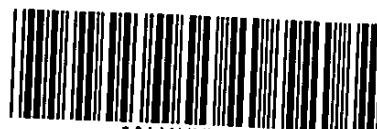


Cobham Advanced Composites Limited
Directors' report and financial statements
for the year ended 31 December 2010

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Cobham Advanced Composites Limited

Directors' report and financial statements for the year ended 31 December 2010

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Cobham Advanced Composites Limited

Directors' report for the year ended 31 December 2010

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 2010. The Company trades under the name of Cobham Antenna Systems, Shepshed and Stevenage.

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 £2,245,000 (2009 £2,612,000). At 31 December 2010, the Company has net assets of £6,709,000 (2009 £6,457,000).

Dividends paid are as set out in note 9.

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 markets segments were addressed with promising results being achieved.

The Company is well placed in the market to offer a wide range of composite products to existing and new customers.

Future developments

The directors are confident that next year will again show a strong and profitable performance.

Research and development

The Company is committed to research and development by continuing to develop new techniques and processes and has invested £850,000 (2009 £274,000) in activities during the year. All Company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met.

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 page 27 of the Cobham plc 2010 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 Systems division of Cobham plc, which includes the Company, is discussed on pages 14 and 15 of the Cobham plc 2010 Annual Report which does not form part of this report. KPIs for the Group as a whole are discussed on page 9 of that report.

Cobham Advanced Composites Limited

Directors' report (continued)

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 currency 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 managed by the group finance department. The Cobham plc Group has a policy and procedures manual that sets out guidelines to allow it to manage credit risk, interest rate cash flow risk and foreign currency exchange rate risk and this is applied by the Company.

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

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 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. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has 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.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange 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 2010 by £1m.

Cobham Advanced Composites Limited

Directors' report (continued)

Directors

The following directors held office during the year and up to the date of signing this report

S Pickin	- resigned 06 May 2011
E G Masterson	
C Shaw	- appointed 06 May 2011
F Cahill	- appointed 18 May 2011

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 418 of the Companies Act 2006.

By order of the board


E G Masterson
Company secretary
01 July 2011

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 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Cobham Advanced Composites Limited

Independent auditors' report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Helen Orton (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

01 July 2011

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 and in accordance with the Companies Act 2006 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 of 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 its estimated useful life of 20 years.

Tangible fixed assets and depreciation

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 was revalued as at 31 December 2000. The revaluation surplus was 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.

Cobham Advanced Composites Limited

Statement of accounting policies (continued)

Depreciation is provided on all tangible fixed assets, other than freehold land which is not depreciated, 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

Assets in the course of construction are not depreciated

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 account

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost on a first-in first-out basis, which includes an appropriate proportion of production overheads, and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stock

Turnover and a prudent estimate of the profit attributable to work completed on long-term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances

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 FRS 17, 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 year 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

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

Cobham Advanced Composites Limited

Statement of accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year

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

Lease arrangements are accounted for as finance leases where substantially all the risks and rewards of ownership of the leased asset are retained by the Company. All other leases are classified as operating 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 in the year in which it is incurred

Where the research and development activity is performed for customers, costs are capitalised in work in progress and released to the profit and loss account in accordance with the Company's turnover policy as stated above

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 and recognised as a capital contribution in equity

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

Cobham Advanced Composites Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Turnover	1	21,841	21,486
Cost of sales		(15,529)	(15,020)
Gross profit		6,312	6,466
Selling and distribution costs		(506)	(528)
Administrative expenses		(2,643)	(2,270)
Operating profit	2	3,163	3,668
Interest receivable and similar income	3	59	35
Interest payable and similar charges	4	(1)	-
Profit on ordinary activities before taxation		3,221	3,703
Tax on profit on ordinary activities	5	(976)	(1,091)
Profit for the financial year	18	2,245	2,612

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

The profit on ordinary activities before taxation and the profit for the financial year have been calculated on the historical cost basis, as modified by the revaluation of freehold property

The Company has no recognised gains or 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 2010

