

# **Aerovac Systems Limited**

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

Registered number 1472714

31 March 2006

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## Contents

<i>Contents</i>	<i>Page</i>
Directors' report	3 – 4
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes	9 - 19

## Directors' report

The directors present their annual report and the audited financial statements for the year to 31 March 2006.

### Principal activities

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

### Results and business review

The company traded well during the year and continues to secure new customers. Profits for the financial year were £1,450,330 (2005: £1,085,904), the result for the year is shown in the profit and loss account on page 7.

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 22 of Umeco plc's 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)  
 K Arter (Resigned 30 September 2005)  
 F Baumann  
 LA Arter  
 RJK Beaumont  
 MD Goldstein  
 AB Moss  
 AJ Green

None of the directors has any interest in the shares of Aerovac Systems Limited. The directors who held office at the end of the year had the following interests in the ordinary shares of the parent company, as recorded in the register of directors' share and debenture interests.

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme options
<b>LA Arter</b>				
At start and end of year	1,426	-	-	-
<b>MD Goldstein</b>				
At start of year	1,333	-	-	4,954
Acquired in year	592	-	-	-
Sold in year	(2,100)	-	-	-
Exercised in year	5,470	-	-	(5,470)
Rights issue adjustment*	-	-	-	516
At start of year	5,295	-	-	-

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

	<b>Beneficial interest in shares</b>	<b>Conditional rights to shares</b>	<b>Performance related share options</b>	<b>SAYE Scheme options</b>
<b>AB Moss</b>				
At start of year	7,664	5,438	139,222	4,954
Granted in year	-	11,947	-	2,524
Vested in year	5,470	(1,950)	-	(5,470)
Lapsed in year	-	-	(46,503)	-
Rights issue adjustment*	-	-	9,669	516
Acquired in year	5,066	-	-	-
At end of year	18,200	15,435	102,388	2,524

\* adjustments made to reflect the rights issue undertaken by Umeco plc in December 2005.

The interests of CJ Snowden and RJK Beaumont in the shares of the ultimate holding company, Umeco plc, are disclosed in the directors' report of that company.

**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

*Steve Bowers*

**SJ Bowers**  
Secretary

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

24 November 2006

## **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.

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 Aerovac Systems Limited

We have audited the financial statements of Aerovac Systems Limited for the year to 31 March 2006 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 5.

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 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.

### 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 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc *KPMG Audit Plc*  
Chartered Accountants,  
Registered Auditor, Birmingham

25 January 2007

**Profit and loss account**  
*for the year to 31 March 2006*

	<i>Note</i>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>Turnover</b>	2	<b>12,948,903</b>	10,270,319
Cost of sales		<b>(9,442,656)</b>	(7,015,544)
<b>Gross profit</b>		<b>3,506,247</b>	3,254,775
Administrative expenses		<b>(1,966,768)</b>	(1,906,011)
<b>Operating profit</b>	3	<b>1,539,479</b>	1,348,764
Net interest payable	5	<b>(8,154)</b>	(8,459)
Investment income	6	<b>390,492</b>	157,589
<b>Profit on ordinary activities before taxation</b>		<b>1,921,817</b>	1,497,894
Tax on profit on ordinary activities	7	<b>(471,487)</b>	(411,990)
<b>Profit for the financial year</b>		<b>1,450,330</b>	1,085,904

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.

