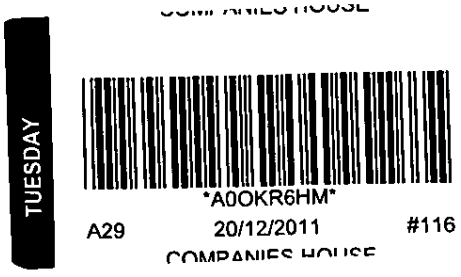
COMPANY REGISTRATION NUMBER 02292621

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 2011



S F BROCKLEHURST & CO
Chartered Accountants & Statutory Auditor
Forest Lodge
Forest Road
Pyrford
Surrey
GU22 8NA

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2011

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SURFACE TECHNOLOGY INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr S Best Mr C Lyon Mr A Best Mr K Crossley
Company secretary	Reid & Co Professional Services Limited
Registered office	Osborn Way Hook Hampshire RG27 9HX
Auditor	S F Brocklehurst & Co Chartered Accountants & Statutory Auditor Forest Lodge Forest Road Pyrford Surrey GU22 8NA
Bankers	National Westminster Bank plc Old Market Square 3 London Street Basingstoke Hampshire RG21 7NS

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31 MAY 2011

Despite the challenging global macro backdrop, the company's performance was above forecast, with turnover increasing to £41 2million and profits slightly above expectation at £2 1m This improved performance was evident across all aspects of our business and allowed us to continue investing in new equipment, bringing on new facilities and building for the future, targeting new market sectors, developing new and existing customers and strengthening our talent pool In line with our growth strategy, we acquired a manufacturing facility in South East Asia and launched STI-P in Cebu, Philippines, where we are retraining the staff and modernising the equipment, with the full benefits expected only in 2011-12

FUTURE

While market conditions remain tough in the current financial year, we remain on target to achieve a number of further goals sales of around £50m from the UK business, the launch of a new Research and Development business, the integration of our ISL Supplychain business into STI, a significant build out of STI-P, a company rebranding, and the incorporation of all activities under the STI PLC banner

In support of this activity, we have strengthened the senior management with the following appointments

Tony Best - a long term Shareholder, with a background of 27 years in financial services, including the Global Executive Committee at JP Morgan Chase

Nick Davey - with a background of product development with Motorola and other Electronics companies

Keith Crossley - as Finance Director, with a background of FMCG in the FTSE 250

We are pleased to have been successful in securing new credit facilities with HSBC Bank, increasing our borrowing capacity by 260%, which will allow the business the financial headroom to continue its measured growth strategy.

The Directors recognise the key contribution of the Company's Management team and all its personnel and pay tribute to their continued hard work in building the company for a secure future We will endeavour to continually outperform our customer's expectations and constantly to improve our relationships with our customers, suppliers and our employees

Simon Best
Chairman
12th December 2011

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2011

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 May 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The principal activity of the company during the year was that of the provision of assembly services for the electronics industry

The directors consider the state of the company to be satisfactory and a review of the business is enclosed in the Chairman's Statement within these accounts

FUTURE DEVELOPMENTS
The future developments of the company are noted in the Chairman's Statement enclosed in these accounts

RESULTS AND DIVIDENDS
The profit for the year, after taxation, amounted to £1,666,823 Particulars of dividends paid are detailed in note 8 to the financial statements

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and finance lease agreements The main purpose of these instruments is to raise funds and to finance the company's operations Due to the nature of the financial instruments used by the company, there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is shown below

a)The company is a lessee in respect of finance leased assets The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet payments when they arise

b)Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits

c)Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

RESEARCH AND DEVELOPMENT
The company continues to invest in research and development and will do so into the foreseeable future

