Mettis Aerospace Limited

Annual report and financial statements

for the year ended 31 March 2011

Registered number 3292360

Mettis Aerospace Limited

Annual report and financial statements for the year ended 31 March 2011

Mettis Aerospace Limited

Directors' report
for the year ended 31 March 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2011

Directors

The directors who served during the year and up to the date of signing the financial statements were

K J Bishop
N Blakeney (resigned 4 January 2011)
L Jenkins
A J MacPherson
M A Pollard
N E White

The company has arranged appropriate insurance cover for any legal action taken against its directors and officers

Principal activities

The company based in Redditch, Worcestershire, UK is a leading supplier of high performance components to the Aerospace, Defence and Energy markets The company specialises in the production of complex forged and machined components for the major Engine and Airframe manufacturers This manufacturing expertise is supported by a full range of processes including surface treatment baths and heat treatment ovens The company also has an in-house metallurgical laboratory and produces its own tools and dies

The company supplies engine and airframe components on virtually all current military and civil programmes including the B787, A320, A350 XWB, B747-8, the Rolls Royce Trent family of engines, the GE-nx and the GE-90

Manufacturing capability and know-how resides in its UK facility but the company has recently entered into a 10 year relationship with a Chinese company to produce low cost forgings

Business review of 2010-11

2010-11 was a year of transition and change following the downturn in Airline activity due to the oil crisis Changing aftermarket requirements and a dramatic rise in raw material prices resulted in a reduction in EBITDA from £6 1m to £4 7m in the year

The board reacted to these changes promptly by launching an overhaul of key strategic projects and focusing upon customer service through improved quality and delivery

Strong operating cash flow at £6 0m during the year to 31 March 2011 confirmed the resilience of the business

The aerospace market improved within the fiscal year, with the order book increasing by 11% to £67m

Since the year end, the Board of Mettis Group Limited has been strengthened with the appointment of Brian Doran as Deputy Chairman Brian has many years experience in the Aerospace manufacturing sector and has held Board level appointments in several public and private businesses

We have further strengthened the business in the areas of Procurement, Operations, Quality and Sales by the appointment of several new and experienced staff

A drive to improve communications throughout the business has emphasised the importance of delivering our products to our wide customer base on time and to the quality standards they demand Standardisation of operating procedures has shown a significant improvement in our 'Right First Time' performance with the resultant improvement in customer deliveries

Mettis Aerospace Limited

Directors' report
for the year ended 31 March 2011 (continued)

The Future

The outlook for civil aerospace original equipment remains high with the aftermarket demand increasing The order book has further risen from year-end with additional growth of 12% to £75m Long-term agreements have been secured, resulting in a total order pipeline for the company of circa £150m

Airlines are introducing new fuel efficient aircraft into their fleets with many bringing forward fleet replacement plans

Growth in demand is still expected to average around 5% per year for both passenger and cargo traffic The highest growth rates are expected to be in the Asia Pacific region and China with India, the Middle East and Latin America following closely behind The company has already been approached by major customers and asked to consider establishing low cost manufacturing facilities in those regions

This anticipated growth means that the existing world airline fleet is forecast to grow from the current 19,410 aircraft to 39,530 by 2030 Mettis has positions on virtually all programmes, however, we are particularly well represented on the single aisle aircraft which are expected to account for around 70% of the new aircraft required

In order to support this increase in orders the company intends to increase its workforce well in excess of the current level of circa 600 staff The company also continues to recognise the importance of investing in the talent of tomorrow, and will continue to develop its award winning apprenticeship scheme providing skill training to 40 apprentices

In July 2011 the Mettis Group Limited agreed a 3 year extension of its current banking facilities and the company plans to invest circa 10% of revenues in FY11 in additional capacity (5-axis machine tools and furnaces) together with continuing annual investment in our 12,000T press

As a founder member of the Advance Forming Research Centre – a joint arrangement between Rolls-Royce, Timet, Boeing, Aubert Duval, Barnes Aerospace, Scottish Enterprise and Strathclyde University – the company continues to develop its metallurgical and forging expertise

