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BAINES, GOLDSTON & JACKSON

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Micro-Metalsmiths Ltd.,
Ings Lane,
KIRKBYMOORSIDE,
North Yorkshire.

MICRO-METALSMITHS LTD.
AUDITORS' REPORT TO THE DIRECTORS FOR THE PURPOSES
OF PARAGRAPH 10 OF SCHEDULE 22 TO THE COMPANIES ACT 1985

In our opinion the Directors are entitled under sections 247 to 250 of the Companies Act 1985 to deliver modified Accounts in respect of the year ended 31st March 1987, and in particular the modified Accounts have been properly prepared in accordance with Schedule 8 to that Act.

We reported, as auditors of Micro-Metalsmiths Ltd., to the members on 30th June 1988 on the Company's financial statements prepared under sections 227 and 229 of the Companies Act 1985 for the year ended 31st March 1987 and our audit report was as follows:-

"We have audited the financial statements on pages 3 to 19 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared on the basis of the accounting policies set out on page 6, give a true and fair view of the state of affairs of the Company and the Group at 31st March 1987 and of its profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985."

30th June 1988

Baines Goldston & Jackson
Chartered Accountants



MICRO-METALSMITHS LTD.

REPORT OF THE DIRECTORS

Your Directors present their report and the audited Accounts for the year ended 31st March 1987.

Directors

The Directors who served throughout the year and the interests in the shares of the Company at the end of the year were as follows:-

Mr. C.W. Shaw, S.B.S.M. (Chairman and Managing Director)	495
Mr. J.G. Shaw, B.A	660
Mrs. M.J.R. Shaw	330
Mrs. A.E.R. Shaw	-
Mrs B Shaw	-

Activities

The principal activities of the Group are those of:-

- (1) The manufacture and assembly of non-ferrous castings by the lost-wax investment process.
- (2) Specialised tool and computer based machinery manufacture.

Business Review

During the course of the year the Company, along with its associate Company Micro-Metalsmiths Microwave Limited, became very pressed for space, owing to the delays in the commissioning of a new purpose built factory for Micro-Metalsmiths Microwave Limited.

Resulting from this, Micro-Metalsmiths Limited, was unable to expand its operations in an orderly fashion and took the opportunity to re-organise with an eye to the future. The resolution of this problem of floor space has occurred subsequently but further necessary additional costs have been incurred.

The Directors consider the results for the year to be satisfactory, but do not recommend the payment of a dividend and, accordingly, the sum of £1,661 has been transferred against reserves.

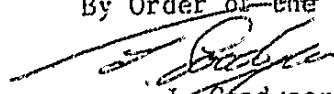
Fixed Assets

During the year fixed assets have increased as shown in Note 7 to the Accounts.

Close Company

The Directors consider that all Companies in the Group are close Companies within the meaning of the Income and Corporation Taxes Act 1970.

By Order of the Board


J. Goodyear
Secretary

MICRO-METALSMITHS LTD.

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1987

	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
<u>Manufacturing Profit</u>		829,921	759,144
Distribution Costs	290,103		254,095
Administration Expenses	311,483		257,442
Other Operating Charges	<u>179,036</u>	<u>780,622</u>	<u>217,359</u>
			<u>728,896</u>
<u>Operating Profit</u>	2	49,299	30,248
<u>Other Income</u>			
Grants Released	8,588		9,992
Deposit Account Interest	<u>104</u>	<u>8,692</u>	<u>—</u>
		57,991	40,240
Interest Payable	4	<u>53,928</u>	<u>62,866</u>
<u>Profit/(Loss) on Ordinary Activities before Taxation</u>		4,063	(22,626)
Taxation	5	<u>3,919</u>	<u>(38,000)</u>
		144	15,374
Minority Shareholders' Interest		<u>658</u>	<u>—</u>
<u>Amount attributable to the Group</u>	6	(514)	15,374
Retained Profit at 1st April 1986		<u>609,238</u>	<u>593,864</u>
		608,724	609,238
Transfer from Revaluation Reserve	18	<u>2,677</u>	<u>—</u>
<u>Retained Profit at 31st March 1987</u>		<u>£611,401</u>	<u>£609,238</u>

MICRO-METALSMITHS LTD.

