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Company Registration No. 05582765 (England and Wales)

MANTEC GROUP LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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MANTEC GROUP LIMITED
COMPANY INFORMATION

Directors	Mr T P Kelly Mr C Lowndes
Secretary	Mr C Lowndes
Company number	05582765
Registered office	Albion Works Uttoxeter Road Longton Stoke-on-Trent ST3 1PH
Auditors	Simmons Gainsford LLP 7/10 Chandos Street Cavendish Square London W1G 9DQ

MANTEC GROUP LIMITED

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MANTEC GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the company during the year continued to be that of a holding company. The activity of the subsidiary undertakings is included in note 7 to the accounts.

2011 has again showed a significant increase in sales which allied to major increases in raw material and utility costs, resulted in a stable profit position for Mantec Group. The group has increased its marketing activities to build on its success over recent years and continues to invest in innovative products and technologies to develop technical solutions for industry and consumers. During 2011 the group has simplified and streamlined its divisional structures to give greater marketing focus, cost control and accountability. 2012 has seen renewed turbulence in world markets which has created a challenging environment for continued growth.

The principal risk facing the company results from the performance of its investments in subsidiary undertakings. The principal risk facing these subsidiaries continues to be competitive pressure from suppliers abroad particularly those within emerging economies. The directors are confident that the underlying strategy of concentrating on quality orientated niche market products is sound.

Results and Dividends

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

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 January 2011:

Mr T P Kelly
Mr C Lowndes

MANTEC GROUP LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

Financial instruments

The group's financial instruments principally comprise bank borrowings and loans from related undertakings. It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest, liquidity, credit and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Interest risk

The group is exposed to cash flow interest rate risk on its floating rate borrowings. All borrowings are in sterling.

Liquidity risk

The group manages its borrowings requirements to ensure the group has sufficient liquid resources to meet the operating needs of the business.

Credit risk

The recipients of all loans are subject to credit verification procedures by the Board. Debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

Foreign exchange risk

The group is exposed to exchange rate fluctuations particularly where goods are invoiced in US Dollars. This is largely managed through a natural hedge generated from imports of raw materials denominated in US Dollars.

MANTEC GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment under section 485 of the Companies Act 2006

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 judgements and accounting 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 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr T. P. Kelly
Director

9th August 2012

MANTEC GROUP LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MANTEC GROUP LIMITED

We have audited the financial statements of Mantec Group Limited for the year ended 31 December 2011 set out on pages 6 to 21. 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 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement 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 and parent company's affairs as at 31 December 2011 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.

MANTEC GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF MANTEC GROUP 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 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



Stephen Jennings FCA (Senior Statutory Auditor)
for and on behalf of Simmons Gainsford LLP

9th August 2012

Chartered Accountants
Statutory Auditor

7/10 Chandos Street
Cavendish Square
London
W1G 9DQ

MANTEC GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Notes	£	£
Turnover	2	13,228,076	11,892,348
Cost of Sales		(9,002,372)	(7,704,638)
Gross profit		<u>4,225,704</u>	<u>4,187,710</u>
Distribution costs		(160,481)	(125,966)
Administrative expenses		(3,419,205)	(3,329,056)
Operating profit	3	<u>646,018</u>	<u>732,688</u>
Interest payable and similar charges	4	(111,871)	(100,309)
Profit on ordinary activities before taxation		<u>534,147</u>	<u>632,379</u>
Tax on profit on ordinary activities	5	(106,809)	(96,873)
Profit on ordinary activities after taxation	14	<u><u>427,338</u></u>	<u><u>535,506</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations
There are no recognised gains and losses other than those passing through the profit and loss account


MANTEC GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

		2011		2010	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	6		1,888,974		1,939,738
Current assets					
Stocks	8	2,208,867		2,320,751	
Debtors	9	3,138,174		2,538,139	
Cash at bank and in hand		490,408		659,849	
		<u>5,837,449</u>		<u>5,518,739</u>	
Creditors: amounts falling due within one year	10	(2,192,903)		(1,941,231)	
Net current assets			<u>3,644,546</u>		<u>3,577,508</u>
Total assets less current liabilities			<u>5,533,520</u>		<u>5,517,246</u>
Creditors: amounts falling due after more than one year	11		(3,354,328)		(3,765,392)
Net assets			<u><u>2,179,192</u></u>		<u><u>1,751,854</u></u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		2,168,192		1,740,854
Other Reserves	14		10,000		10,000
Equity shareholders' funds	15		<u><u>2,179,192</u></u>		<u><u>1,751,854</u></u>