With the ongoing support of our shareholders, we will be able to continue investment in new equipment and manufacturing technologies to ensure that the business is correctly positioned to take full advantage of the many opportunities the predicted growth in the Aerospace market will provide With a strong position in both Engine and Airframe component manufacture and a growing order pipeline in excess of £150m, Mettis is well placed for the future

Directors' report
for the year ended 31 March 2011 (continued)

Key performance indicators

The Board has monitored the following indicators of performance to assess its progress against its strategy and financial objectives during the year ended 31 March 2011

	2011	2010
	£'000	£'000
Sales revenue	**48,384**	50,559
Underlying operating profit	**2,207**	3,603
EBITDA	**4,749**	6,096

Underlying operating profit is before amortisation of goodwill, impairment of investments and dilapidation costs of leased property

EBITDA is defined as underlying operating profit adjusted for depreciation

	2011	2010
Inventory days	**55**	50
Debtor days	**68**	71

Principal risks and uncertainties

The business operates in a highly competitive global market and faces competition from a number of worldwide component manufacturers

The euro and dollar exchange rates pose risks to the profitability of the business The Directors keep the hedging of currencies and energy costs under review so as to minimise the associated risks

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2011 (2010 £nil) The loss for the financial year of £255,000 (2010 profit of £1,465,000) has been transferred to reserves

Research and Development

The company has a policy of continually developing its engineering and technical capabilities and maintains close relationships with key customers to ensure that changes and developments in customers' requirements are adequately anticipated Associated development costs are immediately written off to the profit and loss account

Creditor payment policy

It is the company's policy to pay suppliers in accordance with the agreed terms of purchase At the year end, the company had an average of 65 days purchases outstanding (2010 68 days)

Donations

The company made no political or charitable donations during the year (2010 £nil)

Directors' report for the year ended 31 March 2011 (continued)

Employees

Training and development

The group remains focused on the development of people at all levels and will continue to support, train and develop its people to meet the needs of a growing business The company continues to invest in modern apprenticeships, and will seek to recruit additional apprentices during 2011 The apprenticeship programme is a core part of succession planning and skill development for the company

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Employee involvement

The company places considerable value on the involvement of its employees and keeps them informed on aspects of the business and its progress, which the Company considers to be relevant Communication is effected through management channels and in writing

Equal opportunities

It is the Company's policy and practice that selection for employment and promotion is based on the objective assessment of ability and experience free from discrimination on any grounds

Health, Safety and Environment

The Company is committed to safeguarding the health and safety of all of its employees and visitors and to adopting a responsible attitude towards the protection of the environment and the prevention of environmental pollution

Principal risks and uncertainties

The business operates in a highly competitive global market and faces competition from a number of worldwide component manufacturers The business seeks to protect its position through a diverse product and customer portfolio, long term relationships with customers and continuous ongoing improvements to cost, quality and delivery

Energy is a significant cost and changes to euro and dollar exchange rates pose risks to the profitability of the business The directors keep the hedging of currencies and energy costs under review so as to minimise the associated risks

Financial risk management policies and objectives

The company's operations expose it to a number of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department as required

Price risk

The company is exposed to commodity price risk as a result of its operations However, given the size of the company's operations, the costs of actively managing exposure to commodity price risk exceed any potential benefits The directors will revisit the appropriateness of this policy should the company's operations change in size or nature The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Directors' report
for the year ended 31 March 2011 (continued)

Financial risk management policies and objectives (continued)

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made Usually new customers are given cash accounts, then migrate to credit accounts once payment history is established The company uses third party online credit evaluations as well as Companies House information, including latest financial statement submissions Where debt finance is required, this will be subject to pre-approval by the board of directors and such approval will be limited to financial institutions with an AA rating or better

Liquidity risk

The company actively manages its working capital requirements and covenant compliance to ensure it has sufficient funds for its operations The requirement for medium to long term debt finance will be reviewed by the board of directors based on the company's forecast requirements

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities The company has a policy of maintaining short term deposits and cash balances at a level sufficient to fund its operations The directors will revisit the appropriateness of this policy should the company's operations or cash balances change in size or nature

