

Report and Accounts

for the year ended 30th April 2011

Company Number 02765553

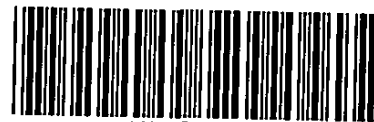


COMPOSITE METAL TECHNOLOGY LTD

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Composite Metal Technology Ltd

Directors' Report and Financial Statements

for the year ended 30th April 2011

Table of Contents	<i>Page</i>
Company Information	2
Directors' Report	3-5
Auditor's Report	6-7
Profit and Loss Account	8
Balance Sheet	9
Notes to the Accounts	10-16

Composite Metal Technology Ltd

Company Information

directors, officers and advisers

President:	B P Collins CEng FIET CMarEng FIMarEST MIMechE	
Directors:	M D A Bentata MA FRSA	Chairman
	N P Collins BSc MSc	Chief Executive
	R S Bushby BSc PhD CEng MIMMM	Technical Director
	C S Barton FCA	Finance Director
	D Price BSc MSc CEng CDir FIMechE	Commercial Director
Company Secretary:	N P Collins BSc MSc	
Registered Number:	02765553 (England and Wales)	
Registered Office & Trading Address:	Prisma Business Park 3 Berrington Way Wade Road Basingstoke Hampshire RG24 8PL	
Website Address:	www.cmt-ltd.com	
E-Mail:	sales@cmt-ltd.com	
Telephone:	(01256) 477741	
Fax:	(01256) 477751	
Auditors:	Rouse Audit LLP 55 Station Road Beaconsfield Buckinghamshire HP9 1QL	
Bankers:	Lloyds TSB Bank Plc 130/132 Broadway Bexleyheath Kent DA6 7DP	
Solicitors:	DMH Stallard LLP Gainsborough House Pegler Way Crawley West Sussex RH11 7FZ	

Composite Metal Technology Ltd

Directors' Report

for the year ended 30th April 2011

The directors present their report and financial statements for the year ended 30th April 2011.

Principal Activities

The principal activity of the Company is the commercial exploitation of the Advanced Liquid Pressure Forming process technology and its application to the manufacture of Aluminium Matrix Composites (AMCs)

Business Review and Future Developments

We are pleased to report on the considerable progress that the business has made during the year under review, which has resulted in an increase in turnover by over 500% to £339,236 compared with the previous year. As a consequence of the higher turnover the Company reported a reduced loss compared with the previous year of £256,756, which was an improvement of nearly 25%. The vast majority of the Company's turnover was generated from the balance of the £293k wind energy contract, and a proportion of the £532k automotive contract that were reported on in last year's annual report and accounts. In addition to these two major contracts the Company has also managed to secure several other contracts during the intervening period.

In 2010 we reported that we had taken action to mitigate the impact of the recession by focusing on those markets that had been largely insulated from the economic downturn, which resulted in the Company being awarded the £293k wind energy contract which was funded under the Northern Wind Innovation Programme (NWIP). This 15 month contract commenced at the beginning of January 2010, and was successfully concluded on time and within budget at the end of March 2011. It is the Company's intention to build on the success of this wind energy project and to bid for a much larger follow-on contract in partnership with NaREC, the National Renewable Energy Centre. The £532k automotive contract for the development of AMC components for a UK based premier manufacturer of luxury sports saloons/cars and premium 4x4s is by far the largest that the Company has secured to date, and represents an important breakthrough into the high volume car industry. This 30 month contract started at the beginning of September 2010, and we are pleased to report that it is progressing well and that vehicle manufacturer is delighted with the results achieved so far. The Company has also recently been awarded another automotive contract for the supply of AMC parts for one of Europe's premier automobile manufacturing companies, and has also begun working with other major car makers, including a leading British manufacturer of luxury sports cars and their tier one suppliers.

During the period under review the Company has also made further progress in penetrating aerospace, defence, and industrial markets. The Company is currently in contractual discussions with one of the world's largest aircraft manufacturer, and is also investigating the use of AMCs in various armour applications with a British multinational defence company, as well as with a foreign national defence agency and its primary casting supplier. Additionally, the Company has started working with a leading Japanese cement corporation that is evaluating CMT's patented casting technology for the manufacture of Particle Reinforced AMCs using an innovative porous ceramic preform. This Japanese corporation has already placed a contract with the Company for the initial infiltration trials, and if successful would ultimately be looking to purchase casting machines to satisfy their planned mass production schedules.

