

Mato Industries Ltd

FINANCIAL STATEMENTS

for the year ended

31 December 2010

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Mato Industries Ltd

FINANCIAL STATEMENTS

| Contents | Page |
|--|------|
| Officers and professional advisers | 1 |
| The director's report | 2 |
| Statement of director's responsibilities | 3 |
| Independent auditor's report to the members | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Accounting policies | 7 |
| Notes to the financial statements | 9 |
| The following pages do not form part of the financial statements | |
| Detailed profit and loss account | 16 |
| Notes to the detailed profit and loss account | 17 |

Mato Industries Ltd

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

R W Hill

SECRETARY

G Milner

REGISTERED OFFICE

Unit 1 Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5PG

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
Steam Mill
Steam Mill Street
Chester
CH3 5AN

BANKERS

Barclays Bank plc
6th Floor
1 Marsden Street
Manchester
M2 1HW

SOLICITORS

Hillyer McKeown
90-92 Telegraph Road
Heswall
Wirral
CH60 0AQ

Mato Industries Ltd

DIRECTOR'S REPORT

The director submits his report and financial statements of Mato Industries Ltd for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the company is the sale of conveyor belt fasteners and conveyor belt maintenance systems and the manufacture and supply of lubrication products, systems and ancillary equipment

REVIEW OF THE BUSINESS

The director is satisfied with the results for the year which exceeded the forecast as business in the quarrying and lubrication sectors almost returned to previous levels

Savings were made in the new premises in Blackburn and Bodmin, in particular as better utility contracts were negotiated. Lower maintenance costs were also achieved.

The outlook for the coming year is looking positive

DIRECTOR

The director who served the company during the year was as follows

R W Hill

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The director who was in office on the date of approval of these financial statements has confirmed, as far as he is aware, that there is no relevant audit information of which the auditor is unaware. The director has confirmed that he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

By order of the board



G Milner

Company Secretary

27/4/2011

Mato Industries Ltd

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 those financial statements, the director is required to

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. The director is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATO INDUSTRIES LTD

We have audited the financial statements on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 director and auditor

As more fully explained in the Director's Responsibilities Statement set out on page 3, the director is 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 (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the ASB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the 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 its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the director's report.

Baker Tilly UK Audit LLP

JILLIAN JONES (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Steam Mill

Steam Mill Street

Chester CH3 5AN

5 May 2011

Mato Industries Ltd
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010

| | | 2010 | 2009 |
|---|--------------|-------------|-------------|
| | <i>Notes</i> | £ | £ |
| TURNOVER | 1 | 5,535,884 | 5,355,634 |
| Cost of sales | | (3,083,863) | (3,024,997) |
| Gross profit | | 2,452,021 | 2,330,637 |
| Distribution costs | | (634,170) | (682,685) |
| Administrative expenses | | (1,318,928) | (1,432,259) |
| Other operating income | 2 | 121,303 | 86,482 |
| OPERATING PROFIT | 3 | 620,226 | 302,175 |
| Interest receivable | 5 | 4,368 | 4,800 |
| | | 624,594 | 306,975 |
| Interest payable and similar charges | | (3,798) | (11,273) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 620,796 | 295,702 |
| Taxation | 6 | (158,943) | (78,460) |
| PROFIT FOR THE FINANCIAL YEAR | 16 | 461,853 | 217,242 |

The profit and loss account has been prepared on the basis that all operation are continuing

There are no recognised gains and losses other than those recognised in the profit and loss account

Mato Industries Ltd

BALANCE SHEET

31 December 2010

| | | | 2010 | 2009 |
|--|-------|------------------|------------------|------------------|
| | Notes | £ | £ | £ |
| FIXED ASSETS | | | | |
| Intangible assets | 8 | | 128,086 | 153,703 |
| Tangible assets | 9 | | 545,575 | 489,033 |
| | | | <u>673,661</u> | <u>642,736</u> |
| CURRENT ASSETS | | | | |
| Stocks | | 1,003,330 | | 959,661 |
| Debtors | 10 | 1,652,242 | | 1,650,178 |
| Cash at bank and in hand | | 7,950 | | 166,543 |
| | | <u>2,663,522</u> | | <u>2,776,382</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | 11 | (1,097,726) | | (1,532,894) |
| NET CURRENT ASSETS | | | <u>1,565,796</u> | <u>1,243,488</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>2,239,457</u> | <u>1,886,224</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 15 | 300,000 | | 300,000 |
| Profit and loss account | 16 | 1,939,457 | | 1,586,224 |
| SHAREHOLDERS' FUNDS | | | <u>2,239,457</u> | <u>1,886,224</u> |

