

**AETC LIMITED**

**Report and Financial Statements**

**29 March 2009**

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# **AETC LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

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# **AETC LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J J Sloboda  
A Milner  
S Blackmore  
S R Hagel  
R A Cooke

#### **SECRETARY**

C Nicholson  
P Edelstyn

#### **REGISTERED OFFICE**

Victoria Avenue  
Yeadon  
Leeds  
LS19 7AW

#### **BANKERS**

Bank of America  
London Branch  
P O Box 407  
5 Canada Square  
London  
E14 5AQ

#### **AUDITORS**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Leeds

# **AETC LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the group for the period ended 29 March 2009.

### **PRINCIPAL ACTIVITIES**

The group's principal activity is the manufacture and repair of airfoils and gas turbine components.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The results of the group show a pre tax profit of £17,981,000 (2008: £4,748,000) for the period and sales of £98,590,000 (2008: £81,430,000). The group has net assets of £52,406,000 (2008: £45,204,000).

Sales growth in the year has been 21% due to greater market penetration. The group has experienced growth of 22% in the gas turbine markets during the year reflecting growth of demand in the Swiss and European markets. Sales from the aerospace sector have also continued to grow at a rate of 20%.

The group is expecting to see a decline in the markets through next year as the world economy shrinks. However, the group is well placed to increase its market penetration on existing and new programs through improving efficiency and investment in plant and equipment.

### **PRINCIPAL RISK AND UNCERTAINTIES**

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks affecting the group are considered to relate to competition and to foreign currency.

#### *Competition*

The group operates in a highly competitive market around price and product quality. This can have an impact in downward pressure on our margins but also in the risk that we do not meet our customer's expectation. In order to mitigate this risk our sales team monitor market prices on an ongoing basis. Furthermore, our quality team continually monitor the quality of product being produced and ensure we maintain a rigorous quality system.

#### *Foreign currency*

The company sells into a number of markets worldwide. Some of these sales are in foreign currency, and therefore the company has an exposure to foreign currency movements. In order to mitigate this risk, the group treasury function provides natural hedges against currency exposures.

### **KEY PERFORMANCE INDICATORS**

The level of operating working capital ("OWC") has increased from the prior year, reflecting the growth in sales which has affected an increase in trade debtors. In the prior year, an early payment was received from a significant customer which reduced trade debtors, however this did not occur in the current year. At the year end OWC was 14.9% (2008: 6.7%).

The gross profit margin has increased from the prior year to 24.7% (2008: 17.8%). This reflects improvements in managing scrap levels and productivity, particularly through improved monitoring and investment in plant and equipment.

### **GOING CONCERN**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review above.

The current economic conditions create uncertainty particularly over the level of demand for the company's products and foreign currency exchange rates. The company is not reliant on external credit facilities, has a strong balance sheet and sells into a number of markets and geographical areas worldwide. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, and having reviewed the latest trading and cashflow forecasts, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern bases in preparing the annual report and accounts.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend in respect of the period (2008: nil), and accordingly the profit has been transferred to reserves.

# AETC LIMITED

## DIRECTORS' REPORT

### DIRECTORS

The directors who served during the year and subsequently were as follows:

W D Larsson	(resigned 12 August 2008)
M Donegan	(resigned 29 October 2008)
J J Sloboda	
A Milner	
S Blackmore	
S R Hagel	(appointed 12 August 2008)
R A Cooke	(appointed 20 November 2008)

### DISABLED PERSONS

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

### EMPLOYEE INVOLVEMENT

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the company as a whole.

### DONATIONS

During the year the group made charitable donations of £753 (2008: £675).

### CREDITOR PAYMENT POLICY

The group's policy is to negotiate terms of payment with suppliers when agreeing terms of transactions and then to abide by those terms once satisfactory performance of service or receipt of goods is achieved. Creditor days for the group have been calculated at 72 days (2008: 77 days).

### AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution for the appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

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A Milner  
Director  
27/11 / 2009

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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; and
- 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 proper accounting records that 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 1985. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AETC LIMITED**

We have audited the group and individual company financial statements (the "financial statements") of AETC Limited for the 52 week period ended 29 March 2009 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated statement of total recognised gains and losses and the related notes 1 to 24. These financial statements have been prepared under 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 29 March 2009 and of the group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
Leeds

30 November 2009

# AETC LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial period ended 29 March 2009

		52 weeks ended 29 March 2009			52 weeks ended 30 March 2008		
	Note	Continuing Operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
<b>TURNOVER</b>	2	98,590	-	98,590	81,430	-	81,430
Cost of sales		(74,277)	-	(74,277)	(66,974)	-	(66,974)
<b>Gross profit</b>		24,313	-	24,313	14,456	-	14,456
Distribution costs		(355)	-	(355)	(304)	-	(304)
Administrative expenses		(7,251)	2,459	(4,792)	(5,430)	(71)	(5,501)
<b>OPERATING PROFIT</b>	4	16,707	2,459	19,166	8,722	(71)	8,651
Cost of a fundamental restructuring				(1,033)			(3,000)
<b>PROFIT BEFORE FINANCE CHARGES</b>				18,133			5,651
Interest payable and similar charges	5			(276)			(1,466)
Interest receivable and similar income	6			-			301
Other finance costs	23			124			262
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				17,981			4,748
Taxation	7			(5,733)			(1,689)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	18			12,248			3,059

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above, and their historical cost equivalents.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Financial period ended 29 March 2009

	29 March 2009 £'000	30 March 2008 £'000
Profit for the financial period	12,248	3,059
Actuarial (loss)/gain on pension scheme	(7,498)	19,846
Movement on current tax relating to pension scheme	3,705	2,940
Movement on deferred tax relating to pension scheme	(1,686)	(8,635)
<b>Total gains and losses recognised since last annual report</b>	<b>6,769</b>	<b>17,210</b>



# AETC LIMITED

## BALANCE SHEETS

As at 29 March 2009

	Note	Group 29 March 2009 £'000	Company 29 March 2009 £'000	Group 30 March 2008 £'000	Company 30 March 2008 £'000
<b>FIXED ASSETS</b>					
Goodwill	9	4,898	4,898	5,600	5,600
Tangible assets	10	16,684	16,684	15,494	15,494
		<u>21,582</u>	<u>21,582</u>	<u>21,094</u>	<u>21,094</u>
<b>CURRENT ASSETS</b>					
Stocks	12	7,303	7,303	7,884	7,884
Debtors	13	49,621	35,717	23,384	13,239
Cash at bank and in hand		772	748	8,770	8,747
		<u>57,696</u>	<u>43,768</u>	<u>40,038</u>	<u>29,870</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(30,738)</u>	<u>(26,586)</u>	<u>(29,252)</u>	<u>(27,151)</u>
<b>NET CURRENT ASSETS</b>		<u>26,958</u>	<u>17,182</u>	<u>10,786</u>	<u>2,719</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>48,540</u>	<u>38,764</u>	<u>31,880</u>	<u>23,813</u>
<b>PROVISION FOR LIABILITIES</b>	16	<u>(944)</u>	<u>(944)</u>	<u>(4)</u>	<u>(4)</u>
<b>Net assets excluding pension asset</b>		<u>47,596</u>	<u>37,820</u>	<u>31,876</u>	<u>23,809</u>
<b>Pension asset</b>	23	<u>4,810</u>	<u>4,810</u>	<u>13,328</u>	<u>13,328</u>
<b>NET ASSETS</b>		<u><u>52,406</u></u>	<u><u>42,630</u></u>	<u><u>45,204</u></u>	<u><u>37,137</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	-	-	-	-
Profit and loss account	18	28,130	18,354	21,361	13,294
Capital contribution	19	23,000	23,000	23,000	23,000
Share based payment reserve	20	1,276	1,276	843	843
<b>TOTAL SHAREHOLDERS' FUNDS</b>	21	<u><u>52,406</u></u>	<u><u>42,630</u></u>	<u><u>45,204</u></u>	<u><u>37,137</u></u>

These financial statements of AETC Limited (company registration number 3206792), were approved by the Board of Directors on 27 November 2009.