In conclusion, we remain highly encouraged about the outlook for the Company given the progress that has been achieved over the last 12 months and the improving financial results. The pipeline of business continues to expand, as do the emerging sales opportunities, which augers well for the future.

Composite Metal Technology Ltd

Directors' Report (continued)

for the year ended 30th April 2011

Results and Dividends

The results for the financial period are given in the profit and loss account on page 8. The directors do not recommend the payment of a dividend for the year ended 30th April 2011.

Directors

The directors who served during the year were as follows

M D A Bentata
N P Collins
R S Bushby
C S Barton
D Price

Financial Risk

The Company's operations expose it to a variety of financial risks including the effects of changes in liquidity risk and credit risk. The Company does not have material exposures in any of the areas identified above, and consequently does not use derivative instruments to manage these exposures. The Company's principal financial instruments comprise trade creditors that arise directly from its operations.

Directors' Responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Composite Metal Technology Ltd

Directors' Report (continued)

for the year ended 30th April 2011

Statement of Disclosure to Auditors

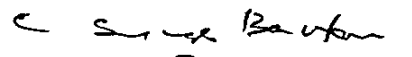
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Neil Collins
Secretary



30th September 2011



Christopher Barton
Director

Company Registration Number 02765553

Composite Metal Technology Ltd

Independent Auditors' Report

to the Members of Composite Metal Technology Ltd

We have audited the financial statements of Composite Metal Technology Limited for the year ended 30th April 2011 on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit and Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all of the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30th April 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Composite Metal Technology Ltd

Independent Auditors' Report (continued)

to the Members of Composite Metal Technology Ltd

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Rouse Audit LLP

Bindi Palmer (Senior Statutory Auditor)

For and on behalf of Rouse Audit LLP

*Chartered Accountants
Statutory Auditor*

55 Station Road
Beaconsfield
Buckinghamshire
HP9 1QL

30th September 2011

Composite Metal Technology Ltd

Profit and Loss Account

for the year ended 30th April 2011

	Notes	2011 £	2010 £
Turnover	2	339,236	56,312
Cost of sales		158,319	22,747
		<hr/>	<hr/>
Gross profit		180,917	33,565
Administrative expenses		(487,474)	(418,975)
		<hr/>	<hr/>
Operating loss	3	(306,557)	(385,410)
Interest payable	6	-	(603)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(306,557)	(386,013)
Tax on loss on ordinary activities	7	49,801	46,363
		<hr/>	<hr/>
Loss for the period		(256,756)	(339,650)
Retained loss brought forward		(4,732,720)	(4,393,070)
		<hr/>	<hr/>
Retained loss carried forward		(4,989,476)	(4,732,720)
		<hr/>	<hr/>

The Company has no other recognised gains or losses in the current year or preceding period. The notes to the accounts on pages 10 to 16 form part of these financial statements.

Composite Metal Technology Ltd

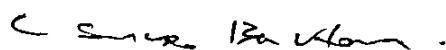
Balance Sheet

as at 30th April 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	8	66,435	113,915
		<u>66,435</u>	<u>113,915</u>
Current assets			
Stocks	9	3,227	11,207
Debtors	10	181,653	90,832
Cash at bank and in hand		42,053	11,196
		<u>226,933</u>	<u>113,235</u>
Creditors amounts falling due within one year	11	(2,044,171)	(1,721,197)
Net current liabilities		<u>(1,817,238)</u>	<u>(1,607,962)</u>
Net liabilities		<u>(1,750,803)</u>	<u>(1,494,047)</u>
Capital and reserves			
Called up share capital	13	4,316	4,316
Share premium account	14	3,234,357	3,234,357
Profit and loss account		(4,989,476)	(4,732,720)
Shareholders' funds	15	<u>(1,750,803)</u>	<u>(1,494,047)</u>

The notes to the accounts on pages 10 to 16 form part of these financial statements

These financial statements were approved by the Board of Directors on 30th September 2011 and were signed on their behalf by



