

Registered number: 05626759

Metflex Holding Company Limited

**Annual Report
and Financial Statements**

For the year ended 31 December 2016

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Metflex Holding Company Limited

Company Information

Directors	Mr P Rogerson Mr J Holland Mrs A P Holland Mrs J A M Rogerson
Company secretary	Mr P Rogerson
Registered number	05626759
Registered office	20 Alan Ramsbottom Way Great Harwood Blackburn Lancashire BB6 7FE
Independent auditor	CLB Coopers Audit Services Fleet House New Road Lancaster LA1 1EZ

Metflex Holding Company Limited

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Metflex Holding Company Limited

Group strategic report For the year ended 31 December 2016

Strategic review

The company has not traded during the period and has acted purely as a holding company. The directors consider the position at the balance sheet date to be satisfactory. There are no plans for the company to commence trading in the immediate future.

The principal activity of the group was that of manufacture of rubber products.

The group's established objectives of generating sustainable sales growth and profitability has been impacted upon in 2016 by external political and economic factors: the impact of the decision to leave the European Union and political uncertainty in the United States, an important market for the group, being the most significant. The Directors believe that these factors are potentially material in the resulting decline in turnover from £11.443m in 2015 to £10.807m. Across the group's markets trading has been variable with UK sales 9.8% lower than in 2015 and US turnover 19.5% lower. This has been offset by growth of 8.3% and 5.7% in the group's European and Rest of the World markets respectively. Notwithstanding this the group continues to maintain its strategic objectives of expanding its market share within the gas distribution sector, drive coupling and renewable energy and offshore markets.

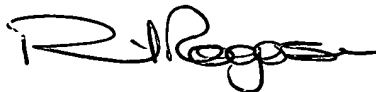
The group has continued its policy of continuous improvement in its UK manufacturing facility and also its overseas manufacturing capability. This has allowed the group to maintain its manufacturing margins within a competitive market environment.

The group has made significant investment in identifying and developing new market sectors. This has resulted in an improvement in operating profit of Metflex Precision Mouldings Limited of 0.88% with operating profit as a percentage of sales increasing from 18.9% to 20.2% which is judged to be a satisfactory performance and one which the Directors are determined to maintain.

The Directors continue to monitor the progress of the group within its market sectors and believe that despite the difficulties experienced during 2016 the business has performed well relative to its competitors. The market for the group's products remains competitive but the strategic direction of the business, with the objective of expanding its market share, is underpinned by the group's ability to innovate and provide customers with highly technical engineered solutions. The Directors believe that sales growth will be restored in 2017 and that the group will continue to deliver and improve upon its operating profitability.

This report was approved by the board and signed on its behalf.

Mr P Rogerson
Director



Date:

23-06-17

Metflex Holding Company Limited

Directors' report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £1,625,350 (2015: £1,776,184).

Directors

The directors who served during the year were:

Mr P Rogerson
Mr J Holland
Mrs A P Holland
Mrs J A M Rogerson

Future developments

Future developments are detailed in the strategic report.

Financial instruments

Details of the group's financial risk management objectives and policies are included in note 27 to the financial statements.

Metflex Holding Company Limited

Directors' report (continued)
For the year ended 31 December 2016

Disclosure 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 the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the group since the year end.

Auditor

The auditor, CLB Coopers, has tendered its resignation. CLB Coopers Audit Services will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr P Rogerson
Director

Date: 23-06-17

Metflex Holding Company Limited

Independent auditor's report to the shareholders of Metflex Holding Company Limited

We have audited the financial statements of Metflex Holding Company Limited for the year ended 31 December 2016, set out on pages 6 to 33. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, 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 members 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 members 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 directors' responsibilities statement on page 2, 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 Financial Reporting Council'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 group's and the parent 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 group strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and the parent company's affairs as at 31 December 2016 and of the group's profit or 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, based on the work undertaken in the course of the audit, the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

Metflex Holding Company Limited

Independent auditor's report to the shareholders of Metflex Holding Company Limited (continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