DIRECTORS
The directors who served the company during the year were as follows

Mr S Best
Mr C Lyon
Mr A Best
Mr K Crossley

Mr K Crossley was appointed as a director on 1 March 2011

POLICY ON THE PAYMENT OF CREDITORS

It is the policy of the Company to settle terms of payment with suppliers on a timely basis in the ordinary course of business, and to agree appropriate terms and conditions in advance with its suppliers The company endeavours to make payment in accordance with those terms and conditions, provided that the supplier has complied with them Suppliers and their payment terms are looked at on an individual basis and regularly reviewed The company believes that the average payment period for suppliers is 60 days A copy of the company's standard payment practice can be obtained from the company's premises

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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

DONATIONS

During the year the company made the following contributions

	2011	2010
	£	£
Charitable	4,375	3,203

POST BALANCE SHEET EVENT

On the 2nd June 2011, the shareholders exchanged their shares in Surface Technology International Limited for shares in STI Enterprises plc, hence making STI Enterprises plc the parent and ultimate controlling company

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance Regular meetings are held between local management and employees to allow a free flow of information and ideas Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share option schemes

AUDITOR

S F Brocklehurst & Co are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Signed by order of the directors

For and on behalf of
REID & CO PROFESSIONAL SERVICES LIMITED
Company Secretary

Approved by the directors on 12 December 2011

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SURFACE TECHNOLOGY INTERNATIONAL LIMITED

YEAR ENDED 31 MAY 2011

We have audited the financial statements of Surface Technology International Limited for the year ended 31 May 2011 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the Annual Report, 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 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 directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 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 MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SURFACE TECHNOLOGY INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 31 MAY 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S F Brocklehurst

STEPHEN BROCKLEHURST (Senior Statutory Auditor)
For and on behalf of
S F BROCKLEHURST & CO
Chartered Accountants
& Statutory Auditor

Forest Lodge
Forest Road
Pyrford
Surrey
GU22 8NA

12 December 2011

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 2011

	Note	2011 £	2010 £
TURNOVER	**2**	**41,173,298**	32,697,270
Cost of sales		**30,824,023**	23,799,487
GROSS PROFIT		**10,349,275**	8,897,783
Administrative expenses		**8,180,292**	7,160,714
OPERATING PROFIT	**3**	**2,168,983**	1,737,069
Interest receivable		**1,783**	80
Interest payable and similar charges	**6**	**(34,307)**	(90,753)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,136,459**	1,646,396
Tax on profit on ordinary activities	**7**	**469,636**	335,532
PROFIT FOR THE FINANCIAL YEAR		**1,666,823**	1,310,864

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 11 to 22 form part of these financial statements

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

BALANCE SHEET

31 MAY 2011

	Note	2011 £	£	2010 £
FIXED ASSETS				
Tangible assets	9		2,510,014	2,152,665
CURRENT ASSETS				
Stocks	10	8,929,577		5,647,284
Debtors	11	12,724,173		10,246,426
Cash at bank and in hand		2,474		27,608
		21,656,224		15,921,318
CREDITORS: Amounts falling due within one year	12	17,212,928		12,656,367
NET CURRENT ASSETS			4,443,296	3,264,951
TOTAL ASSETS LESS CURRENT LIABILITIES			6,953,310	5,417,616
CREDITORS: Amounts falling due after more than one year	13		12,750	62,669
PROVISIONS FOR LIABILITIES				
Deferred taxation	16		193,125	223,968
			6,747,435	5,130,979
CAPITAL AND RESERVES				
Called-up equity share capital	20		125,600	125,600
Share premium account	21		375,000	375,000
Other reserves	22		100,000	100,000
Profit and loss account	23		6,146,835	4,530,379
SHAREHOLDERS' FUNDS	24		6,747,435	5,130,979

These financial statements were approved by the directors and authorised for issue on 12 December 2011, and are signed on their behalf by

MR S BEST

Company Registration Number 02292621

The notes on pages 11 to 22 form part of these financial statements

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2011

	Note	2011 £	£	2010 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	25		1,116,227	1,891,207
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25		(32,524)	(90,673)
TAXATION	25		(202,024)	(314,629)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25		(1,119,199)	(760,468)
EQUITY DIVIDENDS PAID			(50,367)	(131,621)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(287,887)	593,816
FINANCING	25		(154,458)	(255,030)
(DECREASE)/INCREASE IN CASH	25		(442,345)	338,786

