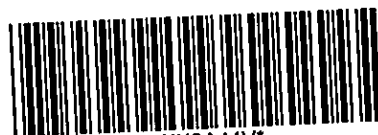


Cobham Advanced Composites Limited
Directors' report and financial statements
for the year ended 31 December 2007

Registered number 3878561

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Cobham Advanced Composites Limited
Directors' Report and Financial Statements
for the year ended 31 December 2007

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Cobham Advanced Composites Limited

Directors' report for the year ended 31 December 2007

The directors have pleasure in submitting their report, together with the audited financial statements of Cobham Advanced Composites Limited ("the Company"), for the year ended 31 December 2007

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 9 showing a profit for the financial year after tax of £2,557,000 (2006 £628,000) At 31 December 2007, the Company has net assets of £5,550,000 (2006 £2,902,000)

No dividends were paid or proposed for 2007 (2006 £Nil)

Principal activities and business review

The Company specialises in the design and manufacture of high performance radomes and composite structures for the aerospace, defence and communications markets The principal activities are not expected to change in the foreseeable future

The directors consider the results for the year to be good The turnover for the year was in line with expectations and new market segments were addressed with promising results being achieved

Following the transfer of the activities of Cobham Composites Limited and Chelton Radomes Witney Limited in 2006, the Company has made good progress rationalising the business The Company is now better placed in the market to offer a wider range of composite products to existing and new customers

Future developments

The directors are confident that 2008 will be a year of continued progress A number of significant contracts should be signed giving a solid order book for the years ahead

Research and development

The Company continues to invest in research and development for the aerospace, defence and communications markets Total expenditure on research and development in 2007 was £735,000 (2006 £162,000) The directors remain confident that the future growth of the Company remains assured from this policy

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the Company are considered to relate to competition from both national and independent suppliers, employee retention, and product availability Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 6 and 7 of the Cobham plc 2007 Annual Report which does not form part of this report

Key performance indicators

The directors of the ultimate parent undertaking, Cobham plc, manage the group's operations on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of Cobham Advanced Composites Limited The development, performance and position of the Cobham Defence Electronic Systems division of Cobham plc, which includes the Company, is discussed on pages 12, 13, 54 and 55 of the Cobham plc 2007 Annual Report which does not form part of this report

Cobham Advanced Composites Limited

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse affects on the financial performance of the Company.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Cobham plc are implemented by the group finance department. The department has a policy and procedures manual that sets out guidelines to allow it to manage interest rate cash flow risk, credit risk and foreign exchange currency rate risk.

Price risk

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk.

Liquidity risk

The Company retains sufficient cash to ensure it has sufficient available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The Company has interest bearing assets. Interest bearing assets include only cash balances, all of which earn interest at a floating rate. In order to ensure stability of cash out flows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Foreign exchange currency rate risk

The Company has a policy to minimise foreign exchange currency rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with the ultimate parent undertaking.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the Company exceeds the book values of these assets at 31 December 2007 by £3m.

Directors

The following directors held office during the year and up to the date of signing the financial statements:

P D Long
T Cook
E G Masterson

Cobham Advanced Composites Limited

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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Disclosure of information to auditors

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

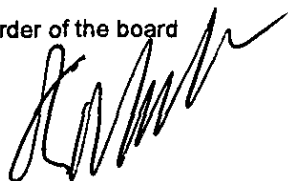
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's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

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the board



E G Masterson

Company secretary

14 July 2008

Independent auditors' report to the members of Cobham Advanced Composites Limited

We have audited the financial statements of Cobham Advanced Composites Limited for the year ended 31 December 2007, which comprise the statement of accounting policies, the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

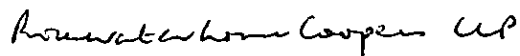
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 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 Company's affairs as at 31 December 2007 and of its profit for the year 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



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Hull

14 July 2008

Cobham Advanced Composites Limited

Statement of accounting policies

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention, modified to include the revaluation of certain land and buildings/certain assets and in accordance with the Companies Act 1985 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover is measured at the fair value of the right to consideration and excludes value added tax, other sales taxes and trade discounts. Turnover is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer, normally this is on despatch. In the case of contracts with a long duration turnover is recognised based upon the fair value of work performed to date assessed with reference to contract milestones.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events 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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 an undiscounted basis.

