

COMPANY REGISTRATION NUMBER 45894

BRUNTONS AERO PRODUCTS LIMITED
REPORT AND ACCOUNTS
31 MARCH 2005



BRUNTONS AERO PRODUCTS LIMITED

CONTENTS

YEAR ENDED 31 MARCH 2005

	Pages
Company information	1
The directors' report	2 to 4
Independent auditors' report to the shareholders	5 to 6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9 to 24

BRUNTONS AERO PRODUCTS LIMITED

COMPANY INFORMATION

The board of directors

Mr A S Hook
Mr R J Brooksbank
Mr E Cook
Mr I Williamson

Company secretary

Mr E Cook

Registered office

Springstone House
P O Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Auditors

Ernst & Young LLP
Registered Auditor
Leeds

BRUNTONS AERO PRODUCTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2005

The directors present their report and the accounts of the company for the year ended 31 March 2005.

Principal activities and review of the business

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

The directors consider the performance in the year to be satisfactory and expect the general level of activity to continue.

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:

	2005	2004
	£	£
Dividends paid on ordinary shares	<u>409,385</u>	<u>436,335</u>

The directors and their interests in the 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 2005	At 1 April 2004
Mr A S Hook	—	—
Mr R J Brooksbank	33,818	—
Mr E Cook	30,000	30,000
Mr I Williamson	<u>385,505</u>	<u>352,041</u>

No director has any beneficial interest in the shares of the company.

Mr R J Brooksbank was appointed on 1 April 2004.

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

	Options held 1 Apr 2004	Granted in period	Lapsed in period	Options held 31 Mar 2005
Mr A S Hook	59,000	30,000	20,000	69,000
Mr R J Brooksbank	-	210,000	-	210,000
Mr E Cook	154,000	50,000	20,000	184,000
Mr I Williamson	574,000	-	-	574,000
	8,649+	-	8,649+	-

+ indicates granted under Carclo Sharesave Option Scheme 2000.

Statement of directors' responsibilities

United Kingdom 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:

BRUNTONS AERO PRODUCTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2005

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 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

Ernst & Young LLP have notified the company of their intention not to seek re-election as the company's auditors at the forthcoming annual general meeting.

A resolution to appoint KPMG LLP as the company's auditors will be put to the members at the forthcoming annual general meeting.

Registered office:
Springstone House
P O Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Signed by order of the directors



Mr E Cook
Company Secretary

Date: 1 December 2005

BRUNTONS AERO PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRUNTONS AERO PRODUCTS LIMITED

YEAR ENDED 31 MARCH 2005

We have audited the company's accounts for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 20. These accounts 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 relevant legal and regulatory requirements and United Kingdom Auditing 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 accounts. 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 OF BRUNTONS AERO PRODUCTS LIMITED *(continued)*

YEAR ENDED 31 MARCH 2005

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2005 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: *6 December 2005*

BRUNTONS AERO PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2005

	Note	2005 £	2004 £
Turnover	2	3,107,087	2,918,214
Operating profit	3	599,076	632,939
Interest payable	6	7,610	3,504
Profit on ordinary activities before taxation		591,466	629,435
Tax on profit on ordinary activities	8	182,081	193,100
Profit on ordinary activities after taxation		409,385	436,335
Dividends	9	409,385	436,335
Retained profit for the financial year	19		

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 £409,385 attributable to the shareholders for the year ended 31 March 2005 (2004 - profit of £436,335).

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no material difference between the reported profit and that on a historical cost basis.

The notes on page 6 form part of these accounts.

BRUNTONS AERO PRODUCTS LIMITED

BALANCE SHEET

31 MARCH 2005

	Note	£	2005 £	2004 £
Fixed assets				
Tangible assets	10		2,515,164	2,366,007
Current assets				
Stocks	11	404,836		424,962
Debtors	12	2,392,284		1,938,898
Cash in hand		200		346
		<u>2,797,320</u>		<u>2,364,206</u>
Creditors: amounts falling due within one year	13	<u>1,985,571</u>		<u>1,399,525</u>
Net current assets			<u>811,749</u>	<u>964,681</u>
Total assets less current liabilities			<u>3,326,913</u>	<u>3,330,688</u>
Provisions for liabilities and charges				
Deferred taxation	14		140,375	144,150
Net assets			<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
Equity shareholders' funds	19		<u>3,186,538</u>	<u>3,186,538</u>

Mr A S Hook
Director

Mr E Cook
Director

Date:

1 December 2005

The notes on page 7 form part of these accounts.