The notes on pages 11 to 22 form part of these financial statements

SURFACE TECHNOLOGY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES

Basis of accounting

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

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

Fixed assets

All fixed assets are recorded at cost

Depreciation

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

Leasehold Property	-	over life of lease
Fixtures & Fittings	-	10-33% per annum
Motor Vehicles	-	25% per annum

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

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

1. ACCOUNTING POLICIES *(continued)*

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2011	2010
	£	£
United Kingdom	**40,693,480**	32,409,599
Overseas	**479,818**	287,671
	41,173,298	32,697,270

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Research and development expenditure written off	**814,274**	788,121
Depreciation of owned fixed assets	**707,928**	628,691
Depreciation of assets held under hire purchase agreements	**55,692**	113,803
Profit on disposal of fixed assets	**(1,770)**	(8,103)
Auditor's remuneration		
- as auditor	**15,000**	6,500
Operating lease costs		
- Plant and equipment	**122,274**	269,950
- Other	**21,097**	4,479
Net profit on foreign currency translation	**(228,585)**	(86,339)

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2011	2010
	No	No
Number of production staff	**290**	251
Number of management & administrative staff	**28**	27
Number of sales staff	**28**	25
	346	303

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	**8,683,937**	7,358,735
Social security costs	**947,447**	762,220
Other pension costs	**247,151**	213,335
	9,878,535	8,334,290

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2011	2010
	£	£
Remuneration receivable	242,235	216,057
Value of company pension contributions to money purchase schemes	13,537	15,549
	255,772	231,606

Remuneration of highest paid director:

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	136,250	136,250
Value of company pension contributions to money purchase schemes	3,000	3,000
	139,250	139,250

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

	2011	2010
	No	No
Money purchase schemes	3	3

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Interest payable on bank borrowing	22,128	75,431
Finance charges	12,179	15,322
	34,307	90,753

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2011 £	2010 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 26/28% (2010 - 28%)	497,959	320,108
Under provision in prior year	2,520	(496)
Total current tax	500,479	319,612
Deferred tax		
Origination and reversal of timing differences (note 16)		
Capital allowances	(30,843)	15,920
Tax on profit on ordinary activities	469,636	335,532

(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% (2010 - 28%)

	2011 £	2010 £
Profit on ordinary activities before taxation	2,136,459	1,646,396
Profit on ordinary activities by rate of tax	598,209	460,991
Capital allowances for period less than depreciation	49,082	8,767
Research and development credit	(169,822)	(165,505)
Expenses not deductible for tax purposes	26,506	21,731
Adjustments to tax charge in respect of previous periods	2,520	(496)
Tax chargeable at lower rates	(6,016)	(5,876)
Total current tax (note 7(a))	500,479	319,612

8. DIVIDENDS

Equity dividends

	2011 £	2010 £
Paid		
Equity dividends on ordinary shares	50,367	131,621

9. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 June 2010	**368,689**	**7,016,601**	**138,327**	**7,523,617**
Additions	**–**	**1,147,249**	**–**	**1,147,249**
Disposals	**–**	**–**	**(101,966)**	**(101,966)**
At 31 May 2011	**368,689**	**8,163,850**	**36,361**	**8,568,900**
DEPRECIATION				
At 1 June 2010	**197,833**	**5,102,906**	**70,213**	**5,370,952**
Charge for the year	**65,139**	**681,896**	**16,585**	**763,620**
On disposals	**–**	**–**	**(75,686)**	**(75,686)**
At 31 May 2011	**262,972**	**5,784,802**	**11,112**	**6,058,886**
NET BOOK VALUE				
At 31 May 2011	**105,717**	**2,379,048**	**25,249**	**2,510,014**
At 31 May 2010	170,856	1,913,695	68,114	2,152,665