31 March 2006

# Balance sheet

at 31 March 2006

	Note	£	2006 £	£	2005 £
<b>Fixed assets</b>					
Tangible assets	9		1,216,177		1,263,247
Investments	10		812,368		621,082
			<hr/>		<hr/>
			2,028,545		1,884,329
<b>Current assets</b>					
Stocks	11	1,313,614		1,178,587	
Debtors	12	6,392,328		6,602,587	
Cash at bank and in hand		196,842		3,632	
		<hr/>		<hr/>	
			7,902,784		7,784,806
<b>Creditors: amounts falling due within one year</b>	13	(3,852,937)		(4,505,132)	
		<hr/>		<hr/>	
<b>Net current assets</b>			4,049,847		3,279,674
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			6,078,392		5,164,003
<b>Creditors: amounts falling due after more than one year</b>	14	(18,518)		(41,169)	
<b>Provisions for liabilities and charges</b>	15	(1,710)		-	
		<hr/>		<hr/>	
<b>Net assets</b>			6,058,164		5,122,834
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16	1,000		1,000	
Profit and loss account	17	6,057,164		5,121,834	
		<hr/>		<hr/>	
<b>Equity shareholders' funds</b>	18		6,058,164		5,122,834
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 24 November 2006 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, except in respect of the following matters: During the year, the Company adopted FRS17, FRS20, FRS21, FRS25, FRS26 and FRS28. The adoption of these standards represents a change in accounting policy and comparative figures have been restated accordingly. The adoption of these standards did not have any effect on the Company's net assets as at 31 March 2005 or 31 March 2006.

#### *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. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. 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.

***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.

**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*

	2006 £	2005 £
United Kingdom	5,363,411	5,104,166
Rest of Europe	5,462,437	3,435,355
Rest of world	2,123,055	1,730,798
	<hr/> 12,948,903 <hr/>	<hr/> 10,270,319 <hr/>

**Notes (continued)****3 Operating profit**

	2006 £	2005 £
<i>Operating profit is stated after charging/(crediting):</i>		
Auditors' remuneration	13,700	12,000
Depreciation of tangible fixed assets:		
- owned assets	90,137	134,697
- leased assets	37,584	42,176
Profit on sale of tangible fixed assets	(5,660)	(11,201)
Exchange loss / (gain)	92,251	(60,667)

**4 Directors and employees**

	2006 £	2005 £
Staff costs including directors' emoluments:		
Wages and salaries	1,125,645	1,047,748
Social security costs	105,420	108,476
Pension costs	23,721	19,999
	1,254,786	1,176,223

Average monthly number employed including executive directors:

	Number	Number
Production staff	21	19
Administration staff	18	19
	39	38

**Remuneration of directors**

	£	£
Salary, bonus and benefits in kind	270,388	332,372

The company made contributions to defined contribution pension schemes on behalf of the directors' totalling £12,571 (2005: £13,721). Retirement benefits accrued to 4 (2005: 4) directors under defined contribution pension schemes.

**Highest paid director**

	£	£
Salary, bonus and benefits in kind	97,332	117,158
Pension contributions	4,879	5,866
	102,211	123,024

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

	2006 £	2005 £
Interest payable on finance leases	(8,181)	(8,509)
Other interest receivable	27	50
	<hr/>	<hr/>
Net interest payable	(8,154)	(8,459)
	<hr/>	<hr/>

**6 Investment income**

	2006 £	2005 £
Dividend receivable from group undertaking	390,492	157,589
	<hr/>	<hr/>

**7 Taxation**

	2006 £	2005 £
UK taxation charge at 30% (2005: 30%)		
- current year	464,652	424,236
- prior year	-	-
	<hr/>	<hr/>
Current taxation	464,652	424,236
Deferred taxation credit		
- current year	7,009	(2,126)
- prior year	(174)	(10,120)
	<hr/>	<hr/>
	471,487	411,990
	<hr/>	<hr/>

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

The current tax charge for the year is below (2005: below) the standard rate of UK corporation tax. The reasons for this are as follows:

	2006 £	2005 £
Profit on ordinary activities before taxation	1,921,817	1,497,894
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	576,545	449,368
Effects of		
- expenses not deductible for tax purposes	12,263	20,018
- depreciation in excess of writing down allowances	(7,009)	2,126
- relief for overseas taxation – current year	(117,147)	(47,276)
	464,652	424,236

