

Registered number: 04744755

Metflex Precision Mouldings Limited

**Annual Report
and Financial Statements**

For the year ended 31 December 2010

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METFLEX PRECISION MOULDINGS LIMITED

Company Information

Directors	Mr P Rogerson Mr J Holland Mr D J McCarthy
Company secretary	Mr P Rogerson
Company number	04744755
Registered office	20 Alan Ramsbottom Way Great Harwood Blackburn Lancashire BB6 7FE
Auditor	CLB Coopers Fleet House New Road Lancaster LA1 1EZ

METFLEX PRECISION MOULDINGS LIMITED

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METFLEX PRECISION MOULDINGS LIMITED

Directors' report For the year ended 31 December 2010

The directors present their report and the financial statements for the year ended 31 December 2010

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 elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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.

Principal activities

The principal activity of the company during the year was that of the manufacture of rubber products.

Business review

The year was marked by a strong period of sales growth with annual revenues rising from £5,641,681 in 2009 to £7,602,589, an increase of 34.7%. Whilst the UK market continued to be depressed the recovery within the company's export markets, begun during 2009, continued strongly in 2010. As a consequence export sales of £4,866,262 (2009 £3,170,220) were achieved representing 64% (2009 56.2%) of sales revenues, an increase of 53.5%. Within this growth export sales to the North American market rose from £1,358,944 to £2,577,030 an increase of 89.6%.

The company has continued to develop its strategic partnering with overseas partners which has had a significant impact in mitigating the downward pressure on manufacturing margins. In a highly competitive market the company has limited the impact of this with margin 1.2% lower than that achieved in 2009.

During the year the company successfully completed the relocation of its manufacturing facility from a site it had occupied since 1941 to a purpose built facility within the vicinity of the former site. This move involved significant capital expenditure which was funded by a combination of a five year fixed interest loan and existing facilities.

Principal risks

The company's management continue to monitor the activities of the company's competitors in relation to market activity which may impact upon profitability and growth. The continuing stagnation within the UK market is a limiting factor in the company's expansion plans within the domestic market although this is counteracted by the company's success in its export markets. The company continues to invest in its technologies and applications but management is acutely aware of the threats to its technological competitiveness. However, the directors remain confident that the strategies in place will allow the company to build upon its market position.

METFLEX PRECISION MOULDINGS LIMITED

Directors' report For the year ended 31 December 2010

Future developments

Throughout 2010 the company has continued to concentrate its resources upon developing its share within export markets and the use of its technologies outside its traditional market of the gas industry. The company's management believe that the company will continue to grow its market share and that the company is well positioned to exploit the benefits which follow from the recovery of the UK gas market.

Results

The profit for the year, after taxation, amounted to £135,120 (2009 £259,002)

Directors

The directors who served during the year were

Mr P Rogerson
Mr J Holland
Mr D J McCarthy

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 26 to the financial statements

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

This report was approved by the board on 27 June 2011 and signed on its behalf



Mr P Rogerson
Director

METFLEX PRECISION MOULDINGS LIMITED

Independent auditor's report to the shareholders of Metflex Precision Mouldings Limited

We have audited the financial statements of Metflex Precision Mouldings Limited for the year ended 31 December 2010, set out on pages 5 to 19. 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).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, 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.

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 an 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 December 2010 and of its profit 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.

METFLEX PRECISION MOULDINGS LIMITED

Independent auditor's report to the shareholders of Metflex Precision Mouldings Limited

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



Philip Whiteway (Senior statutory auditor)

for and on behalf of

CLB Coopers

Statutory Auditors and Chartered Accountants

Fleet House

New Road

Lancaster

LA1 1EZ

Date 27 June 2011

METFLEX PRECISION MOULDINGS LIMITED

Profit and loss account For the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	1,2	7,602,589	5,641,681
Cost of sales		(3,716,091)	(2,690,864)
Gross profit		3,886,498	2,950,817
Distribution costs		(364,572)	(130,923)
Administrative expenses		(3,255,939)	(2,465,962)
Other operating income	3	(12,501)	35,686
Operating profit	4	253,486	389,618
Interest receivable and similar income		2,268	10
Interest payable and similar charges	8	(39,308)	(42,945)
Profit on ordinary activities before taxation		216,446	346,683
Tax on profit on ordinary activities	9	(81,326)	(87,681)
Profit for the financial year	19	135,120	259,002

