Mettis Aerospace Limited

Annual report and financial statements

for the year ended 31 December 2012

Registered number 3292360

Mettis Aerospace Limited

Annual report and financial statements for the year ended 31 December 2012

Mettis Aerospace Limited

Directors' report
for the year ended 31 December 2012

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Directors

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

C T Edge	Chairman
B J S Doran	
G L Fraser	(appointed 9 March 2012)
P Hughes	(appointed 9 March 2012)
L Jenkins	(resigned 16 September 2013)
M A Pollard	
D M Stark	(appointed 23 July 2012, resigned 25 April 2013)
P I Taylor	(appointed 30 May 2013)
S T Catling	(resigned 9 January 2012)
D J Smith	(resigned 9 January 2012)
N E White	(resigned 23 July 2012)

The company has arranged appropriate qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in place throughout the last financial year and is currently in force

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 utilises its breadth of technical know-how to develop collaboratively, with its customers, complex forged and machined components for the major aero-engine and airframe suppliers

Forging and machining 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 airframe and aero-engine components on all major civil programs and many military programs including the B737, B747-8, B787, A320, A350, Rolls Royce Trent, GE-nx and GE-90

Mettis Aerospace Limited

Directors' report
for the year ended 31 December 2012 (continued)

Business review of the year ended 31 December 2012

Sales revenue increased from £38 9m to £54 2m as a result of underlying growth and the change in accounting period Profits increased with EBITDA rising by £0 4m to £3 6m A targeted improvement in quality and delivery performance required additional indirect support staff resulting in some reduction of margin in the period

During the year, the business has focussed on the delivery of products to our wide customer base on time and to the quality standards they demand Implementation of improved standard operating procedures has driven a significant improvement in the 'Right First Time' quality performance and on time in full delivery performance to customers

Operating cash generation was £3 9m showing strong improvement over 2011

The aerospace market continues to be strong with the order book and the value of long term agreements increasing to £115m

In March 2012, Gordon Fraser joined the Board as Chief Executive Officer and Phil Hughes joined as Business Development Director In May 2013 Philip Taylor joined as Chief Financial Officer

The future

The outlook for civil aerospace original equipment remains high as passenger travel volumes continue to increase Long-term agreements are in place with many customers which gives the Group excellent visibility of future demand and growth

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

Overall 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

This anticipated growth means that the existing world airline fleet is forecast to grow from the current 20,310 aircraft to 41,240 by 2032 Mettis has positions on virtually all programmes and is particularly well represented on the single aisle aircraft which are expected to account for around 70% of the new aircraft required

The company continues to recognise the importance of people and training at all levels of the company, as well as the need to maintain and update the infrastructure and plant through a programme of planned investment

With the on-going 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, Mettis is well placed for the future

Mettis Aerospace Limited

Directors' report
for the year ended 31 December 2012 (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 to 31 December 2012

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
Sales revenue	**54,158**	38,891
Underlying operating profit	**1,108**	1,053
EBITDA	**3,644**	3,244

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

Movement in the KPIs are discussed in the 'Business Review' section of this report

	12 months to 31 December 2012	9 months to 31 December 2011
Inventory days	**66**	61
Debtor days	**72**	74

Inventory days increased by 5 days to 66 reflecting increasing levels of inventory to meet future sales demands Tighter control over trade receivables led to a reduction in debtors and debtor days

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 72 days purchases outstanding (December 2011 68 days)

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (December 2011 £nil) The loss for the financial year of £376,000 (December 2011 profit £312,000) has been transferred from (December 2011 to) reserves

Directors' report
for the year ended 31 December 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 2013 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

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

Political and charitable donations

The company made no political or charitable donations during the year (December 2011 £nil)

Mettis Aerospace Limited

Directors' report
for the year ended 31 December 2012 (continued)

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 on-going 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 and are reviewed monthly by the Board

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

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

Going concern

Bank loans of £1,925,000 mature and are repayable during 2014 The company's forecasts and projections show that the company will be able to repay these loans as they fall due and will be able to operate within the levels of its remaining facilities for a period of not less than twelve months from the date of approval of these financial statements The directors therefore have a reasonable expectation that the company has adequate resources to continue to meet its on-going liabilities as they fall due for the foreseeable future, and continue to adopt the going concern basis of accounting in the preparing the annual financial statements

