

MICRO – METALSMITHS LIMITED

Financial statements

for the year ended 30 March 2008

Directors

C W Shaw
M J R Shaw
B J Shaw
S D Parkin
J McGreevy

Secretary

D J Cuming

Registered auditors

Moore Stephens
Chartered Accountants
12 – 13 Alma Square
Scarborough
North Yorkshire
YO11 1JU

Bankers

Barclays Bank PLC
6 East Parade
Leeds
LS1 2UX

Solicitors

Pinsent Curtis Biddle
1 Park Row
Leeds
LS1 5AB

Registered office

Kirkdale Road
Kirkbymoorside
York
YO62 6PX

Company registration

England 786 649

**SIGNED COPY FOR
REGISTRAR OF COMPANIES**

TUESDAY



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14/10/2008
COMPANIES HOUSE

MICRO – METALSMITHS LIMITED

Directors report

for the year ended 30 March 2008

The directors have pleasure in presenting their annual report to shareholders together with the company's audited accounts for the year ended 30 March 2008

Principal activity

The company is principally engaged in the manufacture and assembly of precision components from investment castings and associated machining operations and the design and production of state of the art microwave sub-systems

Business review

The directors would like to take the opportunity to thank everyone who has worked at Micro Metalsmiths during the last year. Collectively, we have grasped some new opportunities and, as a result, the company is now in a stronger position. We are very impressed by the dedication shown at all levels.

The year saw a significant increase in order intake and output. Core profitability increased and the balance sheet was strengthened by the year's operations.

We have examined our order book and prospects with increasing rigour as economic conditions have changed during the year.

The directors are confident that our markets are not unduly affected by the current malaise. Our most significant market, which is in the supply of components to civilian aircraft, may be buoyed by the need to replace old fuel-inefficient planes with more modern ones. Current predictions call for a 10% increase in turnover in the current year.

Many of our mainstay machine tools are some 20 years old. A start has been made in replacing all our old machine tools with the most effective new equipment on the market. Training and conversion is taking place and, within a year, we should see significant benefits. In the foundry, we have initiated a wide-ranging research and development programme aimed at providing us with a much more efficient and cleaner process. Efficiency benefits will be slower to show up since the programme is expected to last for at least two years, chimney emissions however should reduce significantly over the forthcoming months. On the microwave side, we have increased the flow of new products and technology demonstrators from our design staff with the result that our customers are increasingly relying on us to take the lead in generating components for new equipment. During the year we have also committed increased resources to Chinese sourcing and to business-to-business internet selling.

During the year, we received planning permission to develop our Pickering site to its ultimate capacity of some 60,000 square feet of factory space. Plans for the development of our Kirkbymoorside site for residential housing are also being prepared. However, it takes longer generally to obtain planning permission than it takes to generate a whole new market opportunity with the attendant research, development, machinery installation, hiring and training. Sadly, we can make no prediction on our ability to use the permissions granted and applied for. As in several previous instances, by the time planning permission is actually obtained in a workable form the need for it has significantly altered.

The company and the trustees of our Pension Scheme believe that they have carried out their mandated duties to ensure that all pension obligations can be met from funds available. However, the Pension Levy Board, using a totally inappropriate calculation, believes that a substantial contribution needs to be made to their so-called insurance scheme. The company continues to dispute this but has made provision in the accounts against the possibility that this bare-faced robbery will be allowed to go scot-free.

On behalf of the shareholders the Chairman would particularly like to acknowledge the invaluable help provided to my co-directors, Steve Parkin and John McGreevy and by Debby Cuming, our accountant.

The company's principal financial instruments comprise bank balances, bank overdrafts, invoice discounting, trade creditors, trade debtors, loans to the company and finance lease agreements. The main purpose of these instruments is to raise finance for the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and the flexibility through the use of invoice discounting at floating rates of interest. The company makes use of money market facilities when funds are available.

In respect of loans these comprise loans from financial institutions. The interest rates on these loans are both fixed and variable. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

continued

MICRO – METALSMITHS LIMITED

Directors report

for the year ended 30 March 2008

continued

The company is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed in the same way as the loans above.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The directors do not recommend the payment of a dividend.

