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4453775

Metallisation Service Limited

Report and Financial Statements

Year Ended

31 December 2007



BDO Stoy Hayward
Chartered Accountants

Metallisation Service Limited

Annual report and financial statements for the year ended 31 December 2007

Contents

Page:

1	Report of the directors
4	Independent auditor's report
6	Consolidated profit and loss account
7	Consolidated statement of total recognised gains and losses and note of historical cost profit and losses
8	Consolidated balance sheet
9	Company balance sheet
10	Consolidated cash flow statement
11	Notes forming part of the financial statements

Directors

TP Lester
RVC Hill
SA Barker

Secretary and registered office

RVC Hill, Pear Tree Lane, Dudley, West Midlands, DY2 0XH

Company number

4953775

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

Bankers

Lloyds TSB Bank plc, 25 Wolverhampton Street, Dudley, West Midlands, DY1 1DJ

Solicitors

George Green & Co, 195 High Street, Cradley Heath, Warley, West Midlands, B64 5HW

Metallisation Service Limited

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

The directors do not recommend the payment of a dividend for the year (2006 - £Nil)

Principal activities, review of business and future developments

The company's principal activity continues to be that of a holding company. Its only trading subsidiary, Metallisation Limited, continued its principal trading activity of manufacturing thermal spray equipment and the distribution of thermal spray consumables.

Despite continuing volatility in the cost of base metals, in particular zinc, and significant changes in the value of Sterling relative to the Euro and US Dollar, the group achieved a gross profit of 16.5% (2006 - 16.4%) on turnover of £9,029,477 which was little changed from the previous year (£9,011,643).

Shareholders' funds at 31 December 2007 stood at £952,694 compared to £605,558 at the previous year end. The increase comprised of retained profits for the year of £167,260 and an unrealised surplus of £179,876 arising on the revaluation of a freehold property. During the year the company negotiated terms for the full and final settlement of all outstanding loan notes resulting in the release of a fixed charge on the freehold property and also the release of an unlimited guarantee provided by the single trading subsidiary company.

The structure of the group was simplified in 2007 by the placing into liquidation of Metallisation Industries Limited and its two dormant subsidiary companies. Immediately prior to its liquidation, the only tangible assets of Metallisation Industries Limited, being a freehold property and its equity investment in Metallisation Limited, were transferred to the parent company. The group structure now comprises the parent company, Metallisation Service Limited and a single trading subsidiary company, Metallisation Limited. The freehold property owned by Metallisation Service Limited is occupied by Metallisation Limited for which it pays a rental to Metallisation Service Limited.

Principal risks and uncertainties

The principal risks facing the company continue to be that the significant increases and volatility in the price of base metals over the last 18 months, and recent step shifts in the value of Sterling relative to both the Euro and US Dollar, will change the nature of the markets served. The directors continue to believe that the key to continued success is diversity and therefore the company continues to invest in the development of a broad range of technologically advanced products capable of serving a wide range of industrial applications across the UK and many export territories.

The directors also believe that the simplified group structure and strengthened balance sheet leave the company well placed to continue with its development plans should there be any downturn in global economic activity during the forthcoming year.

Metallisation Service Limited

Report of the directors for the year ended 31 December 2007 (Continued)

Financial instruments

The company holds a long term bank loan which has been secured by a fixed charge against the value of its freehold property

The company's only trading subsidiary holds financial instruments to finance its operations and as a tool to manage currency exposure risks arising from its operations

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations. The company performs credit checks for all significant customers and carries insurance policies to minimise bad debt risk

Operations and working capital requirements are funded principally out of short term banking facilities and retained profits.

