

Cobham Advanced Composites Limited
Directors' report and financial statements
for the year ended 31 December 2009

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Cobham Advanced Composites Limited
Directors' report and financial statements
for the year ended 31 December 2009

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Directors' report for the year ended 31 December 2009

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 2009. 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 £2,612,000 (2008 £2,188,000). At 31 December 2009, the company has net assets of £6,457,000 (2008 £5,805,000).

Dividends paid are as set out in note 8.

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 by continuing to develop new techniques and processes and has invested £274,000 (2008 £522,000) 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 pages 28 and 29 of the Cobham plc 2009 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 16 and 17 of the Cobham plc 2009 Annual Report which does not form part of this report. KPIs for the Group as a whole are discussed on page 11 of that report.

Cobham Advanced Composites Limited

Directors' report for the year ended 31 December 2009 (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 credit risk, interest rate, cash flow 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 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 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 2009 by £1m.

Directors

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

S Pickin
E G Masterson
P D Long (resigned 24 March 2009)

Cobham Advanced Composites Limited

Directors' report for the year ended 31 December 2009 (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). 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 period.

In preparing these 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.

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.

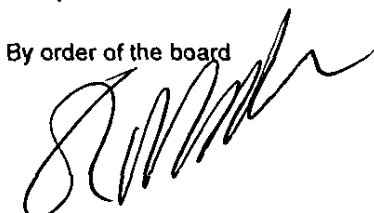
Disclosure of information to auditors

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
03 June 2010

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 2009, 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 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 2009 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.

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

03 June 2010

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.

Changes in accounting policies

FRS 20 Share-based Payments, (amendment) has been adopted during the year. This has restricted the definition of vesting conditions to service and performance conditions and confirmed that all cancellations (whether by the employee or the entity) receive the same accounting treatment. The impact of adoption of this amendment has been to accelerate charges to the profit and loss where such cancellations occur and to restate the fair value at grant date of awards under the ShareSave scheme to take into account estimated employee cancellation rates. The adjustment in respect of prior years required on adoption of this amendment was not material and has been accounted for in the current year.

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.

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Statement of accounting policies (continued)

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.

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 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.

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Statement of accounting policies (continued)

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 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 the profit and loss account in accordance with the Company's turnover 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

Cobham Advanced Composites Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover	1	21,486	20,155
Cost of sales		(15,020)	(14,470)
Gross profit		6,466	5,685
Selling and distribution costs		(528)	(542)
Administrative expenses		(2,270)	(2,190)
Operating profit	2	3,668	2,953
Interest receivable and similar income	3	35	205
Profit on ordinary activities before taxation		3,703	3,158
Tax on profit on ordinary activities	4	(1,091)	(970)
Profit for the financial year	17	2,612	2,188

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

The profit for the year has been calculated 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 2009

	Note	2009 £000	2008 £000
Fixed assets			
Intangible assets	9	4,030	4,420
Tangible assets	10	5,738	5,404
		9,768	9,824
Current assets			
Stocks	11	2,484	2,223
Debtors	12	3,916	4,515
Cash at bank and in hand		10,765	8,028
		17,165	14,766
Creditors amounts falling due within one year	13	(14,696)	(12,923)
Net current assets		2,469	1,843
Total assets less current liabilities		12,237	11,667
Creditors amounts falling due after more than one year	14	(5,551)	(5,551)
Provisions for liabilities	15	(229)	(311)
Net assets		6,457	5,805
Capital and reserves			
Called up share capital	16	-	-
Revaluation reserve	17	644	684
Other reserve	17	337	297
Profit and loss account	17	5,476	4,824
Total shareholders' funds	18	6,457	5,805

The financial statements on pages 6 to 24 were approved by the board on 03 June 2010 and were signed on its behalf by



S Pickin
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 2009

	Note	2009 £000	2008 £000
Reported profit on ordinary activities before taxation		3,703	3,158
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	17	40	42
Historical cost profit on ordinary activities before taxation		3,743	3,200
Historical cost profit for the year after taxation		2,652	2,230

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009

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

	2009 £000	2008 £000
Radomes	13,166	12,351
Composite Structures	8,320	7,804
	21,486	20,155

An analysis of turnover by geographical destination is given below

	2009 £000	2008 £000
United Kingdom	13,321	11,961
Other EU countries	6,183	6,993
United States of America	1,525	932
Australasia	24	58
Rest of the world	433	211
	21,486	20,155