Key performance indicators

Sales growth	13.5%
Capital expenditure	£515,000
Earnings before depreciation, interest and tax	£633,000
Earnings before interest and tax	£345,000
Profit after taxation	<u>£169,000</u>

Directors

The directors during the period and up to the date of this report were:

C W Shaw
M J R Shaw
B J Shaw
S D Parkin
J McGreevy (appointed 7 June 2007)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board



C W Shaw
Director

MICRO–METALSMITHS LIMITED

Independent auditors' report to the shareholders of Micro – Metalsmiths Limited

for the year ended 30 March 2008

We have audited the financial statements of Micro–Metalsmiths Limited for the year ended 30 March 2008 set out on pages 5 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 March 2008 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Moore Stephens

12–13 Alma Square
Scarborough
YO11 1JU

Dated 13 October 2008

MOORE STEPHENS

Registered Auditors
Chartered Accountants

MICRO – METALSMITHS LIMITED

Profit and loss account

for the year ended 30 March 2008

	Note	£'000	2007 £ 000
Turnover	1	5,883	5,185
Cost of sales		3,690	3,223
Gross profit		<u>2,193</u>	<u>1,962</u>
Other operating charges	3	(1,848)	(1,567)
Operating profit – continuing operations	2	<u>345</u>	<u>395</u>
Interest receivable		9	3
Interest payable	4	(125)	(85)
Other finance income/(costs)	21	(26)	2
Profit on ordinary activities before taxation		<u>203</u>	<u>315</u>
Taxation on profit on ordinary activities	7	(34)	(60)
Retained profit for the year	16	<u><u>169</u></u>	<u><u>255</u></u>

There were no acquisitions or discontinued operations during the current or preceding year

Statement of total recognised gains and losses

Profit for the year		169	255
Actuarial gain/(loss) on defined benefit pension scheme	21	34	(134)
less tax effect		(1)	25
Unrealised surplus on property revaluation		–	371
Total recognised gains and losses relating to the year		<u><u>202</u></u>	<u><u>517</u></u>

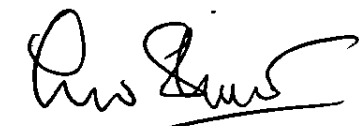
MICRO – METALSMITHS LIMITED

Balance sheet

as at 30 March 2008

	Note	£'000	£'000	2007 £'000	£'000
Fixed assets					
Tangible assets	9		2,711		2,488
Investments	8		10		10
			<u>2,721</u>		<u>2,498</u>
Current assets					
Stocks	10	456		539	
Debtors	11	1,148		1,002	
Cash at bank and in hand		187		156	
		<u>1,791</u>		<u>1,697</u>	
Creditors: amounts falling due within one year	12	695		797	
Net current assets			<u>1,096</u>		<u>900</u>
Total assets less current liabilities			<u>3,817</u>		<u>3,398</u>
Creditors: amounts falling due after more than one year	13		(1,590)		(1,375)
Provisions for liabilities					
Deferred taxation	14		(28)		(14)
Net assets excluding pension liability			<u>2,199</u>		<u>2,009</u>
Pension liability	21		(219)		(231)
Net assets including pension liability			<u><u>1,980</u></u>		<u><u>1,778</u></u>
Capital and reserves					
Called up share capital	15		82		82
Property revaluation reserve	16		451		476
Profit and loss account	16		1,447		1,220
			<u><u>1,980</u></u>		<u><u>1,778</u></u>

The financial statements were approved by the board of directors and authorised for issue on 22nd September 2008