Intangible assets

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of the separable net assets. It has been capitalised and is being written off in equal instalments over 20 years, being the directors' assessment of its estimated useful life.

Tangible fixed assets

Tangible fixed assets are stated at their purchase cost together with any directly attributable costs of acquisition, net of depreciation and provisions, where required, for any impairment with the exception of one of the freehold buildings which has been revalued as at 31 December 2000. The revaluation surplus is taken to the revaluation reserve. The company has taken advantage of the options within FRS15 to retain the book values of fixed assets at their previously revalued amounts. No further revaluations will be undertaken.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. The expected useful economic lives used for this purpose are:

Freehold buildings	50 years
Plant and machinery (including vehicles)	3 to 8 years
Fixtures, fittings, tools and equipment	3 to 8 years

Expected useful economic lives are reassessed annually to ensure they remain appropriate. Assets in the course of construction are not depreciated.

Cobham Advanced Composites Limited

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve

Stocks

Stocks and work in progress are stated at the lower of cost, which includes an appropriate proportion of production overheads, and net realisable value. Stock provisions are created as necessary for obsolete, defective and slow moving stock.

Payments received and receivable on account of work in progress are deducted from the cost of the work carried out at the balance sheet date to the extent of the valuation of the work done.

Pension costs

The Company contributes to a multi-employer defined benefit pension scheme operated by Chelton Limited, the assets of which are held separately in independently administered funds. Contributions and pension costs are apportioned across the scheme as a whole, assessed in accordance with the advice of qualified actuaries. The scheme is closed to new members and has a high proportion of deferred and pensioner members from businesses that no longer participate in the scheme. The Company is therefore not able to identify its share of underlying assets and liabilities of the scheme on a reasonable and consistent basis and in accordance with the multi-employer exemption contained in FRS17, the scheme has been accounted for as if it was a defined contribution scheme. The charge to the profit and loss account therefore reflects payments for the year.

Contributions to defined contribution schemes are charged to the profit and loss account in the period the contributions are payable.

The Company also makes contributions for certain employees to individual personal pension and stakeholder schemes. Contributions are charged to the profit and loss account in the year to which they relate.

The Company adopted the December 2006 amendment to FRS17 early, with effect from 1 January 2006.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling, translated at the rates of exchange ruling at the balance sheet date.

All exchange differences are dealt with in the profit and loss account.

Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Research and development

Research and development expenditure not chargeable to customers is written off to the profit and loss account in the period in which it is incurred.

Where the research and development activity is performed for customers, the revenue arising is recognised in accordance with the Company's revenue recognition policy above.

Cobham Advanced Composites Limited

Estimation techniques

In certain circumstances the measurement of values cannot be made with absolute certainty either because absolute costs are unknown, or they require a degree of subjective review. Examples include the calculation of degrees of obsolescence of stock, or degrees of completion against long term project objectives. In these instances the directors utilise the skills, knowledge and experience of suitably qualified persons to generate appropriate values. All appropriate accounting standards are adhered to in generating such values.

Share based payments

For grants made under the group's share based payment schemes, amounts which reflect the fair value of options awarded to employees of the Company as at the time of grant are charged to the profit and loss account over the vesting period of the option. The valuation of the options utilises a methodology based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria. The impacts of changes in assumptions of the number of options that are expected to vest due to non market related conditions are assessed at each balance sheet date and adjusted through the profit and loss account on a cumulative basis.

The Company has taken advantage of the transitional provisions of FRS20 in respect of equity settled awards and has applied FRS20 only to equity settled awards granted after 7 November 2002.

