

Cobham Advanced Composites Limited  
Directors' report and financial statements  
for the year ended 31 December 2008

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Cobham Advanced Composites Limited  
Directors' Report and Financial Statements  
for the year ended 31 December 2008

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# **Cobham Advanced Composites Limited**

## **Directors' report for the year ended 31 December 2008**

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 2008.

### **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 £2,188,000 (2007: £2,557,000). At 31 December 2008, the company has net assets of £5,805,000 (2007: £5,550,000).

Dividends paid and proposed 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 market 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 and has invested £522,000 (2007: £735,000) in activities during the year. All Company funded research and development expenditure is written off as it is incurred.

### **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 26 of the Cobham plc 2008 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 defence systems division of Cobham plc, which includes the Company, is discussed on pages 14 and 15 of the Cobham plc 2008 Annual Report which does not form part of this report.

# **Cobham Advanced Composites Limited**

## **Directors' report for the year ended 31 December 2008 (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 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 currency exchange rate risk. 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 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.

#### *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 2008 by £3m.

### **Directors**

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

P D Long	-	resigned 24 March 2009
S Pickin	-	appointed 22 July 2008
E G Masterson		
T Cook	-	resigned 22 July 2008

# **Cobham Advanced Composites Limited**

## **Directors' report for the year ended 31 December 2008 (continued)**

### **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). 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;

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, 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

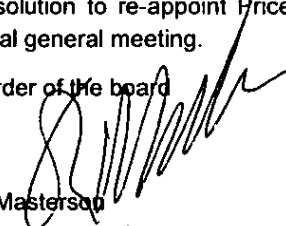
the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 Mastersop  
Company secretary  
7 July 2009

# **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 2008, 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.

## **Independent auditors' report to the members of Cobham Advanced Composites Limited (continued)**

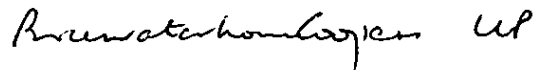
### **Opinion**

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 2008 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

7 July 2009

# **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 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 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 20 years, being the directors' assessment of its estimated useful life.

### **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

Expected useful economic lives are reassessed annually to ensure they remain appropriate. 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 reserve.

### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost, stated 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 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.

### **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 period 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 revenue in accordance with the Company's revenue recognition policy 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.

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 2008

	Note	2008 £000	2007 £000
<b>Turnover</b>	1	<b>20,155</b>	18,568
Cost of sales		(14,470)	(12,978)
<b>Gross profit</b>		<b>5,685</b>	5,590
Selling and distribution costs		(542)	(541)
Administrative expenses		(2,190)	(2,058)
<b>Operating profit</b>	2	<b>2,953</b>	2,991
Interest receivable and similar income	3	205	202
Interest payable and similar charges	4	-	(5)
<b>Profit on ordinary activities before taxation</b>		<b>3,158</b>	3,188
Tax on profit on ordinary activities	5	(970)	(631)
<b>Profit for the financial year</b>	18	<b>2,188</b>	2,557

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.

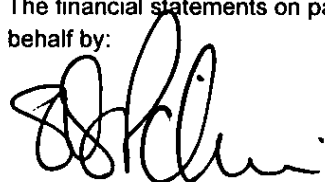
The Company has no recognised gains and losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared.

# Cobham Advanced Composites Limited

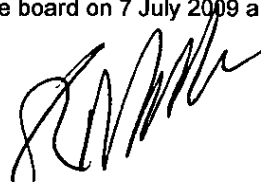
## Balance sheet as at 31 December 2008

	Note	2008		2007	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		4,420		4,810
Tangible assets	11		5,404		5,618
			9,824		10,428
<b>Current assets</b>					
Stocks	12	2,223		2,276	
Debtors	13	4,515		5,376	
Cash at bank and in hand		8,028		5,344	
		14,766		12,996	
<b>Creditors: amounts falling due within one year</b>	14	(12,923)		(11,940)	
<b>Net current assets</b>			1,843		1,056
<b>Total assets less current liabilities</b>			11,667		11,484
Creditors: amounts falling due after more than one year	15		(5,551)		(5,551)
Provisions for liabilities	16		(311)		(383)
<b>Net assets</b>			5,805		5,550
<b>Capital and reserves</b>					
Called up share capital	17		-		-
Other reserve	18		297		230
Revaluation reserve	18		684		726
Profit and loss account	18		4,824		4,594
<b>Total shareholders' funds</b>	19		5,805		5,550

