Company Registration No. 3066945

AEARO LIMITED

Annual report and financial statements

Year ended 31 December 2010

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K A Brownlee	(Resigned 29 April 2011)
J W McSheffrey	(Appointed 13 April 2010)
D Mitchell	(Resigned 31 March 2010)
D Gray	(Appointed 29 April 2011)

SECRETARY

C Pikett

REGISTERED OFFICE

3M Centre
Cain Road
Bracknell
Berkshire
RG12 8HT

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester

SOLICITORS

DLA
Princes Exchange
Princes Square
Leeds
LS1 4BY

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the manufacture and distribution of prescription eye wear and the distribution of ear, eye and face protection systems As noted in the prior year financial statements these principal activities were significantly curtailed at 31 December 2008 and subsequently ceased during the current year

The 31 December 2008 financial statements noted that on 1 April 2008 Aearo Holding Corporation, the ultimate parent company of Aearo Limited, was acquired by 3M Company As a result of this change in ownership of Aearo Limited there has been a significant impact on the company's activities The customer relationships held by Aearo Limited for all businesses other than prescription eyewear were transferred to the relevant 3M subsidiaries with effect from 1 January 2009 In addition all operations relating to this business were moved to an alternative plant owned by 3M and this transfer was substantially completed by 31 March 2009

In November 2009 the company closed the one remaining prescription eyewear business This has in turn led to the closure of the Poynton site and from this point onwards the company continues to exist in order to collect outstanding debts and settle all outstanding obligations It is the directors' current intention to liquidate the company at a time when all outstanding balances have been settled Consequently the directors have continued to classify all activities as discontinued and have made the necessary provisions for closure of the company's operations

RESULTS AND BUSINESS REVIEW

The directors do not recommend the payment of a final dividend (2009 £nil), and have paid an interim dividend of £nil during the year (2009 £16,500,000) The loss after tax for the year was £75,000 (2009 profit £17,687,000) The profit and loss account for the year is set out on page 6 of the financial statements The loss for the year was transferred to reserves (2009 same)

Turnover has reduced to nil (2009 £7,116,000) due to the aforementioned cessation of trade following the acquisition by 3M As a result of the cessation of trade further key performance indicators are not considered relevant by the directors

The financial position of the company at the end of the year is set out on page 7 Liquidity remains adequate with cash balances at the end of the year amounting to £9,000, (2009 £396,000) Excess cash is moved to the 3M cash pooling account and therefore, is reflected within Intercompany receivables The net assets of the company are £21,789,000 (2009 £21,864,000) the movement reflecting the current year loss only

FUTURE PROSPECTS

The directors consider that there are no real prospects for the company following the cessation of trade It is the directors' current intention to liquidate the company at a time when all outstanding balances have been settled

PRINCIPAL RISKS AND UNCERTAINTIES

Following the disposal of the company's principal activity to other 3M group companies, the principal risks and uncertainties have changed significantly As the company continues to exist solely to collect outstanding debtors and settle the remaining obligations, the company's risk profile reflects this situation The principal risks that the company is now exposed to are credit and currency risk in relation to Intercompany receivables and these are managed on behalf of the company by 3M management on a group wide basis

GOING CONCERN

The directors do not consider the business to be a going concern following the transfer of trade and assets to other 3M Group companies during the year to 31 December 2010 The directors' intention is to ultimately liquidate the company and hence they have ceased to apply the going concern basis in the preparation of the company's financial statements Further details in relation to this are disclosed in note 1 to the financial statements

DIRECTORS' REPORT (continued)

FIXED ASSETS

The movements in fixed assets are shown in the note 8 to the financial statements

DIRECTORS

The directors who served during the year and to the date of this report are shown on page 1

AUDITOR

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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to continue in office as auditor of the company A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

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

C Pikett

Company Secretary and Director

29 September 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 estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEARO LIMITED

We have audited the financial statements of Aearo Limited for the year ended 31 December 2010, which comprise the profit and loss account, the balance sheet and the related notes 1 to 19 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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

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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 loss 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

Emphasis of matter - Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

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

Timothy Edge BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
30 September 2011

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
DISCONTINUED OPERATIONS			
TURNOVER	2	-	7,116
Cost of sales		-	(4,925)
GROSS PROFIT		-	2,191
Distribution costs		(40)	(193)
Administrative expenses		(115)	(1,781)
		(155)	(1,974)
OPERATING (LOSS)/PROFIT	4	(155)	217
Other income		17	22,722
Exceptional costs associated with restructuring	4	-	(697)
Interest payable (net)	5	63	148
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(75)	22,390
Tax on (loss)/profit on ordinary activities	6	-	(4,703)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	15,16	(75)	17,687

All activities are presented as discontinued See note 1 for further details

The company has no recognised gains or losses in either the current year or prior year other than the profit in each year as shown above and hence no separate Statement of Total Recognised Gains and Losses has been presented

