

Report and Accounts

for the year ended 30th April 2010

Company Number 2765553



COMPOSITE METAL TECHNOLOGY LTD

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United Kingdom

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Composite Metal Technology Ltd

Directors' Report and Financial Statements

for the year ended 30th April 2010

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Composite Metal Technology Ltd

Company Information

directors, officers and advisers

Directors:	M D A Bentata MA FRSA N P Collins BSc MSc R S Bushby BSc PhD CEng MIMMM C S Barton FCA D Price BSc MSc CEng CDir FIMechE	Chairman Chief Executive Technical Director Finance Director Commercial Director
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Company Secretary: N P Collins BSc MSc

Registered Number: 2765553 (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 2010

The directors present their report and financial statements for the year ended 30th April 2010

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

As predicted the year to 30th April 2010 has been another challenging accounting period for the Company because of the worldwide recession, which purportedly produced some of the most demanding and uncertain trading conditions since the Second World War. Although the recession has delayed many of the projects in the Company's pipeline of business from being advanced because of a moratorium on nearly all discretionary spending, CMT was able to a certain extent to counter the effects of the economic downturn by taking timely measures to direct its efforts towards exploiting those industry sectors that were largely unaffected by the recession, which resulted in the award of a £293K wind energy contract at the end of 2009. This contract was won in the face of stiff competition, and represents an important entry into the rapidly expanding new and renewable energy markets.

The Company reported a loss on ordinary activities after taxation of £339,650 (2009 £398,938), which was an improvement of 15% on the previous year due mainly to the award of the aforementioned wind energy contract, which only contributed income during the second half of the year. Total income generated by the Company during the year under review was £56,312 (2009 £3,978), and therefore was markedly higher than in the previous period. In line with the Company's budget forecast operating expenses remained largely unchanged at £360,463 (2009 357,529), excluding the annual depreciation charge.

In accordance with its business plan the Company has continued to advance the market exploitation of its AMC technology in the target market sectors, but with the exception of wind energy was unable to secure any sales contracts during the year. Although the Company has built up a lot of pending projects in its sales pipeline, none of these were able to be progressed by the Company because of the fallout from the recession which was still having a negative impact on trading conditions right up to the end of 2009. However, since the beginning of 2010 the Company has experienced a resurgence of interest in not only these pending projects but also in other new projects, which gives us grounds for optimism that the worst of the recession is behind us, and that orders will soon begin to be placed for these projects. Our optimism has been substantiated by the recent placement of a £532K contract for the development of AMC parts for a leading UK-based car manufacturer, which is by far the largest that the Company has so far been awarded, and could well herald the launch of this technology into mainstream applications.

The outlook for the Company is encouraging in light of the contracts awarded to CMT over the last nine months which demonstrates good market traction, as well as its large pipeline of business which continues to expand rapidly. Although the Company has successfully weathered the recession it has almost certainly delayed its growth plan by up to two years. Be this as it may, there is no doubt that demand for CMT's advanced materials has increased since the beginning of 2010, and that the Company is well placed to take advantage of the emerging sales opportunities. Consequently, we have good reason to be optimistic about the future of the Company, but accept that if CMT is going to realise the full commercial potential of its casting technology then it needs to raise a significant amount of additional investment to fund its planned future growth.

Composite Metal Technology Ltd

Directors' Report (continued)

for the year ended 30th April 2010

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 2010.

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, interest rates on debt, 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 bank loans and overdrafts, other loans and convertible debt together with trade debtors and 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 2010

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

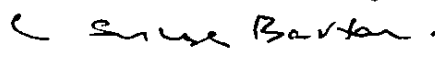
4th October 2010

Company Registration Number 2765553



Christopher Barton

Director



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 2010 on pages 8 to 17. 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 sections 495 and 496 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 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.

