

BRUNTONS AERO PRODUCTS LIMITED
ACCOUNTS
31 MARCH 2003

Company Registration Number 45894



BRUNTONS AERO PRODUCTS LIMITED

ACCOUNTS

YEAR ENDED 31 MARCH 2003

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BRUNTONS AERO PRODUCTS LIMITED

COMPANY INFORMATION

The board of directors

Mr A S Hook
Mr E Cook
Mr K Lydall
Mr C Mawe
Mr I Williamson

Company secretary

Mr E Cook

Registered office

Ploughland House
P O Box 14
62 George Street
Wakefield
WF1 1ZF

Auditors

Ernst & Young LLP
Registered Auditor
Leeds

BRUNTONS AERO PRODUCTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2003

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 March 2003.

Principal activities and business review

The company's principal activity during the year was the manufacture and sale of components for the aero industry.

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 accounts.

The directors have recommended the following dividends:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>422,539</u>	<u>1,827,419</u>

The directors and their interests in shares of the parent company

The directors who served the company during the year together with their beneficial interests in the shares of the parent company were as follows:

	Ordinary shares of £0.05 in Carclo plc.	
	At 31 March 2003	At 1 April 2002
Mr A S Hook	6,158	2,000
Mr E Cook	25,000	25,000
Mr K Lydall	28,485	28,485
Mr C Mawe	22,467	22,467
Mr I Williamson	<u>283,086</u>	<u>271,086</u>

The directors have also been granted options on the shares of the parent company as follows:

	Options held 1 Apr 2002	Granted in period	Lapsed in period	Options held 31 Mar 2003
Mr A S Hook	31,000	13,000	-	44,000
	8,649+	-	-	8,649+
Mr E Cook	60,000	46,000	-	106,000
	8,649+	-	-	8,649+
Mr K Lydall	83,000	73,000	-	156,000
	8,649+	-	-	8,649+
Mr C Mawe	177,000	114,000	-	291,000
Mr I Williamson	200,000	187,000	-	387,000
	8,649+	-	-	8,649+

+ indicates granted under Carclo Sharesave Option Scheme 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;

BRUNTONS AERO PRODUCTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2003

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 accounts; and

prepare the accounts 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 accounts 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 Ernst & Young LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the directors



Mr E Cook, Secretary
16 January 2004

Ploughland House
P O Box 14
62 George Street
Wakefield
WF1 1ZF

BRUNTONS AERO PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2003

We have audited the company's accounts for the year ended 31 March 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with applicable United Kingdom law and accounting standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts, 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 accounts 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 accounts.

BRUNTONS AERO PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 MARCH 2003

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

Date: *16 January 2004*

BRUNTONS AERO PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Turnover	2	2,892,784	2,811,250
Operating profit	3	591,751	504,334
Loss on disposal of fixed assets		—	(25,794)
Profit before interest		591,751	478,540
Interest receivable and similar charges	6	15,893	7,701
Profit on ordinary activities before taxation		607,644	486,241
Tax on profit on ordinary activities	8	185,105	146,249
Profit on ordinary activities after taxation		422,539	339,992
Dividends	9	422,539	1,827,419
Loss for the financial year		—	(1,487,427)

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

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £422,539 attributable to the shareholders for the year ended 31 March 2003 (2002 - profit of £339,992).

The notes on pages 8 to 17 form part of these accounts.

BRUNTONS AERO PRODUCTS LIMITED

BALANCE SHEET

31 MARCH 2003

	Note	£	2003 £	2002 £
Fixed assets				
Tangible assets	10		2,415,764	2,454,052
Current assets				
Stocks	11	427,990		376,276
Debtors	12	2,100,839		1,335,730
Cash in hand		191		312,237
		<u>2,529,020</u>		<u>2,024,243</u>
Creditors: amounts falling due within one year	13	<u>1,611,377</u>		<u>1,153,639</u>
Net current assets			<u>917,643</u>	<u>870,604</u>
Total assets less current liabilities			<u>3,333,407</u>	<u>3,324,656</u>
Provisions for liabilities and charges				
Deferred taxation	14		<u>146,869</u>	<u>138,118</u>
			<u>3,186,538</u>	<u>3,186,538</u>
Capital and reserves				
Called-up equity share capital	17		1,700,000	1,700,000
Revaluation reserve	18		1,486,538	1,486,538
Shareholders' funds	19		<u>3,186,538</u>	<u>3,186,538</u>



Mr A S Hook
Director



Mr E Cook
Director

16 January 2004

The notes on pages 8 to 17 form part of these accounts.

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Cash flow statement

As permitted by FRS 1 (revised 1996) - 'Cash Flow Statements', the accounts do not include a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking and the ultimate holding company includes the company in its own published consolidated accounts.