**8 Dividends**

	2006 £	2005 £
Equity dividends paid	515,000	1,450,000

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

	<b>Freehold land and buildings £</b>	<b>Motor vehicles £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2005	1,084,862	212,779	1,021,835	2,319,476
Additions	2,800	79,896	28,866	111,562
Disposals	-	(89,690)	-	(89,690)
At 31 March 2006	1,087,662	202,985	1,050,701	2,341,348
<b>Depreciation</b>				
At 1 April 2005	97,945	87,204	871,080	1,056,229
Disposals	-	(58,779)	-	(58,779)
Charge for year	18,740	57,052	51,929	127,721
At 31 March 2006	116,685	85,477	923,009	1,125,171
<b>Net book value</b>				
At 31 March 2006	970,977	117,508	127,692	1,216,177
At 31 March 2005	986,917	125,575	150,755	1,263,247

Net book value of tangible fixed assets at 31 March 2006 includes £55,578 (2005: £91,874) in respect of assets acquired under finance leases.

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

	<b>Investments other than loans £</b>
<i>Cost and net book value</i>	
At start of year	621,082
Investment in Aerovac France SARL	191,286
	<hr/>
At end of year	<b>812,368</b>
	<hr/>

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

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

The principal activities of Aerovac Systemes France SARL and Aerovac Systems Italy 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 1<sup>st</sup> April 2003 and Fluorovac Limited is a non-trading dormant company.

**Notes (continued)****11 Stocks**

	2006 £	2005 £
Finished goods and goods for resale	1,313,614	1,178,587

**12 Debtors**

	2006 £	2005 £
<b>Amounts falling due within one year</b>		
Trade debtors	2,431,284	2,323,639
Amounts owed by group undertakings	3,680,419	4,016,129
VAT recoverable	125,455	78,274
Prepayments and accrued income	155,170	179,420
Deferred taxation	-	5,125
	<u>6,392,328</u>	<u>6,602,587</u>

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

	2006 £	2005 £
Bank overdraft	-	808,545
Trade creditors	2,133,148	1,980,883
Amounts owed to group undertakings	1,155,333	1,124,445
Corporation tax	251,885	235,026
Other taxation and social security	24,138	26,187
Obligations under finance leases	32,856	45,097
Other creditors	3,576	3,591
Accruals and deferred income	252,001	281,358
	<u>3,852,937</u>	<u>4,505,132</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**

	2006 £	2005 £
Obligations under finance leases due within 1 to 2 years	<b>18,518</b>	41,169

**15 Provisions for liabilities and charges***Deferred tax*

	2006 £	2005 £
Opening deferred tax asset / (liability)	5,125	(7,121)
Profit and loss account	(6,835)	12,246
Closing deferred tax (liability) / asset	<b>(1,710)</b>	5,125

The closing balance is analysed as follows:

	2006 £	2005 £
Capital allowances in excess of depreciation	<b>(10,420)</b>	(3,585)
Other timing differences	8,710	8,710
	<b>(1,710)</b>	5,125

The (liabilities) / assets are based upon a rate of 30% (2005: 30%).

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

	Number of shares	2006 £	Number of shares	2005 £
<i>Authorised</i>				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>

**17 Reserves**

	2006 £	2005 £
At the beginning of the year	5,121,834	5,485,930
Profit for the financial year	1,450,330	1,085,904
Dividends	(515,000)	(1,450,000)
	<hr/>	<hr/>
At the end of the year	6,057,164	5,121,834
	<hr/>	<hr/>

**18 Reconciliation of movement in shareholders' funds**

	2006 £	2005 £
Opening shareholders' funds	5,122,834	5,486,930
Retained profit for the year	1,450,330	1,085,904
Dividends	(515,000)	(1,450,000)
	<hr/>	<hr/>
Closing shareholders' funds	6,058,164	5,122,834
	<hr/>	<hr/>

**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 2006 this contingent liability amounted to £35,394,438 (2005: £57,174,953).

## Notes *(continued)*

### 21 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, ('the group'). Details of the latest actuarial valuation of the Plan are given in the Umeco plc 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 £23,721 (2005: £19,999). There were no outstanding contributions to the scheme at 31 March 2006 (2005: £nil).