	Note	2010 £000	2009 £000
Fixed assets			
Intangible assets	10	3,638	4,030
Tangible assets	11	6,134	5,738
		9,772	9,768
Current assets			
Stocks	12	2,656	2,484
Debtors	13	4,862	3,916
Cash at bank and in hand		9,778	10,765
		17,296	17,165
Creditors amounts falling due within one year	14	(14,671)	(14,696)
Net current assets		2,625	2,469
Total assets less current liabilities		12,397	12,237
Creditors amounts falling due after more than one year	15	(5,551)	(5,551)
Provisions for liabilities	16	(137)	(229)
Net assets		6,709	6,457
Capital and reserves			
Called up share capital	17	-	-
Revaluation reserve	18	604	644
Other reserve	18	344	337
Profit and loss account	18	5,761	5,476
Total shareholders' funds	19	6,709	6,457

The financial statements on pages 6 to 25 were approved by the board on 01 July 2011 and were signed on its behalf by



C Shaw
Director



E G Masterson
Director

Registered number in England 3878561

Cobham Advanced Composites Limited

Note of historical cost profits and losses for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Profit on ordinary activities before taxation		3,221	3,703
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	18	40	40
Historical cost profit on ordinary activities before taxation		3,261	3,743
Historical cost profit for the year retained after taxation		2,285	2,652

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2010

1. Turnover

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

An analysis of turnover by class of product is given below

	2010 £000	2009 £000
Radomes	14,512	13,166
Composite Structures	7,329	8,320
	21,841	21,486

An analysis of turnover by geographical destination is given below

	2010 £000	2009 £000
United Kingdom	12,570	13,321
Other EU countries	6,843	6,183
United States of America	1,352	1,525
Australasia	1,015	24
Rest of the world	61	433
	21,841	21,486

2. Operating profit

	2010 £000	2009 £000
Operating profit is stated after charging/(crediting)		
Depreciation - owned assets	717	753
Operating lease charges - other	6	15
Amortisation of goodwill	392	390
Profit on disposal of tangible fixed assets	(4)	-
Exchange differences	108	24
Auditors' remuneration fees for the audit of the Company's annual accounts	29	33

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 financial statements 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

Notes to the financial statements (continued)

3. Interest receivable and similar income

	2010 £000	2009 £000
Bank interest receivable	40	35
Interest receivable Other	19	-
	59	35

4. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on bank overdrafts	1	-

5. Tax on profit on ordinary activities

	2010 £000	2009 £000
Current tax		
UK corporation tax on profit for the year	1,068	1,173
Total current tax	1,068	1,173
Deferred tax		
Capital allowances for the year in excess of depreciation	(82)	(63)
Timing differences relating to share options	4	4
Effect of change in tax rate	(5)	-
Adjustment in respect of previous periods	(9)	(23)
Total deferred tax (note 16)	(92)	(82)
Tax on profit on ordinary activities	976	1,091

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

5. Tax on profit on ordinary activities (continued)

The current tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28 0% (2009 28 0%) The differences are explained below -

	2010 £000	2009 £000
Profit on ordinary activities before taxation	3,221	3,703
Profit on ordinary activities multiplied by the standard rate in the UK of 28 0% (2009 28 0%)	902	1,037
Effects of		
Expenses not deductible for tax purposes	120	128
Tax deduction available in respect of share options	(46)	(55)
Capital allowances for the year in excess of depreciation	82	63
Adjustment to tax charge in respect of previous periods	10	-
Total current tax	1,068	1,173

Factors that may affect future tax charges

The standard rate of corporation tax reduces from 28% to 26% from 1 April 2011, with further reductions proposed to reduce the rate to 23% by 1 April 2014

6. Directors' emoluments

The emoluments of the directors employed by the Company are

	2010 £000	2009 £000
Aggregate emoluments	310	296

Retirement benefits are accruing to 2 (2009 2) directors under a defined benefit scheme During the year 1 (2009 1) director exercised options over shares of Cobham plc

Highest paid director

	2010 £000	2009 £000
Total emoluments including amounts accruing under long-term incentive schemes	182	171
Accrued pension at end of year under defined benefit scheme	22	20

The highest paid directors also exercised shares under executive share option schemes during the current and previous years

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

7. Employee costs

	2010 £000	2009 £000
Wages and salaries	6,054	6,125
Share based payments (note 8)	45	40
Social security costs	571	598
Other pension costs (note 20)	569	607
	7,239	7,370

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

By activity	2010	2009
Production and engineering	153	152
Marketing	4	4
Management and administration	47	67
	204	223

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. The Company participates in the Cobham Executive Share Option Scheme (ESOS). The Company does not participate in the Cobham Performance Share Plan (PSP) or the Cobham Bonus Co-investment Plan (BCP).