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

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 United Kingdom company law and 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 party 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 Buildings	-	2%
Leasehold Land & Buildings	-	2%
Plant & Machinery	-	10 - 20%
Motor Vehicles	-	25%

Provision is made for any impairment.

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 2005

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.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 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 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:

	2005	2004
	£	£
United Kingdom	2,439,098	2,351,961
Rest of Europe	302,714	209,117
Rest of World	365,275	357,136
	<u>3,107,087</u>	<u>2,918,214</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

3. Operating profit

The operating profit is arrived at as follows:

	2005 £	2004 £
Turnover	3,107,087	2,918,214
Finished goods and work in progress stock change	(34,002)	621
Raw materials and consumables	(823,961)	(729,702)
Employee costs (note 4)	(1,026,457)	(974,778)
Depreciation	(65,506)	(52,910)
Operating lease rentals - plant and machinery	(11,907)	(8,074)
Auditors' remuneration	(3,878)	(4,850)
Management charge	(300,000)	(300,000)
Other operating charges	(242,300)	(215,582)
	<u>599,076</u>	<u>632,939</u>

4. Particulars of employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 50 (2004 - 48).

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	902,287	856,432
Social security costs	57,905	57,032
Other pension costs	66,265	61,314
	<u>1,026,457</u>	<u>974,778</u>

5. Directors' emoluments

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

	2005 £	2004 £
Emoluments receivable	<u>69,058</u>	<u>70,320</u>

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

	2005 No	2004 No
Defined benefit schemes	<u>2</u>	<u>2</u>

Mr R J Brooksbank and Mr I Williamson were also directors of the holding company and fellow subsidiary undertakings. Mr E Cook was also a director of fellow subsidiary undertakings. These directors received remuneration of £405,780 (2004 - Mr I Williamson, Mr C Mawe, Mr E Cook and Mr K Lydall - £514,467), 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.

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

6. Interest payable

	2005	2004
	£	£
Interest payable on bank borrowing	7,610	3,504

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 a trustee administered fund separate from those of the group. The scheme is no longer open to new entrants and has a rising age profile of members hence, under the projected unit method for determining scheme liabilities, the current service cost will increase as the members approach retirement.

The company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis for the purposes of FRS17.

The most recent full actuarial valuation of the scheme was performed at 31 March 2004 using the projected unit cost method. Since then the valuation has been updated by the scheme's actuary to assess the liabilities of the scheme as at 31 March 2005. This actuarial valuation revealed that the market value of assets was sufficient to cover only 89% (2004 - 90%) of the liabilities of the scheme. Full details of this valuation are given in the accounts of Carclo plc.

On the advice of the schemes' actuary the group made cash contributions to the scheme amounting to £2,423,000 during the financial year (2004 - £2,452,000). The SSAP 24 valuation showed a surplus applicable to the group amounting to £nil (2004 - surplus £nil). £1,462,000 has been charged to the group profit and loss account in respect of pensions during the year (2004 - £1,352,000). The total contributions made by the company to the schemes during the year were £66,265 (2004 - £61,314).

The financial assumptions used in calculating the liabilities for the scheme as at 31 March 2005 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	5.5%
Rate of increase in salaries	3.0%
Rate of increase in pensions in payment	2.5% to 4.0%
Inflation rate	2.5%

The fair value of the assets held by the scheme as at 31 March 2005, along with the liabilities on the above basis, are as follows:

	Value as at 31 March 2005
	£
Total market value of assets	131,468,000
Present value of plan liabilities	(155,877,000)
Deficit in the schemes	(24,409,000)
Related deferred tax asset	7,322,700
Net pension liability	(17,086,300)

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	185,796	193,328
Under provision in prior year	60	2,491
Total current tax	185,856	195,819
Deferred tax:		
Origination and reversal of timing differences	(3,775)	(2,719)
Tax on profit on ordinary activities	182,081	193,100

(b) Factors affecting current tax charge

The tax charge differs from the standard rate of corporation tax in the UK of 30% (2004 - 30%) for the following reasons:

	2005 £	2004 £
Profit on ordinary activities before taxation	591,466	629,435
Profit on ordinary activities at standard rate of tax of 30% (2004 - 30%)	177,440	188,831
Depreciation in excess of capital allowances	3,761	186
Permanent differences	4,595	4,311
Prior year adjustment	60	2,491
Total current tax (note 8(a))	185,856	195,819

9. Dividends

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

	2005 £	2004 £
Dividend paid on ordinary shares	409,385	436,335

The interim dividend paid on the ordinary £1 shares amounted to 24.08p per share (2004 - 25.67p).

