

MICRO METALSMITHS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2001

Company registration number	786649
Registered office	Ings Lane Kirkbymoorside York North Yorkshire YO62 6DW
Directors	C W Shaw M J R Shaw B J Shaw W M Gibson S D Parkin
Secretary	W M Gibson
Bankers	Barclays Bank Plc 6 East Parade Leeds LS1 2UX
Solicitors	Pinsent Curtis Biddle 1 Park Row Leeds LS1 5AB
Auditors	Grant Thornton Registered Auditors Chartered Accountants St Johns Centre 110 Albion Street Leeds LS2 8LA



MICRO METALSMITHS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR TO 31 MARCH 2001

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MICRO METALSMITHS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2001.

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

There was a profit for the year after taxation of £301,580 (2000: £28,767). The directors do not recommend payment of a dividend and the profit has been transferred to reserves.

Directors

The current directors are named below. With the exception of S D Parkin, who was appointed with effect from 17 October 2000, they comprised the board for the whole year.

The interests of the directors in the shares of the company at 31 March 2000 or at the date of appointment if later and 31 March 2001 were:

	Ordinary shares 2001 and 2000
C W Shaw	1,660
M J R Shaw	24,471
B J Shaw	-
W M Gibson	-
S D Parkin	-

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the company's business, except as disclosed in note 23.

MICRO METALSMITHS LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for the financial period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the Board



W M Gibson
27 June 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF MICRO METALSMITHS LIMITED

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

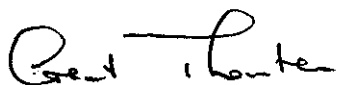
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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 of the state of the company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Leeds
27 June 2001

MICRO METALSMITHS LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention except that freehold properties are shown at their revalued amounts.

The principal accounting policies of the company have remained unchanged from the previous year, except for the adoption of the transitional provisions of FRS15, and are set out below.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated on a straight line basis to write down 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% per annum
Leasehold buildings	evenly over the lease term
Other fixed assets	10% - 33% per annum

Stocks

Stocks are stated at the lower of cost or net realisable value.

Deferred taxation

Deferred tax is provided for under the liability method where there is a reasonable probability that it will become payable in the foreseeable future.

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 retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

MICRO METALSMITHS LIMITED

PRINCIPAL ACCOUNTING POLICIES

Research and development

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

Defined benefit pension scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

Defined contribution pension scheme

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

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.

Related party undertakings

Related party undertakings are companies in which the director, Mr C W Shaw has a material interest. The results of these companies are not incorporated into these financial statements.

MICRO METALSMITHS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2001**

	Note	2001 £'000	2000 £'000
Turnover	1	7,050	5,733
Cost of sales		(4,385)	(3,534)
Gross profit		<u>2,665</u>	<u>2,199</u>
Other operating charges	2	(2,213)	(2,034)
Operating profit		<u>452</u>	<u>165</u>
Net interest payable	3	(101)	(121)
Profit on ordinary activities before taxation		<u>351</u>	<u>44</u>
Taxation	5	(49)	(16)
Profit transferred to reserves	14	<u><u>302</u></u>	<u><u>28</u></u>

There were no recognised gains or losses other than the profit for the financial period.

Figures for the year ended 31 March 2000 have been restated to reflect R&D expenditure under other operating charges, having previously been shown as cost of sales.

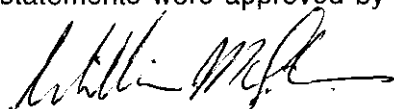
MICRO METALSMITHS LIMITED

BALANCE SHEET AS AT 31 MARCH 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible Fixed Assets	6	<u>1,548</u>	<u>1,772</u>
Current Assets			
Stocks	7	635	681
Debtors	8	1,404	1,323
Cash at bank and in hand		<u>10</u>	<u>1</u>
		2,049	2,005
Creditors: amounts falling due within one year	9	<u>(1,511)</u>	<u>(1,905)</u>
Net current assets		538	100
Total assets less current liabilities		<u>2,086</u>	<u>1,872</u>
Creditors: amounts falling due after more than one year	10	(561)	(613)
Provisions for liabilities and charges	12	(30)	(66)
		<u>1,495</u>	<u>1,193</u>
Capital and reserves			
Called up share capital	13	82	82
Property revaluation reserve	14	212	212
Profit and loss account	14	1,201	899
Shareholders funds	15	<u>1,495</u>	<u>1,193</u>