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 2010 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

4th October 2010

Composite Metal Technology Ltd

Profit and Loss Account

for the year ended 30th April 2010

	Notes	2010 £	2009 £
Turnover	2	56,312	3,978
Cost of sales		22,747	1,158
		<hr/>	<hr/>
Gross profit		33,565	2,820
Administrative expenses		(418,975)	(443,198)
		<hr/>	<hr/>
Operating loss	3	(385,410)	(440,378)
Interest receivable		-	74
Interest payable	6	(603)	(4,338)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(386,013)	(444,642)
Tax on loss on ordinary activities	7	46,363	45,704
		<hr/>	<hr/>
Loss for the period		(339,650)	(398,938)
Retained loss brought forward		(4,393,070)	(3,994,132)
		<hr/>	<hr/>
Retained loss carried forward		(4,732,720)	(4,393,070)
		<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 17 form part of these financial statements.

Composite Metal Technology Ltd

Balance Sheet

as at 30th April 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	8	113,915	162,128
		<u>113,915</u>	<u>162,128</u>
Current assets			
Stocks	9	11,207	2,597
Debtors	10	90,832	87,759
Cash at bank and in hand		11,196	3,301
		<u>113,235</u>	<u>93,657</u>
Creditors amounts falling due within one year	11	(1,721,197)	(1,410,182)
Net current liabilities		<u>(1,607,962)</u>	<u>(1,316,525)</u>
Net liabilities		<u>(1,494,047)</u>	<u>(1,154,397)</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		(4,732,720)	(4,393,070)
Shareholders' funds	15	<u>(1,494,047)</u>	<u>(1,154,397)</u>

The notes to the accounts on pages 10 to 17 form part of these financial statements

These financial statements were approved by the Board of Directors on 4th October 2010 and were signed on their behalf by

Christopher Barton
Director

C. Barton

Co No 276 5553

Composite Metal Technology Ltd

Notes to the Accounts

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

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, and forecasts prepared by its directors indicate that additional funds will be required to enable the support to continue. The directors of the parent undertaking are of the opinion that sufficient funds will be obtained as a result of current negotiations for investment from financial institutions and trade partners, and from the issue of additional share capital to private investors to enable the company to continue its support. Since the year end the Company has secured a new contract to the value of £532K. 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

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

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.

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 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 exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- 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.

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.

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

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.

Turnover is recognised on entitlement to income.

All income arose within the EC.

Turnover is comprised as follows:

	2010 £	2009 £
Sales of goods	1,200	3,978
Contract work under grants	55,112	-
	<hr/>	<hr/>
	56,312	3,978
	<hr/>	<hr/>

3. Operating loss is stated after charging:

	2010 £	2009 £
Auditors' remuneration for audit services	5,500	5,500
for non audit work	1,966	1,620
Depreciation of tangible fixed assets	58,512	85,669
Operating lease rentals-premises	31,880	31,880
Other research and development direct costs	5,598	9,151
	<hr/>	<hr/>

4. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was 5 (2009: 5).

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

4. Staff numbers and costs (continued)

The aggregate payroll costs for employees, including directors, were as follows

	2010 £	2009 £
Wages and salaries	168,450	168,450
Social security costs	6,614	16,093
Other pension costs	7,587	7,587
	<hr/>	<hr/>
	182,651	192,130
	<hr/>	<hr/>

5. Remuneration of directors

	2010 £	2009 £
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 (2009 2)

At the balance sheet date £178,750 (2009 £155,875) in respect of the Directors' emoluments and £4,320 (2009 £4,320) in respect of pension contributions was outstanding

6. Interest payable and similar charges

	2010 £	2009 £
Bank interest payable	603	4,338
	<hr/>	<hr/>

7. Tax on loss on ordinary activities

	2010 £	2009 £
Current Tax		
UK corporation tax	-	-
R & D repayable tax credits		
- Current year	46,363	45,704
	<hr/>	<hr/>
Tax credit on ordinary activities	46,363	45,704
	<hr/>	<hr/>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