Hire purchase agreements

Included within the net book value of £2,510,014 is £99,224 (2010 - £498,579) relating to assets held under hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £55,692 (2010 - £113,803)

10. STOCKS

	2011 £	2010 £
Raw materials	**7,976,717**	4,972,354
Work in progress	**952,860**	674,930
	8,929,577	5,647,284

11. DEBTORS

	2011 £	2010 £
Trade debtors	**10,134,920**	9,268,832
Other debtors	**2,469,211**	858,728
Prepayments and accrued income	**120,042**	118,866
	12,724,173	10,246,426

12. CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Overdrafts	**3,217,257**	2,800,046
Trade creditors	**7,563,530**	6,109,039
Other creditors including taxation and social security		
Corporation tax	**818,066**	519,611
PAYE and social security	**270,649**	222,989
VAT	**753,124**	659,093
Hire purchase agreements	**58,136**	162,675
Other creditors	**17,786**	–
Directors' current accounts	**717,708**	335,550
	13,416,256	10,809,003
Accruals and deferred income	**3,796,672**	1,847,364
	17,212,928	12,656,367

The bank overdraft and loan are secured over the leasehold premises of the company and a fixed and floating charge over the assets of the company

13. CREDITORS: Amounts falling due after more than one year

	2011	2010
	£	£
Other creditors		
Hire purchase agreements	**12,750**	62,669

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2011	2010
	£	£
Amounts payable within 1 year	**58,136**	162,675
Amounts payable between 2 to 5 years	**12,750**	62,669
	70,886	225,344

Obligations under lease and hire purchase contracts are shown after deducting £16,139 (2010 - £16,139) financing charges which are allocated to future years

15. PENSIONS

The company operates a defined contribution pension scheme for the benefit of the employees and directors The assets of the scheme are administered by trustees in a fund independent from those of the company

The total contributions paid in the year amounted to £247,151 (2010 £213,335) There were no outstanding contributions due or prepaid contributions made as at the year end

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2011	2010
	£	£
Provision brought forward	**223,968**	208,048
Profit and loss account movement arising during the year	**(30,843)**	15,920
Provision carried forward	**193,125**	223,968

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011	2010
	£	£
Excess of taxation allowances over depreciation on fixed assets	**193,125**	223,968
	193,125	223,968

17. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings	**Other Items**	Land and buildings	Other Items
	£	**£**	£	£
Operating leases which expire				
Within 1 year	**11,000**	**-**	38,600	-
Within 2 to 5 years	**-**	**205,434**	197,122	152,417
After more than 5 years	**272,922**	**-**	86,800	-
	283,922	**205,434**	322,522	152,417

18. TRANSACTIONS WITH THE DIRECTORS

At the year end date the director Mr A Best was owed £717,708 (2010 - £335,550) The loan due to be repaid within twelve months of the commencement date of 31st March 2010, however this deadline has been extended at the agreement of the director Interest is calculated annually at a rate of 5% above Bank of England base rate on the month end balance.

19. RELATED PARTY TRANSACTIONS

In the opinion of the Board, the company is controlled during this year by Mr S Best, a director and shareholder

At the balance sheet date the amount due from Medick Healthcare Limited was £Nil, (2010 - £248,062) a company owned by STI Capital Limited, which in controlled by Mr S Best and Mr A Best Medick Healthcare Limited was dissolved post year end on 23rd August 2011

At the balance sheet date an amount of £109,820, (2010 - £113,845) was owed by ISL Asia a company in which Mr S Best has a shareholding Also at the balance sheet date £313,054, (2010 - £108,683) was owed by International Supplychain Limited, and £50,402, (2010 - £Nil) was owed by Striker Properties Limited of which Mr S Best is a director and shareholder and £2,508,061, (2010 - £414,992) was owed by a Philippines company STI Fourlink, in which Mr S Best and Mr A Best have acquired a controlling interest

The dividends of £50,367 (2010 - £131,621) were paid to the directors as follows Mr S Best £21,000 (2010 - £105,000), Mr C Lyon £29,367 (2010 - £20,750) and Mr G Allen £Nil (2010 – £5,871)