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the group and parent company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company for that period

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Mettis Aerospace Limited

Directors' report
for the year ended 31 March 2011 (continued)

Statement of disclosure of information to the auditors

In the case of each director in office at the date the directors' report is approved, the following applies

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

N E White
Company Secretary
4 November 2011

Mettis Aerospace Limited

Independent auditors' report to the members of Mettis Aerospace Limited

We have audited the financial statements of Mettis Aerospace Limited for the year ended 31 March 2011 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes as assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Mettis Aerospace Limited

Independent auditors' report to the members of Mettis Aerospace Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Matthew Mullins (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
7 November 2011

Mettis Aerospace Limited

Profit and loss account
for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Turnover	2	**48,384**	50,559
Cost of sales		**(42,615)**	(43,427)
Gross profit		**5,769**	7,132
Distribution costs		**(1,070)**	(835)
Administrative expenses		**(2,525)**	(3,515)
Operating profit before amortisation of intangible fixed assets		**2,174**	3,603
Amortisation of intangible fixed assets		**(821)**	(821)
Operating profit		**1,353**	2,782
Amounts written off investments	10	**(507)**	-
Interest payable and similar charges	5	**(363)**	(444)
Other finance (charges)/income	5	**(44)**	20
Profit on ordinary activities before taxation	6	**439**	2,358
Tax on profit on ordinary activities	7	**(694)**	(893)
(Loss)/profit for the financial year	19	**(255)**	1,465

The turnover and results above relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

Mettis Aerospace Limited

Statement of total recognised gains and losses for the year ended 31 March 2011

	2011	2010
	£'000	£'000
(Loss)/profit for the financial year	**(255)**	1,465
Actuarial gain/(loss) on pension scheme (note 17)	**1,316**	(4,746)
Effect of release of restricted recognisable surplus	**-**	935
Corporation tax credit on pension scheme (note 20)	**-**	74
Movement on deferred tax relating to pension liability	**(416)**	993
Total (losses)/gains recognised since last annual report	**645**	(1,279)

Mettis Aerospace Limited

Balance sheet
as at 31 March 2011

	Note	2011	2010
		£'000	£'000
Fixed assets			
Intangible assets	8	**5,376**	6,197
Tangible assets	9	**8,949**	10,155
Investments	10	**70**	297
		14,395	16,649
Current assets			
Stocks	11	**7,582**	6,897
Debtors	12	**29,983**	31,221
Cash at bank and in hand		**3,771**	3,211
		41,336	41,329
Creditors. amounts falling due within one year	13	**(18,991)**	(19,552)
Net current assets		**22,345**	21,777
Total assets less current liabilities		**36,740**	38,426
Creditors amounts falling due after more than one year	14	**(6,941)**	(8,203)
Provisions for deferred tax	16	**(13)**	-
Net assets excluding pension liability		**29,786**	30,223
Net pension liability	17	**(1,813)**	(2,895)
Net assets including pension liability		**27,973**	27,328
Capital and reserves			
Called up share capital	18	**25,559**	25,559
Profit and loss account	19	**2,414**	1,769
Total shareholders' funds	20	**27,973**	27,328

The financial statements on pages 9 to 33 were approved by the board of directors on 4 November 2011 and were signed on its behalf by

ASM

A J MacPherson
Director

Mettis Aerospace Limited

Registered number 3292360

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 March 2011

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006 A summary of the principal accounting policies, which have been applied consistently is set out below

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention and on a going concern basis The group has credit facilities with external banks until December 2012 Subsequent to the year end the facilities with external banks have been re-negotiated until December 2014 The company is currently in compliance with financial covenants required by the external credit facilities and the directors have a reasonable expectation that there will be no default for the foreseeable

Consolidation

These financial statements include information about Mettis Aerospace Limited as an individual company and do not contain consolidated financial information as a parent of a group The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Mettis Group Limited, a company incorporated in England

Cash flow

The company is exempt from the requirement of FRS 1 (Revised 1996) "Cash flow statements" to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Mettis Group Limited, and its cash flows are included within the consolidated cash flow statement of that company

