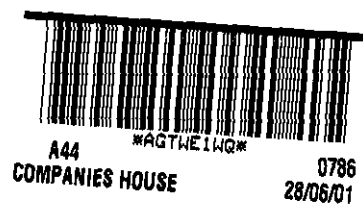


Advanced Composites Limited

Directors' report and financial statements

Registered number 1623042

31 August 2000



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 August 2000.

Principal activities

The company provides administrative and technical support to the other group companies, for which it receives a management fee.

Results and dividends

The results for the year are in the attached profit and loss account.

The directors do not recommend the payment of a dividend (1999: £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 £735,000 (1999: £706,000) was expended on research and development programmes by the company.

Directors

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

| | |
|------------------|-----------------------------|
| AB Moore | |
| SR King | |
| HT Tresidder | - appointed 26 January 2000 |
| MT Murney | |
| JP Mabbitt | |
| HA Potts | |
| R Francombe | |
| E Ghavam-Shahidi | |
| G Prediger | |
| S Cope | |
| CL Davies | |
| CR Bennett | |
| RM Sloman | - resigned 29 February 2000 |
| AL Rutherford | - resigned 31 March 2000 |

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

AB Moore and HT Tresidder are also directors of the ultimate parent company, Advanced Composites Group Holdings Limited. Their interest 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.

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



HT Tresidder
Secretary

Composites House
Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire

19 June 2001

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 year. 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.



St Nicholas House
Park Row
Nottingham
NG1 6FQ

Report of the auditors to the members of Advanced Composites Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

19 June 2001

Profit and loss account

for the year ended 31 August 2000

| | <i>Note</i> | 2000 £000 | 1999 £000 |
|--|-------------|----------------------------|--------------|
| Administrative expenses | | (2,621) | (2,831) |
| Other operating income | 3 | 2,785 | 3,235 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 2 | 164 | 404 |
| Tax on profit on ordinary activities | 6 | (39) | 14 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 125 | 418 |
| Deficit brought forward | | (410) | (828) |
| | | <hr/> | <hr/> |
| Deficit carried forward | | (285) | (410) |
| | | <hr/> | <hr/> |


In the current and preceding years all results are derived from continuing operations.

In the current and preceding years there were no recognised gains or losses other than those included in the profit and loss account.

Balance sheet
at 31 August 2000

| | <i>Note</i> | 2000 | 1999 |
|---|-------------|----------------|----------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | 7 | 458 | 540 |
| Current assets | | | |
| Stocks | 8 | 1,028 | 877 |
| Debtors | 9 | 746 | 75 |
| | | <u>1,774</u> | <u>952</u> |
| Creditors: amounts falling due within one year | 10 | <u>(2,465)</u> | <u>(1,889)</u> |
| Net current liabilities | | <u>(691)</u> | <u>(937)</u> |
| Total assets less current liabilities | | <u>(233)</u> | <u>(397)</u> |
| Provisions for liabilities and charges | 11 | <u>(52)</u> | <u>(13)</u> |
| Net liabilities | | <u>(285)</u> | <u>(410)</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | - | - |
| Profit and loss account | | <u>(285)</u> | <u>(410)</u> |
| Equity shareholders' funds | 13 | <u>(285)</u> | <u>(410)</u> |

These financial statements were approved by the board of directors on 19 June 2001 and were signed on its behalf by:



AB Moore
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 ultimate parent company. The directors of the ultimate parent company have indicated that they will continue to support the company for the foreseeable future.

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 Holdings Limited group.

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 machinery | 6.6% to 15% |
| Fixtures and fittings | 15% |
| Office and computer 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.

Pension scheme

Pension contributions to the group's defined benefit scheme are charged to the profit and loss account so as to spread the cost of providing benefits over the service lives of employees. The assets of the scheme are held separately from those of the company.

Payments are also made to a money purchase scheme for a director which is also charged to the profit and loss account.

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 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 on a straight line basis.

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.