The financial statements were approved by the Board of Directors on 27 June 2001

W M Gibson



Directors

S D Parkin



MICRO METALSMITHS LIMITED
CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2001

	Note	2001 £'000	2000 £'000
Net cash inflow from operating activities	16	<u>744</u>	<u>406</u>
Returns on investments and servicing of finance			
Interest received		1	1
Interest paid		(89)	(99)
Interest element of finance lease rentals		<u>(13)</u>	<u>(23)</u>
Net cash outflow from returns on investments and servicing of finance		(101)	(121)
Taxation		(32)	(11)
Capital expenditure			
Purchase of tangible fixed assets		(204)	(254)
Financing			
Capital element of finance lease rentals		(125)	(122)
Repayment of borrowings		<u>(273)</u>	<u>39</u>
Net cash outflow from financing	18	<u>(398)</u>	<u>(83)</u>
Increase in cash and cash equivalents	18	<u>9</u>	<u>(63)</u>

MICRO METALSMITHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Turnover by geographical segment:

	2001 £'000	2000 £'000
United Kingdom	4,964	3,888
Other European Union	1,211	550
USA	500	952
Rest of the World	375	343
	<u>7,050</u>	<u>5,733</u>

The profit on ordinary activities is stated after:

	2001 £'000	2000 £'000
Auditors' remuneration	9	9
Depreciation:		
Owned assets	362	402
Leased assets	84	103
Other operating leases including rent of land and buildings	68	68
Exchange losses	<u>6</u>	<u>65</u>

2 OTHER OPERATING CHARGES

	2001 £'000	2000 £'000
Research and development	143	75
Selling and distribution costs	749	706
Administration expenses	<u>1,321</u>	<u>1,253</u>
	<u>2,213</u>	<u>2,034</u>

3 NET INTEREST

	2001 £'000	2000 £'000
Interest receivable	(1)	(1)
Interest payable on bank loans and overdrafts	89	99
Finance lease charges	<u>13</u>	<u>23</u>
	<u>101</u>	<u>121</u>

MICRO METALSMITHS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 DIRECTORS AND EMPLOYEES

Employment costs during the period were:

	2001 £'000	2000 £'000
Wages and salaries	2,980	2,519
Social security costs	223	186
Other pension costs	159	147
	<u>3,362</u>	<u>2,852</u>

The average number of employees during the period was 214 (2000: 189).

Remuneration in respect of directors was:

	2001 £'000	2000 £'000
Emoluments	157	124
Pension contribution	14	-
	<u>171</u>	<u>124</u>

During the period 3 (2000: 2) directors participated in a defined benefit pension scheme.

The amounts set out above include £12,885 (2000: £63,300) paid to third parties for the services of directors.

5 TAXATION

	2001 £'000	2000 £'000
UK corporation tax on profit on ordinary activities	85	32
Deferred tax	(36)	(22)
Tax on loans to participators	-	6
	<u>49</u>	<u>16</u>

MICRO METALSMITHS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 TANGIBLE FIXED ASSETS

	Land and buildings		Vehicles and office equipment	Plant machinery and tooling	Total
	Freehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2000	551	74	1,011	5,407	7,043
Additions	-	-	63	220	283
Disposals	-	-	(7)	(214)	(221)
At 31 March 2001	<u>551</u>	<u>74</u>	<u>1,067</u>	<u>5,413</u>	<u>7,105</u>
Accumulated depreciation					
At 1 April 2000	83	31	841	4,316	5,271
Charge for the period	9	3	77	357	446
Disposals	-	-	(7)	(153)	(160)
At 31 March 2001	<u>92</u>	<u>34</u>	<u>911</u>	<u>4,520</u>	<u>5,557</u>
Net book amount at 31 March 2001	<u>459</u>	<u>40</u>	<u>156</u>	<u>893</u>	<u>1,548</u>
Net book amount at 1 April 2000	<u>468</u>	<u>43</u>	<u>170</u>	<u>1,091</u>	<u>1,772</u>

Freehold property includes £132,500 value of land on which no depreciation is provided.