Investment in subsidiaries

Investments in subsidiary undertakings are stated at cost less provisions for any impairment The basis of impairment write down is by reference to the higher of net realisable value and value-in-use Dividends declared in specie are credited against the value of investments

Turnover

Turnover represents the value of goods and services delivered during the year excluding value added or other sales taxes

Stocks

Stocks are valued at the lower of actual cost and net realisable value In respect of work in progress, cost includes actual material cost, all direct costs of production and an appropriate proportion of production overheads

Where appropriate, provision is made for obsolete, slow moving and defective stocks

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

1 Principal accounting policies (continued)

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over their estimated lives as follows

Plant and equipment	4 to 15 years
Fixtures and fittings	5 to 10 years
Motor vehicles	4 years
Dies and tooling	3 to 5 years

Plant and equipment, fixture and fittings, motor vehicles, and dies and tooling are categorised as plant and machinery

Dies and tooling

Engineering and material costs relating to the production of dies and tools are capitalised within plant and equipment and are depreciated over the estimated useful lives of the respective products

Intangible fixed assets

Intangible fixed assets are stated at their cost less amortisation and any provision for impairment The periods over which amortisation is charged are

Goodwill	20 years
Intellectual property	15 years

Goodwill represents the difference between the fair value of the consideration for the acquisition of the business and the fair value of the net assets acquired Goodwill is written off over the period which the directors estimate the value of the underlying business acquired is expected to exceed the value of the identifiable net assets, but limited to 20 years When it is apparent that the carrying value of goodwill exceeds the estimated net present value of future cash flows less operating assets, an impairment provision is charged against the profit for the period

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are in the financial statements

Deferred tax is provided on all timing differences in accordance with FRS 19 "Deferred tax" and is recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future Deferred tax assets are recognised to the extent they are regarded as recoverable Deferred tax assets and liabilities recognised have not been discounted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

1 Principal accounting policies (continued)

Leasing and hire purchase

Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges, are included in borrowings Finance charges in respect of such assets are charged in the profit and loss account Operating lease rentals are written off on a straight line basis over the lease period

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the year end or at the agreed contractual rate Any differences arising are taken to the profit and loss account in the period in which they arise

Pension scheme arrangements

The company operates a number of defined benefit and defined contribution schemes The defined benefit schemes are closed to new entrants and existing members do not accrue further benefits in the schemes Pension costs and contributions for the defined benefit schemes are accounted for in accordance with FRS 17 "Retirement Benefits" The financial statements reflect at fair value the assets and liabilities arising from the employer's retirement benefit obligations and any related funding The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise

The costs of providing benefits through defined contribution schemes is charged to the profit and loss account in the period in respect of which contributions become payable

Research and development

Research and development expenditure is written off as incurred

Borrowings

All borrowings are initially stated at the fair value of the consideration received after the deduction of loan finance costs In accordance with FRS 4 "Capital commitments", these costs are charged to the profit and loss account over the estimated life of the relevant borrowings

Notes to the financial statements for the year ended 31 March 2011 (continued)

2 Turnover

	2011	2010
	£'000	£'000
By geographical area of destination		
United Kingdom	35,392	37,410
Europe	5,895	6,595
United States	4,528	4,835
Far East	2,515	1,555
Other	54	164
	48,384	50,559

The company's activities consist solely of the manufacture of forged and machined components for the Aerospace industry

3 Directors' emoluments

	2011	2010
	£'000	£'000
Aggregate emoluments (including benefits in kind)	644	543
Pension contributions	57	47
	701	590
Highest paid director		
Aggregate emoluments (including benefits in kind)	164	208
Pension contributions	18	19
	182	227

Retirement benefits are accruing to 4 (2010 4) directors under defined contribution schemes

Notes to the financial statements for the year ended 31 March 2011 (continued)

4 Employee information

	2011	2010
Average monthly number of persons employed during the year	**Number**	Number
By activity		
Manufacturing	**384**	410
Finance, sales, and administration	**142**	145
	526	555

	2011	2010
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	**13,577**	13,215
Social security costs	**1,212**	1,249
Other pension costs (note 17)	**412**	413
	15,201	14,877