The financial statements were approved by the Board on ^{24 August} 7th August 2012



Mr T. P. Kelly
Director



Mr C. Lowndes
Director

Company Registration No. 05582765

MANTEC GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	2011 £	2010 £
Fixed assets			
Investments	7	4,693,029	4,355,600
Current assets			
Debtors due in more than one year	9	330,000	-
Debtors due in less than one year	9	743,010	811,820
		<u>1,073,010</u>	<u>811,820</u>
Creditors' amounts falling due within one year	10	(366,879)	(463,573)
Net current assets		<u>706,131</u>	<u>348,247</u>
Total assets less current liabilities		<u>5,399,160</u>	<u>4,703,847</u>
Creditors: amounts falling due after more than one year	11	(2,517,026)	(2,948,041)
Net assets		<u><u>2,882,134</u></u>	<u><u>1,755,806</u></u>
Capital and reserves			
Called up share capital	13	1,000	1,000
Other reserves	14	10,000	10,000
Profit and loss account	14	2,871,134	1,744,806
Equity shareholders' funds	15	<u><u>2,882,134</u></u>	<u><u>1,755,806</u></u>

The financial statements were approved by the Board on 9th August 2012



Mr T. P. Kelly
Director



Mr C. Lowndes
Director

Company Registration No. 05582765

MANTEC GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011		2010	
		£	£	£	£
Net cash inflow from operating activities	22		215,767		426,086
Return on investments and servicing of finance					
Interest element of hire purchase contract		(2,700)		-	
Interest paid		(109,171)		(100,309)	
Net cash outflow for returns on investments and servicing of finance			(111,871)		(100,309)
Taxation			(96,873)		-
Capital expenditure					
Payment to acquire tangible assets		(170,264)		(168,969)	
Receipts from sale of tangible assets		1,200		18,781	
Net cash outflow for capital expenditure			(169,064)		(150,188)
Net cash (outflow)/ inflow before management of liquid resources and financing			(162,041)		175,589
Financing					
Capital element of hire purchase contract		(7,400)		-	
Net cash outflow from financing			(7,400)		-
(Decrease)/increase in cash in the year	23		<u>(169,441)</u>		<u>175,589</u>

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and include the results of the company's and group's operations

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.3 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 less estimated residual value of each asset over its expected useful life, as follows

Land and buildings freehold	2% straight line
Plant and machinery	5-33% straight line
Fixtures, fittings & equipment	10-33% straight line
Motor vehicles	33% reducing balance/50% straight line

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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.

Rentals payable under operating leases where substantially all of the benefits and risk of ownership will remain with the lessor are charged against income on a straight line basis over the lease term.

1.5 Goodwill

Goodwill on acquisitions is initially measured as the excess of the cost over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Positive goodwill is capitalised and amortised in line with the future expected revenues of the subsidiary undertaking. Provision is made for any impairment. Negative goodwill in excess of the fair values of non-monetary assets acquired is included in the balance sheet and is amortised in the periods expected to benefit.

1.6 Fixed asset investments

Fixed assets investments are stated at cost less provision for diminution in value.

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

1.7 Stocks and work in progress

Stock is valued at the lower of cost and net realisable value, making due allowance for obsolete and slow moving stocks. Costs includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Pensions

The group makes contributions to personal pension schemes based on contractual terms. Pension costs charged in the financial statements represent the contributions payable by the group during the year.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses 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 Currency Translation

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

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

1.11 Basis of Consolidation

The consolidated financial statements include the results of the subsidiary undertakings prepared to 31 December 2011.

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2011	2010
	£	£
Mantec Group Limited profit for the financial year	<u>1,126,328</u>	<u>78,694</u>

MANTEC GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2011****2 Turnover**

The total turnover of the group for the year has been derived from its principal activity

Segmental analysis by class of business

The analysis by class of business for the group's turnover is set out as below

	2011 £	2010 £
Ceramic point of use water filters	7,374,805	6,422,763
Industrial ceramics	2,580,330	2,475,729
Domestic ceramics	1,016,378	926,086
Elastic yarn	2,009,624	1,831,489
Engineered filtration systems	246,939	236,281
	<u>13,228,076</u>	<u>11,892,348</u>

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below

	2011 £	2010 £
United Kingdom	4,751,929	3,877,221
Rest of World	8,476,147	8,015,127
	<u>13,228,076</u>	<u>11,892,348</u>