Signed on behalf of the Board of Directors



A Milner

Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 29 March 2009**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 1985 and applicable United Kingdom accounting standards. The financial statements are made up to the Sunday nearest to the accounting reference date for each financial period.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to the Sunday nearest to the accounting reference date for each financial year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which the control passed. Acquisitions are accounted for under the acquisition method

**Going concern**

After making enquiries, and having reviewed the latest trading and cashflow forecasts, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern bases in preparing the annual report and accounts.

Further details regarding the adoption of the going concern basis can be found in the Directors' report.

**Intangible assets - goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, together with any incidental expenses of acquisition, net of depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% to 2½%
Leasehold buildings	Over the life of the lease
Plant and machinery	7½% to 15%
Fixtures and fittings	15% to 20%
Computers	20% to 33%
Motor vehicles	25%

**Investments**

In the company's financial statements, fixed asset investments are stated at cost less provision for impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 29 March 2009**

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

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

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are dealt with through the profit and loss account.

**Turnover**

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised upon the transfer of the goods to the customer.

**Leases**

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

**Cash flow statement**

The group and company have taken advantage of the exemption granted under Financial Reporting Standard 1 (Revised) not to produce a cash flow statement, as the amounts are reported within the parent company's accounts, which are publicly available.

**Share based payment**

The company has applied the requirements of FRS 20 'Share based payment'.

The company's ultimate parent company, Precision Castparts Corp. ("PCC"), issues equity settled share based payments to certain employees of the company. Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The group also provides employees with the ability to purchase PCC's ordinary shares at 85% of the current market value. The group records an expense based on its estimate of the 15% discount related to shares expected to vest on a straight line basis over the vesting period.



**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 29 March 2009**

**1. ACCOUNTING POLICIES (continued)**

**Pension costs**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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.

**2. TURNOVER**

The company has only one principal class of business, that of the manufacture, machining and repair of airfoils and gas turbine components. Sales were made to the following geographical areas.

	<b>29 March 2009 £'000</b>	<b>30 March 2008 £'000</b>
Switzerland	54,506	43,919
United Kingdom	15,062	13,000
North America	9,638	7,957
Germany	8,696	8,541
Italy	1,189	497
Other European	8,637	7,516
Rest of World	862	-
	<b>98,590</b>	<b>81,430</b>

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 March 2009

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	29 March 2009 £'000	30 March 2008 £'000
Aggregate emoluments	297	266

Retirement benefits are accruing to one director (2008: one) under the defined benefits scheme. The highest paid director is a member of the company's defined benefit pension scheme and at the year end had accrued entitlements under the scheme of £7,329 (2008: £4,634). The accrued lump sum is £700,115 (2008: £635,285).

The emoluments of all of the directors except A Milner are paid by the ultimate parent company. Their services to the company are of a non executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly the above details include no emoluments in respect of these directors.

The average number of persons employed was:

Group and Company	29 March 2009 No.	30 March 2008 No.
Production	543	498
Administration	228	206
	771	704

Group and Company Employee costs	29 March 2009 £'000	30 March 2008 £'000
Wages and salaries	23,058	20,671
Social security costs	2,482	2,269
Pension costs	2,219	2,426
	27,759	25,366