Cobham Advanced Composites Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	1	18,568	13,826
Cost of sales		(12,978)	(10,148)
Gross profit		5,590	3,678
Selling and distribution costs		(541)	(395)
Administrative expenses		(2,058)	(1,551)
Operating profit	2	2,991	1,732
Interest receivable and similar income	3	202	-
Interest payable and similar charges	4	(5)	(348)
Profit on ordinary activities before taxation		3,188	1,384
Tax on profit on ordinary activities	5	(631)	(756)
Profit for the financial year	17	2,557	628

All the Company's activities are classed as continuing in the current and comparative year

The profit for the financial year has been computed on the historical cost basis, as modified by the revaluation of freehold property

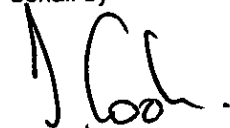
The Company has no recognised gains and losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared

Cobham Advanced Composites Limited

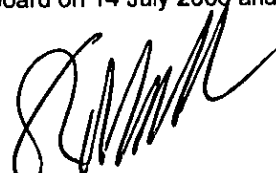
Balance sheet as at 31 December 2007

	Notes	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		4,810		5,200
Tangible assets	10		5,618		6,116
			10,428		11,316
Current assets					
Stock	11	2,276		2,248	
Debtors	12	5,376		4,870	
Cash at bank and in hand		5,344		2,391	
		12,996		9,509	
Creditors: Amounts falling due within one year	13	(11,940)		(11,482)	
Net current assets / (liabilities)			1,056		(1,973)
Total assets less current liabilities			11,484		9,343
Creditors: Amounts falling due after one year	14		(5,551)		(5,551)
Provisions for liabilities	15		(383)		(890)
Net assets			5,550		2,902
Capital and reserves					
Called up share capital	16		-		-
Capital contribution	17		230		139
Revaluation reserve	17		726		766
Profit and loss account	17		4,594		1,997
Total shareholders' funds	18		5,550		2,902

The financial statements on pages 6 to 25 were approved by the board on 14 July 2008 and were signed on its behalf by



T Cook
Director



E G Masterson
Director

Cobham Advanced Composites Limited

Note of historical cost profits and losses for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Reported profit on ordinary activities before taxation		3,188	1,384
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	17	40	40
Historical cost profit on ordinary activities before taxation		3,228	1,424
Historical cost profit for the year retained after taxation and dividends		2,597	668

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2007

1. Turnover

All sales are deemed as being attributable to the design, development and manufacture of high performance radomes and composite structures

Analysis of turnover by class of product

	2007 £000	2006 £000
Radomes	11,140	9,199
Composite Structures	7,428	4,627
	18,568	13,826

An analysis of turnover by geographical destination is given below

	2007 £000	2006 £000
United Kingdom	12,118	7,345
Other EU countries	5,387	5,963
United States of America	679	219
Australasia	129	111
Rest of the world	255	188
	18,568	13,826

2. Operating profit

	2007 £000	2006 £000
Operating profit is stated after charging/(crediting)		
Depreciation – owned assets	879	776
Operating lease charges - other	13	1
Amortisation of goodwill	390	391
Profit on disposal of fixed assets	(19)	(14)
Exchange differences	20	8
Auditors' fees for the audit of the Company's annual accounts	28	11

Fees paid to the Company's auditor, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis

Cobham Advanced Composites Limited

3. Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	199	-
Interest receivable - other	3	-
	202	-

4. Interest payable and similar charges

	2007 £000	2006 £000
Interest payable on bank overdrafts	5	202
Interest payable to group undertakings	-	146
	5	348

5. Taxation on profit on ordinary activities

	2007 £000	2006 £000
Current tax		
Corporation tax	1,095	501
Adjustment in respect of previous years	43	260
Total current tax	1,138	761
Deferred tax		
Depreciation in excess of capital allowances for the year	(44)	(13)
Timing differences relating to share options	(33)	(1)
Other timing differences	12	9
Effect of change in legislation and decrease in tax rate	(383)	-
Adjustment in respect of previous years	(59)	-
Total deferred tax (note 15)	(507)	(5)
Tax on profit on ordinary activities	631	756

Cobham Advanced Composites Limited

5. Taxation - continued

The tax assessed for the year is higher than (2006 higher than) the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below -