Christopher Barton
Director

COMPANY No 02765553

Composite Metal Technology Ltd

Notes to the Accounts

for the year ended 30th April 2011

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

1.1 Basis of preparation

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

The financial statements have been prepared on a going concern basis. The Company is dependent upon the continued support of its parent undertaking and creditors. The directors of the parent undertaking are of the opinion that sufficient funds are available to enable the company to continue its support. In addition the parent undertaking has sufficient cash reserves enabling it to support the company for at least 12 months from the date of approval of these financial statements. Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements

1.2 Cash Flow Statement

The Company has taken advantage of the exemption available under FRS1 from the requirement to prepare a cash flow statement on the basis that one is included in the consolidated financial statements prepared by its parent, Composite Metal Technologies Plc

1.3 Fixed assets and depreciation

Depreciation is provided by the Company to write off the cost of tangible fixed assets over their estimated useful economic lives. The charge for depreciation is allocated in the year of addition and disposal to reflect the period of time for which the asset is held

Plant and machinery	10% straight line
Fixtures, fittings and office equipment	20% straight line
Motor vehicles	20% straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable

1.4 Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised during the years following completion of the development in line with the sales from the related projects. The period of write off is a maximum of 5 years

1.5 Contribution to pension funds

The Company contributes to external defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

1 6 Operating leases

Rentals applicable to operating leases are charged to the profit and loss account on a straight line basis over the term of the lease

1 7 Stocks

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

1 8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

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.

1 9 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 10 Group accounts

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the parent company. The largest and smallest group for which consolidated financial statements are prepared is that headed by Composite Metal Technologies Plc, the Company's immediate and ultimate parent undertaking, a company registered in England and Wales. A copy of the group accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

2. Turnover

Turnover represents the amounts receivable for goods and services net of VAT and trade discounts. In respect of long-term contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for ongoing services is recognised by reference to the stage of completion.

All income arose within the EC. Turnover is comprised as follows:

	2011 £	2010 £
Sales of goods	840	1,200
Contract work under grants	338,396	55,112
	<hr/>	<hr/>
	339,236	56,312
	<hr/>	<hr/>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

3. Operating loss is stated after charging:

	2011 £	2010 £
Auditors' remuneration for audit services	7,750	5,500
for non audit work	2,816	1,966
Depreciation of tangible fixed assets	45,918	58,512
Operating lease rentals-premises	31,880	31,880
Other research and development direct costs	422	5,598
	<hr/>	<hr/>

4. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was 7 (2010 6) The aggregate payroll costs for employees, including directors, were as follows

	2011 £	2010 £
Wages and salaries	172,617	168,450
Social security costs	15,491	6,614
Other pension costs	7,837	7,587
	<hr/>	<hr/>
	195,945	182,651
	<hr/>	<hr/>

5. Remuneration of directors

	2011 £	2010 £
Directors' emoluments	168,450	168,450
Directors' pension contributions	7,587	7,587
	<hr/>	<hr/>
	176,037	176,037
	<hr/>	<hr/>

The number of directors to whom retirement benefits were accruing under money purchase schemes were 2 (2010 2)

At the balance sheet date £221,188 (2010 £178,750) in respect of the Directors' emoluments and £4,320 (2010 £4,320) in respect of pension contributions was outstanding

6. Interest payable and similar charges

	2011 £	2010 £
Bank interest payable	-	603
	<hr/>	<hr/>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

7. Tax on loss on ordinary activities

	2011 £	2010 £
Current Tax		
UK corporation tax	-	-
R & D repayable tax credits		
- Current year	49,801	46,363
	<hr/>	<hr/>
Tax credit on ordinary activities	49,801	46,363
	<hr/>	<hr/>
	2011 £	2010 £
Trading losses available for future relief	3,231,118	3,112,033
	<hr/>	<hr/>
Reconciliation of the current tax (credit)/charge		
Loss on ordinary activities before tax	(306,557)	(386,013)
	<hr/>	<hr/>
Loss on ordinary activities before taxation at the UK standard rate of 28% (2010 28%)	(85,836)	(108,084)
Effects of		
Expenses not deductible for tax purposes	12,128	169
Depreciation in excess of capital allowances	9,949	9,755
R & D expenditure enhancement	(69,046)	(39,948)
Tax losses surrendered in respect of R & D repayable tax credit claim	98,368	92,313
Tax losses carried forward	33,843	45,295
Losses surrendered in group relief claim	594	500
	<hr/>	<hr/>
Total current UK tax (credit)/charge	-	-
	<hr/>	<hr/>