Directors

The directors of the company during the year were

TP Lester
RVC Hill
SA Barker

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year. In preparing those 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Metallisation Service Limited

Report of the directors for the year ended 31 December 2007 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

RVC Hill



Director and Secretary

29 May 2008

Metallisation Service Limited

Independent auditor's report

To the shareholders of Metallisation Service Limited

We have audited the group and parent company financial statements (the "financial statements") of Metallisation Service Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,
- 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

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Birmingham

29 May 2008

Metallisation Service Limited**Consolidated profit and loss account for the year ended 31 December 2007**

	Note	2007 £	2006 £
Turnover	2	9,029,477	9,011,643
Cost of sales		7,542,514	7,529,666
Gross profit		1,486,963	1,481,977
Administrative expenses		1,259,937	1,137,469
Group operating profit	3	227,026	344,508
Net profit on reorganisation of business	4	-	51,655
Profit on ordinary activities before interest and other income		227,026	396,163
Interest receivable and similar income		40,801	1,097
Interest payable and similar charges	7	(80,707)	(84,104)
Profit on ordinary activities before taxation		187,120	313,156
Taxation on profit on ordinary activities	8	19,860	92,329
Profit on ordinary activities after taxation		167,260	220,827
All amounts relate to continuing activities			

The notes on pages 11 to 26 form part of these financial statements.

Metallisation Service Limited

Consolidated statement of total recognised gains and losses and consolidated note of historical cost profits and losses for the year ended 31 December 2007

	2007	2006
	£	£
Consolidated statement of total recognised gains and losses		
Profit for the financial year	167,260	220,827
Unrealised surplus on revaluation of properties	179,876	-
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	347,136	220,827
	<hr/>	<hr/>
	2007	2006
	£	£
Consolidated note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	187,120	313,156
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	187,120	313,156
	<hr/>	<hr/>
Historical cost profit for the year after taxation and minority interest	167,260	220,827
	<hr/>	<hr/>

The notes on pages 11 to 26 form part of these financial statements

Metallisation Service Limited

Consolidated balance sheet at 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	10		928,384		753,069
Current assets					
Stocks	12	878,181		816,298	
Debtors	13	1,489,956		1,942,773	
Cash at bank and in hand		44,875		32,208	
		<u>2,413,012</u>		<u>2,791,279</u>	
Creditors: amounts falling due within one year	14	<u>1,890,613</u>		<u>2,181,006</u>	
Net current assets			<u>522,399</u>		<u>610,273</u>
Total assets less current liabilities			<u>1,450,783</u>		<u>1,363,342</u>
Creditors: amounts falling due after more than one year	15	498,089		703,284	
Provisions for liabilities		-		54,500	
			<u>498,089</u>		<u>757,784</u>
			<u>952,694</u>		<u>605,558</u>
Capital and reserves					
Called up share capital	16		196,128		196,128
Revaluation reserve	17		179,876		-
Profit and loss account	17		576,690		409,430
Shareholders' funds	18		<u>952,694</u>		<u>605,558</u>

The financial statements were approved by the board of directors and authorised for issue on 29 May 2008

RVC Hill
Director



The notes on pages 11 to 26 form part of these financial statements

Metallisation Service Limited

Company balance sheet at 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	10		800,000		-
Fixed asset investments	11		639,709		511,775
			<u>1,439,709</u>		<u>511,775</u>
Current assets					
Debtors	13	253,700		348,545	
		<u>253,700</u>		<u>348,545</u>	
Creditors: amounts falling due within one year	14	81,441		-	
		<u>81,441</u>		<u>-</u>	
Net current assets			<u>172,259</u>		<u>348,545</u>
Total assets less current liabilities			<u>1,611,968</u>		<u>860,320</u>
Creditors: amounts falling due after more than one year	15		498,089		353,192
			<u>498,089</u>		<u>353,192</u>
			<u>1,113,879</u>		<u>507,128</u>
Capital and reserves					
Called up share capital	16		196,128		196,128
Revaluation reserve	17		179,876		-
Profit and loss account	17		737,875		311,000
			<u>1,113,879</u>		<u>507,128</u>
Shareholders' funds	18		<u>1,113,879</u>		<u>507,128</u>