Notes to the financial statements for the year ended 31 March 2011 (continued)

5 Interest payable and similar charges, other finance income

	2011	2010
	£'000	£'000
Interest payable and similar charges		
On bank loans and overdrafts	**(342)**	(420)
Expected loss on pension assets	**(44)**	-
Other	**(21)**	(24)
	(407)	(444)
Other finance income		
Expected (loss)/return on pension assets	**-**	8
Other interest receivable	**-**	12
	-	20

Notes to the financial statements for the year ended 31 March 2011 (continued)

6 Profit on ordinary activities before taxation

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging / (crediting) the following		
Depreciation – owned assets (note 9)	**2,542**	2,493
Amortisation of intangible fixed assets (note 8)	**821**	821
Property rentals payable to group undertakings	**800**	800
Dilapidation costs of leased property	**33**	-
Operating lease rentals payable – hire of plant and machinery	**126**	123
– other	**6**	23
Loss on disposal of fixed assets	**6**	-
Amounts written off investments	**507**	-
Research and development	**570**	499
Auditors' remuneration		
Amounts payable in relation to the audit of the company's financial statements	**42**	42

Amounts written off investments relate to the revaluation of non-trading dormant subsidiaries in the process of liquidation during the year

Notes to the financial statements for the year ended 31 March 2011 (continued)

7 Tax on profit on ordinary activities

	2011	2010
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	621	655
Adjustment in respect of prior periods	(63)	(14)
Total current tax	558	641
Deferred tax		
Origination and reversal of timing differences (ACA and other)		
- current year	(124)	266
- current year charge on FRS17 pension costs	71	2
- adjustments to prior periods	189	(16)
Total deferred tax (note 16)	136	252
Tax charge on profit on ordinary activities	694	893

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK 28% The differences are explained below

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	439	2,358
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 28%)	123	660
Effects of		
Non deductible and non taxable items	445	261
Capital allowances less than depreciation	139	46
Other timing differences	(86)	(312)
Adjustment in respect of prior periods	(63)	(14)
Current tax for the year	558	641

The Finance Act (No 2) 2010 was substantively enacted on 20 July 2010 and includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 The deferred tax liability at 31 December 2010 has been re-measured accordingly

7 Tax on profit on ordinary activities (continued)

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget These changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014 The Budget also included measures to reduce the rate of writing-down allowances on the main pool of plant and machinery expenditure to 18% and on the special rate pool to 8%, both with effect from 1 April 2012

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax to 26% from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014

8 Intangible assets

	Intellectual property	Purchased goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 April 2010 and 31 March 2011	3,000	12,393	15,393
Accumulated amortisation			
At 1 April 2010	2,617	6,579	9,196
Charge for the year	200	621	821
At 31 March 2011	**2,817**	**7,200**	**10,017**
Net book value			
At 31 March 2011	**183**	**5,193**	**5,376**
At 31 March 2010	383	5,814	6,197

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

9 Tangible assets

	Plant, and machinery
	£'000
Cost	
At 1 April 2010	33,330
Additions	1,336
Disposals	(43)
At 31 March 2011	**34,623**
Accumulated depreciation	
At 1 April 2010	23,175
Charge for the year	2,542
Disposals	(43)
At 31 March 2011	**25,674**
Net book value	
At 31 March 2011	**8,949**
At 31 March 2010	10,155

The net book value of assets held under hire purchase agreements and finance leases and included within plant and machinery is £nil (2010 £nil) Depreciation on assets held under hire purchase agreements and finance leases amounted to £nil (2010 £nil)

10 Investments

The company owns the whole of the issued share capital of Definearea 4 Limited and Definearea 5 Limited, companies registered in England and Wales, comprising of ordinary shares of £1 each and which were dormant throughout the year

The company is in process of liquidating non-trading dormant subsidiaries in order to simplify its structure

Investment in subsidiary undertakings:	**£'000**
Cost	
At 31 March 2010	297
Investment during the year	507
In specie dividend received during the year	(227)
At 31 March 2011	**577**
Impairment provisions	
At 31 March 2010	-
Amounts written off investments during the year	(507)
At 31 March 2011	**(507)**
Net book value	
At 31 March 2011	70
At 31 March 2010	297