Related parties transactions

The company has taken advantage of the exemption to FRS 8 from disclosing transactions with related parties that are part of Carclo plc.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings were revalued as at 31 March 1999 with the revaluation surplus being taken to the revaluation reserve. The transitional provisions of FRS 15 have been followed and accordingly, prior year valuations of land and buildings have not been updated.

Depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, by equal annual instalments over their expected useful lives as follows:

Freehold Property	- 2%
Leasehold Property	- 2%
Plant & Machinery	- 10 - 20%
Motor Vehicles	- 25%

Stocks

Stocks are stated at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overhead expenses.

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.

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

1. Accounting policies *(continued)*

Pensions

The company contributes to a group pension scheme which is a defined benefit scheme and fully funded. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the company. The effect of any experience surpluses is retained within the accounts of the ultimate parent company.

The company also contributes to a group defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred taxation is recognised on a liability or asset if the transactions or events that give rise to an obligation to pay more tax in the future or a right to pay less tax in future have occurred by the balance sheet date. Deferred taxation 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 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 substantially enacted at the balance sheet date.

Foreign currencies

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end, except where they are covered by forward contracts in which case the rate appropriate to the forward contracts is used.

2. Turnover

Turnover is the net invoiced value of goods and services provided by the company exclusive of VAT.

Turnover is attributable to one continuing activity, the manufacture and sale of components for the aero industry.

The geographical analysis of turnover is as follows:

	2003	2002
	£	£
United Kingdom	2,236,973	2,334,652
Rest of Europe	308,799	163,315
Rest of World	347,012	313,283
	<u>2,892,784</u>	<u>2,811,250</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

3. Operating profit

The operating profit is arrived at as follows:

	2003 £	2002 £
Turnover	2,892,784	2,811,250
Finished goods and work in progress stock change	18,184	26,706
Raw materials and consumables	(767,596)	(796,918)
Employee costs (note 4)	(904,261)	(953,277)
Depreciation	(61,628)	(56,057)
Operating lease rentals - plant and machinery	(19,270)	(15,930)
Auditors' remuneration	(5,850)	(4,200)
Management charge	(300,000)	(300,000)
Other operating charges	(260,612)	(207,240)
	<u>591,751</u>	<u>504,334</u>

Included above is an amount of £6,722 (2002 - £32,938) in respect of exceptional costs incurred as a result of employee redundancies.

4. Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 46 (2002 - 50).

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	796,650	849,454
Social security costs	49,853	57,493
Other pension costs	57,758	46,330
	<u>904,261</u>	<u>953,277</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2003 £	2002 £
Emoluments	<u>61,895</u>	<u>47,304</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003 No	2002 No
Defined benefit schemes	<u>3</u>	<u>4</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

5. Directors' emoluments *(continued)*

Mr I Williamson, and Mr C Mawe were also directors of the holding company and fellow subsidiary undertakings. Mr E Cook and Mr K Lydall was also directors of fellow subsidiary undertakings. These directors received remuneration of £703,096 (2002 - £523,383), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their service as directors of the holding company and the fellow subsidiary undertakings.

6. Interest receivable and similar charges

	2003	2002
	£	£
Interest payable on bank borrowing	—	(6,574)
Bank interest receivable	15,893	14,275
	<u>15,893</u>	<u>7,701</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

7. Pensions

The company is a member of a group pension scheme operated by Carclo plc.

The group scheme is a defined benefit scheme, the assets of which are held in trustee administered funds separate from those of the group. As from 1 April 2002 the scheme is no longer open to new members.

The company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis for the purpose of FRS 17.

The most recent full actuarial valuation of the scheme was performed as at 1 April 2001, using the projected unit cost method. This valuation revealed a surplus. Since then the valuation has been updated by the scheme's actuary to assess the liabilities of the scheme as at 31 March 2003. This actuarial valuation revealed that the market value of assets was sufficient to cover only 83% of the liabilities of the scheme. Full details of these valuations are given in the accounts of Carclo plc.

On the advice of the scheme's actuary the company made cash contributions to the scheme amounting to £1,669,000 during the financial year (2002 - £nil). The SSAP 24 valuation showed a surplus applicable to the group amounting to £nil (2002 - surplus £1,884,000). £1,124,000 has been charged to the group profit and loss account in respect of pensions during the year (2002 - credit £181,000). The total contributions made by the company to the scheme during the year were £57,758 (2002 - £46,330).