The financial statements were approved by the board of directors and authorised for issue on 29 May 2008

RVC Hill
Director



The notes on pages 11 to 26 form part of these financial statements

Metallisation Service Limited

Consolidated cash flow statement for the year ended 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash inflow from operating activities	22		145,035		298,429
Returns on investments and servicing of finance					
Interest received		40,801		1,097	
Interest paid		(133,899)		(64,287)	
Net cash outflow from returns on investments and servicing of finance			(93,098)		(63,190)
Taxation					
Corporation tax repaid			(88,659)		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(52,004)		(71,916)	
Receipts from sale of tangible fixed assets		2,866		-	
Net receipts from reorganisation of business		-		51,655	
Net cash outflow from capital expenditure and financial investment			(49,138)		(20,261)
Cash (outflow)/inflow before financing			(85,860)		214,978
Financing					
Bank loans repaid			(118,846)		(32,661)
(Decrease)/increase in cash	23		(204,706)		182,317

The notes on pages 11 to 26 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of Metallisation Service Limited and all of its subsidiary undertakings as at 31 December 2007 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates

Freehold property	- over 50 years
Plant and machinery	- over 4 to 10 years
Motor vehicles	- over 4 years
Fixtures & fittings	- over 3 to 10 years

Valuation of investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value on an item by item basis. Cost is arrived at by reference to the direct costs incurred in bringing stocks to their present location and condition at the end of the year. Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Financial Instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 25 to the financial statements

1 Accounting policies (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Pension costs

The cost of providing pensions in respect of defined contribution schemes is charged to the profit and loss account when contributions become payable

All amounts due to the group's defined benefit scheme are fully provided for in the financial statements

Guarantees and warranties

Provision is made for the expected cost of maintenance under guarantees and warranties and other work in respect of products delivered and invoiced

Leasing commitments

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term

Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting

2 Turnover

Turnover is wholly attributable to the principal activity of the group.

The analysis of turnover by geographical market required by paragraph 55 of Schedule 4 of the Companies Act 1985 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the group

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

3 Operating profit

	2007 £	2006 £
This is arrived at after charging		
Depreciation of tangible fixed assets	53,699	51,431
Hire of plant and machinery - operating leases	42,845	22,646
Hire of other assets - operating leases	96,992	108,009
Auditors' remuneration		
Group - audit services	14,950	13,700
Group - non-audit services	4,000	3,750
	<u> </u>	<u> </u>

Included in the group audit fee is an amount of £1,250 (2006 - £1,200) in respect of the company.

4 Net profit on reorganisation of business

	Group 2007 £	Group 2006 £
Profit on disposal of tangible fixed assets	-	52,970
Redundancy costs	-	(1,315)
	<u> </u>	<u> </u>
	-	51,655
	<u> </u>	<u> </u>

5 Employees

Staff costs (including directors) consist of

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Wages and salaries	920,896	906,604	-	-
Social security costs	103,717	101,261	-	-
Other pension costs	352,502	177,461	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,377,115	1,185,326	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5 Employees (continued)

The average number of employees (including directors) during the year was as follows

	Group 2007 Number	Group 2006 Number	Company 2007 Number	Company 2006 Number
Production	9	8	-	-
Sales and administration	20	22	-	-
	<u>29</u>	<u>30</u>	<u>-</u>	<u>-</u>

6 Directors' remuneration

	2007 £	2006 £
Directors' emoluments	263,971	236,360
Company contributions to money purchase pension schemes	340,967	175,661
	<u>604,938</u>	<u>412,021</u>

There were 3 directors in defined contribution pension schemes to which the group makes contributions during the year (2006 - 3)

The total amount payable to the highest paid director in respect of emoluments was £103,834 (2006 - £86,382). Company pension contributions of £161,600 (2006 - £82,200) were made to a money purchase scheme on his behalf.