Transitional provisions are being followed on implementation of FRS15 for the first time. The previous revaluation of freehold property has not been updated and the cost or valuation of freehold land and buildings includes the following amounts:

	2001 £'000	2000 £'000
At 1989 open market valuation	419	419
Post 1989 additions at cost	<u>132</u>	<u>132</u>
	<u>551</u>	<u>551</u>

The valuation was undertaken by professional valuers C E Rawling & Co. The directors are of the opinion that there is currently no need to update the valuation as they are not aware of any material change in value.

MICRO METALSMITHS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS (CONTINUED)

If freehold property had not been revalued it would have been included on a historic cost basis at 31 March 2001 and 1 April 2000 of £459,614. The directors do not consider the historical cost profit to be materially different from the reported profit.

No provision is made for deferred taxation arising on the freehold property revaluation in 1989 as in the opinion of the directors, they are unlikely to dispose of the property in the foreseeable future.

Assets capitalised held under finance leases included mainly in plant and machinery:

	2001 £'000	2000 £'000
Cost	610	661
Accumulated depreciation	<u>325</u>	<u>329</u>
Net book amount	<u>285</u>	<u>332</u>

7 STOCKS

	2001 £'000	2000 £'000
Raw materials	45	49
Work in progress	461	403
Finished goods	<u>129</u>	<u>229</u>
	<u>635</u>	<u>681</u>

8 DEBTORS

	2001 £'000	2000 £'000
Trade debtors	1,373	1,305
Prepayments and accrued income	<u>31</u>	<u>18</u>
	<u>1,404</u>	<u>1,323</u>

MICRO METALSMITHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Bank loan	44	88
Other loans	579	764
Trade creditors	393	486
Corporation tax	84	32
Payroll, social security and other taxes	177	169
Amounts owed to related party undertakings	-	41
Accruals and deferred income	158	211
Amounts due under finance leases	76	114
	<u>1,511</u>	<u>1,905</u>

The bank loan is secured by a fixed and floating charge over all the assets of the company.

Other loans include £579,396 secured by a fixed and floating charge over the company's book debts.

Finance leases are secured on the underlying assets.

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £'000	2000 £'000
Bank loan	-	44
Director's loan	214	214
Amounts owed to related party undertakings	250	250
Amounts due under finance leases	97	105
	<u>561</u>	<u>613</u>

Finance leases are secured on the underlying assets.

MICRO METALSMITHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

11 BORROWINGS

Borrowings are repayable as follows:

	2001 £'000	2000 £'000
Within one year:		
Bank and other borrowings	623	852
Finance leases	76	114
Between one and two years:		
Bank and other borrowings	-	44
Finance leases	53	65
Between two and five years:		
Bank and other borrowings	464	250
Finance leases	44	40
After five years		
Bank and other borrowings	-	214
	<u>1,260</u>	<u>1,579</u>

The bank loan is repayable in monthly instalments of £7,291 during the next year and incurs interest at a rate 2.25% above the bank base rate.

The terms of repayment for loans repayable otherwise than on demand are:

£250,000 interest only loan, with interest charged at 2% above LIBOR.
Capital repayment must be made in full by May 2004.

£214,233 interest only loan, with interest charged at a capped rate not to exceed 7.25%. Capital repayment must be made in full by June 2005.

MICRO METALSMITHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****12 PROVISIONS FOR LIABILITIES AND CHARGES**

	2001 £'000	2000 £'000
Deferred taxation at 1 April 2000	66	88
Released during the period	<u>(36)</u>	<u>(22)</u>
Deferred taxation at 31 March 2001	<u>30</u>	<u>66</u>

Deferred taxation provided in the financial statements is as follows:

	2001 £'000	2000 £'000
Accelerated capital allowances	30	66
Other timing differences	<u>-</u>	<u>-</u>
	<u>30</u>	<u>66</u>

Full provision has been made for the potential deferred tax liability with the exception of the deferred taxation attributable to the freehold property revaluation as disclosed by note 6.