C W Shaw
Director



S D Parkin
Director

MICRO – METALSMITHS LIMITED

Cash flow statement

for the year ended 30 March 2008

	Note	£'000	£ 000	2007	
				£'000	£'000
Net cash inflow from operating activities	18 1		530		577
Returns on investments and servicing of finance					
Interest received (gross)		9		3	
Interest paid (gross)		(116)		(82)	
Interest element of finance lease rentals		(9)		(3)	
Net cash outflow from returns on investments and servicing of finance			(116)		(82)
Taxation					
Corporation tax paid		(52)		(38)	
Tax paid			(52)		(38)
Capital expenditure					
Payments to acquire tangible fixed assets		(135)		(470)	
Receipts from sale of tangible fixed assets		5		–	
Net cash outflow for capital expenditure			(130)		(470)
Financing					
Finance lease capital repaid		(55)		(22)	
Loans received		–		155	
Bank and other loans repaid		(146)		–	
Net cash inflow from financing			(201)		133
Increase in cash in the period	18 2		31		120

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

1 Accounting policies

These accounts have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of freehold property, adopting the following principal accounting policies

1.01 Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax and trade discounts

1.02 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated on a straight line basis to write down to estimated residual value the cost or valuation of all tangible fixed assets other than freehold land over their estimated useful lives. The rates generally applicable are

Freehold buildings	2% – 10% per annum
Other fixed assets	10% – 33 3% per annum

1.03 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value

1.04 Deferred taxation

Deferred tax is recognised as a liability or asset if the transactions or events that give an obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date, although deferred tax assets are recognised only when it becomes more likely than not that they will be recoverable and deferred tax is not provided on timing differences arising when a fixed asset is revalued without there being any commitment to sell the asset

1.05 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denoted in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account

1.06 Research and development

Research and development expenditure not chargeable to customers is written off in the year of expenditure

1.07 Retirement benefits

The company has accounted for its pension schemes in accordance with FRS 17 "Retirement Benefits"

Defined benefit pension scheme

The liability recognised in the balance sheet in respect of the company's defined benefit pension scheme is the present value of the defined benefit scheme liabilities at the balance sheet date less the market value of the plan assets. Formal actuarial valuations are carried out by an independent actuary on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries. The defined benefit obligation is calculated using the projected unit valuation method

The cost of providing future benefits (service cost) is charged to the profit and loss account as required. The return on scheme assets and interest obligation on scheme liabilities comprise a pension finance adjustment, which is charged or credited to the profit and loss account. Actuarial gains and losses arising from experience adjustments, fluctuations in market values, and changes in actuarial assumptions are reflected in the statement of total recognised gains and losses in the period they arise

Defined contribution pension scheme

The pension costs charged against operating profits represent the amount of the contributions payable to the scheme in respect of the accounting period

1.08 Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

2 Turnover and profit on ordinary activities before taxation

The turnover is attributable to the company's principal activity

	£ 000	2007 £'000
Turnover by geographical segment		
United Kingdom	2,887	2,304
Other European Union	1,351	1,043
USA	1,388	1,093
Rest of the World	257	745
	<u>5,883</u>	<u>5,185</u>

The profit on ordinary activities is stated after charging/(crediting)

	£'000	2007 £'000
Auditors remuneration	11	10
Depreciation	288	220
Exchange (gains)/losses	(21)	35
(Profit)/loss on disposal of fixed assets	(1)	–
Research and development expenditure	<u>48</u>	<u>9</u>

3 Other operating charges

	£ 000	2007 £ 000
Research and development	48	9
Selling and distribution costs	655	572
Administrative expenses	1,145	986
	<u>1,848</u>	<u>1,567</u>

4 Interest payable

	£'000	2007 £'000
Bank overdraft and short term loan interest	24	8
Interest on long term loans	92	74
Finance lease charges	9	3
	<u>125</u>	<u>85</u>

5 Employees

	£'000	2007 £'000
Employment costs during the year were –		
Wages and salaries	2,495	2,317
Social security costs	225	207
Other pension costs	70	66
	<u>2,790</u>	<u>2,590</u>

The average number of employees during the year was

	No	No
Production	105	103
Sales and distribution	7	7
Administration	15	13
	<u>127</u>	<u>123</u>

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

6	Directors' emoluments	£'000	2007 £'000
	Emoluments	215	162
	Pension contributions	7	5
		<u>222</u>	<u>167</u>
	Highest paid director included above		
	Emoluments	95	95
	Pension contributions	–	–
		<u>95</u>	<u>95</u>