Mettis Aerospace Limited

Directors' report
for the year ended 31 December 2012 (continued)

Statement of directors' responsibilities

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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

C T Edge
Director
25 September 2013

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 December 2012 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 6 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

In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 December 2012 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

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

J Coates

John Coates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

26 September 2013

Mettis Aerospace Limited

Profit and loss account
for the year ended 31 December 2012

	Note	12 months to 31 December 2012 £'000	9months to 31 December 2011 £'000
Turnover	2	**54,158**	38,891
Cost of sales		**(48,054)**	(34,235)
Gross profit		**6,104**	4,656
Distribution costs		**(1,206)**	(769)
Administrative expenses		**(4,444)**	(3,160)
Operating profit before amortisation of intangible fixed assets		**1,108**	1,343
Amortisation of intangible fixed assets		**(654)**	(616)
Operating profit		**454**	727
Interest payable and similar charges	5	**(498)**	(288)
Other finance (costs)/income	5	**(6)**	94
(Loss)/profit on ordinary activities before taxation	6	**(50)**	533
Tax on profit on ordinary activities	7	**(326)**	(221)
(Loss)/profit for the financial year	19	**(376)**	312

The turnover and results above relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents

The notes on pages 12 to 32 form part of these financial statements

Mettis Aerospace Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
(Loss)/profit for the financial year	**(376)**	312
Actuarial loss on pension scheme - (note 17)	**(685)**	(3,565)
Corporation tax credit on pension scheme - (note 20)	**128**	-
Movement on deferred tax relating to pension liability - (note 16)	**(75)**	769
Total recognised gains and losses relating to the year/period	**(1,008)**	(2,484)

Mettis Aerospace Limited

Balance sheet
as at 31 December 2012

	Note	31 December 2012 £'000	31 December 2011 £'000
Fixed assets			
Intangible assets	8	**4,106**	4,760
Tangible assets	9	**9,830**	9,505
		13,936	14,265
Current assets			
Stocks	11	**9,360**	8,598
Debtors (including amounts due after more than one year of £471,000 (December 2011 £32,000))	12	**29,396**	30,533
Cash at bank and in hand		**4,287**	4,601
		43,043	43,732
Creditors: amounts falling due within one year	13	**(21,005)**	(21,319)
Net current assets		**22,038**	22,413
Total assets less current liabilities		**35,974**	36,678
Creditors amounts falling due after more than one year	14	**(7,030)**	(6,965)
Net assets excluding pension liability		**28,944**	29,713
Net pension liability	17	**(4,463)**	(4,224)
Net assets including pension liability		**24,481**	25,489
Capital and reserves			
Called up share capital	18	**25,559**	25,559
Profit and loss account	19	**(1,078)**	(70)
Total shareholders' funds	20	**24,481**	25,489

The financial statements on pages 9 to 32 were approved by the board of directors on 25 September 2013 and were signed on its behalf by

C T Edge
Director
Mettis Aerospace Limited
Registered number 3292360

Notes to the financial statements for the year ended 31 December 2012

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 company has credit facilities with external banks until May 2014 and the directors see no reason why the credit facilities cannot be extended or renegotiated in the normal course of business The company is currently in compliance with financial covenants required by the external credit facilities On this basis the directors have concluded the going concern basis of preparation of the financial statements is appropriate

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

Turnover

Turnover represents the value of goods and services delivered during the year excluding value added or other sales taxes Turnover is recognised at the point of despatch

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

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

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

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

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Turnover

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
By geographical area of destination		
United Kingdom	**36,207**	27,773
Europe	**6,942**	4,355
United States	**7,683**	4,558
Far East	**3,113**	2,117
Other	**213**	88
	54,158	38,891

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

3 Directors' emoluments

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**705**	403
Pension contributions	**53**	39
	758	442
Highest paid director		
Aggregate emoluments (including benefits in kind)	**191**	143
Pension contributions	**17**	16
	208	159

Retirement benefits are accruing to 4 (December 2011 4) directors under defined contribution schemes

