over their estimated anticipated useful lives at the following annual rates.

Improvements to leasehold property	over the period of the lease.
Portable buildings	10%
Plant and equipment	6.6% to 15%
Fixtures and fittings	15%
Office equipment	33%
Motor vehicles	25%

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

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

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

#### *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.

## Notes (continued)

### Accounting policies (continued)

#### *Leases and hire purchase contracts*

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at their 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.

#### *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.

### 2 Interest payable and similar charges

	1998 £	1997 £
Bank interest	25,326	6,743
	<u>          </u>	<u>          </u>

### 3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Depreciation	85,499	102,511
Auditors' remuneration - audit work	6,500	6,500
Operating leases, property rental charges and contract hire charges	224,023	64,867
Research and development	394,358	149,117
	<u>          </u>	<u>          </u>

## Notes (continued)

### 4 Other operating income

	1998 £	1997 £
Royalty income	22,583	136,331
Costs recharged to group companies	1,465,023	1,991,325
	<u>1,487,606</u>	<u>2,127,656</u>

### 5 Remuneration of directors

	1998 £	1997 £
Directors' emoluments	784,240	358,431
Company contributions to money purchase pension schemes	8,000	7,999
Amounts paid to third parties in respect of directors' services	18,000	15,875
	<u>810,240</u>	<u>382,305</u>

The aggregate for emoluments and amounts receivable under long term incentive schemes of the highest paid director was £149,020 (1997: £123,253) and the company pension contributions of £8,000 (1997: £7,999) were made to a money purchase scheme on his behalf.

	1998 £	1997 £
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
Defined benefit schemes	10	10
	<u>12</u>	<u>12</u>

## Notes (continued)

### 6 Staff numbers and costs

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

	1998 Number	1997 Number
Technical, administration and sales	61	57
	<u>£</u>	<u>£</u>
<i>The aggregate payroll costs of these persons were:</i>		
Wages and salaries	1,348,216	1,037,615
Social security costs	116,800	91,823
Pension costs	47,739	31,536
	<u>1,512,755</u>	<u>1,160,974</u>

### 7 Tax on loss on ordinary activities

	1998 £	1997 £
<i>The taxation credit/(charge) comprises:</i>		
Deferred taxation (note 12)	31,501	(24,506)
Adjustment relating to prior years	(2,497)	-
	<u>29,004</u>	<u>(24,506)</u>

## Notes (continued)

### 8 Tangible fixed assets

	Portable buildings £	Leasehold improv- ments £	Plant and equipment £	Fixtures and fittings £	Office equipment £	Computer equipment £	Motor vehicles £	Total £
<i>Cost</i>								
At beginning of year	19,677	21,061	680,257	66,199	55,220	165,952	52,059	1,060,425
Additions	-	-	-	-	-	-	-	-
At end of year	19,677	21,061	680,257	66,199	55,220	165,952	52,059	1,060,425
<i>Depreciation</i>								
At beginning of year	17,894	11,791	142,160	43,798	46,764	124,741	50,338	437,486
Charge for year	534	1,957	54,889	4,973	2,024	19,647	1,475	85,499
At end of year	18,428	13,748	197,049	48,771	48,788	144,388	51,813	522,985
<i>Net book value</i>								
At 31 August 1998	1,249	7,313	483,208	17,428	6,432	21,564	246	537,440
At 31 August 1997	1,783	9,270	538,097	22,401	8,456	41,211	1,721	622,939

### 9 Stocks

	1998 £	1997 £
Raw materials	1,117,612	905,034

### 10 Debtors

	1998 £	1997 £
Trade debtors	92,640	65,920
Amounts owed by group undertakings	-	2,332,265
Other debtors	19,889	58,783
Prepayments	39,277	65,395
	151,806	2,522,363

**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	1998 £	1997 £
Trade creditors	-	1,220,456
Amounts owed by group undertakings	2,348,938	3,026,797
Other creditors	12,356	62,524
Income tax and social security	186,127	162,791
Accruals	60,629	79,984
	<u>2,608,050</u>	<u>4,552,552</u>

**12 Provisions for liabilities and charges**

	1998 £	1997 £
<i>Amount provided and full potential liability</i>		
Accelerated capital allowances:		
At beginning of year	57,901	33,395
Movement in the year (note 7)	(31,501)	24,506
	<u>26,400</u>	<u>57,901</u>

**13 Called up share capital**

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the year	(323,951)	(346,371)
Opening shareholders' funds	(503,641)	(157,270)
	<hr/>	<hr/>
Closing shareholders' funds	(827,592)	(503,641)
	<hr/> <hr/>	<hr/> <hr/>

### 15 Contingent liabilities

There is a cross guarantee between all group companies in relation to the bank borrowings of each company. At 31 August 1998, the outstanding liability under this guarantee was £1,872,600 (1997: £1,607,345).

### 16 Leasing commitments

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

	1998		1997
	Land and buildings £	Other £	Land and buildings £
Within 1 year	-	11,316	63,833
Between 2 and 5 years	-	74,277	91,281
Over 5 years	99,236	-	-
	<hr/>	<hr/>	<hr/>
	99,236	85,593	155,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
			60,760
			<hr/> <hr/>

### 17 Pension scheme

The company is a member of the Advanced Composites Group pension scheme, a defined benefit pension scheme, details of which are shown in the financial statements of Advanced Composites Group Limited. During the year, the charge to the profit and loss account was £47,739 (1997: £31,536).

### 18 Ultimate parent undertaking

The ultimate parent undertaking is Advanced Composites Group Limited, which is incorporated in Great Britain.

Advanced Composites Group Limited has indicated that it intends to provide such funds as are necessary for the company to continue to trade.

Copies of the financial statements of the above company are available from Composites House, Sinclair Close, Heanor Gate Industrial Estate, Heanor, Derbyshire.