### 4. OPERATING PROFIT

	29 March 2009 £'000	30 March 2008 £'000
Operating profit is stated after charging:		
Depreciation	2,055	2,199
Operating lease rentals		
Hire of plant and machinery	166	195
Land and buildings	158	312
Amortisation of intangible fixed assets		
- goodwill	702	702
Loss on disposal of fixed assets	21	-
Net foreign currency gains	(67)	(142)
Fees payable to the group's auditors for the audit of the group's annual accounts	44	44
- The audit of the Group's subsidiaries pursuant to legislation	4	4
Total fees	48	48

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Period ended 29 March 2009

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

29 March 2009 £'000	30 March 2008 £'000
276	1,466

Amounts payable to group undertakings

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

29 March 2009 £'000	30 March 2008 £'000
-	301

Interest on amount due from group undertakings

### 7. TAXATION

29 March 2009 £'000	30 March 2008 £'000
<b>Current tax</b>	
UK corporation tax charge	4,682
Adjustments in respect of prior years	(35)
<b>Total current tax</b>	<b>4,647</b>
<b>Deferred tax</b>	
Origination and reversal of timing differences	926
Adjustments in respect of prior years	14
	(828)
	101
	940
	(727)
Deferred tax on pension scheme movements	146
	106
<b>Tax charge on profit on ordinary activities</b>	<b>5,733</b>
	<b>1,689</b>

Deferred tax on pension scheme movements

Tax charge on profit on ordinary activities



## NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 March 2009

## 7. TAXATION (continued)

The effective rate of tax is different from the standard UK corporation tax rate of 28% (2008: 30%) and the differences are explained below:

	29 March 2009 £'000	30 March 2008 £'000
Profit on ordinary activities before tax	17,981	4,748
Tax at 28% (2008: 30%) thereon:	5,035	1,424
Effects of:		
- Expenses not deductible for tax purposes	422	267
- Accelerated capital allowances	(91)	(104)
- Other timing differences	(686)	636
- Chargeable gain	2	-
- Rate differences	-	89
- Adjustment to tax charge in respect of prior years	(35)	(2)
Current tax charge for period	4,647	2,310

## 8. SHARE BASED PAYMENTS

## Equity-settled share option scheme

The company's ultimate parent company, PCC issues share options over ordinary shares in PCC to certain employees of the group. Options are exercisable at prices equal to the quoted market price of the parent company's shares on the date of grant. Options become exercisable at a rate of 25% each year over four years from the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

PCC has an Employee Share Purchase Plan ("ESPP") whereby the company is authorised to issues shares to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose to have up to 10 percent of their annual base salary withheld to purchase the company's shares. Employees then have the option to use the withheld funds to purchase shares at the lower of 85 percent of the fair market value of the stock on the date of grant or on the date of purchase.

Details of the share options outstanding during the year are as follows:

	2009 Number of share options	2009 Weighted average exercise price (£)	2008 Number of share options	2008 Weighted average exercise price (£)
Outstanding at beginning of period	65,714	36.10	57,191	22.80
Granted during the period	34,786	37.67	18,192	70.44
Forfeited during the period	(900)	40.07	-	-
Exercised during the period	(300)	20.70	(9,669)	15.90
Outstanding at the end of the period	99,300	43.87	65,714	36.10
Exercisable at the end of the period	39,180	32.94	24,575	15.90

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Period ended 29 March 2009

### 8. SHARE BASED PAYMENTS (continued)

The weighted average share price at the date of exercise for the share options exercised during the period was £40.06. The options outstanding at 29 March 2009 have a weighted average exercise price of £32.94 and a weighted average remaining contractual life of 2.94 years.

During the current financial year, options were granted on 13 November 2008. The aggregate of the estimated fair values of the options granted on those dates is £856,000. During the 2008 financial period, options were granted on 14 November 2007. The aggregate of the estimated fair values of the options granted on that date is £448,000.

The group recognised total expenses of £433,000 and £337,000 related to equity-settled share based payment transactions in 2009 and 2008 respectively.