7 Interest payable and similar charges

	2007 £	2006 £
Bank loan and overdraft	78,832	64,287
Loan note	1,875	19,817
	<u>80,707</u>	<u>84,104</u>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

8 Taxation on profit on ordinary activities

	2007 £	2006 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	38,750	88,500
Adjustment in respect of previous periods	(390)	-
	<hr/>	<hr/>
Total current tax	38,360	88,500
<i>Deferred tax</i>		
Origination and reversal of timing differences	(18,500)	3,829
	<hr/>	<hr/>
Taxation on profit on ordinary activities	19,860	92,329
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	187,120	313,156
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2006 - 30%)	37,424	93,947
Effect of		
Expenses not deductible for tax purposes	11,930	5,385
Depreciation for period in excess of capital allowances	1,759	4,725
Over provision of current tax	20	-
Short term timing differences	2,064	(2,410)
Utilisation of small companies tax rates	-	(5,197)
Group relief	(3,949)	-
Marginal relief	(9,281)	-
Adjustment to tax charge in respect of previous periods	(390)	-
Utilisation of tax losses	(14,091)	(7,950)
Change in rate of tax	12,874	-
	<hr/>	<hr/>
Current tax charge for period	38,360	88,500
	<hr/>	<hr/>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £426,875 (2006 - £23,664 loss) which is dealt with in the financial statements of the parent company.

10 Tangible fixed assets

Group

	Freehold land and buildings £	Plant, machinery and vehicles £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>				
At 1 January 2007	779,230	365,438	146,595	1,291,263
Additions	-	43,035	8,969	52,004
Disposals	-	(22,348)	(710)	(23,058)
Revaluations	20,770	-	-	20,770
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	800,000	386,125	154,854	1,340,979
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2007	148,493	313,203	76,498	538,194
Provided for the year	10,613	23,880	19,206	53,699
Disposals	-	(20,121)	(71)	(20,192)
Revaluations	(159,106)	-	-	(159,106)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	316,962	95,633	412,595
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2007	800,000	69,163	59,221	928,384
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	630,737	52,235	70,097	753,069
	<hr/>	<hr/>	<hr/>	<hr/>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

10 Tangible fixed assets (continued)

Company

	Freehold land and buildings £
<i>Cost or valuation</i>	
Transfers	779,230
Revaluations	20,770
	<hr/>
At 31 December 2007	800,000
	<hr/>
<i>Depreciation</i>	
Transfers	159,106
Revaluations	(159,106)
	<hr/>
At 31 December 2007	-
	<hr/>
<i>Net book value</i>	
At 31 December 2007	800,000
	<hr/>
At 31 December 2006	-
	<hr/>

The group's Freehold land and buildings were subject to a revaluation on 10 December 2007 by SELLERS Chartered Surveyors at open market value. The amount of the valuation of £800,000 has given rise to a surplus of £179,876 which has been credited to the revaluation reserve.

The historical cost of freehold land and buildings is

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Cost	779,230	779,230	779,230	-
Accumulated depreciation based on historical cost	159,106	148,493	150,106	-
	<hr/>	<hr/>	<hr/>	<hr/>
Historical cost net book value	620,124	630,737	629,124	-
	<hr/>	<hr/>	<hr/>	<hr/>

Included in freehold land and buildings is land amounting to £450,000 (2006 - £301,000) which is not subject to depreciation.

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

11 Fixed asset investments

Company	Investments in group undertakings £
<i>Cost</i>	
At 1 January 2007	511,775
Additions	639,709
Disposals	(511,775)
	<hr/>
At 31 December 2007	639,709
	<hr/>

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>		
Metallisation Industries Limited	100%	Intermediary holding company
Metallisation Limited		Production and distribution of metal spraying equipment and the distribution of thermal spray consumables
Finch Green Limited	100%	Non-trading
Charles Clifford Limited	100%	Non-trading

Metallisation Industries Limited was a subsidiary undertaking of the company and each of the other companies were subsidiary undertakings of Metallisation Industries Limited. On 20 December 2007, the group was restructured, which resulted in the liquidation of Metallisation Industries Limited, Finch Green Limited and Charles Clifford Limited and the entire investment in Metallisation Limited being transferred to the company.