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

10. Tangible fixed assets

	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or valuation					
At 1 April 2004	2,200,324	100,000	757,049	29,411	3,086,784
Additions - non group	9,567	—	176,695	—	186,262
Additions - group	—	—	28,437	—	28,437
Disposals - non group	—	—	(103,154)	—	(103,154)
At 31 March 2005	2,209,891	100,000	859,027	29,411	3,198,329
Of which at 1999 valuation	1,527,500	100,000			
Depreciation					
At 1 April 2004	90,145	3,000	610,434	17,198	720,777
Charge for the year	14,916	—	45,259	5,331	65,506
Disposals - non group	—	—	(103,118)	—	(103,118)
At 31 March 2005	105,061	3,000	552,575	22,529	683,165
Net book value					
At 31 March 2005	2,104,830	97,000	306,452	6,882	2,515,164
At 31 March 2004	2,110,179	97,000	146,615	12,213	2,366,007

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:

	2005 £	2004 £
Cost	1,078,642	1,069,075
Cumulative depreciation based on cost	363,350	348,434

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

11. Stocks

	2005	2004
	£	£
Raw materials	110,398	96,522
Work in progress	114,666	157,891
Finished goods	179,772	170,549
	<u>404,836</u>	<u>424,962</u>

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

12. Debtors

	2005	2004
	£	£
Trade debtors	555,521	456,089
Amounts owed by group undertakings	1,827,014	1,473,012
Other debtors	—	2,514
Prepayments and accrued income	9,749	7,283
	<u>2,392,284</u>	<u>1,938,898</u>

13. Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank overdrafts	154,533	140,226
Trade creditors	180,649	135,258
Amounts owed to group undertakings	1,297,500	787,500
Corporation tax	185,796	193,308
Other taxation and social security	106,782	83,799
Other creditors	10,028	13,740
Accruals and deferred income	50,283	45,694
	<u>1,985,571</u>	<u>1,399,525</u>

The bank overdraft is secured by way of a fixed charge over the freehold and long leasehold property and floating charges over the other assets of the company.

14. Deferred taxation

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

	2005	2004
	£	£
Provision brought forward	144,150	146,869
Profit and loss account movement arising during the year	(3,775)	(2,719)
Provision carried forward	<u>140,375</u>	<u>144,150</u>

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>140,375</u>	<u>144,150</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

14. Deferred taxation *(continued)*

There is an unrecognised deferred tax asset of £9,000 in respect of capital losses carried forward. This has not been recognised due to uncertainty as to when relief will be obtained.

15. Commitments under operating leases

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>11,907</u>	<u>11,214</u>

16. Contingent liabilities

The company has provided cross guarantees in respect of certain bank overdrafts of other Carelo plc subsidiary undertakings. At 31 March 2005 the overdraft facilities amounted to £400,000 (2004 - £400,000) of which £137,000 (2004 - £ nil) had been utilised.

The company has also provided an upstream guarantee to the parent company, Carelo plc, in respect of certain bank loan and overdraft facilities. At 31 March 2005 the total bank facilities available to the parent company amount to £35,300,000 (2004 - £36,800,000) of which £28,250,000 (2004 - £28,386,000) had been utilised.

There are fixed and floating charges over the company's assets in respect of the above guarantees.

17. Share capital

Authorised share capital:

	2005	2004
	£	£
1,700,000 ordinary shares of £1 each	<u>1,700,000</u>	<u>1,700,000</u>

Allotted, called up and fully paid:

	2005		2004	
	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 2004 & 31 March 2005	<u>1,486,538</u>	<u>—</u>	<u>1,486,538</u>

BRUNTONS AERO PRODUCTS LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2005

19. Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	409,385	436,335
Dividends	(409,385)	(436,335)
Net movement in shareholders funds	—	—
Opening shareholders' equity funds	3,186,538	3,186,538
Closing shareholders' equity funds	3,186,538	3,186,538

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 Springstone House, 27 Dewsbury Road, Ossett, WF5 9WS.