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 underlying EPS growth over a three year period, or vest 25% on each annual anniversary conditional only on continued employment within the Group.

Further details of these schemes can be found in the 2010 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 total fair value of share-based payments relating to the employees of the Company for the year ended 31 December 2010, and expensed to the profit and loss account for that year, was assessed to be £45,000 (2009 £40,000). 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 18). During the year Cobham plc has recharged £38,000 (2009 £Nil) to the Company and such recharges are deducted from the capital contribution in note 18.

Details of the awards and share options outstanding during the year for all schemes are as follows

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

Number of share options	ESOS	ShareSave
At 1 January 2009	140,264	546,921
Awards granted	-	122,723
Awards forfeited	-	(14,741)
Exercised	(28,090)	(145,373)
Expired	-	(19,570)
At 1 January 2010	112,174	489,960
Awards granted	8,765	85,396
Awards forfeited	-	(32,774)
Exercised	(72,760)	(96,385)
Expired	-	(1,272)
At 31 December 2010	48,179	444,925
Exercisable at 31 December 2010	29,316	42,863
Exercisable at 31 December 2009	71,942	592

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

	ESOS	ShareSave
Outstanding at 31 December 2010	6.60	2.19
Outstanding at 31 December 2009	6.47	2.12

Under the ESOS and Sharesave schemes, exercises were made at various times throughout the year. The average share price in that period was £2.330 (2009: £2.002).

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

The weighted average exercise prices of awards under the ESOS and ShareSave schemes are as follows

£	ESOS	ShareSave
At 1 January 2009	1 696	1 399
Awards granted	-	1 690
Awards forfeited	-	1 630
Exercised	1 347	1 094
Expired	-	1 463
At 1 January 2010	1.785	1 553
Awards granted	2.473	1 790
Awards forfeited	-	1 668
Exercised	1.701	1 299
Expired	-	1 526
At 31 December 2010	2.037	1.645
Exercisable as at 31 December 2010	1.914	1.453
Exercisable as at 31 December 2009	1 644	1 530

The range of exercise prices for ESOS and ShareSave awards are as follows

£	ESOS	ShareSave
Outstanding at 31 December 2010		
Lowest exercise price	1.853	0.939
Highest exercise price	2.473	1.790
Outstanding at 31 December 2009		
Lowest exercise price	1 346	0 769
Highest exercise price	2 045	1 730

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

8. Share-based payments (continued)

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

	ESOS	ShareSave
During 2010		
Effective date of grant or commencement date	26 March	1 February
Average fair value at date of grant	0.618	0.508
During 2009		
Effective date of grant or commencement date	9 July	1 February
Average fair value at date of grant	0.333	0.363

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
2010		
Weighted average share price	£2.626	£1.155
Weighted average exercise price	£2.473	£1.690
Expected volatility	28%	21%-25%
Expected life	5 years	3 – 7 years
Expected employee cancellation rate	8.0%	2.2%
Risk free rate	2.8%	2.1%
Expected dividend yield	2.1%	2.3%
2009		
Weighted average share price	£1.788	£1.829
Weighted average exercise price	£1.841	£1.730
Expected volatility	28%	24%-26%
Expected life	5 years	3 - 7 years
Expected employee cancellation rate	2.0%	2.2%
Risk free rate	2.7%	3.8%
Expected dividend yield	2.8%	2.5%

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. The expected employee cancellation rate is based on an assessment of historic rates of voluntary cancellations of contracts by employees.