2. Operating profit

	2009 £000	2008 £000
Operating profit is stated after charging/(crediting)		
Depreciation - owned assets	753	769
Operating lease charges - other	15	14
Amortisation of goodwill	390	390
Profit on disposal of tangible fixed assets	-	(11)
Exchange differences	24	(25)
Auditors' remuneration for the audit of the Company's annual accounts	33	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 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 for the year ended 31 December 2009 (continued)

3. Interest receivable and similar income

	2009 £000	2008 £000
Bank interest receivable	35	205

4. Tax on profits on ordinary activities

	2009 £000	2008 £000
Current tax		
UK corporation tax on profits for the year	1,173	1,042
Total current tax	1,173	1,042
Deferred tax.		
Depreciation for the year in excess of capital allowances	(63)	(70)
Timing differences relating to share options	4	(12)
Adjustment in respect of previous periods	(23)	10
Total deferred tax (note 15)	(82)	(72)
Tax on profit on ordinary activities	1,091	970

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before taxation	3,703	3,158
Profit on ordinary activities multiplied by the standard rate in the UK 28% (2008 28.5%)	1,037	900
Effects of		
Expenses not deductible for tax purposes	128	112
Tax deduction available in respect of share options	(55)	(40)
Depreciation for the year in excess of capital allowances	63	70
Adjustment to tax charge in respect of previous periods	-	-
Total current tax charge for the year	1,173	1,042

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Notes to the financial statements for the year ended 31 December 2009 (continued)

5. Directors' emoluments

	2009 £000	2008 £000
Aggregate emoluments	296	233

Retirement benefits are accruing to 2 (2008: 2) directors under a defined benefit scheme. During the year 1 (2008: 2) 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

	2009 £000	2008 £000
Total emoluments including amounts accruing under long-term incentive schemes	171	107
Accrued pension at end of year under defined benefit scheme	20	28

6. Employee costs

	2009 £000	2008 £000
Wages and salaries	6,125	6,411
Share based payments (note 7)	40	67
Social security costs	598	634
Pension costs (note 19)	607	548
	7,370	7,660

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

By activity	2009	2008
Production and engineering	152	157
Marketing	4	4
Management and administration	67	73
	223	234

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Notes to the financial statements for the year ended 31 December 2009 (continued)

7. 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). It does not participate in the Cobham Performance Share Plan or the Cobham Bonus Co-investment Plan.

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 all schemes can be found on pages 43, 44 and 73-77 of the 2009 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 2009, and expensed to the profit and loss account for that year, was assessed to be £40,000 (2008 £67,000). 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).

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

Number of share options	ESOS	ShareSave
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)
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 31 December 2009	112,174	489,960
Exercisable at 31 December 2009	71,942	592
Exercisable at 31 December 2008	57,810	2,412

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Notes to the financial statements for the year ended 31 December 2009 (continued)

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

	ESOS	ShareSave
Outstanding at 31 December 2009	6.47	2.12
Outstanding at 31 December 2008	7.12	2.07

Exercises under the schemes were made at various times throughout the year, the average share price in that period was £2.002 (2008: £1.987)

The weighted average exercise prices of awards are as follows

£	ESOS	ShareSave
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
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 31 December 2009	1.785	1.553
Exercisable as at 31 December 2009	1.644	1.530
Exercisable as at 31 December 2008	1.346	1.240

The range of exercise prices are as follows

£	ESOS	ShareSave
Outstanding at 31 December 2009		
Lowest exercise price	1.346	0.769
Highest exercise price	2.045	1.730
Outstanding at 31 December 2008		
Lowest exercise price	1.186	0.769
Highest exercise price	2.045	1.730

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

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

	ESOS	ShareSave
During 2009:		
Effective date of grant or commencement date	9 July	1 February
Fair value at date of grant		
- Three-year awards	0 333	0 348
- Five-year awards	-	0 387
- Seven-year awards	-	0 412
During 2008		
Effective date of grant or commencement date	12 May	1 February (as restated)
Fair value at date of grant		
- Three-year awards	0 587	0 505
- Five-year awards	-	0 546
- Seven-year awards	-	0 599

The fair values of ShareSave awards commencing on 1 February 2008 as disclosed in the previous year were £0 54, £0 61 and £0 70 for awards with 3, 5 and 7 year lives respectively. The figures stated above have been restated following a reassessment of the fair values of these awards taking into account the impact of non-vesting conditions as required by FRS20 (amended).