The financial statements on pages 6 to 25 were approved by the board on 7 July 2009 and were signed on its behalf by:



S Pickin  
Director



E G Masterson  
Director

## **Cobham Advanced Composites Limited**

### **Note of historical cost profits and losses for the year ended 31 December 2008**

	Note	2008 £000	2007 £000
Reported profit on ordinary activities before taxation		<b>3,158</b>	3,188
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	18	<b>42</b>	40
Historical cost profit on ordinary activities before taxation		<b>3,200</b>	3,228
Historical cost profit for the year after taxation		<b>2,230</b>	2,597

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008

### 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:

	2008 £000	2007 £000
Radomes	12,351	11,140
Composite Structures	7,804	7,428
	<b>20,155</b>	<b>18,568</b>

An analysis of turnover by geographical destination is given below:

	2008 £000	2007 £000
United Kingdom	11,961	12,118
Other EU countries	6,993	5,387
United States of America	932	679
Australasia	58	129
Rest of the world	211	255
	<b>20,155</b>	<b>18,568</b>

### 2. Operating profit

	2008 £000	2007 £000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation - owned assets	769	879
Operating lease charges - other	14	13
Amortisation of goodwill	390	390
Profit on disposal of tangible fixed assets	(11)	(19)
Exchange differences	(25)	20
Auditors' remuneration for the audit of the Company's annual accounts	28	28

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

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 3. Interest receivable and similar income

	2008 £000	2007 £000
Bank interest receivable	205	199
Interest receivable - other	-	3
	<b>205</b>	<b>202</b>

### 4. Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on bank overdrafts	-	5
	<b>-</b>	<b>5</b>

### 5. Tax on profits on ordinary activities

	2008 £000	2007 £000
<b>Current tax:</b>		
UK corporation tax on profits for the year	1,042	1,095
Adjustment in respect of previous periods	-	43
<b>Total current tax</b>	<b>1,042</b>	<b>1,138</b>
<b>Deferred tax:</b>		
Depreciation for the year in excess of capital allowances	(70)	(44)
Timing differences relating to share options	(12)	(33)
Other timing differences	-	12
Effect of change in tax rate	-	(383)
Adjustment in respect of previous periods	10	(59)
<b>Total deferred tax (note 16)</b>	<b>(72)</b>	<b>(507)</b>
<b>Tax on profit on ordinary activities</b>	<b>970</b>	<b>631</b>

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

The tax assessed for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:-

	2008 £000	2007 £000
<b>Profit on ordinary activities before taxation</b>	<b>3,158</b>	<b>3,188</b>
Profit on ordinary activities multiplied by the standard rate in the UK 28.5% (2007: 30%)	900	956
Effects of:		
Expenses not deductible for tax purposes	112	161
Tax deduction available in respect of share options	(40)	(66)
Depreciation for the year in excess of capital allowances	70	44
Adjustment to tax charge in respect of previous periods	-	43
<b>Current tax charge for the year</b>	<b>1,042</b>	<b>1,138</b>

Factors that may affect future tax charges:

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

## 6. Directors' emoluments

	2008 £000	2007 £000
Aggregate emoluments	233	220
	<b>233</b>	<b>220</b>

Retirement benefits are accruing to 2 (2007: 2) directors under a defined benefit scheme. During the year 2 (2007: 1) directors 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

	2008 £000	2007 £000
Total emoluments including amounts accruing under long-term incentive schemes	107	116
Company contributions paid to money purchase schemes	-	-
Accrued pension at end of year under defined benefit scheme	28	59



# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 7. Employees costs

	2008 £000	2007 £000
Wages and salaries	6,411	5,658
Share based payments (note 8)	67	91
Social security costs	634	572
Other pension costs (note 20)	548	362
	7,660	6,683

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

By activity	2008	2007
Production and engineering	157	155
Marketing	4	4
Management and administration	73	73
	234	232

### 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 this scheme, 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 all schemes can be found on pages 41, 42 and 70-74 of the 2008 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 2008, and expensed to the profit and loss account for that year was assessed to be £67,000 (2007: £91,000). 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).