CLB Coopers Audit Services

Philip Whiteway (senior statutory auditor)

for and on behalf of
CLB Coopers Audit Services

Statutory Auditors

Fleet House
New Road
Lancaster

LA1 1EZ

Date: 23/6/17

Metflex Holding Company Limited

**Consolidated statement of comprehensive income (including the profit and loss account)
For the year ended 31 December 2016**

	Note	2016 £	2015 £
Turnover	4	10,807,074	11,443,238
Cost of sales		(5,073,900)	(5,465,706)
Gross profit		5,733,174	5,977,532
Distribution costs		(332,792)	(398,709)
Administrative expenses		(3,173,430)	(3,383,361)
Other operating charges		(173,389)	-
Operating profit	5	2,053,563	2,195,462
Interest payable and expenses	8	(31,375)	(48,170)
Profit on ordinary activities before taxation		2,022,188	2,147,292
Tax on profit on ordinary activities	9	(396,838)	(371,108)
Profit for the year		1,625,350	1,776,184
Total comprehensive income for the year		1,625,350	1,776,184

Metflex Holding Company Limited
Registered number:05626759

Consolidated balance sheet
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	12	1,229,193	1,365,770
Tangible assets	13	2,946,725	3,097,095
		<u>4,175,918</u>	<u>4,462,865</u>
Current assets			
Stocks	15	1,052,134	1,232,300
Debtors: amounts falling due within one year	16	1,945,368	2,676,477
Cash at bank and in hand	17	2,432,335	911,207
		<u>5,429,837</u>	<u>4,819,984</u>
Creditors: amounts falling due within one year	18	(1,223,752)	(1,808,906)
Net current assets		<u>4,206,085</u>	<u>3,011,078</u>
Total assets less current liabilities		<u>8,382,003</u>	<u>7,473,943</u>
Creditors: amounts falling due after more than one year	19	(811,792)	(1,462,969)
Provisions for liabilities			
Deferred taxation	21	(53,866)	(45,759)
		<u>(53,866)</u>	<u>(45,759)</u>
Net assets		<u><u>7,516,345</u></u>	<u><u>5,965,215</u></u>
Capital and reserves			
Called up share capital	22	300,000	300,000
Other reserves		14,103	14,103
Profit and loss account		7,202,242	5,651,112
		<u><u>7,516,345</u></u>	<u><u>5,965,215</u></u>

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

Mr P Rogerson
Director



23.6.2017

The notes on pages 12 to 33 form part of these financial statements.

Metflex Holding Company Limited
Registered number:05626759

Company balance sheet
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	14	<u>4,368,698</u>	<u>4,368,698</u>
		4,368,698	4,368,698
Current assets			
Debtors: amounts falling due within one year	16	<u>1,376,050</u>	<u>1,277,173</u>
		1,376,050	1,277,173
Creditors: amounts falling due within one year	18	<u>(3,030,645)</u>	<u>(2,420,087)</u>
Net current liabilities		(1,654,595)	(1,142,914)
Total assets less current liabilities		2,714,103	3,225,784
Creditors: amounts falling due after more than one year	19	-	(511,681)
Net assets		<u>2,714,103</u>	<u>2,714,103</u>
Capital and reserves			
Called up share capital	22	300,000	300,000
Other reserves		14,103	14,103
Profit and loss account		<u>2,400,000</u>	<u>2,400,000</u>
		<u>2,714,103</u>	<u>2,714,103</u>

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



23.6.2017

Mr P Rogerson
Director

Metflex Holding Company Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 31 December 2014	300,000	14,103	3,931,400	4,245,503
Profit for the year	-	-	1,776,184	1,776,184
Dividends: Equity capital	-	-	(56,472)	(56,472)
At 1 January 2016	300,000	14,103	5,651,112	5,965,215
Profit for the year	-	-	1,625,350	1,625,350
Dividends: Equity capital	-	-	(74,220)	(74,220)
At 31 December 2016	300,000	14,103	7,202,242	7,516,345

Metflex Holding Company Limited

**Company statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 31 December 2014	300,000	14,103	1,200,000	1,514,103
Profit for the year	-	-	1,256,472	1,256,472
Dividends: Equity capital	-	-	(56,472)	(56,472)
At 1 January 2016	300,000	14,103	2,400,000	2,714,103
Profit for the year	-	-	74,220	74,220
Dividends: Equity capital	-	-	(74,220)	(74,220)
At 31 December 2016	300,000	14,103	2,400,000	2,714,103