The inputs into the Black-Scholes Option Pricing Model are as follows:

	2009	2008
Weighted average share price	£37.67	£70.44
Weighted average exercise price	£37.67	£70.44
Expected volatility	39.8%	36.4%
Expected life (years)	2.7 – 4.4	2.7 – 4.4
Risk-free rate	1.9%	3.4%
Expected dividend yield	0.2%	0.1%

Expected volatility was determined by calculating the historical volatility of the PCC share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### 9. GOODWILL

Group and Company	£'000
<b>Cost</b>	
At 31 March 2008 and 29 March 2009	11,954
<b>Accumulated amortisation</b>	
At 31 March 2008	6,354
Charge for the period	702
At 29 March 2009	7,056
<b>Net book value</b>	
29 March 2009	4,898
31 March 2008	5,600

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 March 2009

### 10. TANGIBLE FIXED ASSETS

Group and Company

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Assets in course of construction £'000	Total £'000
<b>Cost</b>					
At 31 March 2008	5,677	31,206	1,193	2,731	40,807
Additions	-	-	-	3,483	3,483
Transfers	-	5,206	28	(5,234)	-
Disposals	-	(606)	-	(158)	(764)
At 29 March 2009	5,677	35,806	1,221	822	43,526
<b>Accumulated depreciation</b>					
At 31 March 2008	1,416	22,738	1,159	-	25,313
Charge for the period	98	1,940	17	-	2,055
Disposals	-	(526)	-	-	(526)
At 29 March 2009	1,514	24,152	1,176	-	26,842
<b>Net book value</b>					
At 29 March 2009	4,163	11,654	45	822	16,684
At 31 March 2008	4,261	8,468	34	2,731	15,494

Assets in the course of construction at 29 March 2009 included £nil (2008: £556,500) in respect of deposits on machines.

### 11. INVESTMENTS

Company

	Interests in group undertakings £'000
<b>Cost</b>	
At 31 March 2008 and at 29 March 2009	5,319
<b>Provision for impairment</b>	
At 31 March 2008 and at 29 March 2009	5,319
<b>Net book value</b>	
At 31 March 2008 and at 29 March 2009	-

The company's investment is in the entire share capital of PCC Flow Technologies Limited, a company registered in Scotland. The principal activity of PCC Flow Technologies Limited was the manufacturer of valves and actuators. The company ceased to trade on 7 December 2005.

### 12. STOCKS

Group and Company

	29 March 2009 £'000	30 March 2008 £'000
Raw materials and consumables	1,288	1,443
Work in progress	5,168	4,720
Finished goods	847	1,721
	7,303	7,884

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Period ended 29 March 2009

### 13. DEBTORS

	Group 29 March 2009 £'000	Company 29 March 2009 £'000	Group 30 March 2008 £'000	Company 30 March 2008 £'000
Trade debtors	19,796	19,796	9,572	9,572
Amounts owed by group undertakings	29,256	15,352	13,103	2,958
Other debtors	-	-	210	210
Prepayments	569	569	499	499
	<u>49,621</u>	<u>35,717</u>	<u>23,384</u>	<u>13,239</u>

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 29 March 2009 £'000	Company 29 March 2009 £'000	Group 30 March 2008 £'000	Company 30 March 2008 £'000
Trade creditors	10,211	10,211	9,458	9,458
Corporation Tax	977	206	-	-
Other taxation and social security	300	300	583	583
Other creditors	3,862	3,369	2,972	2,972
Accruals and deferred income	1,980	1,980	3,229	3,211
Amounts due to fellow subsidiary undertakings	13,408	10,520	13,010	10,927
	<u>30,738</u>	<u>26,586</u>	<u>29,252</u>	<u>27,151</u>

The amount due to the ultimate parent undertaking is interest bearing at 6% and is repayable on demand.