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 5 to 14 were approved and signed by the director and authorised for issue on

27/4/2011



R W Hill
Director

Mato Industries Ltd

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These accounts present information about the company as an individual undertaking and not about it as a group

GOING CONCERN

The company made a profit before tax for the year of £620,796 (2009 £295,702) and the balance sheet shows net current assets of £1 57m (2009 £1 24m) The director has reviewed and approved financial projections including cash flow forecasts for the period to March 2012 On this basis the director considers it appropriate to prepare the financial statement on a going concern basis

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

| | |
|----------|---------------------|
| Goodwill | - 10% straight line |
|----------|---------------------|

TANGIBLE FIXED ASSETS

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

| | |
|---|-------------------------|
| Computer equipment | - 33 1/3% straight line |
| Leasehold Improvements | - 25% straight line |
| Plant & machinery | - 10% straight line |
| Fixtures, fittings and office equipment | - 20% straight line |
| Motor vehicles | - 25% straight line |
| Freehold Property | - 4% straight line |
| Freehold Land | - 0% depreciation |

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Mato Industries Ltd

ACCOUNTING POLICIES

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

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.

DEBT FACTORING

The company has entered into a debt factoring arrangement with the bank, where a proportion of debts have been legally transferred but the benefits and risks are retained by the company. Gross receivables are included within debtors and a corresponding liability in respect of the proceeds received from the bank are shown within liabilities. The interest element of the bank's charges are recognised as they accrue and included in the profit and loss account within other interest payable.

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

1 TURNOVER

In the opinion of the directors, 7.71% of the turnover of the company is attributable to geographical markets outside the UK (2009 12.45%)

2 OTHER OPERATING INCOME

| | 2010 | 2009 |
|-------------------------------|----------------|---------------|
| | £ | £ |
| Rent receivable | 50,000 | 50,230 |
| Management charges receivable | 71,303 | 36,252 |
| | <u>121,303</u> | <u>86,482</u> |

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting)

| | 2010 | 2009 |
|---|---------|---------|
| | £ | £ |
| Pension scheme contributions | 26,495 | 23,761 |
| Amortisation of intangible assets | 25,617 | 25,618 |
| Depreciation of owned fixed assets | 113,283 | 81,678 |
| Profit on disposal of fixed assets | (7,623) | (2,014) |
| Auditor's fees | 15,950 | 17,340 |
| Net loss on foreign currency translation | 10,793 | 57,234 |
| Operating lease costs – plant and machinery | 2,060 | 2,060 |
| – other | 122,360 | 108,704 |
| Relocation costs | - | 57,750 |

4 DIRECTOR'S REMUNERATION

The director's aggregate remuneration in respect of qualifying services were

| | 2010 | 2009 |
|--|----------------|----------------|
| | £ | £ |
| Aggregate remuneration | 122,114 | 96,500 |
| Value of company pension contributions to money purchase schemes | 44,000 | 52,400 |
| | <u>166,114</u> | <u>148,900</u> |

The number of directors who accrued benefits under company pension schemes was as follows

| | 2010 | 2009 |
|------------------------|----------|----------|
| | No | No |
| Money purchase schemes | <u>1</u> | <u>1</u> |

5 INTEREST RECEIVABLE

| | 2010 | 2009 |
|------------------------------------|--------------|--------------|
| | £ | £ |
| Interest on fellow subsidiary loan | <u>4,368</u> | <u>4,800</u> |

