

COMPANY REGISTRATION NUMBER 2405903

ALDERLEY MATERIALS LIMITED
FINANCIAL STATEMENTS
FOR
30 SEPTEMBER 2004



DAVID E SEABRIGHT & CO LIMITED
Chartered Accountants & Registered Auditors
174 Whiteladies Road
Clifton
Bristol
BS8 2XU

ALDERLEY MATERIALS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2004

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ALDERLEY MATERIALS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

A J V Shepherd
S H Shepherd
A D Bennion
E Weeks

Company secretary

L Reed

Registered office

Alderley House
Arnolds Field Estate
The Downs
Wickwar
Wotton-under-Edge
Glos
GL12 8JD

Auditors

David E Seabright & Co Limited
Chartered Accountants
& Registered Auditors
174 Whiteladies Road
Clifton
Bristol
BS8 2XU

Bankers

Bank of Scotland plc
P.O. Box No.208
21 Prince Street
Bristol
BS99 7JG

ALDERLEY MATERIALS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the manufacture and supply of fire retardant coatings and sub-sea insulation.

The Directors are satisfied with the results for the year and expect the current performance to be maintained.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

RESEARCH AND DEVELOPMENT

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

DIRECTORS

The directors who served the company during the year were as follows:

A J V Shepherd	
S H Shepherd	(Appointed 4 August 2004)
A D Bennion	(Appointed 4 August 2004)
E Weeks	(Appointed 2 September 2004)

A J V Shepherd has an interest in the shares of the company as he has a controlling interest in the shares of the holding company Alderley plc.

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy to pay creditors within the agreed terms on a timely basis. For the year end 30 September 2004, the average payment period for trade creditors was 23 days. Creditor days are distorted by a significant decrease in business and hence costs, at the end of the financial year.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

ALDERLEY MATERIALS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2004

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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint David E Seabright & Co Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Alderley House
Arnolds Field Estate
The Downs
Wickwar
Wotton-under-Edge
Glos
GL12 8JD

Signed by order of the directors

Lisa Reed

L REED
Company Secretary

Approved by the directors on 25 April 2005

ALDERLEY MATERIALS LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
ALDERLEY MATERIALS LIMITED****YEAR ENDED 30 SEPTEMBER 2004**

We have audited the financial statements of Alderley Materials Limited for the year ended 30 September 2004 on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholder, 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 shareholder those matters we are required to state to them in an auditors' 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

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 United Kingdom 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.

ALDERLEY MATERIALS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF ALDERLEY MATERIALS LIMITED *(continued)*


YEAR ENDED 30 SEPTEMBER 2004

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

174 Whiteladies Road
Clifton
Bristol
BS8 2XU

27 April 2005

A handwritten signature in black ink, appearing to read 'David E Seabright', written over a horizontal line.

DAVID E SEABRIGHT & CO LIMITED
Chartered Accountants
& Registered Auditors

ALDERLEY MATERIALS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 £	2003 £
TURNOVER	2	1,940,920	2,355,780
OPERATING COSTS:			
Raw materials and consumables		693,938	1,018,481
Staff costs	3	690,419	396,118
Depreciation written off fixed assets	4	30,370	28,123
Other operating charges		351,932	433,465
OPERATING PROFIT	4	174,261	479,593
Interest receivable		39	—
Interest payable and similar charges	5	(26,184)	(20,341)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		148,116	459,252
Tax on profit on ordinary activities	6	55,431	94,002
RETAINED PROFIT FOR THE FINANCIAL YEAR		92,685	365,250
Balance brought forward		(31,994)	(397,244)
Balance carried forward		60,691	(31,994)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

ALDERLEY MATERIALS LIMITED**BALANCE SHEET****30 SEPTEMBER 2004**

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	7	63,948	69,762
Tangible assets	8	<u>113,115</u>	<u>98,751</u>
		177,063	168,513
CURRENT ASSETS			
Stocks	9	295,835	154,128
Debtors	10	<u>426,264</u>	<u>1,487,278</u>
		722,099	1,641,406
CREDITORS: Amounts falling due within one year	11	<u>666,471</u>	<u>1,678,090</u>
NET CURRENT ASSETS/(LIABILITIES)		55,628	(36,684)
TOTAL ASSETS LESS CURRENT LIABILITIES		232,691	131,829
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	<u>22,000</u>	<u>13,823</u>
		<u>210,691</u>	<u>118,006</u>
CAPITAL AND RESERVES			
Called-up equity share capital	17	150,000	150,000
Profit and loss account		<u>60,691</u>	<u>(31,994)</u>
SHAREHOLDER'S FUNDS	18	<u>210,691</u>	<u>118,006</u>

These financial statements were approved by the directors on the 25 April 2005 and are signed on their behalf by:

A J V SHEPHERD

S H SHEPHERD

A D BENNION



ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

In preparing the accounts the company has adopted profit and loss account format 2 and balance sheet format 1.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax and trade discounts, and the value of long-term contract work done.

Research and development

Expenditure on research and development is charged to profit and loss account in the year in which it is incurred, except where a development project meets the criteria set out in SSAP 13 when development costs are capitalised as intangible fixed assets and amortised over 15 years on a straight line basis.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development expenditure - over 15 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 2% per month
Fixtures & Fittings	- 2% per month

Stocks

Stocks of material are valued at the lower of cost and net realisable value.