Metflex Holding Company Limited

Consolidated statement of cash flows
For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	1,625,350	1,776,184
Adjustments for:		
Amortisation of intangible assets	136,577	136,577
Depreciation of tangible assets	172,435	177,911
Impairment of fixed assets	173,389	-
Loss on disposal of tangible assets	-	(1,964)
Interest payable	31,375	48,170
Taxation charge	396,838	371,108
Decrease/(increase) in stocks	180,166	(220,991)
Decrease/(increase) in debtors	731,109	(286,200)
Decrease in creditors	(1,120,308)	(355,084)
Corporation tax paid	(356,470)	(383,363)
Net cash generated from operating activities	1,970,461	1,262,348
Cash flows from investing activities		
Purchase of tangible fixed assets	(195,454)	(304,531)
Sale of tangible fixed assets	-	10,400
HP interest paid	-	(662)
Net cash from investing activities	(195,454)	(294,793)
Cash flows from financing activities		
Repayment of loans	(148,284)	(533,115)
Repayment of finance leases	-	(8,850)
Dividends paid	(74,220)	(56,472)
Interest paid	(31,375)	(46,223)
Net cash used in financing activities	(253,879)	(644,660)
Net increase in cash and cash equivalents	1,521,128	322,895
Cash and cash equivalents at beginning of year	911,207	588,312
Cash and cash equivalents at the end of year	2,432,335	911,207
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,432,335	911,207
	2,432,335	911,207

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

1. General information

Metflex Holding Company Limited ("the company") is a private company limited by shares and is incorporated and domiciled in England.

The address of the company's registered office and principal place of business is 20 Alan Ramsbottom Way, Great Harwood, Blackburn, Lancashire, BB6 7FE.

The group's principal activities are detailed in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 33 to the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 31 December 2014.

The company has taken advantage of the Reduced Financial Reporting Regime, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" regarding the disclosure requirements of Sections 3, 4, 7, 11, 12, 26 and 33 of the standard.

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated profit and loss account within administrative expenses over its useful economic life. In the opinion of the directors, the useful economic life of the goodwill is ten years from the date of transition to FRS 102. The current rate of amortisation is considered appropriate by the directors given the increasing profitability and reputation of the subsidiary company to which the goodwill relates.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- not depreciated
Plant and machinery	- 6.67% - 50% straight line
Motor vehicles	- 20% - 50% straight line
Fixtures, fittings and equipment	- 10% - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

The directors opinion is that given the property has been reviewed for impairment by reference to a professional valuation of the property that no depreciation is necessary to be provided and any annual depreciation charge and accumulated depreciation would not be material. Depreciation is not charged on the freehold property and an impairment review is undertaken at the end of each reporting period.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

2. Accounting policies (continued)

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.11 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2.14 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2. Accounting policies (continued)

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with fair value of goods and services received.

2.17 Operating leases

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

2.18 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.19 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2. Accounting policies (continued)

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.22 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

2.23 Share capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements
For the year ended 31 December 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful economic lives of tangible fixed assets

The useful economic life and depreciation rate of tangible fixed assets is reviewed annually and amended when necessary.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the group.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	3,171,286	3,516,952
Rest of Europe	1,985,928	1,834,148
North America	2,527,292	3,138,167
Rest of world	3,122,568	2,953,971
	<u>10,807,074</u>	<u>11,443,238</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	172,435	177,911
Impairment of tangible fixed assets - other operating charges	173,389	-
Amortisation of intangible assets, including goodwill	136,577	136,577
Fees payable to the group's auditor and its associates for the audit of the company's annual financial statements	14,925	14,530
Exchange differences	(179,531)	(20,042)
Defined contribution pension cost	118,479	157,753
	<u>118,479</u>	<u>157,753</u>

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,677,530	2,558,772
Social security costs	237,244	302,905
Cost of defined contribution scheme	118,479	157,753
	<u>3,033,253</u>	<u>3,019,430</u>

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

	2016 No.	2015 No.
Production	41	44
Administrative	41	40
Directors	4	4
	<u>86</u>	<u>88</u>

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	182,488	244,410
Company contributions to defined contribution pension schemes	19,028	68,249
	<u>201,516</u>	<u>312,659</u>

During the year retirement benefits were accruing to 3 directors (2015: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £99,416 (2015: £157,072).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,027 (2015: £8,194).