7. Tax on loss on ordinary activities (continued)

Tax losses, after allowing for the R & D expenditure enhancement, totalling £187,021 (2009 £190,435) have been surrendered in respect of these claims

	2010 £	2009 £
Trading losses available for future relief	3,112,033	2,948,775
Reconciliation of the current tax (credit)/charge		
Loss on ordinary activities before tax	(386,013)	(444,642)
Loss on ordinary activities before taxation at the UK standard rate of 28% (2009 28%)	(108,084)	(124,500)
Effects of		
Expenses not deductible for tax purposes	169	5,735
Depreciation in excess of capital allowances	9,755	19,306
R & D expenditure enhancement	(39,948)	(26,661)
Tax losses surrendered in respect of R & D repayable tax credit claim	92,313	79,983
Tax losses carried forward	45,295	45,233
Losses surrendered in group relief claim	500	904
Total current UK tax (credit)/charge	-	-

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

	2010 £	2009 £
Deferred tax asset calculated at 21% (2009 21%) relating to		
Losses available for relief against future profits	652,800	620,000
Less Accelerated capital allowances	(12,700)	(20,000)
Add Short term timing differences	38,000	38,000
Deferred tax asset not provided	678,100	638,000

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

8. Tangible fixed assets

	Plant and machinery £	Fixture, fittings and equipment £	Motor vehicles £	Total £
Cost				
Brought forward	847,613	49,576	3,750	900,939
Additions	-	10,299	-	-
Carried forward	<u>847,613</u>	<u>59,875</u>	<u>3,750</u>	<u>911,238</u>
Depreciation				
Brought forward	688,160	49,338	1,313	738,811
Charge for period	55,465	2,297	750	58,512
Carried forward	<u>743,625</u>	<u>51,635</u>	<u>2,063</u>	<u>797,323</u>
Net book value 2010	<u>103,988</u>	<u>8,240</u>	<u>1,687</u>	<u>113,915</u>
Net book value 2009	<u>159,453</u>	<u>238</u>	<u>2,437</u>	<u>162,128</u>

9. Stocks

	2010 £	2009 £
Raw materials and consumables	<u>11,207</u>	<u>2,597</u>

10. Debtors

	2010 £	2009 £
Other debtors	4,591	29,265
Prepayments and accrued income	40,587	12,790
R&D tax credit receivable	45,654	45,704
	<u>90,832</u>	<u>87,759</u>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

11. Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	2,297	2,164
Amount due to parent undertaking	1,305,634	1,090,634
Other taxes and social security costs	10,345	15,845
Other creditors	363,407	290,302
Accruals and deferred income	39,514	11,237
	<u>1,721,197</u>	<u>1,410,182</u>

12. Obligations under operating lease

The Company has an annual commitment under an operating lease for premises of £31,880 (2009 £31,880). The lease is due to expire between 2 and 5 years from the balance sheet date.

13. Called up share capital

	2010 £	2009 £
<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

	2010 £	2009 £
Share premium account	<u>3,234,357</u>	<u>3,234,357</u>

15. Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Loss for the year	(339,650)	(398,937)
Net reduction in shareholders' funds	<u>(339,650)</u>	<u>(398,937)</u>
Opening shareholders' funds	(1,154,397)	(755,460)
Closing shareholders' funds	<u>(1,494,047)</u>	<u>(1,154,397)</u>

Composite Metal Technology Ltd

Notes to the Accounts (continued)

forming part of the financial statements

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 (2009 £36,000) At the balance sheet date £144,667 was outstanding (2009 £108,667)
- 16 2 AJC GB Limited (a company controlled by N P Collins and another) invoiced the Company £12,000 for administration services (2009 £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 (2009 £17,000) At the balance sheet date £42,500 was outstanding (2009 £51,000)
- 16 4 David Price (a business controlled by D Price) invoiced the Company £37,522 for the services of D Price including expenses (2009 £26,852) At the balance sheet date £51,875 was outstanding (2009 £36,875)

17. Control

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