

Aerovac Systems Limited

Directors' report and financial statements

Registered number 1472714

31 March 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

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 results and dividends for the year are shown in the profit and loss account on page 7. The company traded well during the year and continues to secure new customers.

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
F Baumann
LA Bell
RJK Beaumont
M Goldstein
AB Moss

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
K Arter				
At start of year	1,123	190	25,543	935
Adjustment	-	16	-	-
Granted in year	-	-	13,824	-
Vested in year	121	(206)	-	-
At end of year	1,244	-	39,367	935
F Baumann				
At start of year	-	-	21,316	-
Granted in year	-	-	13,001	-
At end of year	-	-	34,317	-
LA Bell				
At start and end of year	961	171	-	-
Adjustment	-	14	-	-
Granted in year	-	-	-	-
Vested in year	109	(185)	-	-
At end of year	1,070	-	-	-

Directors' report *(continued)*

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme options
MD Goldstein				
At start & end of year	1,000	-	-	4,678
AB Moss				
At start of year	3,055	-	202,152	4,678
Granted in year	-	1,950	51,376	-
Acquired in year	1,150	-	-	-
At end of year	4,205	1,950	253,528	4,678

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

Charitable donations

During the year the company made charitable donations totalling £Nil (2003: £nil).

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 J Bowers

SJ Bowers
Secretary

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

2 June 2004

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.

Independent auditors' report to the members of Aerovac Systems Limited

We have audited the financial statements on pages 7 to 18.

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 are responsible for preparing the directors' report and, as described on page 5, 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 1985. 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 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

2 June 2004

Profit and loss account
for the year ended 31 March 2004

	<i>Note</i>	2004 £	2003 £
Turnover	2	8,646,816	8,295,301
Cost of sales		(5,804,241)	(5,740,666)
Gross profit		2,842,575	2,554,635
Administrative expenses		(1,804,923)	(1,665,867)
Operating profit	3	1,037,652	888,768
Net interest (payable) / receivable	5	(5,793)	46,134
Investment income	6	362,826	359,178
Profit on ordinary activities before taxation		1,394,685	1,294,080
Tax on profit on ordinary activities	7	(318,006)	(277,223)
Profit on ordinary activities after taxation		1,076,679	1,016,857
Dividends paid	8	(534,000)	(475,000)
Retained profit for the year		542,679	541,857
Retained profit brought forward		4,943,251	4,401,394
Retained profit carried forward		5,485,930	4,943,251

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

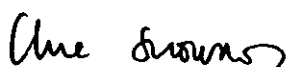
The company had no recognised gains and losses other than the profit for the year of £1,076,679 (2003: £1,016,857).

31 March 2004

Balance sheet
at 31 March 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	9		1,324,222		1,408,115
Investments	10		235,091		197,413
			<hr/>		<hr/>
			1,559,313		1,605,528
Current assets					
Stocks	11	823,214		913,930	
Debtors	12	5,976,443		3,212,794	
Cash at bank and in hand		254,818		1,927,361	
			<hr/>	<hr/>	
			7,054,475	6,054,085	
Creditors: amounts falling due within one year	13	(3,066,291)		(2,661,479)	
			<hr/>	<hr/>	
Net current assets			3,988,184		3,392,606
			<hr/>		<hr/>
Total assets less current liabilities			5,547,497		4,998,134
Creditors: amounts falling due after more than one year	14		(53,446)		(39,268)
Provisions for liabilities and charges	15		(7,121)		(14,615)
			<hr/>		<hr/>
Net assets			5,486,930		4,944,251
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss account			5,485,930		4,943,251
			<hr/>		<hr/>
Equity shareholders' funds	16		5,486,930		4,944,251
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 2 June 2004 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 in accordance with applicable accounting standards and under the historical cost accounting rules.

Consolidated accounts, including the company and its subsidiary undertakings, have not been prepared as the company is itself a subsidiary of another company incorporated in Great Britain and as such is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare such accounts. The accounts as presented represent the information of the company as an individual undertaking only.

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.

As the company is a wholly owned subsidiary of UMECO plc, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

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 taxation is based on the result for the period and includes full provision for taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

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

	2004 £	2003 £
United Kingdom	4,548,579	4,134,424
Rest of Europe	3,143,584	3,413,187
Rest of world	954,653	747,690
	<hr/> 8,646,816 <hr/>	<hr/> 8,295,301 <hr/>

Notes (continued)**3 Operating profit**

	2004 £	2003 £
<i>Operating profit is stated after charging/(crediting):</i>		
Auditors' remuneration	12,000	12,000
Depreciation of tangible fixed assets:		
- owned assets	169,451	180,017
- leased assets	29,899	16,987
(Profit) / loss on sale of tangible fixed assets	(5,225)	2,269
Exchange loss	28,442	106,273

4 Directors and employees

	2004 £	2003 £
Staff costs including directors' emoluments:		
Wages and salaries	974,551	874,083
Social security costs	92,074	83,961
Pension costs	20,812	20,787

1,087,437	978,831
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Average monthly number employed including executive directors:

	Number	Number
Production staff	18	19
Administration staff	17	17
	35	36

Remuneration of directors

	£	£
Salary, bonus and benefits in kind	299,368	199,293

The company made contributions to defined contribution pension schemes on behalf of the directors' totalling £12,280 (2003:£11,758). Retirement benefits accrued to 3 (2003: 3) directors under defined contribution pension schemes.