COMPANY BALANCE SHEET AS AT 31ST MARCH 1987

	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
<u>FIXED ASSETS</u>			
Tangible Assets	7	954,450	1,018,067
Investment in Subsidiary Company	8	75,001	1
		<u>1,029,451</u>	<u>1,018,068</u>
Deferred Asset	9	-	130,000
		<u>1,029,451</u>	<u>1,148,068</u>
<u>CURRENT ASSETS</u>			
Stocks	10	186,441	137,371
Debtors	11	592,790	464,644
Due from Micro-Metalsmiths Microwave Ltd.	12	78,237	178,213
Cash in Hand		219	121
		<u>857,687</u>	<u>780,349</u>
<u>CREDITORS: amounts falling due within one year</u>	13	<u>725,447</u>	<u>692,038</u>
<u>NET CURRENT ASSETS</u>		<u>132,240</u>	<u>88,311</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		1,161,691	1,236,379
<u>CREDITORS: amounts falling due after more than one year</u>			
Hire Purchase		-	15,958
Finance Leases		11,295	17,497
Bank Loan	14	<u>166,660</u>	<u>194,440</u>
		<u>177,955</u>	<u>227,895</u>
		<u>983,736</u>	<u>1,008,484</u>
<u>PROVISION FOR LIABILITIES AND CHARGES</u>			
Deferred Taxation	15	221,661	230,389
Government Grants	16	<u>16,200</u>	<u>24,788</u>
		<u>237,861</u>	<u>255,177</u>
		<u>£ 745,875</u>	<u>£ 753,307</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	17	50,160	50,160
Profit and Loss Account		610,254	609,238
Revaluation Reserve	18	<u>85,461</u>	<u>93,909</u>
		<u>£745,875</u>	<u>£753,307</u>

In preparing these modified accounts, we have relied upon the exemptions for individual accounts provided by Section 247 of the Companies Act 1985 and we have done so on the ground that the company is entitled to the benefit of these exemptions as a medium sized company.

C.W. Shaw)
J.G. Shaw) Directors

Approved by the Board on: 30th June 1988

MICRO-METALSMITHS LTD.

GROUP BALANCE SHEET AS AT 31ST MARCH 1987

	<u>NOTES</u>	<u>1987</u>	<u>1986</u>
<u>FIXED ASSETS</u>			
Tangible Assets	7	1,049,957	1,018,067
Goodwill on Consolidation		59	-
Investment in Subsidiary Company	8	<u>1</u>	<u>1</u>
		1,050,017	1,018,068
Deferred Asset	9	<u>-</u>	<u>130,000</u>
		1,050,017	1,148,068
<u>CURRENT ASSETS</u>			
Stock	10	199,152	137,371
Debtors	11	609,977	464,644
Due from Micro-Metalsmiths Microwave Ltd.	12	78,237	178,213
Bank and Cash in Hand		<u>9,185</u>	<u>121</u>
		<u>896,551</u>	<u>780,349</u>
<u>CREDITORS: amounts falling due within one year</u>	13	<u>712,590</u>	<u>692,038</u>
<u>NET CURRENT ASSETS</u>		<u>183,961</u>	<u>88,311</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		1,233,978	1,236,379
<u>CREDITORS: amounts falling due after more than one year</u>			
Hire Purchase		-	15,958
Finance Leases		11,295	17,497
Bank and Cosira Loans	14	<u>210,400</u>	<u>194,440</u>
		221,695	227,895
		<u>1,012,283</u>	<u>1,008,484</u>
<u>PROVISION FOR LIABILITIES AND CHARGES</u>			
Deferred Taxation	15	222,682	230,389
Government Grants	16	<u>16,200</u>	<u>24,788</u>
		238,882	255,177
		<u>£ 773,401</u>	<u>£ 753,307</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	17	50,160	50,160
Profit and Loss Account		611,401	609,238
Revaluation Reserve	18	85,461	93,909
Minority Shareholders' Interest		<u>26,379</u>	<u>-</u>
		<u>£ 773,401</u>	<u>£ 753,307</u>

In preparing these modified accounts we have relied upon the exemptions for individual accounts provided by Section 247 of the Companies Act 1985 and we have done so on the ground that the company is entitled to the benefit of those exemptions as a medium sized company.

C.W. Shaw
J.G. Shaw } Directors

Approved by the Board on: 30th June 1988

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987

1. Accounting Policies

(a) Basis of Consolidation

The Group Profit and Loss Account and Balance Sheet include the Accounts of the Parent Company and its subsidiary made up to the end of the financial year.

(b) Basis of Accounting

The Accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings.