4 Employee information

Average monthly number of persons employed during the year	12 months to 31 December 2012 Number	9 months to 31 December 2011 Number
By activity		
Manufacturing	**429**	424
Finance, sales, and administration	**164**	152
	593	576

	12 months to 31 December 2012 £'000	9 months to 31 December 2011 £'000
Staff costs (for the above persons)		
Wages and salaries	**16,174**	11,282
Social security costs	**1,476**	1,000
Other pension costs - (note 17)	**438**	302
	18,088	12,584

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Interest payable and similar charges, other finance costs/(income)

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
Interest payable and similar charges:		
On bank loans and overdrafts	**482**	273
Other	**16**	15
	498	288
Other finance costs/(income):		
Expected return on pension assets - (note 17)	**6**	(88)
Other interest receivable	**-**	(6)
	6	(94)

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Profit on ordinary activities before taxation

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
Profit on ordinary activities before taxation is stated after crediting the following		
Depreciation - owned assets - (note 9)	**2,536**	1,901
Amortisation of intangible fixed assets - (note 8)	**654**	616
Property rentals payable to group undertakings	**800**	600
Operating lease rentals payable – hire of plant and machinery	**77**	66
Loss on disposal of fixed assets	**-**	4
Research and development	**587**	411
Auditors' remuneration		
Amounts payable in relation to the audit of the company's financial statements	**52**	32

7 Tax on profit on ordinary activities

	12 months to 31 December 2012	9 months to 31 December 2011
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	**595**	332
Adjustment in respect of prior periods	**170**	(66)
Total current tax	**765**	266
Deferred tax		
Origination and reversal of timing differences		
- current period	**(264)**	(73)
- adjustments to prior periods	**(175)**	28
Total deferred tax (note 16)	**(439)**	(45)
Tax charge on profit on ordinary activities	**326**	221

The tax assessed for the year is higher (December 2011 lower) than the standard rate of corporation tax in the UK 24 5% (December 2011 26%) The differences are explained below

	£'000	£'000
(Loss)/profit on ordinary activities before taxation	**(50)**	533
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24 5% (December 2011 26%)	**(12)**	139
Effects of		
Non deductible and non taxable items	**264**	220
Capital allowances less than depreciation	**337**	71
Other timing differences	**6**	(98)
Adjustment in respect of prior periods	**170**	(66)
Current tax for the year	**765**	266

7 Tax on profit on ordinary activities (continued)

During the year, the main rate of corporation tax was reduced from 26% to 24% This change was substantively enacted on 26 March 2012 (replaced the decrease from 26% to 25% previously enacted by Finance Act 2011) and was effective from 1 April 2012 The Finance Act 2012 was substantively enacted on 3 July 2012 and includes legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 Deferred tax reflected in these financial statements has been provided at 23%, which was the rate substantively enacted at the balance sheet date

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget These include further reductions to the main rate to 21% from 1 April 2014 and 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

8 Intangible assets

	Intellectual property £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2012 and 31 December 2012	3,000	12,393	15,393
Accumulated amortisation			
At 1 January 2012	2,967	7,666	10,633
Charge for the year	33	621	654
At 31 December 2012	**3,000**	**8,287**	**11,287**
Net book value			
At 31 December 2012	**-**	**4,106**	**4,106**
At 31 December 2011	33	4,727	4,760

9 Tangible assets

	Plant, and machinery £'000
Cost	
At 1 January 2012	36,974
Additions	2,861
At 31 December 2012	**39,835**
Accumulated depreciation	
At 1 January 2012	27,469
Charge for the year	2,536
At 31 December 2012	**30,005**
Net book value	
At 31 December 2012	**9,830**
At 31 December 2011	9,505

10 Investments

The company completed a process of liquidating non-trading dormant subsidiaries in order to simplify its structure on 2 May 2012 when Definearea 4 Limited and Definearea 5 Limited were dissolved

11 Stocks

	31 December 2012 **£'000**	31 December 2011 £'000
Raw materials	**1,664**	1,680
Work in progress	**7,071**	6,526
Finished goods	**625**	392
	9,360	8,598