No directors participated in the defined benefit pension scheme Two directors are accruing benefits under a defined contribution pension scheme (2007 – one)

7	Taxation	£'000	2007 £'000
	Analysis of tax charge in the year		
	Current tax		
	UK corporation tax on results of the period	25	51
	Adjustments in respect of previous periods	–	–
	Total current tax	<u>25</u>	<u>51</u>
	Deferred tax		
	Origination and reversal of timing differences		
	– current period	9	9
	– from previous periods	–	–
		<u>9</u>	<u>9</u>
	Tax charge on profit on ordinary activities	<u>34</u>	<u>60</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>203</u>	<u>315</u>
	Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20% (2007 – 19%)	41	60
	Effects of		
	Expenses not deductible for tax purposes	1	6
	Research and development tax credit	(10)	(6)
	Changes in tax rates	2	–
	Capital allowances in excess of depreciation	(14)	(9)
	Deferred tax on movement in pension liability	5	–
	Current tax charge for the year	<u>25</u>	<u>51</u>

8	Investments	Unlisted shares £'000
	Cost	
	As at 01 04 07	10
	Additions	–
	As at 30 03 08	<u>10</u>

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

9 Tangible assets

	Freehold land & buildings £'000	Vehicles & office equipment £'000	Plant, machinery & tooling £'000	Total £'000
Cost or valuation				
As at 01 04 07	1,960	562	5,596	8,118
Additions	–	38	477	515
Disposals	–	(85)	(2,005)	(2,090)
Revaluation	–	–	–	–
As at 30 03 08	<u>1,960</u>	<u>515</u>	<u>4,068</u>	<u>6,543</u>
Depreciation				
As at 01 04 07	33	508	5,089	5,630
Provided in year	72	26	190	288
Disposals	–	(85)	(2,001)	(2,086)
Revaluation	–	–	–	–
As at 30 03 08	<u>105</u>	<u>449</u>	<u>3,278</u>	<u>3,832</u>
Net book value				
As at 01 04 07	<u>1,927</u>	<u>54</u>	<u>507</u>	<u>2,488</u>
As at 30 03 08	<u>1,855</u>	<u>66</u>	<u>790</u>	<u>2,711</u>
Cost or valuation				
Cost	1,210	515	4,068	5,793
Valuation – 2007	750	–	–	750
	<u>1,960</u>	<u>515</u>	<u>4,068</u>	<u>6,543</u>

The freehold property at Kirkbymoorside was revalued in the year ended 1 April 2007 at open market value by an independent firm of chartered surveyors. The remaining property currently stated at depreciated cost has all been acquired within the last five years.

	2007 £'000	2007 £'000
Freehold land on which no depreciation provided	155	155
Original cost of assets stated at valuation *	363	363
Accumulated depreciation on assets stated at valuation	48	–
Assets held under finance leases are included in fixed assets at a net book value of	448	90
Depreciation on these assets during the year amounted to	<u>49</u>	<u>17</u>

* Cost has been determined as the net book value at 31 March 1985 adjusted for subsequent additions and disposals at cost

10 Stocks

	2007 £'000	2007 £'000
Raw materials and consumables	43	46
Work in progress	308	353
Finished goods and goods for resale	105	140
	<u>456</u>	<u>539</u>

11 Debtors

	2007 £'000	2007 £'000
Trade debtors	1,033	919
Prepayments and accrued income	115	83
	<u>1,148</u>	<u>1,002</u>

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

12 Creditors: amounts falling due within one year	2007
	£'000
Bank loans	23
Trade creditors	274
Payroll, social security and other taxes	113
Finance leases	118
Other creditors	12
Accruals and deferred income	155
	<u>695</u>
	<u>797</u>

Included in other creditors is £11,835 (2007 – £153,317) secured by a fixed and floating charge over the company's book debts. Finance leases are secured on the assets underlying the agreements. Bank loans are secured by a legal charge over the freehold land and buildings. Included in payroll, social security and other taxes is £9,691 in relation to pension payments due (2007 – £9,551).