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account

The notes on pages 7 to 19 form part of these financial statements

METFLEX PRECISION MOULDINGS LIMITED

Registered number: 04744755

Balance sheet

As at 31 December 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Intangible assets	10		-		-
Tangible assets	11		1,389,465		318,229
			1,389,465		318,229
Current assets					
Stocks	12	653,428		424,886	
Debtors amounts falling due after more than one year	13	2,207,607		3,494,361	
Debtors amounts falling due within one year	13	1,500,272		1,262,323	
Cash at bank and in hand		74,522		73,126	
		4,435,829		5,254,696	
Creditors: amounts falling due within one year	14	(2,227,148)		(1,652,349)	
Net current assets			2,208,681		3,602,347
Total assets less current liabilities			3,598,146		3,920,576
Creditors: amounts falling due after more than one year	15		(630,471)		(1,145,102)
Provisions for liabilities					
Deferred tax	16		(79,225)		(16,845)
Net assets			2,888,450		2,758,629
Capital and reserves					
Called up share capital	17		200,000		200,000
Other reserves	19		9,010		4,309
Profit and loss account	19		2,679,440		2,554,320
Shareholders' funds	20		2,888,450		2,758,629

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 27 June 2011

Mr P Rogerson
Director

The notes on pages 7 to 19 form part of these financial statements

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

1. Accounting policies

1.1 Basis of preparation of financial statements

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

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

1.4 Intangible fixed assets and amortisation

Acquired goodwill is stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of fixed assets, less its estimated residual value, over its expected useful economic life of 5 years. It is amortised to the profit and loss account.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold property improvements	-	6 67% straight line
Plant and machinery	-	6 67% - 50% straight line
Motor vehicles	-	20% straight line
Furniture, fittings and equipment	-	10% - 50% straight line

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

1. Accounting policies (continued)

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between transactions in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.11 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.12 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1.13 Share based payment

The difference between consideration receivable from employees for share and share option awards granted under the Group's employee share schemes and the fair market value of the underlying ordinary shares at the date of grant is charged to the profit and loss account as a share based payment expense evenly over the period during which the award vests.

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

2. Turnover

The whole of the turnover is attributable to the one principal activity of the company

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	2,736,327	2,471,461
Europe	1,391,686	1,118,570
North America	2,577,030	1,358,944
Rest of world	897,546	692,706
	<u>7,602,589</u>	<u>5,641,681</u>

3. Other operating income

	2010 £	2009 £
Net rents receivable	<u>(12,501)</u>	<u>35,686</u>

4. Operating profit

The operating profit is stated after charging

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the company	127,960	86,629
- held under finance leases	1,302	-
Net loss on foreign exchange	18,545	10,110
Share based payments	<u>4,701</u>	<u>4,309</u>

5. Auditors' remuneration

	2010 £	2009 £
Fees payable to the company's auditor for the audit of the company's annual accounts	11,275	8,200
Fees payable to the company's auditor in respect of		
Other services relating to taxation	1,375	925
All other services	<u>-</u>	<u>2,000</u>

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

6. Staff costs

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	3,165,892	2,249,683
Social security costs	171,293	135,599
Other pension costs	84,242	54,743
	<u>3,421,427</u>	<u>2,440,025</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010 No.	2009 No
Production	48	50
Administrative	23	21
Directors	3	3
	<u>74</u>	<u>74</u>

7. Directors' remuneration

	2010 £	2009 £
Emoluments	<u>1,020,603</u>	<u>593,784</u>
Company pension contributions to defined contribution pension schemes	<u>31,021</u>	<u>2,799</u>

During the year retirement benefits were accruing to 1 director (2009 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £633,062 (2009 £378,907)

8. Interest payable and similar charges

	2010 £	2009 £
On bank loans and overdrafts	19,486	26,678
On finance leases and hire purchase contracts	158	-
On invoice discounting	19,664	16,267
	<u>39,308</u>	<u>42,945</u>

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

9. Taxation

	2010 £	2009 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	18,860	96,920
Adjustments in respect of prior periods	86	-
Total current tax	<u>18,946</u>	<u>96,920</u>
Deferred tax		
Origination and reversal of timing differences	67,982	622
Short term timing differences	(5,602)	(9,861)
Total deferred tax (see note 16)	<u>62,380</u>	<u>(9,239)</u>
Tax on profit on ordinary activities	<u>81,326</u>	<u>87,681</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 lower than) the standard rate of corporation tax in the UK of 21% (2009 28%). The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>216,446</u>	<u>346,683</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2009 28%)	45,454	97,071
Effects of:		
Expenses not deductible for tax purposes	961	3,032
Capital allowances for year in excess of depreciation	(32,862)	(6,392)
Movement in provisions	5,307	9,861
Adjustments to tax charge in respect of prior periods	86	-
Marginal rate relief	-	(6,652)
Current tax charge for the year (see note above)	<u>18,946</u>	<u>96,920</u>

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

10. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2010 and 31 December 2010	54,423
Amortisation	
At 1 January 2010 and 31 December 2010	54,423
Net book value	
At 31 December 2010	-
At 31 December 2009	-