3 Operating profit

	2011 £	2010 £
Operating profit is stated after charging		
Depreciation of tangible assets	266,878	229,909
Operating lease rentals		
- Plant and machinery	48,682	51,554
- Other	330,079	284,800
Auditors' remuneration	4,185	3,970
Auditors' remuneration - auditing of accounts of subsidiaries	42,906	41,810
Auditors' remuneration - other services	2,000	1,752
(Profit)/Loss on foreign exchange transactions	(145)	432
and after crediting	-	-
Profit on disposal of tangible assets	1,200	18,708
	<u>1,200</u>	<u>18,708</u>

4 Interest payable

	2011 £	2010 £
Hire purchase interest payable	2,700	-
Bank interest payable	2,638	-
Other loan interest payable	106,533	100,309
	<u>111,871</u>	<u>100,309</u>

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5 Taxation

	2011 £	2010 £
Domestic current year tax		
U K corporation tax	106,809	96,873
Current tax charge	<u>106,809</u>	<u>96,873</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>534,147</u>	<u>632,379</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2010 28%)	138,879	177,066
Effects of		
Non deductible expenses	22,031	3,818
Depreciation added back	69,388	64,375
Capital allowances	(93,880)	(93,664)
Utilisation of losses brought forward	(26,167)	(50,445)
Profits charged at lower rate	(3,442)	(4,277)
	<u>(32,070)</u>	<u>(80,193)</u>
Current tax charge	<u>106,809</u>	<u>96,873</u>

The group has tax losses of £10,057 (2010 £110,700) available for carry forward against future trading profits. The potential deferred tax asset has not been recognised as it is uncertain whether future taxable profits will be available to utilise the losses

6 Tangible fixed assets

Group	Land and buildings freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
Cost	£	£	£	£	£
At 1 January 2011	1,031,435	3,935,540	251,499	22,818	5,241,292
Additions	-	154,094	6,170	55,850	216,114
Disposals	-	(3,647)	-	-	(3,647)
At 31 December 2011	<u>1,031,435</u>	<u>4,085,987</u>	<u>257,669</u>	<u>78,668</u>	<u>5,453,759</u>
Depreciation					
At 1 January 2011	56,866	3,034,894	190,758	19,036	3,301,554
Disposals	-	(3,647)	-	-	(3,647)
Charge for the year	<u>11,385</u>	<u>218,483</u>	<u>21,713</u>	<u>15,297</u>	<u>266,878</u>
At 31 December 2011	<u>68,251</u>	<u>3,249,730</u>	<u>212,471</u>	<u>34,333</u>	<u>3,564,785</u>
Net book value					
At 31 December 2011	<u>963,184</u>	<u>836,257</u>	<u>45,198</u>	<u>44,335</u>	<u>1,888,974</u>
At 31 December 2010	<u>974,569</u>	<u>900,646</u>	<u>60,741</u>	<u>3,782</u>	<u>1,939,738</u>

Included above are assets held under hire purchase contract with a net book value of £41,901 (2010 £nil). The depreciation charge for the year on these assets was £13,949 (2010 £nil)

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7 Investments Company

	£
Cost	
At 1 January 2011	4,355,600
Additions	337,429
At 31 December 2011	<u>4,693,029</u>
Net book value	
At 31 December 2011	<u>4,693,029</u>
At 31 December 2010	<u>4,355,600</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiaries is not less than the net asset value

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
Mantec Technical Ceramics Limited	England and Wales	Ordinary	100
Mantec Properties Limited	England and Wales	Ordinary	100
Fairey Industrial Ceramics Limited	England and Wales	Ordinary	100
Taylor Tunnicliff Limited	England and Wales	Ordinary	100
Duchess China Limited	England and Wales	Ordinary	100
Grimwades Limited	England and Wales	Ordinary	100
Wykes International Limited	England and Wales	Ordinary	100

The following were 100% subsidiary undertakings of Mantec Technical Ceramics Limited

Xtract Filtration Systems Limited	England and Wales	Ordinary	100
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The following were 100% subsidiary undertakings of Taylor Tunnicliff Limited

Ceramics Gas Products Limited	England and Wales	Ordinary	100
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The principal activity of these undertakings for the last relevant financial year was as follows

Company	Principal activity
Mantec Technical Ceramics Limited	Manufacture of industrial ceramics
Mantec Properties Limited	Property holding company
Fairey Industrial Ceramics Limited	Manufacture of ceramic point of use water filters
Taylor Tunnicliff Limited	Manufacture of industrial ceramics
Duchess China Limited	Manufacture and distributor of domestic ceramics
Grimwades Limited	Property holding company
Wykes International Limited	Manufacture of elastic yarn products
Ceramics Gas Products Limited	Manufacture of industrial ceramics
Xtract Filtration Systems Limited	Manufacture of engineered filtration systems