Highest paid director

	£	£
Salary, bonus and benefits in kind	112,551	76,579
Pension contributions	5,360	5,096
	117,911	81,675

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

	2004 £	2003 £
Bank interest receivable	-	52,565
Interest payable on bank loans and overdrafts	-	(2,129)
Interest payable on finance leases	(5,957)	(4,302)
Other interest payable	164	-
	<hr/>	<hr/>
Net interest (payable) / receivable	(5,793)	46,134
	<hr/>	<hr/>

6 Investment income

	2004 £	2003 £
Dividend receivable from group undertaking	362,826	359,178
	<hr/>	<hr/>

7 Taxation

	2004 £	2003 £
UK taxation charge / (credit) at 30% (2003: 30%)		
- current year	335,500	291,920
- prior year	(10,000)	-
	<hr/>	<hr/>
Current taxation	325,500	291,920
Deferred taxation		
- current year	(7,494)	(10,193)
- prior year	-	(4,504)
	<hr/>	<hr/>
	318,006	277,223
	<hr/>	<hr/>

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

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

	2004 £	2003 £
Profit on ordinary activities before taxation	1,394,685	1,294,080
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	418,406	388,224
Effects of		
- expenses not deductible for tax purposes	5,456	1,256
- depreciation in excess of writing down allowances	7,494	10,193
- relief for overseas taxation – current year	(95,856)	(107,753)
- prior year	(10,000)	-
	325,500	291,920

8 Dividends

	2004 £	2003 £
Equity dividends paid	534,000	475,000

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

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Total £
Cost				
At 1 April 2003	1,083,817	191,163	935,640	2,210,620
Additions	1,045	75,235	45,602	121,882
Disposals	-	(63,522)	-	(63,522)
At 31 March 2004	1,084,862	202,876	981,242	2,268,980
Depreciation				
At 1 April 2003	61,362	101,346	639,797	802,505
Disposals	-	(57,097)	-	(57,097)
Charge for year	18,265	50,883	130,202	199,350
At 31 March 2004	79,627	95,132	769,999	944,758
Net book value				
At 31 March 2004	1,005,235	107,744	211,243	1,324,222
At 31 March 2003	1,022,455	89,817	295,843	1,408,115

Net book value of tangible fixed assets at 31 March 2004 includes £98,270 (2003: £52,934) in respect of assets acquired under finance leases.

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

	Investments other than loans £
<i>Cost and net book value</i>	
At start of year	197,413
Investment in Aerovac Italy S.R.L.	37,678
	<hr/>
At end of year	235,091
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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	80%
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 1st April 2003 and Fluorovac Limited is a non-trading dormant company.

Notes (continued)**11 Stocks**

	2004 £	2003 £
Finished goods and goods for resale	823,214	913,930

12 Debtors

	2004 £	2003 £
Amounts falling due within one year		
Trade debtors	1,843,754	1,663,928
Amounts owed by group undertakings	3,887,203	1,448,948
Other debtors	10	694
VAT recoverable	89,088	42,940
Prepayments and accrued income	156,388	56,284
	<u>5,976,443</u>	<u>3,212,794</u>

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	1,446,362	1,085,369
Amounts owed to group undertakings	1,100,045	1,209,970
Corporation tax	184,910	187,688
Other taxation and social security	23,293	20,257
Obligations under finance leases	39,284	14,340
Other creditors	3,617	4,326
Accruals and deferred income	268,780	139,529
	<u>3,066,291</u>	<u>2,661,479</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**

	2004 £	2003 £
Obligations under finance leases due within 1 to 2 years	53,446	39,268

15 Provisions for liabilities and charges*Deferred tax*

	2004 £	2003 £
Opening balance	14,615	29,312
Profit and loss account	(7,494)	(14,697)
Closing balance	7,121	14,615

The closing balance is analysed as follows:

	2004 £	2003 £
Capital allowances in excess of depreciation	7,121	14,615

The liabilities are based upon a rate of 30% (2003: 30%).

Notes (continued)**16 Reconciliation of movement in shareholders' funds**

	2004 £	2003 £
Retained profit for the year	542,679	541,857
Opening shareholders' funds	4,944,251	4,402,394
	<hr/>	<hr/>
Closing shareholders' funds	5,486,930	4,944,251
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17 Called up share capital

	Number of shares	2004 £	Number of shares	2003 £
<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
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18 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.

19 Contingent liabilities

Under group banking facilities, the Company is jointly and severally liable for bank borrowings due by other group companies. At 31 March 2004 this contingent liability amounted to £24,078,064 (2003: £25,692,166).

20 Related party transactions

As set out in note 10, the company has an investment in the share capital of Aerovac Systemes France SARL. During the year to 31 March 2004, the company made sales to Aerovac Systemes France SARL of £1,379,401 (2003: £1,328,355) and made purchases from Aerovac Systemes France SARL of £92,895 (2003: £59,017). At the year end, Aerovac Systemes France SARL owed £1,077,001 (2003: £902,323) to the company and was owed £28,971 (2003: £33,910) by the company.

As set out in note 10, the company has an investment in the share capital of Aerovac Systemes Italy SRL. During the year to 31 March 2004, the company made sales to Aerovac Systemes Italy SRL of £559,523 (2003: £Nil). At the year end, Aerovac Systemes Italy SRL owed £459,639 (2003: £Nil) to the company.