(c) Investment in Subsidiary

Diemould Castings Ltd. is a wholly owned subsidiary incorporated in Great Britain and registered in England. This Company has not been included in Group Accounts as the Directors consider that consolidation would be of no real value as the Company did not trade in its own right during the year ended 31st March 1987. Provision has been made in the Holding Company's Accounts for £24,424 to cover accumulated past trading losses and possible obsolescence.

MM Engineering Ltd. is a Company incorporated in Great Britain and registered in England. The Parent Company was allotted at par 74% of the issued share capital during the year.

(d) Turnover

Turnover represents the aggregate of amounts receivable in the ordinary course of business for services provided and for goods supplied after adjustment for work in progress.

(e) Tangible Fixed Assets

Depreciation is provided at the following annual rates on the reducing balance basis in order to write off each asset over its estimated useful life:-

Buildings	- 10% and 2%
Plant and Machinery	- 20%
Computer equipment (included in plant and machinery)	- 25%
	straight line
Motor Vehicles	- 25%
Aeroplane	- 25%
Fixtures and Fittings	- 15%

No depreciation is provided on Freehold Land.

Dies for production are valued at each year end at net realisable value. The costs of maintaining and updating these assets are written off in the year of expenditure.

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MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

1. (e) Tangible Fixed Assets Cont'd

Loose Tools are shown in the Balance Sheet at a base stock of £3,270 and current expenditure has been written off during the year.

It is considered that expenditure on knowhow, in the subsidiaries books, should be written off against expected revenues from that knowhow. It will, therefore, be written off to Profit and Loss Account in four equal annual instalments commencing 1st April 1987.

(f) Patents, Licences and Research and Development Expenditure

Expenditure on Patents, Licences and Research and Development has been written down to £1 in the books of the Group. This is not intended to represent their value in the event of a sale.

Current expenditure on Patents, Licences and Research and Development is written off in the year of expenditure in accord with the relevant Accounting Standard.

(g) Stocks and Work in Progress

Stock has been valued at the lower of cost or net realisable value and work in progress has been valued at standard cost including an addition for overheads to the stage of completion reached. Work in Progress was previously valued on an average cost basis. The effect of the change in accounting policy at 31st March 1987 was to increase Work in Progress by £14,759. It is considered that the new basis of calculation for Work in Progress is more appropriate due to the more varied range of castings produced by the Holding Company.

(h) Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences.

(i) Government Grants

Credit is taken for Government Grants on capital expenditure when they are received by the Group.

Grants are credited to Profit and Loss Account on a straight line basis over ten years from the date of receipt. The grants are repayable if certain conditions are not met.

(j) Hire Purchase & Lease Agreements

It is the Group's policy to capitalise assets purchased on Hire Purchase Terms and certain leased assets. Leased assets which the Group has for the useful life of the asset and has all the risks and rewards of ownership except for legal title, are capitalised and depreciated over the shorter of:-

- (a) the useful life of the asset, and
- (b) the life of the lease

Continued...

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

2. Operating Profit

The operating profit is stated after charging:-

	<u>1987</u> £	<u>1986</u> £
Investment written off (included within Bad Debts)	-	299
Depreciation of Tangible Fixed Assets	179,599	173,258
Directors' Remuneration (Note 3)	15,350	15,350
Directors' Pension Contributions (Note 3)	-	161
Staff Costs (Note 3)	1,177,819	1,100,863
Auditors' Remuneration	<u>5,750</u>	<u>5,300</u>

3. Staff Costs

Directors' Remuneration	15,350	15,350
Wages and Salaries	1,033,305	961,597
Social Security Costs	98,065	90,310
Pension Costs	31,099	33,606
	<u>1,177,819</u>	<u>1,100,863</u>

The average weekly number of employees during the year was as follows:-

	<u>1987</u>	<u>1986</u>
Office and Management	26	16
Production and Sales	125	113
	<u>151</u>	<u>129</u>

4. Interest Payable

	<u>1987</u> £	<u>1986</u> £
Interest payable on bank overdraft	29,180	32,483
Hire Purchase Interest	6,938	9,274
Cosira Loan Interest	137	-
Loan Interest	-	302
Interest on medium term bank loan	28,272	35,455
Finance Lease Interest	2,301	952
Finance charge from Micrometalsmiths Microwave Limited (Gross)	(12,900)	(15,600)
	<u>53,928</u>	<u>62,866</u>

5. Taxation

The tax charge (1986 credit) on the profit on ordinary activities for the year was as follows:-

	<u>1987</u> £	<u>1986</u> £
Corporation Tax at 34% on the adjusted results for the year	26,652	-
Transfer to Deferred Taxation		
: charge for year	(22,733)	(8,341)
: change in tax rate to 35%	(22,733)	(29,659)
	<u>3,919</u>	<u>(38,000)</u>

Continued...