Metflex Holding Company Limited

**Notes to the financial statements
For the year ended 31 December 2016**

8. Interest payable and similar charges

	2016	2015
	£	£
Bank interest payable	31,375	47,451
Finance leases and hire purchase contracts	-	662
Other interest payable	-	57
	31,375	48,170

9. Taxation

	2016	2015
	£	£
Corporation tax		
Current tax on profits for the year	388,731	390,622
Total current tax	388,731	390,622
Deferred tax		
Origination and reversal of timing differences	(5,159)	(23,002)
Short term timing differences	13,266	3,488
Total deferred tax	8,107	(19,514)
Taxation on profit on ordinary activities	396,838	371,108

Notes to the financial statements
For the year ended 31 December 2016

9. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>2,022,188</u>	<u>2,147,292</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	404,438	434,827
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	61,993	27,657
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	248	1,210
Capital allowances for year in excess of depreciation	(4,260)	(8,002)
Movement in provisions	(14,073)	(3,222)
Research and development tax credit	(59,615)	(61,316)
Deferred tax movement on origination and reversal of timing differences	(5,159)	(23,002)
Deferred tax movement on short term timing differences	13,266	3,488
Profit on disposal of fixed assets	-	(398)
Differences in tax rates	-	(65)
Marginal relief	-	(69)
Total tax charge for the year	<u><u>396,838</u></u>	<u><u>371,108</u></u>

10. Dividends

	2016 £	2015 £
Dividends paid on equity capital	<u>74,220</u>	56,472
	<u><u>74,220</u></u>	<u><u>56,472</u></u>

11. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £74,220 (2015: £1,256,472).

Metflex Holding Company Limited

**Notes to the financial statements
For the year ended 31 December 2016**

12. Intangible assets

Group and Company

	Goodwill on consolidation £
Cost	
At 1 January 2016	<u>2,731,540</u>
At 31 December 2016	<u>2,731,540</u>
Amortisation	
At 1 January 2016	1,365,770
Charge for the year	<u>136,577</u>
At 31 December 2016	<u>1,502,347</u>
Net book value	
At 31 December 2016	<u>1,229,193</u>
At 31 December 2015	<u>1,365,770</u>

Metflex Holding Company Limited

**Notes to the financial statements
For the year ended 31 December 2016**

13. Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost or valuation					
At 1 January 2016	2,513,459	1,953,228	102,177	336,422	4,905,286
Additions	84,654	50,090	19,398	41,312	195,454
Disposals	-	(8,937)	-	-	(8,937)
At 31 December 2016	<u>2,598,113</u>	<u>1,994,381</u>	<u>121,575</u>	<u>377,734</u>	<u>5,091,803</u>
Depreciation					
At 1 January 2016	204,724	1,298,729	50,456	254,282	1,808,191
Charge for the period on owned assets	-	112,163	27,420	32,852	172,435
Disposals	-	(8,937)	-	-	(8,937)
Impairment charge	173,389	-	-	-	173,389
At 31 December 2016	<u>378,113</u>	<u>1,401,955</u>	<u>77,876</u>	<u>287,134</u>	<u>2,145,078</u>
Net book value					
At 31 December 2016	<u>2,220,000</u>	<u>592,426</u>	<u>43,699</u>	<u>90,600</u>	<u>2,946,725</u>
At 31 December 2015	<u>2,308,735</u>	<u>654,499</u>	<u>51,721</u>	<u>82,140</u>	<u>3,097,095</u>

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Freehold	<u>2,220,000</u>	<u>2,308,735</u>
	<u>2,220,000</u>	<u>2,308,735</u>

The property held by the group at £2,220,000 (2015: £2,308,725) is security against bank loans held by the group in note 18 and note 19 to the financial statements.