	2007 £000	2006 £000
Profit on ordinary activities before taxation	3,188	1,384
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2006 30%)	956	415
Effects of		
Expenses not deductible for tax purposes	161	139
Tax deduction available in respect of share options	(66)	(66)
Depreciation in excess of capital allowances for the year	44	13
Adjustment to tax charge in respect of previous periods	43	260
Current tax charge for the year	1,138	761

Factors that may affect future tax charges

The standard rate of corporation tax in the UK has changed from 30% to 28% from 1 April 2008 which will reduce future tax charges

6. Directors

Directors' emoluments

	2007 £000	2006 £000
Aggregate emoluments	220	222
Amounts paid to directors for loss of office	-	36
	220	258

Retirement benefits are accruing to 2 (2006 2) directors under a defined benefit scheme. During the year 1 (2006 1) director exercised options over shares of Cobham plc.

The emoluments of P D Long were paid by another group undertaking. His services to this Company and to a number of fellow subsidiaries are principally of a non-executive nature and the emoluments are deemed to be wholly attributable to his services to another group undertaking. Accordingly the above details do not include any emoluments in respect of this director.

Highest paid director

	2007 £000	2006 £000
Total emoluments including amounts accruing under long-term incentive schemes	116	103
Accrued pension at end of year under defined benefit scheme	59	54

During the year the highest paid director exercised options over shares of Cobham plc.

Cobham Advanced Composites Limited

7. Employees costs

	2007 £000	2006 £000
Wages and salaries	5,658	4,269
Social security costs	572	445
Share-based payments (note 8)	91	46
Other pension costs (note 19)	362	348
	6,683	5,108

The average monthly number of employees (including executive directors) employed by the Company during the year was

By activity	2007 Number	2006 Number
Production and engineering	155	153
Marketing	4	4
Management and administration	73	65
	232	222

8. Share-based payments

The Company's ultimate parent undertaking, Cobham plc, operates a number of incentive schemes which are open to certain senior executives employed within the group which include both equity settled and cash-settled awards. The Company participates in the Cobham Executive Share Option Scheme (ESOS).

Under the ESOS, options are granted at a price not less than the market value of the group's ordinary shares on, or shortly before, the date the options are granted. Exercise is conditional upon the group's EPS growth over a three year period. A new section has been added to the ESOS scheme during 2007 under which options are granted with 25% vesting each annual anniversary conditional only on continued employment within the group.

Further details of these schemes can be found on pages 36, 37 and 63 to 66 of the 2007 Annual Report of Cobham plc.

In addition, entry to the Cobham Savings related Share Option Scheme (Sharesave) is available to all employees of the Company. Employees may purchase shares of Cobham plc at 80% of the closing market price on the date of grant during a two-week period each year, up to a maximum contribution value of £3,000 in any one year. The shares so purchased are generally placed in an employee's share savings plan and will only be released to employees who remain in the Cobham plc group's employment for a period of three years from the date of grant.

The fair value of share-based payments relating to the employees of the Company for the year ended 31 December 2007, and expensed to the profit and loss account for that year, was assessed to be £91,000 (2006 £46,000). As the schemes relate to shares of the ultimate parent undertaking, the Company has recognised a capital contribution equal to the profit and loss account charge for the year (note 17).

Cobham Advanced Composites Limited

8 . Share-based payments - continued

Details of the share options outstanding for all schemes granted to employees during the year are as follows

Number of share options	ESOS	ShareSave
At 1 January 2006	-	380,005
Awards granted	42,222	119,878
Awards forfeited	-	(49,542)
Exercised	(22,000)	(200,617)
Expired	-	(28,716)
Transferred	88,200	499,853
At 1 January 2007	108,422	720,861
Awards granted	30,134	132,503
Awards forfeited	-	(48,838)
Exercised	(3,290)	(178,306)
Expired	-	(9,428)
At 31 December 2007	135,266	616,792
Exercisable at 31 December 2007	33,190	-
Exercisable at 31 December 2006	-	-

The weighted average remaining contractual life in years of awards is as follows

	ESOS	ShareSave
Outstanding at 31 December 2007	7 880	2 175
Outstanding at 31 December 2006	8 400	2 101

Under the ESOS and Sharesave schemes, exercises were made at various times throughout the year. The average share price in that period was £2.036 (2006: £1.777).