11. Tangible fixed assets

	Leasehold property improvements £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost					
At 1 January 2010	-	911,654	10,139	166,707	1,088,500
Additions	527,749	583,724	1,950	88,976	1,202,399
Disposals	-	(69,503)	(1,950)	(89,328)	(160,781)
At 31 December 2010	527,749	1,425,875	10,139	166,355	2,130,118
Depreciation					
At 1 January 2010	-	627,749	198	142,324	770,271
Charge for the year	8,315	94,714	2,077	24,156	129,262
On disposals	-	(69,503)	(49)	(89,328)	(158,880)
At 31 December 2010	8,315	652,960	2,226	77,152	740,653
Net book value					
At 31 December 2010	519,434	772,915	7,913	89,203	1,389,465
At 31 December 2009	-	283,905	9,941	24,383	318,229

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2010 £	2009 £
Plant and machinery	76,823	-

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

12. Stocks

	2010 £	2009 £
Raw materials	169,089	66,194
Work in progress	181,232	129,266
Finished goods	303,107	229,426
	<u>653,428</u>	<u>424,886</u>

13. Debtors

	2010 £	2009 £
Due after more than one year		
Amounts owed by group undertakings	2,192,817	3,494,361
Other debtors	14,790	-
	<u>2,207,607</u>	<u>3,494,361</u>
Due within one year		
Trade debtors	1,424,953	1,192,650
Other debtors	11,034	9,491
Prepayments and accrued income	64,285	60,182
	<u>1,500,272</u>	<u>1,262,323</u>

Trade debtors amounting to £1,398,488 (2009 £1,103,665) have been invoice discounted through a facility with Yorkshire Bank plc

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

14. Creditors: Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	115,535	-
Other loans	4,140	-
Net obligations under finance leases and hire purchase contracts	20,708	-
Trade creditors	822,634	525,499
Corporation tax	18,410	96,834
Other taxes and social security	46,433	40,643
Other creditors	454,116	363,916
Accruals and deferred income	745,172	625,457
	<u>2,227,148</u>	<u>1,652,349</u>

Other creditors includes £424,134 (2009 £354,521) owed to Yorkshire Bank plc with whom invoices are discounted. This creditor is secured on the trade debtors of the company.

Bank loans are secured by a debenture creating a fixed and floating charge over the assets of the company including a fixed charge on book debts, a legal mortgage on the lease on New Unit, Union Court, Alan Ramsbottom Way, Great Harwood, Blackburn, and an intercompany cross guarantee between Metflex Precision Mouldings Limited and Metflex Holding Company Limited supported by debentures.

15. Creditors: Amounts falling due after more than one year

	2010 £	2009 £
Bank loans	579,465	-
Other loans	11,040	-
Net obligations under finance leases and hire purchase contracts	39,966	-
Other creditors	-	1,145,102
	<u>630,471</u>	<u>1,145,102</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2010 £	2009 £
Repayable by instalments	12,985	-

Bank loans repayable by instalments in more than 5 years bear interest at a rate of 4.75%

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

15. Creditors: Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2010 £	2009 £
Between one and five years	<u>39,966</u>	<u>-</u>

16. Deferred taxation

	2010 £	2009 £
At beginning of year	16,845	26,084
Charge for/(released during) year	<u>62,380</u>	<u>(9,239)</u>
At end of year	<u>79,225</u>	<u>16,845</u>

The provision for deferred taxation is made up as follows

	2010 £	2009 £
Accelerated capital allowances	98,394	30,412
Short term timing differences	<u>(19,169)</u>	<u>(13,567)</u>
	<u>79,225</u>	<u>16,845</u>

17. Share capital

	2010 £	2009 £
Allotted, called up and fully paid 200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

18. Employee share schemes

The parent company has granted share options under the Enterprise Management Incentive Scheme ("EMI"). Options to acquire Ordinary shares under the EMI may be granted up to a maximum of £120,000 (based on the market value of the shares placed under option at the date of grant). The determination of the number of options granted to employees is at the discretion of the directors.

No consideration is payable for the grant of an option and options are not transferable or assignable. Cash consideration is paid to the Company by the employee at the point that the share options are exercised. The price paid for share options by employees is determined at the time of the grant and is normally equal to the valuation of the share price on the date that the option is granted.

An option is normally exercisable after the third anniversary of the date of grant. All options normally lapse if the option holder ceases to be employed by the Group, though at the discretion of the Company and depending upon the circumstances in which the employment has ended, some individuals may be permitted to retain options after they leave employment for 6 months, or an alternative timescale if agreed by the directors.

