

Advanced Composites Limited

**Directors' report and financial
statements**

Registered number 01623042

31 March 2008

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditors' report to the members of Advanced Composites Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

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

Principal activities

The company provides administrative and technical support including research and development to the other group companies, for which it receives a management fee. Advanced Composites Limited is a wholly owned subsidiary of Umeco plc, and the detailed business review can be found on page 19 of Umeco plc's annual report.

Results and dividends

The loss for the financial year was £959,000 (2007: £575,000), the results for the year are shown in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend (2007: £nil).

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 £1,557,000 (2007: £880,000) was expended on research and development programmes by the company.

Patents, trademarks and other intellectual property

The company has made substantial investments throughout its history in developing its own intellectual property and where possible, protecting it by patents.

All the costs have been written off in the period in which the expenditure was incurred. The directors are of the opinion that the patents, trademarks and other intellectual property rights the company owns have a considerable value which is not reflected in the accounts, and is not readily quantifiable.

Directors

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

CJ Snowdon	Chairman	
AB Moore		Resigned 30 June 2007
M Malitskie		
JP Mabbitt		
HA Potts		
RJK Beaumont		Resigned 20 July 2007
AB Moss		
DG Robertson		Appointed 30 July 2007

No director had any disclosable interest in the shares of the 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.

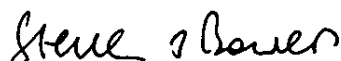
Disclosure of information to auditors

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 385 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
Company Secretary

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

27 January 2009

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.

Independent auditors' report to the members of Advanced Composites Limited

We have audited the financial statements of Advanced Composites 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 3.

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 Advanced Composites 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 loss 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
27 January 2009

Profit and loss account
for the year to 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Administrative expenses		(5,481)	(4,547)
Other operating income	2	4,048	3,750
Loss on ordinary activities before taxation	3	(1,433)	(797)
Tax credit on loss on ordinary activities	6	474	222
Loss for the financial year	13	(959)	(575)

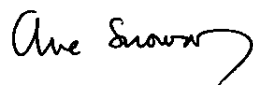
In both the current year and preceding period all results are derived from continuing operations.

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account.

Balance sheet
as at 31 March 2008

	<i>Note</i>	2008	2007
		£000	£000
Fixed assets			
Tangible assets	7	3,331	3,341
Current assets			
Stocks	8	3,345	3,455
Debtors	9	778	1,035
		<u>4,123</u>	<u>4,490</u>
Creditors: amounts falling due within one year	10	<u>(9,416)</u>	<u>(8,784)</u>
Net current liabilities		<u>(5,293)</u>	<u>(4,294)</u>
Total assets less current liabilities		<u>(1,962)</u>	<u>(953)</u>
Provisions for liabilities and charges	11	<u>(14)</u>	<u>(64)</u>
Net liabilities		<u>(1,976)</u>	<u>(1,017)</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(1,976)	(1,017)
Equity shareholders' deficit	14	<u>(1,976)</u>	<u>(1,017)</u>

These financial statements were approved by the board of directors on 27 January 2009 and were signed on its behalf by:



CJ Snowdon
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 section 228 of the Companies Act 1985 the company has not prepared group accounts. Accordingly, these accounts present information for the company only.

Going concern

The company has net liabilities of £1,976,000. Umeco plc, the company's immediate parent undertaking, has indicated that it will provide or procure such funds as are necessary to enable the company to settle all external liabilities as they fall due.

Cash flow statement

Under FRS1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of Umeco plc, it 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.

Other operating income

Other operating income represents the recharge of costs to other companies in the Advanced Composites Group Holdings Limited group.

Fixed assets and depreciation

Fixed assets, other than freehold land, 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 machinery	6.6% to 15%
Fixtures and fittings and office equipment	10% to 20%
Motor vehicles	25%
Computer equipment	20% to 33%

Freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes attributable overheads where appropriate. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items as appropriate.

Included within work in progress are certain grant funded projects. To the extent that costs on these projects are recoverable from the grant providers, the costs are included within work in progress. Where progress payments exceed the cost of the related work included in work in progress, the balance is recorded in creditors as payments on account.

Notes

(forming part of the financial statements)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Research and development

Expenditure on research and development is written off against profits as incurred, except to the extent that it is recoverable from grant funding. Where the research and development is grant funded, the grant and the related expenditure is accounted for as described above.

Leases and hire purchase contracts

Rentals paid under operating leases are charged to profit and loss account on a straight line basis.

Pension scheme

The company is a member of the Umeco plc defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Since the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme is accounted for by the company as if it were a defined contribution scheme. An actuarial valuation of the Umeco plc pension scheme was carried out at 1 April 2005. Further details of this valuation, together with the updated valuation on an FRS 17 basis, are disclosed in the financial statements of Umeco plc.

The group also operates a defined contribution scheme. Pension cost charges in the financial statements represent contributions payable in the accounting period.

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, 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.

Notes (continued)

2 Other operating income

	2008 £000	2007 £000
Costs recharged to group companies	4,048	3,750

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2008 £000	2007 £000
Depreciation	276	208
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the annual accounts	8	8
- other work	3	3
Operating lease rentals	36	24
- plant and machinery	36	36
- other	1,557	880
Research and development		

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	Nil	Nil

Directors' remuneration for services as a director of the company is borne by another group company. None of the directors accrue benefits under retirement benefit schemes by virtue of their office with the company.

During the year, options over shares in the ultimate parent undertaking, Umeco plc, were exercised by five directors. In the preceding year, three directors exercised options over shares in the ultimate parent undertaking.