The directors believe that the carrying value of the investments is supported by their underlying net assets

Dividend in specie and amounts written off investments relate to the revaluation of non-trading dormant subsidiaries in the process of liquidation during the year

Notes to the financial statements for the year ended 31 March 2011 (continued)

11 Stocks

	2011	2010
	£'000	£'000
Raw materials	331	489
Work in progress	6,853	5,996
Finished goods	398	412
	7,582	6,897

The book value of stocks is not materially different from their replacement cost

12 Debtors

	2011	2010
	£'000	£'000
Trade debtors	11,972	14,414
Amounts owed by ultimate parent undertaking	16,959	16,272
Other debtors	524	292
Prepayments and accrued income	271	191
Corporation tax recoverable	257	-
Deferred taxation (note 16) – amount due after one year	-	52
	29,983	31,221

Amounts owed by the ultimate parent undertaking are payable on demand and are not interest bearing

Notes to the financial statements for the year ended 31 March 2011 (continued)

13 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Bank loans (note 15)	8,506	9,035
Trade creditors	8,794	7,888
Other creditors	1,159	377
Other taxation and social security	532	886
Corporation tax	-	360
Accruals	-	1,006
	18,991	19,552

14 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Bank loans (note 15)	-	1,001
Amounts owed to group undertakings	6,941	7,202
	6,941	8,203

The amounts owed to group undertakings have no scheduled repayment date and are not interest bearing All amounts owed to group undertakings are unsecured

Notes to the financial statements for the year ended 31 March 2011 (continued)

15 Borrowings

Net obligations under bank loans are payable as follows

	2011	2010
	£'000	£'000
Within one year	**8,506**	9,035
In more than one year, but not more than five years	-	1,001
Total	**8,506**	10,036

Bank loans are payable as follows

	2011	2010
	£'000	£'000
Bank loans	**8,506**	10,036
Total bank loans	**8,506**	10,036
Analysis by year of repayment		
Due within one year	**8,506**	9,035
Amounts payable by instalments		
Between 1 and 2 years	-	1,001
Total bank loans	**8,506**	10,036

The bank loans are subject to floating interest rates based on bank base rate and LIBOR or currency equivalents Bank loans are secured against tangible assets, £889,000 (2010 £2,338,000) and stock and debtors, £7,617,000 (2010 £7,697,000)

At the balance sheet date of 31 March 2011, the facility agreements in relation to bank financing were due to expire in December 2011, hence these have been treated as due within one year Subsequent to the year end, the company has renegotiated the bank financing, extending maturity to July 2014 and modifying certain covenants to provide additional headroom and flexibility

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

16 Deferred taxation

The amounts of deferred taxation provided are as follows

	2011	2010
	£'000	£'000
Accelerated capital allowances	**58**	136
Other timing differences including pension spreading	**(45)**	(188)
Deferred tax excluding that relating to pension liability	**13**	(52)
Deferred tax asset on pension liability (note 17)	**(639)**	(1,126)
Total deferred tax asset	**(626)**	(1,178)

There are no deferred tax assets or liabilities that are not provided for in these financial statements (2010 £nil)

Movement of deferred tax (asset) / liability excluding pension liabilities:	**£'000**
At 31 March 2010	(52)
Charged in the profit and loss account (note 7)	65
At 31 March 2011	**13**

17 Pension and similar obligations

Mettis Group Limited operated two pension schemes, namely the Mettis Group Pension Scheme, and the High Duty Alloys Pension Scheme which were merged on 1 December 2009 to into the High Duty Alloys Pension Scheme

Defined contribution schemes

The Red and Purple Section of the High Duty Alloys Pension Scheme are funded defined contribution arrangements The pension charge for these arrangements is equal to the actual contributions payable in the year The pension charge for the year for defined contribution arrangements was £412,000 (2010 £413,000) There was £37,000 (2010 £34,000) of outstanding contributions