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

12 Debtors

	31 December 2012 **£'000**	31 December 2011 £'000
Trade debtors	**11,866**	12,856
Amounts owed by ultimate parent undertaking	**16,399**	16,276
Other debtors	**192**	482
Prepayments and accrued income	**466**	543
Corporation tax recoverable	**2**	344
Deferred taxation (note 16) – amount due after one year	**471**	32
	29,396	30,533

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

13 Creditors: amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £'000
Bank loans - (note 15)	**10,871**	11,430
Trade creditors	**7,648**	7,882
Other taxation and social security	**1,114**	768
Accruals and deferred income	**1,372**	1,239
	21,005	21,319

14 Creditors: amounts falling due after more than one year

	31 December 2012 £'000	31 December 2011 £'000
Amounts owed to group undertakings	**7,030**	6,965

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

15 Borrowings

Net obligations under bank loans are payable as follows

	31 December 2012 £'000	31 December 2011 £'000
Within one year	**10,871**	11,430

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, £1,925,000 (December 2011 £nil) and stock and debtors, £8,946,000 (December 2011 £11,430,000) The facility agreements of the above loans expire in May 2014 and are classified as repayable within one year as these are secured against short term working capital

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Deferred taxation

The amounts of deferred taxation provided are as follows

	31 December 2012	31 December 2011
	£'000	£'000
Accelerated capital allowances	**(430)**	9
Other timing differences including pension spreading	**(41)**	(41)
Deferred tax (asset) excluding that relating to pension liability - (note 12)	**(471)**	**(32)**
Deferred tax (asset) on pension liability - (note 17)	**(1,333)**	(1,408)
Total deferred tax (asset)	**(1,804)**	**(1,440)**

There are no deferred tax assets or liabilities that are not provided for in these financial statements (December 2011 £nil)

Movement of deferred tax asset excluding pension liabilities	**£'000**
At 31 December 2011	(32)
Credited in the profit and loss account - (note 7)	(439)
At 31 December 2012	**(471)**

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 period The pension charge for the year for defined contribution arrangements was £438,000 (December 2011 £302,000) There was £38,000 (December 2011 £35,000) 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 £527,000 (December 2011 297,000) The estimated contribution to be paid to the scheme by the company next year is £588,000 (December 2011 £588,000)

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 2012, updated to 31 December 2012 by the actuary

Principal actuarial assumptions at balance sheet date

Actuarial assumptions	**31 December 2012**	31 December 2011
Discount rate	**4 60%**	4 90%
Inflation assumption	**3.00%**	3 20%
Revaluation in deferment	**2.25%**	2 45%
Pension increases in payment	**2.25 – 3 00%**	3 00 – 3 20%
Long term expected rate of return on scheme assets for the following year net of expenses	**6 10%**	6 10%

17 Pension and similar obligations (continued)

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

	31 December 2012	31 December 2011
	£'000	£'000
Actual return on plan assets	**1,310**	1,086

The assumed future life expectancies on retirement at age 65 are

	31 December 2012	31 December 2011		
	Normal mortality	Heavy mortality	Normal mortality	Light mortality
Member aged 65 (current life expectancy)				
- Male	**22.3**	18 8	21 1	22 8
- Female	**25.0**	22 7	23 9	24 3
Member aged 45 (life expectancy at age 65)				
- Male	**24.1**	20 8	23 0	24 6
- Female	**26 8**	24 7	25 8	26 2

Amounts recognised in the balance sheet	**31 December 2012**	31 December 2011
	£'000	£'000
Present value of scheme liabilities	**(28,219)**	(27,413)
Fair value of assets	**22,423**	21,781
Net pension liability	**(5,796)**	(5,632)
Related deferred tax asset - (note 16)	**1,333**	1,408
Total	**(4,463)**	(4,224)

FRS 17 "Retirement benefits" requires that any surplus is restricted to the amount that the employer could recover through future contributions or through refunds from the scheme Refunds are not available based on the current funding position

17 Pension and similar obligations (continued)

Amounts recognised in the profit and loss account are as follows

	31 December 2012	31 December 2011
	£'000	£'000
Interest on obligation	1,316	998
Expected return on plan assets	(1,310)	(1,086)
Total - (note 5)	6	(88)