13 SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised: 200,000 ordinary shares of £1 each	<u>200</u>	<u>200</u>
Allotted and fully paid: 81,606 ordinary shares of £1 each	<u>82</u>	<u>82</u>

14 RESERVES

	Property revaluation reserve £'000	Profit and loss account £'000
At 1 April 2000	212	899
Profit for the period	<u>-</u>	<u>302</u>
At 31 March 2001	<u>212</u>	<u>1201</u>

MICRO METALSMITHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	2001 £'000	2000 £'000
Profit for the period	302	28
Shareholders funds at 1 April 2000	<u>1,193</u>	<u>1,165</u>
Shareholders funds at 31 March 2001	<u>1,495</u>	<u>1,193</u>

16 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £'000	2000 £'000
Operating profit	452	165
Depreciation	446	505
Loss on disposal of fixed assets	61	-
Decrease/(increase) in stocks	46	(205)
(Increase)/decrease in debtors	(81)	187
Decrease in creditors	<u>(180)</u>	<u>(246)</u>
Net cash inflow from operating activities	<u>744</u>	<u>406</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £'000	2000 £'000
Increase in cash in the period	9	(63)
Cash inflow from debt and lease financing	<u>398</u>	<u>83</u>
Change in debt resulting from cash flows	407	20
New finance leases	<u>(79)</u>	<u>-</u>
Movement in net debt in period	328	20
Net debt at 1 April 2000	<u>(1,578)</u>	<u>(1,598)</u>
Net debt at 31 March 2001	<u>(1,250)</u>	<u>(1,578)</u>

MICRO METALSMITHS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 ANALYSIS OF NET DEBT

	At 1 April 2000 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2001 £'000
Cash at bank and in hand	<u>1</u>	<u>9</u>	<u>-</u>	<u>10</u>
Debt due within one year	(852)	229	-	(623)
Debt due after one year	(508)	44	-	(464)
Finance leases	<u>(219)</u>	<u>125</u>	<u>(79)</u>	<u>(173)</u>
	<u>(1,579)</u>	<u>398</u>	<u>(79)</u>	<u>(1,260)</u>
Movement in net debt in period	<u>(1,578)</u>	<u>407</u>	<u>(79)</u>	<u>(1,250)</u>

19 CAPITAL COMMITMENTS

Capital commitments at 31 March 2001 amounted to £58,826 (2000: Nil).

20 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2001 or 31 March 2000.

21 LEASING COMMITMENTS

Leasing commitments of £67,520 (2000: £67,520) are due in the following year and expire as follows:

	2001 £'000	2000 £'000
Land and buildings - over five years	60	60
Others - in two to five years	<u>8</u>	<u>8</u>

22 PENSIONS

Defined Benefit Scheme

The company operates a defined benefit pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The scheme was closed to new entrants with effect from 6 April 1999, at which date the company introduced a Group Personal Pension Plan to provide pension arrangements for new employees.

Pension costs are assessed in accordance with the advice of a qualified actuary using the attained age method. This method of valuation replaced the previously used projected unit method, which was no longer considered appropriate for a closed scheme. The assumptions which have the most significant effect on the results of the valuation are salary increases of 4% per annum and an investment return of 5.5% per annum.

The most recent valuation was at 5 April 2000.

The market value of the scheme assets as at 5 April 2000 was £4,599,892. The actuarial value of the assets was sufficient to cover 100% of the scheme's liabilities on the Minimum Funding Requirement basis as required by the Pensions Act 1995.

The contribution rates of the company and employees for 2001 and 2000 were 11.4% and 5.5% of earnings respectively. The company paid contributions of £149,455 (2000: £141,914) during the year.

Defined Contribution Scheme

The company operates a defined contribution scheme for the benefit of certain employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The company paid contributions of £9,627 (2000: £5,252) during the year.

MICRO METALSMITHS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTY TRANSACTIONS

During the year £nil (2000: £63,300) was charged by Humbershield Limited, a related party, to the company in respect of services. Mr C W Shaw and Mrs M J R Shaw are directors of this company.

At 31 March 2001 the company owed Humbershield Limited £nil (2000: £40,643).

At 31 March 2001 the company owed £250,000 (2000: £250,000) to its controlling related party, Mohawk Overseas Investments Limited, in respect of a loan, details of which are disclosed in note 11. Interest of £20,076 (2000: £19,699) has been charged during the period in respect of this loan.

At 31 March 2001 the company owed £214,233 (2000: £214,233) in respect of a loan from a director, details of which are disclosed in note 11. Interest of £16,153 (2000: £16,176) has been charged during the period in respect of this loan.

24 CONTROLLING RELATED PARTY

The controlling related party is Mohawk Overseas Investments Limited, incorporated in Jersey, by virtue of its shareholding.