During the year the company purchased and sold goods in the normal course of business from ISL Asia, for £755,972 purchased and £109,820 sold, International Supplychain Limited for £107,260 purchased and £171,318 sold, Striker Properties Limited for £17,185 purchased and STI Fourlink for £757 purchased and £181,268 sold The price charged was the normal market price in the case of each individual purchase

20. SHARE CAPITAL

Allotted, called up and fully paid:

	2011		2010	
	No	**£**	No	£
125,000 Ordinary shares of £1 each	**125,000**	**125,000**	125,000	125,000
600 A - F Ordinary shares of £1 each	**600**	**600**	600	600
	125,600	**125,600**	125,600	125,600

21. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year

22. OTHER RESERVES

	2011	2010
	£	£
Capital redemption reserve	**100,000**	100,000

23. PROFIT AND LOSS ACCOUNT

	2011	2010
	£	£
Balance brought forward	**4,530,379**	3,351,136
Profit for the financial year	**1,666,823**	1,310,864
Equity dividends	**(50,367)**	(131,621)
Balance carried forward	**6,146,835**	4,530,379

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Profit for the financial year	**1,666,823**	1,310,864
Equity dividends	**(50,367)**	(131,621)
Net addition to shareholders' funds	**1,616,456**	1,179,243
Opening shareholders' funds	**5,130,979**	3,951,736
Closing shareholders' funds	**6,747,435**	5,130,979

25. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£	£
Operating profit	**2,168,983**	1,737,069
Depreciation	**763,620**	742,494
Profit on disposal of fixed assets	**(1,770)**	(8,103)
Increase in stocks	**(3,282,293)**	(1,012,138)
Increase in debtors	**(2,477,747)**	(3,028,061)
Increase in creditors	**3,945,434**	3,459,946
Net cash inflow from operating activities	**1,116,227**	1,891,207

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011	2010
	£	£
Interest received	**1,783**	80
Interest paid	**(22,128)**	(75,431)
Interest element of hire purchase	**(12,179)**	(15,322)
Net cash outflow from returns on investments and servicing of finance	**(32,524)**	(90,673)

25. NOTES TO THE CASH FLOW STATEMENT *(continued)*

TAXATION

	2011	2010
	£	£
Taxation	**(202,024)**	(314,629)

CAPITAL EXPENDITURE

	2011	2010
	£	£
Payments to acquire tangible fixed assets	**(1,147,249)**	(807,089)
Receipts from sale of fixed assets	**28,050**	46,621
Net cash outflow from capital expenditure	**(1,119,199)**	(760,468)

FINANCING

	2011	2010
	£	£
Capital element of hire purchase	**(154,458)**	(255,030)
Net cash outflow from financing	**(154,458)**	(255,030)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011		2010
	£	£	£
(Decrease)/increase in cash in the period	**(442,345)**		338,786
Cash outflow in respect of hire purchase	**154,458**		255,030
		(287,887)	593,816
Change in net debt		**(287,887)**	593,816
Net debt at 1 June 2010		**(2,997,782)**	(3,591,598)
Net debt at 31 May 2011		**(3,285,669)**	(2,997,782)

25. NOTES TO THE CASH FLOW STATEMENT *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jun 2010 £	Cash flows £	At 31 May 2011 £
Net cash			
Cash in hand and at bank	27,608	(25,134)	2,474
Overdrafts	(2,800,046)	(417,211)	(3,217,257)
	(2,772,438)	(442,345)	(3,214,783)
Debt			
Hire purchase agreements	(225,344)	154,458	(70,886)
Net debt	(2,997,782)	(287,887)	(3,285,669)

26. ULTIMATE PARENT COMPANY

On the 2nd June 2011, the shareholders exchanged their shares in Surface Technology International Limited for shares in STI Enterprises plc, hence making STI Enterprises plc the parent and ultimate controlling company