On 29 January 2009 the parent company granted options over 5,342 Ordinary C shares of £1 each to Mr D J McCarthy, a director. The exercise price is £1.98 and the exercise period is 29 January 2012 to 28 January 2019.

19. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2010	4,309	2,554,320
Profit for the year	-	135,120
Dividends	-	(10,000)
Equity capital		
Share based payment charge	4,701	-
	<u>9,010</u>	<u>2,679,440</u>
At 31 December 2010		

20. Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Opening shareholders' funds	2,758,629	2,532,461
Profit for the year	135,120	259,002
Dividends (Note 21)	(10,000)	(37,143)
Other reserves	4,701	4,309
	<u>2,888,450</u>	<u>2,758,629</u>
Closing shareholders' funds		

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

21. Dividends

	2010 £	2009 £
Dividends paid on equity capital	<u>10,000</u>	<u>37,143</u>

22. Contingent liabilities

The company has treated payments to a human resources company as allowable expenses for corporation tax purposes. If the company were denied these deductions by HM Revenue and Customs this would result in an additional corporation tax liability of £704,314 (2009 £460,027)

Bank loans within Metflex Holding Company Limited are secured by an inter-company cross guarantee supported by debentures from Metflex Holding Company Limited and Metflex Precision Moulding Limited. At the year end the potential liability under this guarantee amounted to £45,163 (2009 £559,234)

23. Capital commitments

At 31 December 2010 the company had capital commitments as follows

	2010 £	2009 £
Contracted for but not provided in these financial statements	<u>6,699</u>	<u>45,774</u>

24. Pension commitments

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independent trustee administered funds. The pension cost charge for the year amounted to £84,242 (2009 £54,743). At the balance sheet date the company owed £38,486 (2009 £9,395) to the pension scheme.

25. Operating lease commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010 £	2009 £	2010 £	2009 £
Expiry date:				
Within 1 year	-	125,000	5,100	-
Between 2 and 5 years	-	-	3,710	8,810
After more than 5 years	<u>158,861</u>	<u>-</u>	<u>-</u>	<u>-</u>

METFLEX PRECISION MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

26. Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, being

- (a) to finance its operations,
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance, and
- (c) for trading purposes

In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from the company's operations

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below

Interest rate risk

The company is exposed to fair value interest rate risk on its borrowings and cash flow interest rate risk on bank overdrafts and loans. The company has entered into both fixed and variable interest rate agreements on its loans so as to minimise its exposure to changes in interest rates

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts whenever considered necessary

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business

Currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. The company seeks to invoice and be invoiced in its principal trading currency wherever possible so as to minimise its exposure to foreign currency movements

METFLEX PRECISION/ MOULDINGS LIMITED

Notes to the financial statements For the year ended 31 December 2010

27. Related party transactions

During the year the company continued to borrow funds interest free from Mr P Rogerson, a director. This loan has been transferred to the parent company. At the balance sheet date the company owed £Nil (2009 £826,405) to Mr P Rogerson.

During the year the company continued to borrow funds interest free from Mr J Holland, a director. This loan has been transferred to the parent company. At the balance sheet date the company owed £Nil (2009 £318,697) to Mr J Holland.

During the year the company made sales of £Nil (2009 £7,384) to Phil Rogerson Limited, a company in which Mr P Rogerson is a director and shareholder. In addition the company made purchases of £22,991 (2009 £2,733) from Phil Rogerson Limited and paid management charges of £25,412 (2009 £68,000) to Phil Rogerson Limited. At the balance sheet date the company owed £27,107 (2009 £12,618) to Phil Rogerson Limited.

During the year the company made sales of £125 (2009 £Nil) to Rogerson Homeserve+ Limited, a company in which Mr P Rogerson is a director and shareholder. In addition the company made purchases of £37,477 (2009 £Nil) from Rogerson Homeserve+ Limited. At the balance sheet date the company was owed £147 (2009 £Nil) from Rogerson Homeserve+ Limited.

During the year the company made capital purchases of £94,564 (2009 £Nil) from Rogerson & Holland Industrial Properties LLP, a limited liability partnership in which Mr P Rogerson and Mr J Holland are designated members and which is controlled by Mr P Rogerson. At the balance sheet date the company owed £94,564 (2009 £Nil) to Rogerson & Holland Industrial Properties LLP.

During the year the company paid dividends amounting to £10,000 (2009 £37,143) to Metflex Holding Company Limited, its parent company. In addition the company continued to loan funds interest free to Metflex Holding Company Limited. At the balance sheet date the company was owed £2,192,817 (2009 £3,494,361) from Metflex Holding Company Limited.

28. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Metflex Holding Company Limited, a company registered in England and Wales.

The ultimate controlling party is Mr P Rogerson by virtue of his majority shareholding in the ultimate parent undertaking.