In the opinion of the directors, the aggregate value of the company's investment in Metallisation Limited is not less than the amount included in the balance sheet.

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

12 Stocks

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Work in progress	75,333	79,322	-	-
Finished goods and goods for resale	802,848	736,976	-	-
	<u>878,181</u>	<u>816,298</u>	<u>-</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

13 Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Amounts receivable within one year				
Trade debtors	1,374,431	1,853,851	-	-
Amounts owed by group undertakings	-	-	229,700	348,545
Other debtors	5,149	-	-	-
Prepayments and accrued income	67,876	64,922	-	-
	<u>1,447,456</u>	<u>1,918,773</u>	<u>229,700</u>	<u>348,545</u>
Amounts receivable after more than one year				
Deferred taxation	42,500	24,000	24,000	-
	<u>1,489,956</u>	<u>1,942,773</u>	<u>253,700</u>	<u>348,545</u>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

13 Debtors (*continued*)

			Group Deferred taxation £	Company Deferred taxation £
At 1 January 2007			24,000	-
Credited/(charged) to profit and loss account			18,500	(500)
Transfer on group reconstruction			-	24,500
			<hr/>	<hr/>
At 31 December 2007			42,500	24,000
			<hr/>	<hr/>
<i>Deferred taxation</i>				
	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Accelerated capital allowances	(6,500)	(7,600)	(500)	-
Sundry timing differences	24,500	5,100	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	18,000	(2,500)	(500)	-
Unutilised tax losses	24,500	26,500	24,500	-
	<hr/>	<hr/>	<hr/>	<hr/>
	42,500	24,000	24,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loan and overdraft (secured)	598,091	347,561	74,741	-
Trade creditors	1,025,352	1,528,167	-	-
Corporation tax	38,201	88,500	6,700	-
Other taxation and social security	53,799	98,065	-	-
Accruals and deferred income	175,170	118,713	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,890,613	2,181,006	81,441	-
	<hr/>	<hr/>	<hr/>	<hr/>

Details of secured creditors are shown in note 15 to the financial statements

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

15 Creditors: amounts falling due after more than one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Bank loan (secured)	498,089	350,092	498,089	-
Loan note (secured)	-	300,000	-	300,000
Accruals and deferred income	-	53,192	-	53,192
	<u>498,089</u>	<u>703,284</u>	<u>498,089</u>	<u>353,192</u>

Maturity of debt

	Group Loan Note and Bank Borrowings 2007 £	Group Loan Note and Bank Borrowings 2006 £	Company Loan Note and Bank Borrowings 2007 £	Company Loan Note and Bank Borrowings 2006 £
In one year or less, or on demand	<u>598,091</u>	<u>347,561</u>	<u>74,741</u>	<u>-</u>
In more than one year but not more than two years	80,263	44,657	80,263	-
In more than two years but not more than five years	278,158	274,763	278,158	120,000
In more than five years	<u>139,668</u>	<u>330,672</u>	<u>139,668</u>	<u>180,000</u>
	<u>498,089</u>	<u>650,092</u>	<u>498,089</u>	<u>300,000</u>

A subsidiary undertaking has a bank overdraft facility under which advances can be received in respect of unsettled sales invoices. The amount outstanding is secured by a fixed charge over that subsidiary undertaking's trade debtors.

The bank loan bears interest at 1.9% per annum over base rate and is repayable by instalments. The bank loan is secured by a fixed charge over the group's freehold land and buildings.