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

6. Profit (Loss) for the Year

The amount of the consolidated loss attributable to the Holding Company which has been dealt with in its own Accounts is £1,661.

7. Tangible Fixed Assets

See schedules attached.

Included within Tangible Fixed Assets are the following leased assets:-

	<u>Motor Vehicles</u>	<u>Furniture, Fittings and Office Equipment</u>
<u>Cost</u>		
Balance at 1st April 1986	-	26,827
Additions	4,913	-
<u>Balance at 31st March 1987</u>	<u>4,913</u>	<u>26,827</u>
<u>Depreciation</u>		
Balance at 1st April 1986	-	1,653
Charge for Year	205	7,869
<u>Balance at 31st March 1987</u>	<u>205</u>	<u>9,522</u>
<u>Net Book Value</u>		
As at 1st April 1986	=	<u>25,174</u>
As at 31st March 1987	<u>4,708</u>	<u>17,305</u>

8. Investment in Subsidiary Companies

	<u>1987 £</u>	<u>1986 £</u>
<u>Diemould Castings Ltd.</u>		
Ordinary Shares at Cost	1,010	1,010
Current Balance	23,415	23,415
	24,425	24,425
Less Provision for Losses	24,424	24,424
	<u>1</u>	<u>1</u>
<u>MM Engineering Ltd.</u>		
74% of the Issued Ordinary Shares at Cost	<u>75,000</u>	=
<u>Aggregate</u>	<u>75,001</u>	<u>1</u>

9. Deferred Asset

This is a medium term loan given to Micro-Metalsmiths Microwave Ltd. The rate of interest charged is 12% per annum. Final repayment of the loan was received in April 1987.

Continued...

MICRO-METALSMITHS LTD.

GROUP SCHEDULE OF FIXED ASSETS - YEAR ENDED 31ST MARCH 1987

	<u>Freehold Land and Factory Premises</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Knowhow</u>	<u>Aeroplane</u>	<u>Furniture, Fittings & Office Equipment</u>	<u>Dies for Production</u>	<u>Loose Tools</u>	<u>Patents, Licences & Research & Development Expenditure</u>	<u>Total</u>
<u>Cost/Valuation</u>										
Balance at 1.4.86	359,378	1,297,977	58,998		27,406	101,621	125,108	4,506	1,603	1,976,597
Additions	62,552	71,743	7,713	10,000		4,343		1,270		157,621
Internal Assets Capitalised	488	77,880								78,368
Disposals		(44,900)	(27,070)							(71,970)
Balance at 31.3.87	<u>422,418</u>	<u>1,402,700</u>	<u>39,641</u>	<u>10,000</u>	<u>27,406</u>	<u>105,964</u>	<u>125,108</u>	<u>5,776</u>	<u>1,603</u>	<u>2,140,616</u>
<u>Depreciation</u>										
Balance at 1.4.86	25,738	734,480	28,400		25,131	50,565	90,108	2,506	1,602	958,530
Depreciation for Year	14,885	134,644	5,071		569	12,302				167,471
Depreciation of Revaluation Provision	8,329									8,329
Depreciation on Disposals		(30,300)	(13,371)							(43,671)
Balance at 31.3.87	<u>48,952</u>	<u>838,824</u>	<u>20,100</u>	<u>-</u>	<u>25,700</u>	<u>62,867</u>	<u>90,108</u>	<u>2,506</u>	<u>1,602</u>	<u>1,090,659</u>
<u>Net Book Value</u>										
As at 1st April 1986	<u>333,640</u>	<u>563,497</u>	<u>30,598</u>	<u>=</u>	<u>2,275</u>	<u>51,056</u>	<u>35,000</u>	<u>2,000</u>	<u>1</u>	<u>1,018,067</u>
As at 31st March 1987	<u>373,466</u>	<u>563,876</u>	<u>19,541</u>	<u>10,000</u>	<u>1,706</u>	<u>43,097</u>	<u>35,000</u>	<u>3,270</u>	<u>1</u>	<u>1,049,957</u>

MICRO-METALSMITHS LTD.