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

9. Dividends

	2010 £000	2009 £000
Interim dividend for current year paid of £20,000 (2009 £20,000) per share	2,000	2,000

10. Intangible assets

	Goodwill £000
Cost	
At 1 January 2010	7,808
At 31 December 2010	7,808
Accumulated amortisation	
At 1 January 2010	3,778
Charge for the year	392
At 31 December 2010	4,170
Net book amount	
At 31 December 2010	3,638
At 31 December 2009	4,030

Goodwill arose on the acquisition of business lines from BAE Systems (Operations) 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.

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

11. 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 2010	4,846	7,130	1,361	282	13,619
Additions	306	237	63	525	1,131
Reclassification	274	-	-	(274)	-
Disposals	-	(34)	-	-	(34)
At 31 December 2010	5,426	7,333	1,424	533	14,716
Accumulated depreciation					
At 1 January 2010	1,590	5,382	909	-	7,881
Charge for the year	170	391	156	-	717
Disposals	-	(16)	-	-	(16)
At 31 December 2010	1,760	5,757	1,065	-	8,582
Net book amount					
At 31 December 2010	3,666	1,576	359	533	6,134
At 31 December 2009	3,256	1,748	452	282	5,738

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

	2010 £000	2009 £000
Cost	4,420	3,840
Accumulated depreciation	(1,358)	(1,228)
Net book amount based on historic cost	3,062	2,612

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

12. Stocks

	2010	2009
	£000	£000
Raw materials and consumables	1,650	1,280
Work in progress	1,291	1,711
Payments on account	(285)	(507)
	2,656	2,484

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

13. Debtors

	2010	2009
	£000	£000
Trade debtors	3,754	2,742
Amounts owed by fellow subsidiary undertakings – trade balances	862	961
Corporation tax	5	29
Prepayments and accrued income	241	184
	4,862	3,916

14. Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	2,946	3,486
Payments on account	3,358	2,772
Amounts owed to fellow subsidiary undertakings – trade balances	18	99
Amounts owed to fellow subsidiary undertakings – non trade balances	7,670	7,670
Other creditors	38	49
Other tax and social security	135	193
Accruals and deferred income	506	427
	14,671	14,696

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

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

15. Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to immediate parent undertaking	5,551	5,551

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

16. Provisions for liabilities

	Deferred taxation £000
At 1 January 2010	229
Credited to the profit and loss account	(92)
At 31 December 2010	137

Deferred taxation

The deferred tax liability represents

	2010 £000	2009 £000
Accelerated capital allowances	188	284
Other short term timing differences	(51)	(55)
	137	229

17. Called up share capital

	2010 £	2009 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

18. Reserves

	Revaluation reserve £000	Other reserve £000	Profit and loss account £000
At 1 January 2010	644	337	5,476
Profit for the financial year	-	-	2,245
Dividends (note 9)	-	-	(2,000)
Net capital contribution for the year	-	7	-
Transfer of realised profit on depreciation of re-valued assets	(40)	-	40
At 31 December 2010	604	344	5,761

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 8)

19. Reconciliation of movements in total shareholders' funds

	2010 £000	2009 £000
Profit for the financial year	2,245	2,612
Dividends (note 9)	(2,000)	(2,000)
Retained profit for the financial year	245	612
Net capital contribution from parent	7	40
Net addition to shareholders' funds	252	652
Opening shareholders' funds	6,457	5,805
Closing shareholders' funds	6,709	6,457

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

20. 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 £18,000 (2009 £27,000). At 31 December 2010 there were no contributions outstanding (2009 £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 funded 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 2010. This assessment was updated to 31 December 2010 at which date the net liabilities of the scheme were assessed to be £25.3m. 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 £551,000 (2009 £580,000).

21. 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.

22. Capital commitments

The Company had no capital commitments outstanding at 31 December 2010 or 31 December 2009.

23. Financial commitments

The following annual operating lease commitments existed at the year end for assets other than land and buildings, expiring as follows:

	2010	2009
	£000	£000
Within one year	3	4
Between two and five years	-	5
	3	9

Cobham Advanced Composites Limited

Notes to the financial statements (continued)

24. 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.

25. 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 FRS 8 from disclosing related party transactions with entities that are part of the Cobham plc group or investees of the Cobham plc group.