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 *(Continued)*

16 Share capital

	2007 £	Authorised 2006 £	Allotted, called up and fully paid 2007 £	2006 £
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>196,128</u>	<u>196,128</u>

17 Reserves

Group

	Revaluation reserve £	Profit and loss account £
At 1 January 2007	-	409,430
Revaluation surplus	179,876	-
Profit for the year	-	167,260
	<u>179,876</u>	<u>576,690</u>
At 31 December 2007	<u>179,876</u>	<u>576,690</u>

Company

	Revaluation reserve £	Profit and loss account £
At 1 January 2007	-	311,000
Revaluation surplus	179,876	-
Profit for the year	-	426,875
	<u>179,876</u>	<u>737,875</u>
At 31 December 2007	<u>179,876</u>	<u>737,875</u>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

18 Reconciliation of movements in shareholders' funds

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Profit for the year	167,260	220,827	426,875	(23,664)
Other net recognised gains and losses relating to the year				
- Unrealised surplus on revaluation of properties	179,876	-	179,876	-
Net additions to/(deductions from) shareholders' funds	347,136	220,827	606,751	(23,664)
Opening shareholders' funds	605,558	384,731	507,128	530,792
Closing shareholders' funds	952,694	605,558	1,113,879	507,128

19 Pensions

Defined contribution schemes

The group makes contributions to defined contributions pension schemes, the assets of which are held separately from those of the group in independently administered funds. The pension charge represents contributions payable by the group to the funds and amounted to £352,502 (2006 - £177,461). At 31 December 2007, contributions amounting to £3,579 (2006 - £3,781) were payable to the funds and are included in creditors.

20 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	2007	2006
	Vehicles and equipment £	Vehicles and equipment £
Operating leases which expire		
Within one year	19,835	10,864
In two to five years	39,149	44,816
After five years	4,182	6,776
	<u>63,166</u>	<u>62,456</u>

The company had no annual commitments under non-cancellable operating leases

21 Related party disclosures*Controlling parties*

The company is controlled by its directors

Loans and transactions concerning directors and officers of the company

During the year the company repaid loans previously advanced by the directors of the company. The following amounts were due to the directors at the year end, T Lester £Nil (2006 - £19,667), R Hill £Nil (2006 - £9,833) and S Barker £Nil (2006 - £9,833). These amounts were also the maximum outstanding in the year.

22 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit	227,026	344,508
Depreciation of tangible fixed assets	53,699	51,431
Increase in stocks	(61,883)	(241,015)
Decrease/(increase) in debtors	787,317	(785,493)
(Decrease)/increase in creditors	(861,124)	886,498
(Decrease)/increase in provisions	-	42,500
Net cash inflow from operating activities	<u>145,035</u>	<u>298,429</u>

Metallisation Service Limited

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

23 Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
(Decrease)/increase in cash	(204,706)	182,317
Cash outflow from changes in debt	118,846	32,661
	<u> </u>	<u> </u>
Movement in net debt	(85,860)	214,978
Opening net debt	(965,445)	(1,180,423)
	<u> </u>	<u> </u>
Closing net debt	<u>(1,051,305)</u>	<u>(965,445)</u>

24 Analysis of net debt

	At 1 January 2007 £	Cash flow £	Other non- cash items £	At 31 December 2007 £
Cash at bank and in hand	32,208	12,667	-	44,875
Bank overdrafts	(305,977)	(217,373)	-	(523,350)
		<u> </u>		
		(204,706)		
Debt due within one year	(41,584)	118,846	(152,003)	(74,741)
Debt due after one year	(650,092)	-	152,003	(498,089)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	(965,445)	(85,860)	-	(1,051,305)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

25 Financial instruments

The company holds a long term bank loan which has been secured by a fixed charge against the value of its freehold property

The company's only trading subsidiary holds financial instruments to finance its operations and as a tool to manage currency exposure risks arising from its operations

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations. The company performs credit checks for all significant customers and carries insurance policies to minimise bad debt risk

Operations and working capital requirements are funded principally out of short term banking facilities and retained profits