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8 Stocks	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Raw materials	1,008,365	-	962,495	-
Work in progress	386,243	-	385,698	-
Finished goods	814,259	-	972,558	-
	<u>2,208,867</u>	<u>-</u>	<u>2,320,751</u>	<u>-</u>

The replacement cost of stock is not materially different from the value at which it is stated in the accounts

9 Debtors	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade debtors	2,536,833	-	2,031,529	-
Amounts owed by group undertakings	-	1,032,513	-	796,376
Other debtors	576,563	28,629	453,019	3,508
Prepayments and accrued income	24,778	11,868	53,591	11,936
	<u>3,138,174</u>	<u>1,073,010</u>	<u>2,538,139</u>	<u>811,820</u>

Company

Included in amounts owed by group undertakings is £330,000 (2010 £nil) due in greater than one year

10 Creditors amounts falling due within one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Bank loan and overdraft	-	1,773	-	73,706
Trade creditors	941,145	76,425	783,624	305
Amounts owed to group undertakings	-	3,129	-	263,253
Taxes and social security costs	379,066	81,180	355,202	80,522
Other creditors	823,948	166,354	754,150	14,745
Accruals and deferred income	38,018	38,018	48,255	31,042
Net obligations under HP contracts	10,726	-	-	-
	<u>2,192,903</u>	<u>366,879</u>	<u>1,941,231</u>	<u>463,573</u>

Company

Bank loans and overdrafts are secured by way of a guarantee from group undertakings (see note 16)

Group

Included in other creditors is a loan of £200,676 (2010 £200,676) which is secured on the group's freehold property (see note 20)

Net obligations under hire purchase are secured on the assets they relate to

MANTEC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11 Creditors: amounts falling due more than one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Net obligations under HP contracts	27,723	-	-	-
Other creditors	3,326,605	2,517,026	3,765,392	2,948,041
	<u>3,354,328</u>	<u>2,517,026</u>	<u>3,765,392</u>	<u>2,948,041</u>

Included in other creditors is a loan of £750,000 (2010 £750,000) which is secured on the group's freehold property (see note 20)

Net obligations under hire purchase are secured on the assets they relate to

12 Pension costs - defined contribution

	2011 £	2010 £
Contribution payable by the company for the year	<u>135,886</u>	<u>124,906</u>

13 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The company operates an Enterprise Management Incentive share option scheme for certain directors. During the current and prior year no options were granted or lapsed. This leaves options over 110 (2010 110) £1 ordinary shares at £550 in existence, exercisable in whole or in part prior to 5 March 2017.

MANTEC GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2011****14 Statement of movements on profit and loss account**

Group	Other reserves	Profit and loss account
	£	£
At 1 January 2011	10,000	1,740,854
Retained profit for the year	-	427,338
At 31 December 2011	<u>10,000</u>	<u>2,168,192</u>

Company	Other reserves	Profit and loss account
	£	£
At 1 January 2011	10,000	1,744,806
Retained profit for the year	-	1,126,328
At 31 December 2011	<u>10,000</u>	<u>2,871,134</u>

Other reserves represent amount received in the group reorganisation in 2006

15 Reconciliation of movements in shareholders' funds

Group	2011	2010
	£	£
Opening shareholders' funds	1,751,854	1,216,348
Profit for the year	427,338	535,506
Closing shareholders' funds	<u>2,179,192</u>	<u>1,751,854</u>

Company	2011	2010
	£	£
Opening shareholders' funds	1,755,806	1,677,112
Profit for the year	1,126,328	78,694
Closing shareholders' funds	<u>2,882,134</u>	<u>1,755,806</u>

16 Contingent liabilities**Company**

At the year end the company was party to a cross guarantee for a group overdraft facility with all companies within the group (see note 7) At the balance sheet date, the contingent liability attributable to Mantec Group Limited amounted to £150,401 (2010 £18,754)

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17 Directors' emoluments

	2011	2010
	£	£
Emoluments for qualifying services	212,950	218,989
Company pension contributions to money purchased schemes	23,992	17,198
	<u>236,942</u>	<u>236,187</u>

Emoluments disclosed above include the following amounts paid to the highest paid director

	2011	2010
	£	£
Emoluments for qualifying services	135,355	141,570
Company pension contributions to money purchase schemes	15,188	10,121
	<u>150,543</u>	<u>151,691</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2010 2)

18 Employees

Number of employees

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

	2011	2010
	Number	Number
Production and distribution	102	103
Administration	65	62
	<u>167</u>	<u>165</u>