Related party transactions

The company has taken advantage of the exemption in FRS 8 and has not disclosed transactions with undertakings which form part of the group.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| Depreciation | 105 | 122 |
| Auditors' remuneration - audit work | 6 | 6 |
| Operating leases rentals - plant and machinery | 52 | 57 |
| - other | 87 | 82 |
| Research and development | 735 | 706 |
| | <hr/> | <hr/> |

3 Other operating income

| | 2000 £000 | 1999 £000 |
|------------------------------------|--------------|--------------|
| Costs recharged to group companies | 2,785 | 3,235 |
| | <hr/> | <hr/> |

Notes (continued)

4 Remuneration of directors

| | 2000 £000 | 1999 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 71 | 156 |

The emoluments of the highest paid director were £31,000 (1999: £60,000).

| | 2000 Number | 1999 Number |
|--|----------------|----------------|
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 1 | 1 |
| Defined benefit schemes | 9 | 10 |

5 Staff numbers and costs

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

| | 2000 Number | 1999 Number |
|---|----------------|----------------|
| Technical, administration and sales | 48 | 63 |
| <i>The aggregate payroll costs of these persons were:</i> | £000 | £000 |
| Wages and salaries | 1,198 | 1,342 |
| Social security costs | 106 | 118 |
| Pension costs | 64 | 56 |
| | 1,368 | 1,516 |

6 Tax on profit on ordinary activities

| | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| <i>The taxation (charge)/credit comprises:</i> | | |
| Deferred taxation (note 11) | (39) | 14 |

Notes (continued)

7 Tangible fixed assets

| | Leasehold building improvements £000 | Portable buildings, motor vehicles, plant and machinery £000 | Fixtures, fittings office and computer equipment £000 | Total £000 |
|-----------------------|---|--|--|---------------|
| Cost | | | | |
| At beginning of year | 21 | 785 | 307 | 1,113 |
| Additions | - | 8 | 31 | 39 |
| Disposals | - | (16) | - | (16) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 21 | 777 | 338 | 1,136 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| At beginning of year | 16 | 320 | 237 | 573 |
| Charge for year | 2 | 65 | 38 | 105 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 18 | 385 | 275 | 678 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 August 2000 | 3 | 392 | 63 | 458 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 August 1999 | 5 | 465 | 70 | 540 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

8 Stocks

| | 2000 £000 | 1999 £000 |
|---------------|--------------|--------------|
| Raw materials | 1,028 | 877 |
| | <hr/> | <hr/> |

9 Debtors

| | 2000 £000 | 1999 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | - | 21 |
| Amounts owed by group undertakings | 671 | - |
| Other debtors | 13 | 17 |
| Prepayments | 62 | 37 |
| | <hr/> | <hr/> |
| | 746 | 75 |
| | <hr/> | <hr/> |

Notes (continued)

10 Creditors: amounts falling due within one year

| | 2000 £000 | 1999 £000 |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | 2,056 | 1,700 |
| Other creditors | 42 | 31 |
| Income tax and social security | 134 | 109 |
| Accruals | 233 | 49 |
| | <hr/> 2,465 <hr/> | <hr/> 1,889 <hr/> |

11 Provisions for liabilities and charges

| | 2000 £000 | 1999 £000 |
|---|----------------|----------------|
| Deferred taxation | | |
| <i>Amount provided and full potential liability</i> | | |
| Accelerated capital allowances: | | |
| At beginning of year | 13 | 27 |
| Movement in the year (note 6) | 39 | (14) |
| | <hr/> 52 <hr/> | <hr/> 13 <hr/> |
| At end of year | | |

12 Called up share capital

| | 2000 £ | 1999 £ |
|---|-----------|-----------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 each | 100 | 100 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid</i> | 2 | 2 |
| Ordinary shares of £1 each | <hr/> | <hr/> |

13 Reconciliation of movements in equity shareholders' funds

| | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| Profit for the year | 125 | 418 |
| Opening equity shareholders' funds | (410) | (828) |
| | <hr/> | <hr/> |
| Closing equity shareholders' funds | (285) | (410) |
| | <hr/> | <hr/> |

Notes (continued)

14 Contingent liabilities

There is a cross guarantee between all group companies in relation to the bank borrowings of each company. At 31 August 2000, the outstanding liability under this guarantee was £3,618,000 (1999: £3,386,000).

15 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:

| | 2000 | | 1999 | |
|-----------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Within 1 year | - | 39 | - | 18 |
| Between 2 and 5 years | - | 81 | - | 104 |
| Over 5 years | 30 | - | 30 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 30 | 120 | 30 | 122 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

16 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 £64,000 (1999: £56,000).

17 Ultimate parent undertaking

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

Advanced Composites Group Holdings 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 the address on page 2.