Metflex Holding Company Limited

**Notes to the financial statements
For the year ended 31 December 2016**

14. Fixed asset investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2016	4,368,698
At 31 December 2016	<u>4,368,698</u>
Net book value	
At 31 December 2016	<u>4,368,698</u>
At 31 December 2015	<u>4,368,698</u>

Details of the principal subsidiaries can be found in note 32 to the financial statements.

15. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials and consumables	330,209	281,891	-	-
Work in progress	54,827	67,607	-	-
Finished goods and goods for resale	667,098	882,802	-	-
	<u>1,052,134</u>	<u>1,232,300</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £3,456,333 (2015: £3,835,305).

Metflex Holding Company Limited**Notes to the financial statements
For the year ended 31 December 2016****16. Debtors**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	1,793,578	2,269,235	-	-
Amounts owed by group undertakings	-	-	1,357,523	1,277,173
Other debtors	33,184	230,957	18,527	-
Prepayments and accrued income	118,606	176,285	-	-
	<u>1,945,368</u>	<u>2,676,477</u>	<u>1,376,050</u>	<u>1,277,173</u>

Trade debtors amounting to £1,300,173 (2015: £1,869,585) have been invoice discounted through a facility with Yorkshire Bank plc. At the balance sheet date, the amount owing to Yorkshire Bank plc was £Nil (2015: £Nil).

17. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	2,432,335	911,207	-	-
	<u>2,432,335</u>	<u>911,207</u>	<u>-</u>	<u>-</u>

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

18. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	139,496	148,284	-	-
Trade creditors	517,228	917,941	-	-
Amounts owed to group undertakings	-	-	2,981,805	2,420,087
Corporation tax	203,372	171,111	-	-
Other taxation and social security	79,887	67,510	-	-
Other creditors	52,677	15,649	37,042	-
Accruals and deferred income	231,092	488,411	11,798	-
	<u>1,223,752</u>	<u>1,808,906</u>	<u>3,030,645</u>	<u>2,420,087</u>

Bank loans amounting to £Nil (2015: £12,985) are secured by a debenture creating a fixed and floating charge over the assets of Metflex Precision Mouldings Limited including a fixed charge on book debts, a legal mortgage on the lease on 20 Alan Ramsbottom Way, Great Harwood, Blackburn, and an intercompany cross guarantee between Metflex Holding Company Limited and Metflex Precision Mouldings Limited supported by debentures.

Bank loans amounting to £139,496 (2015: £135,299) are secured by a debenture creating a fixed and floating charge over the assets of Metflex Property Limited and a legal charge over 20 Alan Ramsbottom Way, Great Harwood, Blackburn.

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	811,792	951,288	-	-
Other creditors	-	511,681	-	511,681
	<u>811,792</u>	<u>1,462,969</u>	<u>-</u>	<u>511,681</u>

Bank loans amounting to £811,792 (2015: £951,288) are secured by a debenture creating a fixed and floating charge over the assets of the company and a legal charge over 20 Alan Ramsbottom Way, Great Harwood, Blackburn.

Notes to the financial statements
For the year ended 31 December 2016

20. Financial instruments

	Group 2016 £	Group 2015 £
Financial assets		
Financial assets measured at amortised cost	1,826,762	2,500,192
	<u>1,826,762</u>	<u>2,500,192</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,521,193)	(2,544,843)
	<u>(1,521,193)</u>	<u>(2,544,843)</u>

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and other creditors.

21. Deferred taxation**Group**

	2016 £	2015 £
At beginning of year	45,759	65,273
Charged to profit or loss	8,107	(19,514)
At end of year	<u>53,866</u>	<u>45,759</u>

	Group 2016 £	Group 2015 £
Accelerated capital allowances	64,055	65,273
Short term timing difference	(10,189)	(19,514)
	<u>53,866</u>	<u>45,759</u>

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
180,000 Ordinary 'A' shares of £1 each	180,000	180,000
60,000 Ordinary 'B' shares of £1 each	60,000	60,000
60,000 Ordinary 'C' shares of £1 each	-	60,000
30,000 Ordinary 'E' shares of £1 each	30,000	-
30,000 Ordinary 'F' shares of £1 each	30,000	-
	<u>300,000</u>	<u>300,000</u>

On 7 January 2016 the allotted share capital of 60,000 Ordinary 'C' shares of £1 each were re-classified as 30,000 Ordinary 'E' shares of £1 each and 30,000 Ordinary 'F' shares of £1 each. For each class of share allotted £Nil consideration was received. Each class of ordinary shares ranks pari passu in all respects.