13 Creditors: amounts falling due after more than one year	2007
	£'000
Bank loans	
due within 1 – 2 years	30
due within 2 – 5 years	103
due after 5 years	1,162
	<u>1,295</u>
Finance leases	
due within 1 – 2 years	90
due within 2 – 5 years	203
	<u>293</u>
Accruals and deferred income	2
	<u>1,590</u>
	<u>1,375</u>

Finance leases are secured on the assets underlying the agreements. The bank loans are secured by a legal charge over freehold land and buildings. Interest is charged at a commercial rate. The bank loans have maturity dates ranging from 2022 to 2031.

14 Deferred taxation

The full potential liability/(asset) and amount provided in the accounts relating to deferred taxation, assuming a tax rate of 21% (2007 – 19%), arises from the following timing differences between the tax computations and accounts –

Full potential liability/(asset)	2007
	£'000
Capital allowances in excess of depreciation	29
Short term timing differences	(1)
On disposal of revalued assets	–
	<u>28</u>
	<u>14</u>
Of which provided in the accounts	
Capital allowances in excess of depreciation	29
Short term timing differences	(1)
	<u>28</u>
	<u>14</u>
being	
As at 01 04 07	14
Provided in year	14
As at 30 03 08	<u>28</u>

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

15 Share capital		2007
	£'000	£'000
Authorised – 200,000 ordinary £1 shares	<u>200</u>	<u>200</u>
Issued & fully paid – 81,606 ordinary £1 shares	<u>82</u>	<u>82</u>
16 Reserves	Property revaluation reserve	Profit & loss account
	£'000	£'000
As at 01.04.07	476	1,220
Profit for the year	–	169
Realised on depreciation	(25)	25
Actuarial gain on defined benefit pension scheme	–	33
As at 30.03.08	<u>451</u>	<u>1,447</u>
Excluding the pension liability the reserves would be	<u>451</u>	<u>1,666</u>
17 Reconciliation of movement in shareholders' funds	£ 000	2007 £'000
Profit for the year	169	255
Other recognised gains and losses	33	262
Opening shareholders' funds	1,778	1,261
Closing shareholders' funds	<u>1,980</u>	<u>1,778</u>
18 Notes to the cash flow statement		2007
18.1 Net cash inflow from operating activities	£ 000	£'000
Operating profit	345	395
Depreciation	288	220
(Profit)/loss on disposal of fixed assets	(1)	–
Decrease/(increase) in stocks	83	(99)
(Increase)/decrease in debtors	(146)	14
Increase/(decrease) in creditors	(39)	47
Net cash inflow from operating activities	<u>530</u>	<u>577</u>

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

18 Notes to the cash flow statement (continued)

	£ 000	£ 000	2007 £'000	£'000
18.2 Reconciliation of net cash flow to movement in net debt				
Increase in net cash in the year	31		120	
Cash outflow (inflow) from debt and lease financing	201		(133)	
Change in net debt resulting from cash flows		232		(13)
Non-cash movements		(380)		(72)
Movement in net debt in the period		(148)		(85)
Net debt at 1 April 2007		(1,406)		(1,321)
Net debt at 30 March 2008		(1,554)		(1,406)

	2008 £'000	Cash flow £'000	Other non-cash changes £'000	2007 £'000
18.3 Analysis of changes in net debt				
Cash in hand, at bank	187	31		156
Bank overdraft	–	–		–
		31		
Debt due within one year	(35)	118		(153)
Debt due after one year	(1,295)	28		(1,323)
Finance leases	(411)	55	(380)	(86)
		201		
Total	(1,554)	232	(380)	(1,406)

Non-cash changes relate to the value of finance leases taken out in the year

	£'000	2007 £'000
19 Operating lease commitments		
Plant and machinery		
Rentals payable next year under leases which expire –		
Within one year	2	–
Within two to five years	7	4
After five years	–	–
	9	4

	£'000	2007 £'000
20 Related party transactions		
Amount included in creditors owed to Mohawk Overseas Investments Limited, a shareholder of this company	–	–
Interest charged	–	14
Amount included in creditors owed to C W Shaw, a director	–	–
Interest charged	–	3

The director's loan had no specific repayment terms and bore interest at a capped rate not exceeding 7.25%. The loan from Mohawk Overseas Investments Limited bore interest at 2.5% over LIBOR. Both loans were repaid in full during the year ended 1 April 2007.