Cobham Advanced Composites Limited

8. Share-based payments - continued

The weighted average exercise prices of awards are as follows

	ESOS	ShareSave
At 1 January 2006	-	0 980
Awards granted	1 853	1 530
Awards forfeited	-	0 857
Exercised	1 186	0 816
Expired	-	1 086
Transferred	1 288	0 945
At 1 January 2007	1 529	1 087
Awards granted	2 050	1 630
Awards forfeited	-	1 213
Exercised	1 200	0 895
Expired	-	1 124
Transferred	-	-
At 31 December 2007	1 650	1 247
Exercisable as at 31 December 2007	1 300	-
Exercisable as at 31 December 2006	-	-

The range of exercise prices are as follows

	ESOS	ShareSave
Outstanding at 31 December 2007		
Lowest exercise price	1 190	0 769
Highest exercise price	2 050	1 630
 Outstanding at 31 December 2006		
Lowest exercise price	1 186	0 691
Highest exercise price	1 853	1 530

Cobham Advanced Composites Limited

8. Share-based payments - continued

Awards granted or commencing during the current and comparative year are as follows

	ESOS	ShareSave
During 2007		
Effective date of grant or commencement date	6 June	1 February
Fair value at date of grant or scheme commencement		
- Three-year awards	£0 473	£0 560
- Five-year awards	-	£0 640
- Seven-year awards	-	£0 730
During 2006		
Effective date of grant or commencement date	12 May	1 February
Fair value at date of grant or scheme commencement		
- Three-year awards	£0 450	£0 690
- Five-year awards	-	£0 760
- Seven-year awards	-	£0 810
Effective date of grant	14 November	-
Fair value at date of grant	£0 470	-

The fair values in the table above were calculated using the Black-Scholes option pricing model to determine the likely impact of market-related performance conditions. The inputs into the model were as follows

	ESOS	ShareSave
2007		
Weighted average share price	£2 088	£1 920
Weighted average exercise price	£2 045	£1 530
Expected volatility	23%	24%-27%
Expected life	5 Years	3 - 7 Years
Risk free rate	4.3%	4.9%
Expected dividend yield	1.8%	1.8%
2006		
Weighted average share price	£1 833	£1 850
Weighted average exercise price	£1 855	£1 240
Expected volatility	25%	22%-27%
Expected life	5 Years	3 - 7 Years
Risk free rate	4.5%	4.3%
Expected dividend yield	1.9%	1.8%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three 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.

Cobham Advanced Composites Limited

9. Intangible assets

	Goodwill £000
Cost	
At 1 January 2007 and 31 December 2007	7,808
Aggregate amortisation	
At 1 January 2007	2,608
Charge for the year	390
At 31 December 2007	2,998
Net book amount	
At 31 December 2007	4,810
At 31 December 2006	5,200

Goodwill arose on the acquisition of business lines from BAE Systems (Operations Limited) in 2000. The goodwill is being amortised on a straight-line basis over 20 years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

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10. Tangible assets

	Freehold land and buildings £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 January 2007	4,522	6,449	854	-	11,825
Additions	38	280	138	4	460
Disposals	-	(238)	-	-	(238)
At 31 December 2007	4,560	6,491	992	4	12,047
Accumulated Depreciation					
At 1 January 2007	1,108	3,875	726	-	5,709
Charge for the year	145	676	58	-	879
Disposals	-	(159)	-	-	(159)
At 31 December 2007	1,253	4,392	784	-	6,429
Net book amount					
At 31 December 2007	3,307	2,099	208	4	5,618
At 31 December 2006	3,414	2,574	128	-	6,116

One of the freehold buildings was valued at 31 December 2000 on the basis of an existing use value, by Rapleys, commercial property consultants, at £2 280m. The freehold buildings would have been included in the financial statements on an historical cost basis as follows

	2007 £000	2006 £000
Cost	3,554	3,516
Accumulated depreciation	(972)	(868)
Net book amount based on historic cost	2,582	2,648

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11. Stocks

	2007 £000	2006 £000
Raw materials and consumables	1,159	1,199
Work in progress	1,611	1,885
Payments on account	(494)	(836)
	2,276	2,248