The financial assumptions used in calculating the liabilities for the scheme as at 31 March 2003 under FRS 17 are disclosed in full in the accounts of Carclo plc. In summary these are as follows:

Discount rate for assessing plan liabilities	5.8%
Rate of increase in salaries	3.3%
Rate of increase in pensions in payment	2.3% to 4.1%
Inflation rate	2.3%

The fair value of the assets held by the scheme as at 31 March 2003 along with the liabilities on the above basis, are as follows:

	Value at 31 March 2003 £
Total market value of assets	93,428,000
Present value of plan liabilities	(123,167,000)
Deficit in the scheme	(29,739,000)
Related deferred tax asset	8,922,000
Net pension liability	(20,817,000)

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	176,354	146,274
Total current tax	176,354	146,274
Deferred tax:		
Increase/(decrease) in deferred tax provision	8,751	(25)
Tax on profit on ordinary activities	185,105	146,249

(b) Factors affecting current tax charge

The tax charge differs from the standard rate of corporation tax in the UK of 30% (2002 - 30%) for the following reasons:

	2003 £	2002 £
Profit on ordinary activities before taxation	607,644	486,241
Profit on ordinary activities at standard rate of tax of 30% (2002 - 30%)	182,293	145,872
Depreciation in excess of capital allowances	719	11,105
Permanent differences	4,341	14,033
Prior year adjustment	(10,999)	(24,736)
Total current tax (note 8(a))	176,354	146,274

9. Dividends

The following dividends have been paid in respect of the year:

	2003 £	2002 £
Dividend paid on ordinary shares	422,539	1,827,419

The interim dividend paid on the ordinary £1 shares amounted to 24.86p per share (2002 - 107.50p).

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

10. Tangible fixed assets

	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or valuation					
At 1 April 2002	2,200,324	100,000	838,697	9,252	3,148,273
Additions - non group	—	—	3,181	20,159	23,340
Disposals - non group	—	—	(11,853)	—	(11,853)
At 31 March 2003	2,200,324	100,000	830,025	29,411	3,159,760
Of which at 1999 valuation	1,527,500	100,000			
Depreciation					
At 1 April 2002	62,003	3,000	619,967	9,251	694,221
Charge for the year	14,072	—	44,649	2,907	61,628
Disposals - non group	—	—	(11,853)	—	(11,853)
At 31 March 2003	76,075	3,000	652,763	12,158	743,996
Net book value					
At 31 March 2003	2,124,249	97,000	177,262	17,253	2,415,764
At 31 March 2002	2,138,321	97,000	218,730	1	2,454,052

Included in freehold land and buildings is land valued at £475,000 which is not depreciated.

Freehold land and buildings were revalued on an open market for existing use basis as at 31 March 1999 by Eddisons Commercial Limited in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

On a historical basis, freehold land and buildings would have been included as follows:

	2003 £	2002 £
Cost	1,069,075	1,069,075
Cumulative depreciation based on cost	334,364	320,292

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

11. Stocks

	2003	2002
	£	£
Raw materials	100,171	66,641
Work in progress	170,571	126,211
Finished goods	157,248	183,424
	<u>427,990</u>	<u>376,276</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12. Debtors

	2003	2002
	£	£
Trade debtors	492,777	429,467
Amounts owed by group undertakings	1,602,563	898,294
Prepayments and accrued income	5,499	7,969
	<u>2,100,839</u>	<u>1,335,730</u>

13. Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	312,613	—
Trade creditors	113,996	89,761
Amounts owed to group undertakings	703,224	625,000
Corporation tax	335,400	171,010
Other taxation and social security	50,717	76,073
Other creditors	16,773	132,620
Accruals and deferred income	78,654	59,175
	<u>1,611,377</u>	<u>1,153,639</u>

14. Deferred taxation

	2003	2002
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	138,118	138,143
Profit and loss account movement arising during the year	8,751	(25)
Provision carried forward	<u>146,869</u>	<u>138,118</u>

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

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	146,869	138,118
	<u>146,869</u>	<u>138,118</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

14. Deferred taxation *(continued)*

There is a potential liability which would arise if the company's revalued property was sold for its revalued amount. This liability is estimated at £225,000 (2002 - £225,000).

15. Commitments under operating leases

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Plant and machinery	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	—	2,084
Within 2 to 5 years	8,028	7,674
	<u>8,028</u>	<u>9,758</u>

16. Contingent liabilities

Guarantees have been given by the company in respect of amounts drawn against borrowing facilities of certain associated undertakings.

17. Share capital

Authorised share capital:

	2003	2002
	£	£
1,700,000 ordinary shares of £1 each	<u>1,700,000</u>	<u>1,700,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
ordinary shares of £1 each	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>

18. Reserves

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 April 2002 & 31 March 2003	<u>1,486,538</u>	<u>—</u>	<u>1,486,538</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

19. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	422,539	339,992
Dividends	(422,539)	(1,827,419)
	<u>—</u>	<u>(1,487,427)</u>
Opening shareholders' equity funds	3,186,538	4,673,965
Closing shareholders' equity funds	<u>3,186,538</u>	<u>3,186,538</u>

20. Ultimate parent company

The parent company and ultimate controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is Carclo plc. Copies of Carclo plc's accounts can be obtained from Ploughland House, 62 George Street, Wakefield, WF1 1ZF.