### 15. FINANCIAL COMMITMENTS

	29 March 2009		30 March 2008	
Operating leases	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual commitments which expire:				
Within one year	-	11	151	14
Between two and five years	24	125	5	143
	<u>24</u>	<u>136</u>	<u>156</u>	<u>157</u>

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 March 2009

### 16. PROVISION FOR LIABILITIES

Group and Company

Deferred  
tax  
£'000

At 31 March 2008

4

Debit to profit and loss account

940

At 29 March 2009

944

The deferred tax provision may be analysed as follows:

Provision for deferred tax

29 March  
2009  
£'000

30 March  
2008  
£'000

Accelerated capital allowances

1,139

1,029

Losses

-

(188)

Short term timing differences

(195)

(587)

Share based payments

-

(250)

944

4

In addition, the group has unrecognised potential deferred tax asset amounting to £92,000 (2008: £92,000) relating to a subsidiary undertaking. This has not been recognised since the directors consider that there is insufficient evidence as to the timing of future deductions and the likelihood or otherwise of suitable taxable profits at this time.

### 17. CALLED UP SHARE CAPITAL

29 March  
2009  
£

30 March  
2008  
£

Authorised

100 ordinary shares of £1 each

100

100

Allotted, called up and fully paid

10 ordinary shares of £1 each

10

10

# AETC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 March 2009

### 18. PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 31 March 2008	21,361	13,294
Profit for the year	12,248	10,539
Actuarial loss on pension scheme	(7,498)	(7,498)
Movement on current tax relating to pension scheme	3,705	3,705
Movement on deferred tax relating to pension scheme	(1,686)	(1,686)
	<u>28,130</u>	<u>18,354</u>

At 29 March 2009

The company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the year dealt with in the accounts, arising from the parent company was a profit of £10,539,000 (2008: £3,130,000)

### 19. CAPITAL CONTRIBUTION

	Group £'000	Company £'000
At 31 March 2008 and 29 March 2009	<u>23,000</u>	<u>23,000</u>

### 20. SHARE BASED PAYMENT RESERVE

	Group £'000	Company £'000
At 31 March 2008	843	843
Share based payment expense	<u>433</u>	<u>433</u>
At 29 March 2009	<u>1,276</u>	<u>1,276</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 29 March 2009**

**21. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS**

	29 March 2009 £'000	30 March 2008 £'000
Profit for the year	12,248	3,059
Actuarial gain/(loss) on pension scheme	(7,498)	19,846
Movement on current tax relating to pension scheme	3,705	2,940
Movement on deferred tax relating to pension scheme	(1,686)	(8,635)
Share based payment expense	433	337
	<hr/>	<hr/>
Net increase in shareholders' funds	7,202	17,547
Opening shareholders' funds	45,204	27,657
	<hr/>	<hr/>
Closing shareholders' funds	52,406	45,204
	<hr/>	<hr/>

**22. CAPITAL COMMITMENTS**

	29 March 2009 £'000	30 March 2008 £'000
<b>Group and Company</b>		
Contracts placed	1,482	1,299
	<hr/>	<hr/>

**23. PENSION SCHEME**

The company operates a defined benefit pension scheme and a defined contribution pension scheme.

**Defined benefit pension scheme**

A full actuarial valuation was carried out as at 5 April 2006 by a qualified independent actuary. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. The actuarial valuation has been updated at 1 April 2009 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. In accordance with FRS17, for all assets that do not have a single price, the bid value of the assets has been used.

Key assumptions used:	2009 %	2008 %
Rate of increase in salaries	4.25	4.50
Rate of increase of pensions in payment	3.40	3.60
Discount Rate	6.30	6.70
Inflation	3.50	3.70

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that member currently aged 65 will live on average for a further 20 years if they are male and for a further 23 years if they are female.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 29 March 2009**

**23. PENSION SCHEME (continued)**

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	2,128	2,376
Interest cost	7,074	6,443
Expected return on scheme assets	(7,198)	(6,705)
Expense recognised in profit and loss	<u>2,004</u>	<u>2,114</u>

Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The actual return on scheme assets was £4,243,000 (2008: £7,990,000).