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

6 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | 2010 £ | 2009 £ |
|--|----------------|---------------|
| Current tax | | |
| UK Corporation tax based on the results for the year at 28% (2009 - 28%) | 170,200 | 78,460 |
| Over/under provision in prior year | (11,257) | - |
| Total current tax | <u>158,943</u> | <u>78,460</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 - 28%), as explained below

| | 2010 £ | 2009 £ |
|--|----------------|----------------|
| Profit on ordinary activities before taxation | <u>620,796</u> | <u>295,702</u> |
| Profit on ordinary activities by rate of tax | 173,823 | 82,797 |
| Effects of | | |
| Expenses not deductible for tax purposes | 1,093 | 8,174 |
| Capital allowances for period in excess of depreciation | 7,338 | (7,626) |
| Utilisation of tax losses | (9,920) | (4,885) |
| Adjustments to tax charge in respect of previous periods | (11,257) | - |
| Profit on disposal of assets | (2,134) | - |
| Total current tax (note 6(a)) | <u>158,943</u> | <u>78,460</u> |

7 DIVIDENDS

Equity dividends

| | 2010 £ | 2009 £ |
|--|----------------|-----------|
| Paid during the year | | |
| Dividends on equity shares £0 36 (2009 £-) | <u>108,620</u> | <u>-</u> |

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

8 INTANGIBLE FIXED ASSETS

| | Goodwill £ |
|--|----------------|
| Cost | |
| At 1 January 2010 and 31 December 2010 | <u>256,172</u> |
| Amortisation | |
| At 1 January 2010 | 102,469 |
| Charge for the year | <u>25,617</u> |
| At 31 December 2010 | <u>128,086</u> |
| Net book value | |
| At 31 December 2010 | <u>128,086</u> |
| At 31 December 2009 | <u>153,703</u> |

9 TANGIBLE FIXED ASSETS

| | Office Equipment & F&F £ | Freehold Property £ | Leasehold Improvements £ | Plant & Machinery £ | Other Assets £ | Total £ |
|---------------------|-----------------------------------|---------------------------|--------------------------------|---------------------------|-------------------|----------------|
| Cost | | | | | | |
| At 1 January 2010 | 60,565 | 240,000 | 65,694 | 159,902 | 342,561 | 868,722 |
| Additions | 34,138 | – | 8,293 | 22,114 | 115,108 | 179,653 |
| Disposals | – | – | – | – | (79,663) | (79,663) |
| Transfer | 31,812 | – | – | – | (31,812) | – |
| At 31 December 2010 | <u>126,515</u> | <u>240,000</u> | <u>73,987</u> | <u>182,016</u> | <u>346,194</u> | <u>968,712</u> |
| Depreciation | | | | | | |
| At 1 January 2010 | 56,343 | – | 5,687 | 122,576 | 195,083 | 379,689 |
| Charge for the year | 15,413 | 9,600 | 14,238 | 10,741 | 63,291 | 113,283 |
| On disposals | – | – | – | – | (69,835) | (69,835) |
| Transfer | 16,790 | – | – | – | (16,790) | – |
| At 31 December 2010 | <u>88,546</u> | <u>9,600</u> | <u>19,925</u> | <u>133,317</u> | <u>171,749</u> | <u>423,137</u> |
| Net book value | | | | | | |
| At 31 December 2010 | <u>37,969</u> | <u>230,400</u> | <u>54,062</u> | <u>48,699</u> | <u>174,445</u> | <u>545,575</u> |
| At 31 December 2009 | <u>4,222</u> | <u>240,000</u> | <u>60,007</u> | <u>37,326</u> | <u>147,478</u> | <u>489,033</u> |

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

10 DEBTORS

| | 2010 | 2009 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 1,309,865 | 1,138,226 |
| Amounts owed by group undertakings | 268,509 | 244,326 |
| Other debtors | 73,868 | 267,626 |
| | <u>1,652,242</u> | <u>1,650,178</u> |

Included within the balance owed by group undertakings is a long term loan of £56,365 (2009 -£74,452) owed by Mato Corporation, a company also under the control of Mato Maschinen-und Metallwarenfabrik Curt Matthaei GmbH & Co KG

The amounts owed by all subsidiary undertakings and fellow subsidiary undertakings are shown in note 14

11 CREDITORS Amounts falling due within one year

| | 2010 | 2009 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans | – | 21,789 |
| Trade creditors | 451,508 | 276,938 |
| Amounts owed to group undertakings | 31,698 | 80,978 |
| Discounting of receivables | 138,213 | 588,857 |
| Corporation tax | 119,501 | 64,241 |
| PAYE and social security | 72,662 | 54,645 |
| VAT | 147,826 | 102,975 |
| Other creditors | 51,734 | 96,263 |
| Accruals and deferred income | 84,584 | 246,208 |
| | <u>1,097,726</u> | <u>1,532,894</u> |