No provision has been made to reflect the deferred tax asset, which relates to these losses due to the uncertainty of the company being able to recover these losses against future profits. Had provision been made, the values included would be as follows

	2011 £	2010 £
Deferred tax asset calculated at 21% (2010 21%) relating to		
Losses available for relief against future profits	678,500	652,800
Less Accelerated capital allowances	(5,200)	(12,700)
Add Short term timing differences	47,400	38,000
	<hr/>	<hr/>
Deferred tax asset not provided	720,700	678,100
	<hr/>	<hr/>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

8. Tangible fixed assets

	Plant and machinery £	Fixture, fittings and equipment £	Motor vehicles £	Total £
Cost				
Brought forward	847,613	59,875	3,750	911,238
Disposals	-	-	(3,750)	(3,750)
Carried forward	<u>847,613</u>	<u>59,875</u>	<u>-</u>	<u>907,488</u>
Depreciation				
Brought forward	743,625	51,635	2,063	797,323
Charge for period	43,733	2,060	125	45,918
Disposals	-	-	(2,188)	(2,188)
Carried forward	<u>787,358</u>	<u>53,695</u>	<u>-</u>	<u>841,053</u>
Net book value 2011	<u>60,255</u>	<u>6,180</u>	<u>-</u>	<u>66,435</u>
Net book value 2010	<u>103,988</u>	<u>8,240</u>	<u>1,687</u>	<u>113,915</u>

9. Stocks

	2011 £	2010 £
Raw materials and consumables	<u>3,227</u>	<u>11,207</u>

10. Debtors

	2011 £	2010 £
Trade debtors	81,475	-
Other debtors	7,019	4,591
Prepayments and accrued income	43,974	40,587
R&D tax credit receivable	49,185	45,654
	<u>181,653</u>	<u>90,832</u>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

11. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	51,092	2,297
Amount due to parent undertaking	1,600,634	1,305,634
Other taxes and social security costs	14,071	10,345
Other creditors	350,612	363,407
Accruals and deferred income	27,762	39,514
	<u>2,044,171</u>	<u>1,721,197</u>

12. Obligations under operating lease

The Company has an annual commitment under an operating lease for premises of £31,880 (2010 £31,880) The lease is due to expire within 1 year of the balance sheet date

13. Called up share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>4,316</u>	<u>4,316</u>

14. Share premium account

	2011 £	2010 £
Share premium account	<u>3,234,357</u>	<u>3,234,357</u>

15. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the year	(256,756)	(339,650)
Net reduction in shareholders' funds	<u>(256,756)</u>	<u>(339,650)</u>
Opening shareholders' funds	(1,494,047)	(1,154,397)
Closing shareholders' funds	<u>(1,750,803)</u>	<u>(1,494,047)</u>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

for the year ended 30th April 2011

16. Related party transactions

The following related parties have undertaken transactions with the Group during the period under review

- 16 1 MFE Corporate Services Limited (a company controlled by B P Collins and N P Collins) invoiced the Company £36,000 for consultancy services (2010 £36,000) At the balance sheet date £92,667 was outstanding (2010 £144,667)
- 16 2 AJC GB Limited (a company controlled by N P Collins and another) invoiced the Company £12,000 for administration services (2010 £12,000)
- 16 3 Bentata Associates (a business controlled by M D A Bentata) invoiced the Company £17,000 for the services of M D A Bentata (2010 £17,000) At the balance sheet date £59,500 was outstanding (2010 £42,500)
- 16 4 David Price (a business controlled by D Price) invoiced the Company £81,094 for the services of D Price including expenses (2010 £37,522) At the balance sheet date £66,875 was outstanding (2010 £51,875)

17. Control

The Company is a wholly owned subsidiary of Composite Metal Technologies Plc which is also the Company's parent undertaking