Reconciliation of the present value of liabilities is shown below

	31 December 2012	31 December 2011
	£'000	£'000
Opening defined benefit obligation	27,413	24,068
Interest cost	1,316	998
Benefits paid	(1,128)	(288)
Actuarial loss	618	2,635
Closing defined benefit obligation	28,219	27,413

Reconciliation of the fair value of scheme assets is shown below

	31 December 2012	31 December 2011
	£'000	£'000
Opening fair value of plan assets	21,781	21,616
Company contributions	527	297
Benefits paid	(1,128)	(288)
Expected return on plan assets	1,310	1,086
Actuarial loss on assets	(67)	(930)
Closing fair value of plan assets	22,423	21,781

17 Pension and similar obligations (continued)

Statement of total recognised gains and losses (STRGL)

	31 December 2012	31 December 2011
	£'000	£'000
Actual less expected return on pension scheme assets	**(685)**	(3,565)
Actuarial loss	**(685)**	(3,565)

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

	31 December 2012	31 December 2011
Equities	**0%**	0%
Property	**9%**	10%
Bonds	**17%**	18%
Cash	**1%**	1%
Other	**73%**	71%

Other represents a mixed investment fund of equities and bonds

Mettis Aerospace Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Pension and similar obligations (continued)

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

	31 December 2012	31 December 2011	31 March 2011	31 March 2010	31 March 2009
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	**(28,219)**	(27,413)	(24,068)	(24,780)	(17,862)
Fair value of scheme assets	**22,423**	21,781	21,616	20,759	18,315
(Deficit)/Surplus	**(5,796)**	(5,632)	(2,452)	(4,021)	453
Difference between actual and expected return on assets – £000s	**(67)**	(930)	(373)	1,752	(5,712)
Percentage of scheme assets	**(0.3%)**	(4 3%)	(1 7%)	8 4%	(33 5%)
Experience losses on scheme liabilities – £000's	**522**	(610)	-	(824)	-
Percentage of the present value of the scheme liabilities	**1.8%**	(2 2%)	0 0%	(3 3%)	0 0%

The value of the assets at March 2009 and following years have been taken at bid value

18 Called up share capital

	31 December 2012	31 December 2011
	£'000	£'000
Allotted, and fully paid		
25,559,356 (December 2011 25,559,356) ordinary shares of £1 each	**25,559**	25,559

19 Profit and loss account

	31 December 2012 £'000	31 December 2011 £'000
At 31 December 2011	(70)	2,414
(Loss)/profit for the financial year	(376)	312
Actuarial loss on pension scheme - (note 17	(685)	(3,565)
Corporation tax credit on pension scheme	128	-
Movement on deferred tax relating to pension liability - (note 17)	(75)	769
At 31 December 2012	(1,078)	(70)

20 Reconciliation of movements in total shareholders' funds

	31 December 2012 £'000	31 December 2011 £'000
(Loss)/profit for the financial year	(376)	312
Actuarial loss on pension scheme - (note 17)	(685)	(3,565)
Corporation tax credit on pension scheme	128	-
Movement on deferred tax relating to pension liability - (note 17)	(75)	769
Net movement in total shareholders' funds	(1,008)	(2,484)
Opening total shareholder's funds	25,489	27,973
Closing total shareholders' funds	24,481	25,489

21 Capital commitments

	31 December 2012	31 December 2011
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	861	887

22 Operating lease commitments

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

	31 December 2012		31 December 2011	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	19	-	18
Between two and five years	800	63	800	59
	800	82	800	77

23 Other commitments and contingent liabilities

At 31 December 2012 foreign exchange contracts were in place to sell USD $1 5m and Euro €0 3m (2011 USD2 8m, Euro nil) The fair value of these contracts at 31 December 2012 was £46,000 (2011 £37,000) lower than the contract value

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 (December 2011 £50,000) in favour of HM Revenue and Customs for duty deferment

24 Related party transactions

During the year the Company used temporary labour supplied by Shorterm Limited, the ultimate controlling party of which is Saints Capital Chamonix LP, to the value of £3,000 (December 2011 £4,000) At 31 December 2012 £nil (2011 £3,000) was payable in respect of these purchases

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 31 December 2012 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