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £6,955,000 (2008: £14,453,000).

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(117,470)	(107,207)
Fair value of scheme assets	<u>123,178</u>	<u>119,601</u>
Surplus in scheme	5,708	12,394
Related deferred tax asset/(liability)	<u>(898)</u>	<u>934</u>
Asset recognised in the balance sheet	<u>4,810</u>	<u>13,328</u>

Employer contributions in 2008 and 2006 included special payments of £10 million and £25 million respectively to reduce the actuarial deficit. The related tax relief is spread over 4 years under UK corporation tax rules. Included within the above deferred tax asset is tax relief of £700,000 (2008: £4,405,000) in respect of these special payments, which will be claimed in future years.

Movements in the present value of defined benefit obligations were as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	107,207	119,289
Current service cost	2,128	2,376
Interest cost	7,074	6,443
Contributions by scheme participants	1,024	1,005
Actuarial (gains)/losses on scheme liabilities	4,543	(18,561)
Net benefits paid out	<u>(4,506)</u>	<u>(3,345)</u>
Closing defined benefit obligation	<u>117,470</u>	<u>107,207</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 29 March 2009**

**23. PENSION SCHEME (continued)**

Movements in the fair value of scheme assets were as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	119,601	111,187
Expected return on scheme assets	7,198	6,705
Actuarial gains/(losses) on scheme assets	(2,955)	1,285
Contributions by the employer	2,816	2,764
Contributions by scheme participants	1,024	1,005
Net benefits paid out	(4,506)	(3,345)
Closing fair value of scheme assets	<u>123,178</u>	<u>119,601</u>

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	<b>29 March 2009</b>		<b>30 March 2008</b>	
	<b>Expected rate of return</b>	<b>Market value</b>	<b>Expected rate of return</b>	<b>Market value</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Equities	7.75	47,351	8.0	26,683
Bonds	4.0	33,532	5.25	44,962
Hedge funds	5.25	25,057	6.0	32,378
Cash and other assets	2.0	17,238	5.0	15,578
Total market value of assets		<u>123,178</u>		<u>119,601</u>

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at 29 March 2009.

The five-year history of experience adjustments is as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(117,470)	(107,207)	(119,289)	(117,215)	(94,800)
Fair value of scheme assets	<u>123,178</u>	<u>119,601</u>	<u>111,187</u>	<u>94,901</u>	<u>62,800</u>
Surplus / (deficit) in the scheme	<u>5,708</u>	<u>12,394</u>	<u>(8,102)</u>	<u>(22,314)</u>	<u>(32,000)</u>
Experience adjustments on scheme liabilities					
Amount	-	(433)	1,917	-	-
Percentage of scheme liabilities	-	(0.4%)	1.6%	-	-
Experience adjustments on scheme assets					
Amount	(2,955)	1,285	(328)	2,240	1,600
Percentage of scheme assets	<u>(2.4%)</u>	<u>1.1%</u>	<u>(0.3%)</u>	<u>2.4%</u>	<u>2.5%</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 29 March 2009**

**23. PENSION SCHEME (continued)**

**Defined contribution pension scheme**

The company also operates a defined contribution scheme for which the pension cost charge for the year amounted to £91,361 (2008: £49,780).

**24. ULTIMATE PARENT UNDERTAKING AND RELATED PARTIES**

The immediate parent undertaking is PCC European Holdings Sarl. The ultimate parent undertaking and ultimate controlling party is Precision Castparts Corp, a company incorporated in the United States of America. Copies of the accounts of Precision Castparts Corp may be obtained by writing to Precision Castparts Corp, Corporate Office, 4650 SW Macadam Avenue, Suite 440 Portland, Oregon 97201-4254, United States of America.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 'Related Party Disclosures', as the consolidated accounts of Precision Castparts Corp in which the company is included are available at the address noted above.