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

21 Retirement benefits

21.1 Defined contribution pension scheme

The company operates a group personal pension plan for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The company's contributions during the year were £70,431 (2007 – £66,499), of which £5,911 (2007 – £5,794) was included in creditors at the year-end.

21.2 Defined benefit pension scheme

The company operates a funded defined benefit pension scheme. The scheme has been closed to future accrual of benefits since 6 June 2003. A full actuarial valuation of the scheme was carried out as at 6 April 2006 and updated to 30 March 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	30 March 2008	1 April 2007	2 April 2006	3 April 2005
Rate of increase in salaries	n/a	n/a	n/a	n/a
Rate of increases to pensions in payment				
– Pre 97	3.00%	3.00%	3.00%	3.00%
– Post 97	3.50%	3.00%	2.50%	2.50%
Discount rate	5.75%	5.50%	5.00%	5.50%
Inflation rate	3.50%	3.00%	2.50%	3.00%

The fair value of the scheme assets and their expected rate of return were –

	2008		2007		2006	
	Fair value £'000	Expected rate of return %	Fair value £'000	Expected rate of return %	Fair value £'000	Expected rate of return %
Short term bonds	2,138	7.6%	2,000	7.6%	1,000	7.7%
Bonds	–	–	48	5.5%	641	5.0%
Cash	3,279	4.5%	3,175	4.5%	3,366	4.5%
Total market value of assets	5,417		5,223		5,007	
Present value of scheme liabilities	(5,694)		(5,508)		(5,160)	
Deficit in the scheme	(277)		(285)		(153)	
Related deferred tax asset	58		54		29	
Net pension liability	(219)		(231)		(124)	

Analysis of the amount charged to operating profit

	30 March 2008 £'000	1 April 2007 £'000
Current service cost	–	–
Past service cost	–	–
	–	–

Analysis of the amount credited/(charged) to other finance income

	30 March 2008 £'000	1 April 2007 £'000
Expected return on pension scheme assets	273	255
Interest on pension scheme liabilities	(299)	(253)
Net return	(26)	2

MICRO – METALSMITHS LIMITED

Notes to the accounts

for the year ended 30 March 2008

21.2 Defined benefit pension scheme (continued)

Analysis of the amount recognised in statement of total recognised gains and losses

	30 March 2008 £'000	1 April 2007 £'000
Actual return less expected return on pension scheme assets	88	151
Experience gains and losses arising on the scheme liabilities as compared with assumptions e.g. price inflation, mortality, transfers out etc	(320)	(234)
Changes in assumptions underlying the present value of the scheme liabilities	266	(51)
Actuarial gain/(loss) recognised	<u>34</u>	<u>(134)</u>

Movement in deficit during the year

	30 March 2008 £'000	1 April 2007 £'000
Surplus/(deficit) in scheme at beginning of year	(285)	(153)
Movement in year		
current service cost	–	–
contributions	–	–
past service cost	–	–
credit/(charge) to other finance income	(26)	2
actuarial gain/(loss)	34	(134)
Surplus/(deficit) in scheme at end of year	<u>(277)</u>	<u>(285)</u>

History of experience gains and losses

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets					
– amount £ 000	88	151	890	70	475
– % of scheme assets	1.62%	2.89%	17.78%	1.70%	12.00%
Experience gains and losses on scheme liabilities					
– amount £'000	(320)	(234)	558	61	108
– % of present value of scheme liabilities	5.62%	4.25%	10.81%	1.14%	2.00%
Total amount recognised in statement of total recognised gains and losses					
– amount £'000	34	(134)	1,196	(318)	443
– % of present value of scheme liabilities	0.60%	–2.43%	23.18%	–5.92%	9.00%