Employment costs

	£	£
Wages and salaries	3,749,755	3,480,686
Social security costs	308,484	276,219
Other pension costs	135,886	124,906
	<u>4,194,125</u>	<u>3,881,811</u>

19 Financial commitments

At 31 December 2011 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Operating leases which expire				
Within one year	-	-	24,051	-
Between two and five years	-	-	749	24,426
In over five years	327,900	307,900	-	-
	<u>327,900</u>	<u>307,900</u>	<u>24,800</u>	<u>24,426</u>

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20 Related party transactions

Company and Group

The company and group is taking advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose related party transactions and balances which are eliminated on consolidation

At the balance sheet date, included in creditors due in more than one year is £450,000 (2010 £nil) due to Cleome Limited, a company owned by a Trust administered by independent professional trustees, of which the husband of Mrs V Davis, the current material shareholder of the company, is settler. The loan is subject to interest at 4% above Bank of England base rate and during the year interest of £7,823 (2010 £nil) was charged on the loan. £388 (2010 £nil) of interest remains unpaid at the balance sheet date and is included in creditors due within one year.

At the balance sheet date, included in creditors due within one year is £nil (2010 £14,745) and creditors due after more than one year is £nil (2010 £2,948,041) due to R J Bown (Holdings) Limited, a company in which Mrs V Davis, a material shareholder of the company, has a material interest.

Of the above amount due after more than one year interest of 4% above Bank of England base rate was charged on £1,300,000. During the year interest amounting to £17,494 (2010 £65,059) was charged to the company on this loan prior to the assignment of the debt to Mrs V Davis.

At the balance sheet date, following the assignment of the above debt due to R J Bown (Holdings) Limited, included in other creditors due within one year is an amount of £120,000 (2010, £nil) and an amount included within creditors due after more than one year of £2,067,026 (2010 £nil) due to Mrs V Davis. Both of the loans attract interest at a rate of 4% above the Bank of England base rate and the interest charge for the year was £45,966 (2010 £nil), all of which remains unpaid and included in other creditors due within one year at the balance sheet date.

Group

During the year rent of £5,000 (2010 £6,000) was received from R J Bown (Holdings) Limited.

During the year rent of £126,667 (2010 £120,000) was charged by R J Bown (Holdings) Limited SIBA, a pension scheme in which, the husband of Mrs V Davis, the current material shareholder of the company, has a material interest.

At the balance sheet date the following additional amounts were due to Cleome Limited

	2011 £	2010 £
Creditors due within one year	200,000	200,000
Creditors due after more than one year	750,000	750,000
	<u>950,000</u>	<u>950,000</u>

Interest of £35,250 (2010 £35,250) was charged on these loans during the year at a rate of 3%, on the amount due after more than one year, and 4%, on the amount due within one year, above the Bank of England base rate. Of this amount £676 (2010 £676) is included in accruals at the balance sheet date. The loans are secured against the group's freehold property.

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22 Reconciliation of operating profit to net cash inflow from operating activities	2011	2010
	£	£
Operating profit	646,018	732,688
Depreciation of tangible assets	266,878	229,909
Profit on disposal of fixed assets	(1,200)	(18,708)
(Increase)/decrease in stock	111,884	(250,944)
(Increase) in debtors	(600,035)	(428,748)
(Decrease)/Increase in creditors	(207,778)	161,889
Net cash inflow from operating activities	215,767	426,086

23 Analysis of net debt	1 Jan 2011	Cash Flow	Non-cash changes	31 Dec 2011
	£	£	£	£
Net cash				
Cash at bank and in hand	659,849	(169,441)	-	490,408
	659,849	(169,441)	-	490,408
Finance leases	-	7,400	(45,850)	(38,450)
Debts falling due within one year	(200,000)	-	-	(200,000)
Debts falling due after one year	(750,000)	-	(450,000)	(1,200,000)
	(290,151)	(162,041)	(495,850)	(948,042)
Net debt				

24 Reconciliation of net cash flow to movement in net debt	2011	2010
	£	£
Decrease in cash in the year	(169,441)	175,589
Cash outflow from decrease in debt	7,400	-
Other non-cash changes	(450,000)	-
New finance lease	(45,850)	-
Movement in net debt in the year	(657,891)	175,589
Opening net debt	(290,151)	(465,740)
Closing net debt	(948,042)	(290,151)

MANTEC GROUP LIMITED

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25 Ultimate controlling party

Mrs V Davis is regarded as the company's ultimate controlling party by virtue of her shareholding in the company, in both the current and prior year