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
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%
2008		
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
Expected employee cancellation rate	-	2 2%
Risk free rate	4 3%	4 5%
Expected dividend yield	2 0%	1 9%

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 ShareSave contracts by employees.

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Notes to the financial statements for the year ended 31 December 2009 (continued)

8. Dividends

	2009 £000	2008 £000
Interim dividend for current year paid of £20,000 (2008 £20,000) per share	2,000	2,000

9. Intangible assets

	Goodwill £000
Cost	
At 1 January 2009	7,808
At 31 December 2009	7,808
Accumulated amortisation	
At 1 January 2009	3,388
Charge for the year	390
At 31 December 2009	3,778
Net book amount	
At 31 December 2009	4,030
At 31 December 2008	4,420

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 2009 (continued)

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 2009	4,637	6,812	1,023	60	12,532
Additions	112	415	338	222	1,087
Reclassification	97	(97)	-	-	-
At 31 December 2009	4,846	7,130	1,361	282	13,619
Accumulated depreciation					
At 1 January 2009	1,400	4,880	848	-	7,128
Charge for the year	185	507	61	-	753
Reclassification	5	(5)	-	-	-
At 31 December 2009	1,590	5,382	909	-	7,881
Net book amount					
At 31 December 2009	3,256	1,748	452	282	5,738
At 31 December 2008	3,237	1,932	175	60	5,404

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

	2009 £000	2008 £000
Cost	3,840	3,631
Accumulated depreciation	(1,228)	(1,078)
Net book amount based on historic cost	2,612	2,553

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11. Stocks

	2009 £000	2008 £000
Raw materials and consumables	1,280	1,111
Work in progress	1,711	1,643
Payments on account	(507)	(531)
	2,484	2,223

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

12. Debtors

	2009 £000	2008 £000
Trade debtors	2,742	2,886
Amounts owed by fellow subsidiary undertakings – trade balances	961	1,354
Corporation tax	29	104
Prepayments and accrued income	184	171
	3,916	4,515

13. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	3,486	1,618
Payments on account	2,772	2,901
Amounts owed to fellow subsidiary undertakings – trade balances	99	102
Amounts owed to fellow subsidiary undertakings – non trade balances	7,670	7,670
Other creditors	49	43
Other tax and social security	193	180
Accruals and deferred income	427	409
	14,696	12,923

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 2009 (continued)

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

	2009 £000	2008 £000
Amounts owed to immediate parent undertaking	5,551	5,551

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

15. Provisions for liabilities

	Deferred taxation £000
At 1 January 2009	311
Charge to the profit and loss account	(82)
At 31 December 2009	229

Deferred taxation

The deferred tax liability represents

	2009 £000	2008 £000
Accelerated capital allowances	284	370
Other short term timing differences	(55)	(59)
	229	311

16. Called up share capital

	2009 £	2008 £
Authorised:		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

17. Reserves

	Revaluation reserve £000	Other reserve £000	Profit and loss account £000
At 1 January 2009	684	297	4,824
Profit for the financial year	-	-	2,612
Dividends (note 8)	-	-	(2,000)
Capital contribution for the year	-	40	-
Transfer of realised profit on depreciation of re-valued assets	(40)	-	40
At 31 December 2009	644	337	5,476

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 7)

18. Reconciliation of movements in total shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	2,612	2,188
Dividends (note 8)	(2,000)	(2,000)
Retained profit for the financial year	612	188
Capital contribution from parent	40	67
Net addition to shareholders' funds	652	255
Opening shareholders' funds	5,805	5,550
Closing shareholders' funds	6,457	5,805

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

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 £27,000 (2008: £7,000). At 31 December 2009 there were contributions outstanding of £nil (2008: £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 2009. This assessment was updated to 31 December 2009 at which date the net liabilities of the scheme were assessed to be £20.4m. 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 £580,000 (2008: £541,000).

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 no capital commitments contracted for but not provided at 31 December 2009 (2008: £25,000).

22. Financial commitments

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

	Other	
	2009	2008
	£000	£000
Within one year	4	-
Between two and five years	5	14

Cobham Advanced Composites Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

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