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

Number of share options	ESOS	ShareSave
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 1 January 2008	135,266	616,792
Awards granted	10,098	100,556
Awards forfeited	-	(35,887)
Exercised	(5,100)	(131,040)
Expired	-	(3,500)
<b>At 31 December 2008</b>	<b>140,264</b>	<b>546,921</b>
<b>Exercisable at 31 December 2008</b>	<b>57,810</b>	<b>2,412</b>
Exercisable at 31 December 2007	33,190	-

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

	ESOS	ShareSave
<b>Outstanding at 31 December 2008</b>	<b>7.120</b>	<b>2.070</b>
Outstanding at 31 December 2007	7.880	2.175

Under the ESOS and Sharesave schemes, exercises were made at various times throughout the year. The average share price in that period was £1.987 (2007: £2.036).

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

£	ESOS	ShareSave
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
At 1 January 2008	1.650	1.247
Awards granted	2.015	1.730
Awards forfeited	-	1.566
Exercised	1.186	0.906
Expired	-	0.836
<b>At 31 December 2008</b>	<b>1.696</b>	<b>1.399</b>
<b>Exercisable as at 31 December 2008</b>	<b>1.346</b>	<b>1.240</b>
Exercisable as at 31 December 2007	1.300	-

The range of exercise prices for outstanding awards are as follows:

£	ESOS	ShareSave
<b>Outstanding at 31 December 2008</b>		
Lowest exercise price	1.186	0.769
Highest exercise price	2.045	1.730
<b>Outstanding at 31 December 2007</b>		
Lowest exercise price	1.190	0.769
Highest exercise price	2.050	1.630

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

	ESOS	ShareSave
<b>During 2008:</b>		
Effective date of grant or commencement date	12 May	1 February
Fair value at date of grant		
- Three-year awards	0.587	0.540
- Five-year awards	-	0.610
- Seven-year awards	-	0.700
<b>During 2007:</b>		
Effective date of grant or commencement date	6 June	1 February
- Three-year awards	£0.473	£0.560
- Five-year awards	-	£0.640
- Seven-year awards	-	£0.730
Effective date of grant	-	-
Fair value at date of grant	-	-

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
<b>2008</b>		
Weighted average share price	£2.205	£1.950
Weighted average exercise price	£2.016	£1.630
Expected volatility	24%	24%-26%
Expected life	5 years	3 - 7 years
Risk free rate	4.3%	4.5%
Expected dividend yield	2.0%	1.9%
<b>2007</b>		
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%

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

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 9. Dividends

	2008 £000	2007 £000
Interim dividend for current year paid of £20,000 (2007: Nil) per share	2,000	-
	2,000	-

### 10. Intangible assets

	Goodwill £000
<b>Cost</b>	
At 1 January 2008	7,808
<b>At 31 December 2008</b>	<b>7,808</b>
<b>Accumulated amortisation</b>	
At 1 January 2008	2,998
Charge for the year	390
<b>At 31 December 2008</b>	<b>3,388</b>
<b>Net book amount</b>	
<b>At 31 December 2008</b>	<b>4,420</b>
At 31 December 2007	4,810