5 Staff numbers and costs

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

	2008 Number	2007 Number
Technical, administration and sales	58	52
	£000	£000
<i>The aggregate payroll costs of these persons were:</i>		
Wages and salaries	2,499	1,799
Social security costs	238	168
Pension costs	398	251
	3,135	2,218

Notes (continued)

6 Tax on loss on ordinary activities

	2008 £000	2007 £000
UK taxation charge at 30% (2007: 30%)		
- current year	(424)	(265)
	<hr/>	<hr/>
Total current tax credit	(424)	(265)
Deferred taxation		
- current year	(51)	43
- prior year	1	
	<hr/>	<hr/>
Total tax credit	(474)	(222)
	<hr/>	<hr/>

Factors affecting the tax credit for the current period

	2008 £000	2007 £000
<i>Current tax reconciliation:</i>		
Loss on ordinary activities before tax	(1,433)	(797)
	<hr/>	<hr/>
Current tax credit at 30% (2007: 30%)	(430)	(239)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2	17
Income and expenditure timing differences	19	(8)
Capital allowances for the year in excess of depreciation	(15)	(35)
	<hr/>	<hr/>
Total current tax credit	(424)	(265)
	<hr/>	<hr/>

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%.

Notes (continued)

7 Tangible fixed assets

	Freehold land £000	Leasehold building improvements £000	Motor vehicles, plant and machinery £000	Fixtures, fittings, office and computer equipment £000	Total £000
<i>Cost</i>					
At beginning of year	2,725	3	855	1,161	4,744
Additions	13	26	78	151	268
Disposals	-	-	(4)	-	(4)
At end of year	2738	29	929	1,312	5,008
<i>Accumulated depreciation</i>					
At beginning of year	112	3	403	885	1,403
Charge for year	55	3	88	130	276
Disposals	-	-	(2)	-	(2)
At end of year	167	6	489	1,015	1,677
<i>Net book value</i>					
At 31 March 2008	2,571	23	440	297	3,331
At 31 March 2007	2,613	-	452	276	3,341

The cost of freehold land and buildings includes an amount of £6,000 (2007: £6,000) which relates to non-depreciable land.

8 Stocks

	2008 £000	2007 £000
Raw materials	3,345	3,455

9 Debtors

	2007 £000	2006 £000
<i>Amounts due within one year</i>		
Amounts owed by group undertakings	188	191
Prepayments	82	170
Tax recoverable	508	349
	778	710
<i>Amounts due after one year</i>		
Amounts owed by group undertakings	-	298
Pension	-	27
	778	1,035

Notes (continued)

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	8,502	7,853
Payments on account	435	370
Other creditors including tax and social security	238	245
Accruals	241	316
	<u>9,416</u>	<u>8,784</u>

11 Provisions for liabilities and charges

Deferred taxation

	2008 £000	2007 £000
At beginning of year	64	21
Charge for the year	(50)	43
	<u>14</u>	<u>64</u>
At end of period	<u>14</u>	<u>64</u>

The deferred tax provision, being the full potential liability, comprises:

	2008 £000	2007 £000
Accelerated capital allowances	14	65
Other short term timing differences	-	(1)
	<u>14</u>	<u>64</u>

12 Called up share capital

	2008 £	2007 £
<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)

13 Profit and loss account

	£000
Accumulated deficit	(1,017)
Loss for the year	(959)
	<hr/>
At end of period	(1,976)
	<hr/>

14 Reconciliation of movements in equity shareholders' deficit

	2008 £000	2007 £000
Loss for the period	(959)	(575)
Opening equity shareholders' deficit	(1,017)	(442)
	<hr/>	<hr/>
Closing equity shareholders' deficit	(1,976)	(1,017)
	<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 March 2008, the outstanding liability under this guarantee was £89,213,836 (2007: £58,184,722). The company had other contingent liabilities of £Nil (2007: £10,000).

16 Leasing commitments

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

	2008		2007	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	-	1	-	9
Between two and five years	-	16	-	7
Over five years	36	-	36	-
	<hr/>	<hr/>	<hr/>	<hr/>
	36	17	36	16
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

17 Pension scheme

The company contributes to the Advanced Composites Group Pension Scheme ('the Plan'), which provides defined benefits. The Plan is for the benefit of all relevant employees of Advanced Composites Group Limited and Advanced Composites Limited. Details of the latest actuarial valuation of the Plan are given in the Umeco plc consolidated financial statements. Note 18 gives details of how to obtain a copy of the financial statements of Umeco plc. Details are also contained in the financial statements of Advanced Composites Group Holdings Limited, copies of which can be obtained from the address shown on page 3.

As the Plan is run for the Advanced Composites Group of companies as a whole, the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Hence, as permitted by FRS17: Retirement benefits, the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

At 31 March 2008 the defined benefit scheme had deficits on an FRS17 basis of £1,274,000 (2007: £758,000).

The contributions relating to the defined benefit scheme made by the company represent the cost of providing the benefits without any recognition of fund surpluses or deficits which are dealt with by Umeco plc. The pension cost for the year was £398,321 (2007: £251,290). Contributions outstanding at 31 March 2008 were £nil (2007: £nil).

The company also participates in a defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the scheme. The pension charge relating to the defined contribution scheme was £nil (2007: £nil). Contributions outstanding to the scheme at 31 March 2008 were £nil (2007: £nil).

18 Ultimate parent undertaking

The ultimate parent undertaking into which the results of this company are consolidated is Umeco plc, which is incorporated in England and Wales.

Copies of the financial statements of the ultimate parent undertaking can be obtained from the address on page 2.