Defined benefit schemes

The Blue and Green and Orange Sections of the High Duty Alloys Pension Scheme are defined benefit schemes The Schemes closed to new members on 5 October 2006 and so the average age of the membership is expected to increase over time The projected unit method is used to calculate the current service cost This calculates the value of the following years' pension accrual and expresses it as a percentage of pensionable pay This percentage increases as the members of the schemes approach retirement

Contributions during the year amounted to £297,000 (2010 264,000) The estimated contribution to be paid to the scheme by the company next year is £408,000

The pension cost has been assessed in accordance with advice received from the independent qualified actuary on the basis of an actuarial review of the financial status of the schemes carried out as at 5 April 2009, updated to 31 March 2011 by the actuary

Principal actuarial assumptions at balance sheet date

Actuarial assumptions	**2011**	2010
Discount rate	**5.60%**	5 70%
Inflation assumption	**3.50%**	3 50%
Revaluation in deferment	**N/A**	3 50%
Pension increases in payment	**3 00 – 3.50%**	3 00 – 3 50%
Long term expected rate of return on scheme assets for the following year net of expenses	**6.70%**	6 60%

The scheme has a range of different pension increases for different benefit categories, not all of which are detailed above Further details of the various rates of pension increases can be found in the scheme documentation

The actual return on plan assets is

	2011	2010
	£'000	£'000
Actual return on plan assets	**1,356**	1,163

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 March 2011 (continued)

17 Pension and similar obligations (continued)

The assumed future life expectancies on retirement at age 65 are

	2011 Heavy mortality	**2011 Normal mortality**	**2011 Light mortality**	2010 Heavy mortality	2010 Normal mortality	2010 Light mortality
Member aged 65 (current life expectancy)						
- Male	**18 8**	**21.1**	**22.8**	18 7	21 0	22 7
- Female	**22.7**	**23.9**	**24.3**	22 6	23 8	24 2
Member aged 45 (life expectancy at age 65)						
- Male	**20.8**	**23.0**	**24 6**	20 7	22 9	24 5
- Female	**24.7**	**25.8**	**26.2**	24 6	25 7	26 1

Amounts recognised in the balance sheet	**2011**	2010
	£'000	£'000
Present value of scheme liabilities	**(24,068)**	(24,780)
Fair value of assets	**21,616**	20,759
Net pension (liability)/asset	**(2,452)**	(4,021)
Related deferred tax asset (note 16)	**639**	1,126
Total	**(1,813)**	(2,895)

Amounts recognised in the profit and loss account are as follows

	2011	2010
	£'000	£'000
Interest on obligation	**1,400**	1,155
Expected return on plan assets	**(1,356)**	(1,163)
Total	**44**	(8)

Notes to the financial statements for the year ended 31 March 2011 (continued)

17 Pension and similar obligations (continued)

Reconciliation of the present value of liabilities is shown below

	2011 £'000	2010 £'000
Opening defined benefit obligation	**24,780**	17,862
Interest cost	**1,400**	1,155
Benefits paid	**(423)**	(735)
Actuarial loss / (gain)	**(1,689)**	6,498
Closing defined benefit obligation	**24,068**	24,780

Reconciliation of the fair value of scheme assets is shown below

	2011 £'000	2010 £'000
Opening fair value of plan assets	**20,759**	18,315
Company contributions	**297**	264
Benefits paid	**(423)**	(735)
Expected return on plan assets	**1,356**	1,163
Actuarial gain/(loss) on assets	**(373)**	1,752
Closing fair value of plan assets	**21,616**	20,759

Statement of total recognised gains and losses (STRGL)

	2011 £'000	2010 £'000
Actual less expected return on pension scheme assets	**1,316**	928
Changes in assumptions underlying the present value of scheme liabilities	**-**	(5,674)
Effect of release of restricted recognisable surplus	**-**	935
Actuarial loss	**1,316**	(3,811)

Notes to the financial statements for the year ended 31 March 2011 (continued)

17 Pension and similar obligations (continued)

The major categories of assets as a percentage of total assets are as follows

	2011	2010
Equities	**0%**	0%
Property	**10%**	10%
Bonds	**17%**	19%
Cash	**1%**	1%
Other	**72%**	70%