Discounting of receivables is secured by a fixed and floating charge dated 1 June 2010 securing all monies due or to become due to Barclays Bank PLC

The following liabilities disclosed under creditors falling due within one year are secured by the company

| | 2010 | 2009 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Bank loans | – | 21,789 |
| Discounting of receivables | 138,213 | 588,857 |
| | <u>138,213</u> | <u>610,646</u> |

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

12 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the company had aggregate annual commitments under non-cancellable operating leases as set out below

| | 2010 | 2009 |
|--|---------------|----------------|
| | £ | £ |
| Land and buildings leases which expire | | |
| Within 1 year | 18,090 | - |
| Within 2 to 5 years | - | 72,360 |
| After more than 5 years | 62,578 | 50,000 |
| | <u>80,668</u> | <u>122,360</u> |
| | | |
| | 2010 | 2009 |
| | £ | £ |
| Other equipment leases which expire | | |
| Within 1 year | - | - |
| Within 2 to 5 years | 2,060 | 2,060 |
| After more than 5 years | - | - |
| | <u>2,060</u> | <u>2,060</u> |

13 TRANSACTIONS WITH DIRECTORS

As at 31 December 2010 a loan from the director of £40,850 (2009 £40,850) was still outstanding and was included within other creditors. Interest is charged on this balance at 2% above base rate. As at 31 December 2010, interest of £10,908 (2009 £21,448) was accrued but not paid.

In the year, dividends of £14,664 were paid to the director, unpaid dividends to the director of £1,629 were included in other creditors at the balance sheet date.

14 RELATED PARTY TRANSACTIONS

Mato Industries Limited owns 100% of the share capital of Lumatic Limited which is a non trading holding company of Lumatic(G A)Limited. The directors have taken exemption in accordance with Financial Reporting Standard for Smaller Entities (effective April 2008) not to disclose related party transactions with other group companies.

Mato Holding GmbH owns 85% of the ordinary share capital of Mato Industries Limited. It also has control over Mato Corporation, Mato Australia Pty Ltd, Mato France S A R L , Mato Iberica S L U and Mato Belt Maintenance Equipment (Langfang) Co , Ltd (China). The related party transactions during the period with those companies are summarised below -

| | Mato GmbH | Mato Corporation | Mato Australia Pty Ltd | Mato China | Mato Iberica | Mato France |
|---------------------------|--------------|---------------------|------------------------------|---------------|-----------------|----------------|
| | £ | £ | £ | £ | £ | £ |
| Sales to | 34,407 | 6,045 | - | 182,556 | 722 | 7,118 |
| Purchases from | 1,132,318 | 7,901 | 159,011 | - | - | - |
| Wages recharge to | - | 55,680 | - | - | - | - |
| Commissions received from | 222,783 | - | - | - | - | - |
| Wages recharge from | 17,000 | - | - | - | - | - |
| Interest charges to | - | 4,368 | - | - | - | - |
| Long term loans | - | 56,365 | - | - | - | - |
| Year end debtor | 118,294 | 93,850 | - | - | - | - |
| Year end creditor | - | - | 31,698 | - | - | - |
| Dividends paid to | 92,328 | - | - | - | - | - |

Mato Industries Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

15 SHARE CAPITAL

| | 2010 £ | 2009 £ |
|--|----------------|----------------|
| Allotted, called up and fully paid 300,000 Ordinary shares of £1 each | <u>300,000</u> | <u>300,000</u> |

16 PROFIT AND LOSS ACCOUNT

| | 2010 £ | 2009 £ |
|-------------------------------|------------------|------------------|
| At the beginning of the year | 1,586,224 | 1,368,982 |
| Profit for the financial year | 461,853 | 217,242 |
| Dividends | (108,620) | — |
| At the end of the year | <u>1,939,457</u> | <u>1,586,224</u> |

17 ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking at the balance sheet date was Mato Maschinen-und Metallwarenfabrik Curt Matthaei GmbH & Co KG, a limited partnership incorporated in Germany