COMPANY SCHEDULE OF FIXED ASSETS - YEAR ENDED 31ST MARCH 1987

<u>Cost/Valuation</u>	<u>Freehold Land and Factory Premises</u>	<u>Plant and Machinery</u>	<u>Motor Vehicles</u>	<u>Aeroplane</u>	<u>Furniture, Fittings & Office Equipment</u>	<u>Dies for Production</u>	<u>Loose Tools</u>	<u>Patents, Licences & Research & Development Expenditure</u>	<u>Total</u>
Balance at 1st April 1986	359,378	1,297,977	58,998	27,406	101,621	125,108	4,506	1,603	1,976,597
Additions	15,000	102,305	4,913						122,218
Internal Assets Capitalised		11,660							11,660
Disposals		(44,900)	(27,070)						(71,970)
Balance at 31st March 1987	<u>374,378</u>	<u>1,367,042</u>	<u>36,841</u>	<u>27,406</u>	<u>101,621</u>	<u>125,108</u>	<u>4,506</u>	<u>1,603</u>	<u>2,038,505</u>
<u>Depreciation</u>									
Balance at 1st April 1986	25,738	734,480	28,400	25,131	50,565	90,108	2,506	1,602	958,530
Depreciation for Year	14,835	129,283	4,429	569	11,751				160,867
Depreciation of Revaluation Provision	8,329								8,329
Depreciation on Disposals		(30,300)	(13,371)						(43,671)
Balance at 31st March 1987	<u>48,902</u>	<u>833,463</u>	<u>19,458</u>	<u>25,700</u>	<u>62,316</u>	<u>90,108</u>	<u>2,506</u>	<u>1,602</u>	<u>1,084,055</u>
<u>Net Book Value</u>									
As at 1st April 1986	333,640	563,497	30,598	2,275	51,056	35,000	2,000	1	1,018,067
As at 31st March 1987	<u>325,476</u>	<u>533,579</u>	<u>17,383</u>	<u>1,706</u>	<u>39,305</u>	<u>35,000</u>	<u>2,000</u>	<u>1</u>	<u>954,450</u>

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

10. Stocks

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Raw Materials	38,088	55,907	35,163	55,907
Work in Progress	118,074	58,902	108,288	58,902
Finished Goods	42,990	22,562	42,990	22,562
	<u>199,152</u>	<u>137,371</u>	<u>186,441</u>	<u>137,371</u>

11. Debtors

Trade Debtors	525,256	429,692	507,319	429,692
Other Debtors	30,444	33,250	30,444	33,250
Prepayments	4,020	1,702	4,020	1,702
Medium Term Loan - Micro-Metalsmiths Microwave Ltd. (Note 9)	50,000	-	50,000	-
Directors' Loans	257	-	257	-
Dividend receivable from Subsidiary	-	-	750	-
	<u>609,977</u>	<u>464,644</u>	<u>592,790</u>	<u>464,644</u>

12. Micro-Metalsmiths Microwave Ltd.

This Company is controlled by common shareholdings and Mr. C.W. Shaw, Mr. J.G. Shaw and Mrs. B. Shaw are Directors of both Companies.

13. CREDITORS: amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Trade Creditors	174,587	130,784	166,971	130,784
Hire Purchase	15,957	33,504	15,957	33,504
Finance Lease Obligations	10,714	7,162	10,714	7,162
Directors' Current Accounts	8,591	17,864	8,591	17,864
Social Security & Other Taxes	133,588	109,661	131,381	109,661
Advanced Corporation Tax	374	-	-	-
Corporation Tax	2,958	-	2,958	-
Other Creditors	76,599	67,463	72,299	67,463
Accruals	63,804	48,462	61,775	48,462
Bank Overdraft (Note 14)	196,118	249,358	196,118	249,358
Bank Loan (Note 14)	28,040	27,780	27,780	27,780
Cosira Loan (Note 14)	1,000	-	-	-
Loan from Subsidiary - MM Engineering Ltd.	-	-	30,903	-
Proposed Dividends to Minority Shareholders	260	-	-	-
	<u>712,590</u>	<u>692,038</u>	<u>725,447</u>	<u>692,038</u>

Continued...

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

14. Bank Loans, Overdraft, and other Loans

The bank borrowing of the Holding Company is secured by:-

- (a) First and fixed charge on Freehold Land and Buildings and book debts.
- (b) First floating charge on other assets.