A history of assets, liabilities and actuarial gains and losses is shown below

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	**(24,068)**	(24,780)	(17,862)	(34,272)	(36,696)
Fair value of scheme assets	**21,616**	20,759	18,315	37,325	37,516
(Deficit)/Surplus	**(2,452)**	(4,021)	453	3,053	820
Difference between actual and expected return on assets – £000s	**(373)**	1,752	(5,712)	(1,016)	(1,306)
Percentage of scheme assets	**(1.7%)**	8 4%	(33 5%)	(4 4%)	(3 5%)
Experience losses on scheme liabilities – £000's	**-**	(824)	-	-	-
Percentage of the present value of the scheme liabilities	**0.0%**	(3 3%)	0 0%	0 0%	0 0%

The value of the assets at March 2009 and following years have been taken at bid value Corresponding amounts for previous periods have been taken at mid-value and have not been re-stated

18 Called up share capital

	2011	2010
	£'000	£'000
Authorised		
25,559,356 (2010 25,559,356) ordinary shares of £1 each	**25,559**	25,559
Allotted, and fully paid		
25,559,356 (2010 25,559,356) ordinary shares of £1 each	**25,559**	25,559

19 Profit and loss account

	2011	2010
	£'000	£'000
At 31 March 2010	**1,769**	3,048
(Loss)/profit for the financial year	**(255)**	1,465
Actuarial gain/(loss) on pension scheme	**1,316**	(4,746)
Effect of release of restricted recognisable surplus	**-**	935
Corporation tax credit on pension scheme	**-**	74
Movement on deferred tax relating to pension liability	**(416)**	993
At 31 March 2011	**2,414**	1,769

Notes to the financial statements for the year ended 31 March 2011 (continued)

20 Reconciliation of movements in total shareholders' funds

	2011 £'000	2010 £'000
(Loss)/profit for the financial year	**(255)**	1,465
Actuarial gain/(loss) on pension scheme	**1,316**	(4,746)
Effect of release of restricted recognisable surplus	-	935
Corporation tax credit on pension scheme	-	74
Movement on deferred tax relating to pension liability	**(416)**	993
Net movement in total shareholders' funds	**645**	(1,279)
Opening total shareholder's funds	**27,328**	28,607
Closing total shareholders' funds	**27,973**	27,328

The corporation tax credit of £nil (2010 £74,000) relates to the tax relief on pension contributions allocated to the actuarial loss on the pension scheme

21 Capital commitments

	2011 £'000	2010 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**898**	318

22 Operating lease commitments

The company had annual commitments under non-cancellable operating leases for leases expiring as follows

	2011		2010	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Within one year	-	**16**	6	16
Between two and five years	-	**54**	-	54
	-	**71**	6	70

Notes to the financial statements for the year ended 31 March 2011 (continued)

23 Contingent liabilities

The company is a party to a group banking arrangement The company's bank borrowings at any time are secured by a fixed and floating charge on the assets of the company There were contingent liabilities at the year end under letters of indemnity given by the bank of £50,000 (2010 £50,000) in favour of HM Revenue and Customs for duty deferment

24 Related party transactions

The company has taken advantage of the exemption given in FRS 8 "Related party disclosures" with respect to inter group disclosures as Mettis Group Limited controls 100% of the company's voting share capital and its group financial statements are publicly available

25 Ultimate parent company and controlling party

The immediate parent company is High Duty Alloys Limited, a company incorporated in England

Mettis Group Limited, the ultimate parent company, a company incorporated in England heads the smallest and the largest group to consolidate these financial statements Copies of the Mettis Group Limited consolidated financial statements can be obtained from the Company Secretary, Mettis Group Limited, Windsor Road, Redditch, Worcestershire, B97 6EF

Saints Capital Chamonix LP held over 50% of the equity of Mettis Group Limited at 28 March 2010 As a result the directors consider that the Group is effectively controlled by Saints Capital Chamonix LP, the registered office of which is 475 Sansome Street, Suite 1850, San Francisco, CA 94111