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 for the year ended 31 December 2008 (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
<b>Cost or valuation</b>					
At 1 January 2008	4,560	6,491	992	4	12,047
Additions	77	391	31	56	555
Disposals	-	(70)	-	-	(70)
<b>At 31 December 2008</b>	<b>4,637</b>	<b>6,812</b>	<b>1,023</b>	<b>60</b>	<b>12,532</b>
<b>Accumulated depreciation</b>					
At 1 January 2008	1,253	4,392	784	-	6,429
Charge for the year	147	558	64	-	769
Disposals	-	(70)	-	-	(70)
<b>At 31 December 2008</b>	<b>1,400</b>	<b>4,880</b>	<b>848</b>	<b>-</b>	<b>7,128</b>
<b>Net book amount</b>					
<b>At 31 December 2008</b>	<b>3,237</b>	<b>1,932</b>	<b>175</b>	<b>60</b>	<b>5,404</b>
At 31 December 2007	3,307	2,099	208	4	5,618

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:

	2008 £000	2007 £000
Cost	3,631	3,554
Accumulated depreciation	(1,078)	(972)
<b>Net book amount based on historic cost</b>	<b>2,553</b>	<b>2,582</b>

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 12. Stocks

	2008 £000	2007 £000
Raw materials and consumables	1,111	1,159
Work in progress	1,643	1,611
Payments on account	(531)	(494)
	<b>2,223</b>	<b>2,276</b>

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

### 13. Debtors

	2008 £000	2007 £000
Trade debtors	2,886	4,144
Amounts owed by fellow subsidiary undertakings – trade balances	1,354	1,036
Corporation tax	104	-
Prepayments and accrued income	171	196
	<b>4,515</b>	<b>5,376</b>

### 14. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	1,618	1,615
Payments on account	2,901	1,222
Amounts owed to fellow subsidiary undertakings – trade balances	102	13
Amounts owed to fellow subsidiary undertakings – non trade balances	7,670	7,670
Other creditors	43	52
Corporation tax	-	545
Other tax and social security	180	479
Accruals and deferred income	409	344
	<b>12,923</b>	<b>11,940</b>

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

# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

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

	2008 £000	2007 £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 2008	383
Charge to the profit and loss account	(72)
<b>At 31 December 2008</b>	<b>311</b>

#### Deferred taxation

The deferred tax liability represents:

	2008 £000	2007 £000
Accelerated capital allowances	370	409
Other short term timing differences	(59)	(26)
	<b>311</b>	<b>383</b>

### 17. Called up share capital

	2008 £	2007 £
<b>Authorised:</b>		
100 Ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid:</b>		
100 Ordinary shares of £1 each	100	100



# Cobham Advanced Composites Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 18. Reserves

	Revaluation reserve £000	Other reserve £000	Profit and loss account £000
As at 1 January 2008	726	230	4,594
Profit for the financial year	-	-	2,188
Dividends (note 9)	-	-	(2,000)
Capital contribution for the year	-	67	-
Transfer of realised profit on depreciation of re-valued assets	(42)	-	42
<b>As at 31 December 2008</b>	<b>684</b>	<b>297</b>	<b>4,824</b>

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

	2008 £000	2007 £000
Profit for the financial year	2,188	2,557
Dividends (note 9)	(2,000)	-
Retained profit for the financial year	188	2,557
Capital contribution from parent	67	91
Net addition to shareholders' funds	255	2,648
Opening shareholders' funds	5,550	2,902
<b>Closing shareholders' funds</b>	<b>5,805</b>	<b>5,550</b>

# **Cobham Advanced Composites Limited**

## **Notes to the financial statements for the year ended 31 December 2008 (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 £7,000 (2007: £13,000). At 31 December 2008 there were contributions outstanding of £nil (2007: £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 2008. This assessment was updated to 31 December 2008 at which date the net liabilities of the scheme were assessed to be £12.0m. 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 £541,000 (2007: £349,000).

### **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 capital commitments of £25,000 at 31 December 2008 (£60,000 at 31 December 2007).

### **23. Financial commitments**

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

	Other	
	2008	2007
	£000	£000
Between two and five years	14	14

# **Cobham Advanced Composites Limited**

## **Notes to the financial statements for the year ended 31 December 2008 (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 Financial Reporting Standard 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.