The aggregate amount of bank loans, overdrafts and other loans was as follows:-

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
(a) Falling due within one year:				
Bank overdraft	196,118	249,358	196,118	249,358
Bank loan -				
current portion	28,040	27,780	27,780	27,780
Cosira loan -				
current portion	1,000	-	-	-
	<u>225,158</u>	<u>277,138</u>	<u>223,898</u>	<u>277,138</u>
(b) Falling due after more than one year:				
Bank loan - repayable				
within five years	115,280	111,120	111,120	111,120
Bank loan - repayable				
after five years	76,120	83,320	55,540	83,320
Cosira loan - repayable				
within five years	4,000	-	-	-
Cosira loan - repayable				
after five years	15,000	-	-	-
	<u>210,400</u>	<u>194,440</u>	<u>166,660</u>	<u>194,440</u>
Aggregate amounts	<u>435,558</u>	<u>471,578</u>	<u>390,558</u>	<u>471,578</u>

The Holding Company's bank loan of £194,440 is repayable in quarterly instalments of £6,945. The rate of interest is 2 5/8ths% over bank base rate.

The subsidiary Company's bank loan of £25,000 is repayable in equal quarterly instalments of £260 commencing March 1988. The rate of interest is 2.5% over bank base rate. The loan is secured by a First Legal Mortgage covering the Company's factory premises and land.

The Cosira loan of £20,000 is repayable in equal half-yearly instalments of £500 commencing September 1987. The rate of interest is 9.28% per annum which will increase to 12.13% if the Company within two years of 4th March 1987 employs less than ten full time employees. The loan is secured by a Second Legal Mortgage covering the Company's factory premises and land.

Continued...

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

15. Deferred Taxation

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1st April 1986	230,389	272,862	230,389	272,862
Transfer for Year	(23,107)	(38,000)	(24,128)	(38,000)
Transfer to Revaluation Reserve	5,771	(4,473)	5,771	(4,473)
Advanced Corporation Tax set off	9,629	-	9,629	-
	<u>222,682</u>	<u>230,389</u>	<u>221,661</u>	<u>230,389</u>
Represented by:-				
Accelerated Capital Allowances	180,909	210,093	178,872	210,093
Short Term Timing Differences	-	12,640	-	12,640
Losses Carried Forward	(642)	(19,733)	-	(19,733)
Surplus on Revaluation	46,018	40,247	46,018	40,247
	<u>226,285</u>	<u>243,247</u>	<u>224,890</u>	<u>243,247</u>
Less Advanced Corporation Tax Recoverable	(3,603)	(12,858)	(3,229)	(12,858)
	<u>222,682</u>	<u>230,389</u>	<u>221,661</u>	<u>230,389</u>

16. Government Grants (available for credit to Profit and Loss Account)

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Regional Development Grants	9,377	14,758	9,377	14,758
Industry Act	4,879	7,119	4,879	7,119
Science and Technology Act	1,944	2,911	1,944	2,911
	<u>16,200</u>	<u>24,788</u>	<u>16,200</u>	<u>24,788</u>

17. Called Up Share Capital

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
100,000 Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
<u>Allotted, Issued and Fully Paid</u>		
50,160 Ordinary Shares of £1 each	<u>50,160</u>	<u>50,160</u>

Continued...

MICRO-METALSMITHS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1987
(Continued)

18. Revaluation Reserve

The freehold land and buildings of the Holding Company were valued at £348,000 on 27th March 1985. The Valuer was an Associate of the Rating and Valuation Association. The Revaluation Reserve represents the following:-

	<u>Group</u>		<u>Company</u>	
	<u>1987</u>	<u>1986</u>	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Surplus on revaluation	134,156	134,156	134,156	134,156
Transfer to Profit and Loss Account - depreciation of revalued assets	(2,677)	-	(2,677)	-
Less Provision for Corporation Tax at 35% (1986 - 30%)	(46,018)	(40,247)	(46,018)	(40,247)
	<u>85,461</u>	<u>93,909</u>	<u>85,461</u>	<u>93,909</u>

19. Capital Commitments

There were no capital commitments at 31st March 1987.

20. Transactions with Directors

Mr. C.W. Shaw is a Director of Supercruisers Associates Limited and Humbersfield Limited. During the year Micro-Metalsmiths Limited paid £10,000 and £20,000 respectively to these Companies in respect of services provided.