23. 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 £250,000 (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 of Metflex Precision Mouldings Limited. The exercise price is £1.98 and the exercise period is 29 January 2012 to 28 January 2019. At the balance sheet date Mr D J McCarthy had 5,342 (2015: 5,342) shares under option. No share options were exercised during the year (2015: nil).

24. Contingent liabilities

The company has treated payments to a human resources company as allowable expenses for corporation tax purposes. Should HMRC seek to treat these payments as additional remuneration this would result in an additional net tax liability after restitution of £546,749 (2015: £704,314).

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

25. Pension commitments

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group in independent trustee administered funds. The pension cost charge for the year amounted to £118,479 (2015: £157,753). At the balance sheet date the group owed £15,635 (2015: £54,758) to the pension scheme.

26. Commitments under operating leases

At 31 December 2016 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	749	-	-	-
Later than 1 year and not later than 5 years	2,621	-	-	-
Later than 5 years	-	-	-	-
	3,370	-	-	-

27. Financial risk management objectives and policies

The group 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 group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from the group's operations.

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

Interest rate risk

The group is exposed to fair value interest rate risk on its borrowings and cash flow interest rate risk on bank overdrafts and loans. The group 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 group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

Currency risk

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

28. Transactions with directors

During the year the company loaned funds interest free to Mr P Rogerson, a director. The maximum overdrawn amount in the year was £18,527. At the balance sheet date the company was owed £18,527 (2015: £Nil) by Mr P Rogerson.

29. Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 102 and has therefore not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

At the balance sheet date the company owed £2,981,805 (2015: £2,420,087) to Metflex Precision Mouldings Limited, a subsidiary undertaking.

At the balance sheet date the company was owed £1,357,523 (2015: £1,277,173) by Metflex Property Limited, a subsidiary undertaking.

During the year the group made purchases of £74,041 (2015: £7,922) from Rogerson Homeserve+ Limited, a company in which Mr P Rogerson is a director and shareholder. At the balance sheet date the group owed £Nil (2015: £Nil) to Rogerson Homeserve+ Limited.

During the year the group made purchases of £19,245 (2015: £18,839) from Fellside Renewable Energy Production Limited, a company in which Mr P Rogerson is a director and shareholder. At the balance sheet date the group owed £3,899 (2015: £1,275) to Fellside Renewable Energy Production Limited.

During the year the group and company continued to borrow funds interest free from Mr P Rogerson, a director. At the balance sheet date the group and company owed £Nil (2015: £394,335) to Mr P Rogerson.

During the year the group and company continued to borrow funds interest free from Mr J Holland, a director. At the balance sheet date the group and company owed £37,042 (2015: £117,345) to Mr J Holland.

During the year the company paid dividends amounting to £74,220 (2015: £56,472) to directors.

During the year the group paid £339,008 (2015: £440,249) in remuneration to key management personnel.

30. Post balance sheet events

Since the balance sheet date the company has paid dividends amounting to £19,833.

31. Controlling party

The company is controlled by Mr P Rogerson in both the current and previous year by virtue of his majority shareholding.

Metflex Holding Company Limited

Notes to the financial statements For the year ended 31 December 2016

32. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Metflex Precision Mouldings Limited	Ordinary	100 %	The manufacture of rubber products
Metflex Property Limited	Ordinary	100 %	The holding of investment property

33. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Goodwill

On transition to FRS 102 the directors reviewed their estimate of the useful economic life of goodwill and concluded that the remaining useful economic life was 10 years from the date of transition. This has had no impact on equity or profit or loss as the resulting amortisation charge is not materially different to that under the previous estimate.

Intercompany balances

The classification of the intercompany balances has been reviewed following the transition to FRS 102.