There is no significant difference between the replacement cost and the value of stocks shown

12. Debtors

	2007 £000	2006 £000
Trade debtors	4,144	4,189
Amounts owed by fellow subsidiary undertakings – trade balances	1,036	562
Prepayments and accrued income	196	119
	5,376	4,870

13. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Payments on account	1,222	1,050
Trade creditors	1,615	1,216
Amounts owed to fellow subsidiary undertakings - trade balances	13	158
Amounts owed to fellow subsidiary undertakings - non trade balances	7,670	7,053
Credit customer (Sales ledger) balances	16	712
Payroll and other taxes, including social security	319	305
Value Added Tax (VAT)	160	414
Corporation tax	545	144
Other creditors	36	116
Accruals and deferred income	344	314
	11,940	11,482

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand

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14. Creditors: amounts falling due after one year

	2007 £000	2006 £000
Amount owed to immediate parent undertaking	5,551	5,551

Amount owed to immediate parent undertaking is unsecured, interest free and is repayable at any time after more than one year

15. Provisions for liabilities

	Deferred taxation £000
At 1 January 2007	890
Charge to the profit and loss account	(507)
At 31 December 2007	383

Deferred taxation

The deferred tax liability represents

	2007 £000	2006 £000
Accelerated capital allowances	409	895
Share based payments	(47)	(14)
Other short term timing differences	21	9
	383	890

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16. Called up share capital

	2007 £	2006 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted and fully paid		
100 Ordinary shares of £1 each	100	100

17. Reserves

	Revaluation reserve £000	Capital Contribution £000	Profit and loss account £000
As at 1 January 2007	766	139	1,997
Profit for the financial year	-	-	2,557
Capital contribution for the year	-	91	-
Transfer of realised profit on depreciation of re-valued assets	(40)	-	40
As at 31 December 2007	726	230	4,594

The other reserve represents a capital contribution of £91,000 which has been recognised during the year to 31 December 2007. This relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 8).

18. Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	2,557	628
Capital contribution from parent (FRS20)	91	46
Net addition to shareholders' funds	2,648	674
Opening shareholders' funds	2,902	2,228
Closing shareholders' funds	5,550	2,902

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19. Pension commitments

Defined contribution scheme

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charged represents contributions payable by the Company to the fund and amounted to £13,000 (2006 £3,000). At 31 December 2007 there were contributions outstanding of £nil (2006 £nil).

Defined benefit scheme

The Company also participates in the Chelton UK Group Pension Scheme operated by Chelton Limited. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. The latest effective date of the actuarial assessment of the scheme was 1 April 2007. This assessment was updated to 31 December 2007 at which date the net liabilities of the scheme were assessed to be £5.0m (2006 £10.2m). The directors of the companies involved in the group scheme will continue to monitor the level of the pension deficit and take advice from independent actuaries as appropriate.

The scheme has been accounted for as if it was a defined contribution scheme and the charge to the profit and loss account therefore reflects payments for the year.

The total pension charges for the year for the defined benefit pension scheme were £349,000 (2006 £345,000).

20. Contingent liabilities

The Company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued an unlimited guarantee to support these group facilities.

21. Capital commitments

The Company had capital commitments of £60,000 at 31 December 2007 (£8,000 at 31 December 2006).

Cobham Advanced Composites Limited

22. Financial commitments

The following annual operating lease commitments existed at the year end expiring as follows

	Other		Total	
	2007 £000	2006 £000	2007 £000	2006 £000
Between two and five years	14	-	14	-

23. Ultimate parent undertaking

The Company's immediate parent undertaking is Lockman Electronic Holdings Limited

The ultimate parent undertaking and controlling party is Cobham plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham plc consolidated financial statements can be obtained from the Company Secretary at Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ

24. Cash flow statement and related party disclosures

As noted above, the Company is a wholly owned subsidiary of Lockman Electronic Holdings Limited and is included in the consolidated financial statements of Cobham plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 (revised 1996)

The Company has also taken the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Cobham plc group or investees of the Cobham plc group