BALANCE SHEET
As at 31 December 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	8	-	-
Investments	9	1,240	1,240
		1,240	1,240
CURRENT ASSETS			
Debtors			
- amounts falling due within one year	10	23,933	24,935
Cash at bank and in hand		9	396
		23,942	25,331
CREDITORS: amounts falling due within one year	11	(2,526)	(2,640)
NET CURRENT ASSETS		21,416	22,691
TOTAL ASSETS LESS CURRENT LIABILITIES		22,656	23,931
PROVISIONS FOR LIABILITIES	12	(867)	(2,067)
NET ASSETS		21,789	21,864
CAPITAL AND RESERVES			
Called-up share capital	14	3,760	3,760
Profit and loss account	15	18,029	18,104
SHAREHOLDERS' FUNDS	16	21,789	21,864

The financial statements of Aearo Limited, registered number 3066945, were approved by the Board of Directors on 29 September 2011

Signed for and on behalf of the Board of Directors

D Gray
Director

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards The particular accounting policies adopted are described below

They have all been consistently applied throughout the current year and prior year

Basis of preparation

As noted in the December 2008 financial statements substantially all operations of the company were transferred to other 3M group undertakings This transfer was substantially complete by 31 March 2009 except for the prescription eyewear product line This remaining business ceased trading in November 2009 and therefore, at 31 December 2010 the company continues to exist solely to collect remaining debts and settle outstanding obligations It is the directors' intention to liquidate the company in the coming years

As a result of the above factors, the directors have prepared the financial statements on the basis that the company is no longer a going concern On that basis, assets have been restated where necessary to their recoverable amounts and liabilities are shown as current where appropriate No adjustments were required as a result of the change to a non going concern basis

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group The company and its subsidiary undertakings are wholly owned subsidiaries of 3M Company 3M Company produces consolidated financial statements that are publicly available hence, the company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets The rates of depreciation are as follows

Leasehold improvements	Term of lease
Plant and machinery	10 years
Fixtures and fittings	2-10 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

1. **ACCOUNTING POLICIES (continued)**

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 – Cash Flow Statements, as it is a wholly owned subsidiary of 3M Company whose financial statements are publicly available

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account

Pension costs

The company provides pensions to directors and employees through a defined contribution pension scheme The assets of the scheme are held independently of the company by an insurance company

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year

2. **TURNOVER**

Turnover is recognised at the moment of the transfer of the goods to the customer

Turnover comprises the value of sales, excluding trade discounts, VAT and other sales taxes, and arises from the sale of goods and services in the normal course of business Turnover has been shown net of sales rebates offered

All turnover related to the principal activity and originated in the United Kingdom

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' emoluments	-	-
Amounts receivable under long term incentive scheme	-	-
Pension costs	-	-
	-	-

The number of directors who were members of the defined contribution pension scheme was none (2009 none)

From January 2010 all directors of the company were remunerated by other 3M Company group companies and Aearo Limited was not recharged for their services to the company

	2010 £'000	2009 £'000
Average number of persons employed (including directors)		
Production	-	15
Sales and distribution	-	7
Administration	-	17
	-	39

	2010 £'000	2009 £'000
Staff costs during the year (including directors)		
Wages and salaries	-	918
Social security costs	-	276
Pension costs	-	122
	-	1,316

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

4. OPERATING (LOSS)/PROFIT AND EXCEPTIONAL COSTS

	2010 £'000	2009 £'000
Operating (loss)/profit is after charging/(crediting)		
Depreciation and amortisation - owned assets	-	153
- accelerated depreciation	-	405
Rentals under operating leases		
Hire of plant and machinery	1	55
Other operating leases	408	764
Auditor's remuneration - audit	10	12
- non-audit	-	7
Profit on disposal of fixed assets	-	(163)
Net foreign exchange losses/(gains)	9	(1,292)

	2010 £'000	2009 £'000
Exceptional costs		
Redundancy costs	-	166
Site closure costs	-	531
	-	697

Following the acquisition of Aearo Holding Corporation by 3M Company on 1 April 2008 all options held under the long term incentive scheme crystallised

Exceptional costs incurred following the acquisition of Aearo Holding Corporation by 3M Company on 1st April 2008, relate to the costs associated with moving all operations to an alternative plant owned by 3M As a result of this strategic decision the company has incurred costs in relation to redundancies as well as costs to exit the premises

During the year to 31 December 2010 the company made no disposals

During the year to 31 December 2009 the company sold the customer relationships that it held to other 3M group companies realising a profit on their disposal of £22 7 million

Fees payable to Deloitte LLP and its associates for non-audit services were in respect of tax services No fees were payable in respect of the company's subsidiary as this was fully dormant in the year

5. INTEREST RECEIVABLE (NET)

	2010 £'000	2009 £'000
Interest receivable from group undertakings	79	235
Other interest payable	(16)	(87)
	63	148