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost includes attributable overheads. Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks and long-term contract balances.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2004	2003
	£	£
United Kingdom	246,004	106,841
Overseas	1,694,916	2,248,939
	<u>1,940,920</u>	<u>2,355,780</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of staff including directors	<u>19</u>	<u>10</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	624,811	359,965
Social security costs	59,366	31,607
Other pension costs	<u>6,242</u>	<u>4,546</u>
	<u>690,419</u>	<u>396,118</u>

4. OPERATING PROFIT

Operating profit is stated after charging:

	2004	2003
	£	£
Directors' emoluments	—	—
Amortisation	5,814	5,813
Research and development expenditure written off	63,474	35,403
Depreciation of owned fixed assets	24,556	22,310
Auditors' remuneration		
- as auditors	2,676	3,170
Operating lease costs:		
Vehicles	<u>15,399</u>	<u>10,366</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	<u>26,184</u>	<u>20,341</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	48,500	93,000
Over/under provision in prior year	(1,246)	—
Total current tax	<u>47,254</u>	<u>93,000</u>
Deferred tax:		
Origination and reversal of timing differences (note 13)		
Capital allowances	8,177	1,002
Tax on profit on ordinary activities	<u>55,431</u>	<u>94,002</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>148,116</u>	<u>459,252</u>
Profit/(loss) on ord actvs by rate of tax	44,435	137,776
Disallowed expenses increase tax liability	6,252	964
Capital allowances exceed depreciation and amortisation to decrease tax liability	(1,263)	(1,503)
Group relief decreases tax liability	—	(39,760)
Marginal relief & small company rate eligibility decrease tax liability	(1,362)	(5,610)
Prior year under/(over) provision to increase/(decrease) tax liability	(1,246)	—
Sundry tax adjusting items	438	1,133
Total current tax (note 6(a))	<u>47,254</u>	<u>93,000</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

7. INTANGIBLE FIXED ASSETS

	Development expenditure £
COST	
At 1 October 2003 and 30 September 2004	<u>87,203</u>
AMORTISATION	
At 1 October 2003	17,441
Charge for the year	<u>5,814</u>
At 30 September 2004	<u>23,255</u>
NET BOOK VALUE	
At 30 September 2004	<u>63,948</u>
At 30 September 2003	<u>69,762</u>

8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
COST			
At 1 October 2003	309,286	–	309,286
Additions	<u>29,568</u>	<u>9,352</u>	<u>38,920</u>
At 30 September 2004	<u>338,854</u>	<u>9,352</u>	<u>348,206</u>
DEPRECIATION			
At 1 October 2003	210,535	–	210,535
Charge for the year	<u>24,090</u>	<u>466</u>	<u>24,556</u>
At 30 September 2004	<u>234,625</u>	<u>466</u>	<u>235,091</u>
NET BOOK VALUE			
At 30 September 2004	<u>104,229</u>	<u>8,886</u>	<u>113,115</u>
At 30 September 2003	<u>98,751</u>	<u>–</u>	<u>98,751</u>

9. STOCKS

	2004 £	2003 £
Raw materials	60,972	64,388
Work in progress	264,710	496,264
Payments on account	<u>(29,847)</u>	<u>(406,524)</u>
	<u>295,835</u>	<u>154,128</u>

Payments received on account in excess of the value of the work done on the related contracts are included in creditors.

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

10. DEBTORS

	2004	2003
	£	£
Trade debtors	124,327	1,056,163
Amounts owed by group undertakings	156,296	314,811
VAT recoverable	725	30,693
Other debtors	133,511	77,674
Prepayments and accrued income	11,405	7,937
	<u>426,264</u>	<u>1,487,278</u>

11. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	251,553	10,932
Payments received on account	—	822,798
Trade creditors	143,206	469,577
Amounts owed to group undertakings	123,195	214,045
Advance corporation tax	69,000	103,400
Corporation tax	47,558	24,304
PAYE and social security	11,315	—
Accruals and deferred income	20,644	33,034
	<u>666,471</u>	<u>1,678,090</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004	2003
	£	£
Bank loans and overdrafts	<u>251,553</u>	<u>10,932</u>

Bank of Scotland plc holds an "All Monies" debenture over the company's assets.

12. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £6,242 (2003 £4,546). There were no contributions unpaid at the year end.

13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2004	2003
	£	£
Provision brought forward	13,823	12,821
Profit and loss account movement arising during the year	8,177	1,002
Provision carried forward	<u>22,000</u>	<u>13,823</u>

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

13. DEFERRED TAXATION *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>22,000</u>	<u>13,823</u>
	<u>22,000</u>	<u>13,823</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 1 year	–	2,323
Within 2 to 5 years	<u>12,185</u>	<u>4,150</u>
	<u>12,185</u>	<u>6,473</u>

15. CONTINGENCIES

An unlimited cross bank guarantee given to Bank of Scotland plc exists between Alderley Materials Limited and Alderley plc (its parent company), Alderley Process Technologies Limited, Alderley Systems Ltd, Alderley International Limited, Alderley Controls Ltd, Jordan Kent Metering Systems Ltd, Alderley Environmental Limited, Specialised Management Services Limited and C & M Hydraulics Limited.

The company has also given performance bonds of £30,000 (2003 - £31,812).

16. RELATED PARTY TRANSACTIONS

The company considers A J V Shepherd to be the ultimate controlling party by virtue of his majority shareholding in Alderley plc, the parent company.

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company has taken advantage of the exemption from disclosing transactions with group entities.

ALDERLEY MATERIALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2004

17. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2004	2003
	£	£
Profit for the financial year	92,685	365,250
Opening shareholder's equity funds/(deficit)	<u>118,006</u>	<u>(247,244)</u>
Closing shareholder's equity funds	<u>210,691</u>	<u>118,006</u>

19. ULTIMATE PARENT COMPANY

In the opinion of the directors the company's ultimate parent company is Alderley plc, a company incorporated in Great Britain, and registered in England and Wales. Alderley plc prepares group financial statements and copies can be obtained from Alderley House, Arnolds Field Estate, The Downs, Wickwar, Wotton-under-Edge, Gloucestershire, GL12 8JD.