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
Current tax		
United Kingdom corporation tax	-	4,356
Adjustments to prior years' tax provisions	-	183
	-	4,539
Deferred tax		
Origination and reversal of timing differences	-	35
Adjustments to prior years' tax provisions	-	129
Tax on profit on ordinary activities	-	4,703

The differences between the total current tax shown above and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before tax	(75)	22,390
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	21	6,269
Effects of		
Income not taxable for tax purposes	(21)	(1,895)
Capital allowances in excess of depreciation	-	32
Movements in short term timing differences	-	(50)
Adjustments to tax charge in respect of prior years	-	183
Current tax charge for year	-	4,539

7. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions to equity holders in the year/

	2010 £'000	2009 £'000
Interim dividend £nil per share (2009 £4 39 per share)	-	16,500
	-	16,500

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

8. TANGIBLE FIXED ASSETS

	Leasehold improve-ments £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 31 December 2009	1,236	238	704	2,178
Disposals	(1,236)	(238)	(704)	(2,178)
At 31 December 2010	-	-	-	-
Accumulated depreciation				
At 31 December 2009	1,236	238	704	2,178
Charge for the year	-	-	-	-
Disposals	(1,236)	(238)	(704)	(2,178)
At 31 December 2010	-	-	-	-
Net book value				
At 31 December 2010	-	-	-	-
At 31 December 2009	-	-	-	-

9. INVESTMENTS

	2010 £'000	2009 £'000
Subsidiary undertaking – cost at 31 December 2010 and 31 December 2009	1,240	1,240

The subsidiary undertaking, Peltor Limited, is a 100% owned dormant subsidiary and is incorporated in Great Britain

10. DEBTORS

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	5	-
Amounts owed by group undertakings	21,839	24,907
Other debtors	11	24
UK corporation tax	2,078	-
Prepayments and accrued income	-	4
	23,933	24,935

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade creditors	13	3
Amounts owed to group undertakings	2,513	1,658
UK corporation tax	-	979
	2,526	2,640

12. PROVISIONS FOR LIABILITIES

	Onerous Leases £'000	Redundancy Costs £'000	Total £'000
At 31 December 2009	1,854	213	2,067
Provided in year	213	-	213
Utilised in year	(1,200)	(213)	1,413
Balance at 31 December 2010	867	-	867

Provisions created during the year relate to costs associated with the decision to exit the prescription eyewear business The redundancy cost provision has been extinguished due to all employees leaving the business in August 2009 The provision amount has been transferred to onerous leases to cover dilapidation costs Onerous lease provisions include the lease costs (£300,000), provision for ongoing rates and utility related costs (£200,000) and dilapidations provision (£400,000)

The directors expect the onerous lease provisions, including assorted costs and dilapidations, to be utilised in line with the disclosure given in note 17

13. DEFERRED TAXATION

The movement on deferred tax comprises

	2010 £'000	2009 £'000
At start of year	-	(164)
Debit to profit and loss account	-	164
At 31 December	-	-

14. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
15,000,000 ordinary shares of £1 each	15,000	15,000
Called up, allotted and fully paid		
3,759,688 ordinary shares of £1 each	3,760	3,760

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

15. RESERVES

	Profit & loss account £'000
At 31 December 2009	18,104
Retained loss for the year	(75)
At 31 December 2010	18,029

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
(Loss)/profit for the year	(75)	17,687
Dividends paid	-	(16,500)
Opening shareholders' funds at 31 December 2009	21,864	20,677
Closing shareholders' funds at 31 December 2010	21,789	21,864

17. FINANCIAL COMMITMENTS

Capital commitments

The company had no financial commitments as at 31 December 2010 (2009 £nil)

Operating lease commitments

	Land and buildings 2010 £'000	Land and buildings 2009 £'000
Leases which expire		
Within one year	-	291
Within 2 to 5 years	298	376
After 5 years	-	-
	298	667

The company has the option to exit leases early under the terms of the leases and has therefore, only provided for onerous leases to the early termination dates following the decision to transfer the company's trade to other 3M Group companies

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2010

18. ULTIMATE PARENT COMPANY

The directors regard 3M Company as the ultimate parent company and the ultimate controlling party

The largest and smallest group of which Aearo Limited is a member and for which group financial statements are drawn up is that headed by 3M Company, a company incorporated in the USA The principal place of business of this company is at 3M Center, Building 0224-05-N-40, St Paul, MN 55144-1000, United States The consolidated financial statements of this group are available to the public

As a subsidiary undertaking of 3M Company, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by 3M Company

19. RELATED PARTY TRANSACTIONS

On 1 April 2008 Aearo Holding Corporation, the previous ultimate parent company of Aearo Limited, was acquired by 3M Company The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" and has not disclosed transactions with Aearo Holding Corporation group companies throughout the year Neither has it disclosed transactions with other 3M Company Group companies