

The Expanded Metal Company Limited
Annual report and accounts
for the year ended 31 December 2001

Registered Number 438206



The Expanded Metal Company Limited
Annual report and accounts
for the year ended 31 December 2001
Contents

Directors' report for the year ended 31 December 2001	1
Auditors' report to the members of The Expanded Metal Company Limited	3
Profit and loss account for the year ended 31 December 2001	4
Balance sheet as at 31 December 2001	5
Accounting policies	6
Notes to the financial statements for the year ended 31 December 2001	8

The Expanded Metal Company Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

Principal activities

The Expanded Metal Company Limited is principally engaged in the manufacture and supply, in the UK and overseas, of products, components and services to the building and industrial markets.

Review of the business and future developments

The company traded satisfactorily during the year. This is expected to continue in 2002.

Results and dividends

The company's profit and loss account is set out on page 4. A dividend of £2,500,000 was paid during the year (2000: £4,500,000). The directors do not recommend the payment of a final dividend (2000: £Nil).

Directors

The directors who held office during the year are given below:

J D K Hewitt (resigned 30 June 2001)

T Rayner

M Taylor

R H Wilson

Directors' interests

Mr T Rayner, Mr M Taylor and Mr R H Wilson are directors of the ultimate parent undertaking, Clifton House Acquisition Limited, and their interests are shown in the annual report of that company.

No other directors' had any interests in Group company's as at 31 December 2001.

The Expanded Metal Company Limited

Suppliers' payment policy

The company's policy is to have mutually beneficial relationships with suppliers and to agree terms of payment with the supplier in advance. Payment will normally be made in accordance with those terms. Trade creditors at 31 December 2001 represented 57 days (2000: 65 days) of purchases.

Employee involvement

The company is committed to the development of employee consultation and thereby to the greater involvement of employees in the company's operations. Consultation is achieved both on a formal basis in conjunction with trade unions and employee committees and through informal briefing sessions and discussions with groups of employees.

The company seeks to give its employees a direct stake in the business and to align their interests with those of external shareholders through owning shares in the ultimate parent undertaking by operating profit share and savings related share options schemes.

Employment of disabled persons

The company recognises its obligations towards disabled people and endeavours to provide as much employment as the demands of the company's operations and ability of the disabled persons permit. Applications for employment from disabled persons are considered on their merits and every effort is made to find them, and any existing employees who become disabled, appropriate work and training where they are needed.

Research and development

During the year the company incurred £72,000 (2000: £67,000) of research and development expenditure.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



M. Taylor
Secretary

28 October 2002

The Expanded Metal Company Limited

Independent auditors' report to the members of The Expanded Metal Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

28 October 2002

The Expanded Metal Company Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	1	40,013	43,555
Cost of sales		(27,538)	(29,274)
Gross profit		12,475	14,281
Distribution costs		(4,906)	(5,030)
Administrative expenses		(3,292)	(3,173)
Profit on ordinary activities before interest and taxation		4,277	6,078
Interest receivable and similar income		5	-
Interest payable and similar charges	5	(8)	-
Profit on ordinary activities before taxation	2	4,274	6,078
Tax on profit on ordinary activities	6	(1,335)	(2,033)
Profit for the financial year		2,939	4,045
Dividends	7	(2,500)	(4,500)
Retained profit/(loss) for the financial year	17	439	(455)

All of the above results relate to continuing activities.

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The Expanded Metal Company Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Intangible asset	8		5,690		5,475
Investments	9		137		-
Tangible assets	10		8,071		9,082
			13,898		14,557
Current assets					
Stocks	11	3,743		4,398	
Debtors	12	11,313		9,611	
Cash at bank and in hand		1,956		1,995	
		17,012		16,004	
Creditors: amounts falling due within one year	13	(12,700)		(12,822)	
Net current assets			4,312		3,182
Total assets less current liabilities			18,210		17,739
Creditors: amounts falling due after more than one year	14		(2,494)		(2,494)
Provisions for liabilities and charges	15		(1,314)		(1,282)
Net assets			14,402		13,963
Capital and reserves					
Called up share capital	16		20		20
Share premium account	17		9,990		9,990
Profit and loss account	17		4,392		3,953
Equity shareholders' funds	18		14,402		13,963

The financial statements on pages 4 to 16 were approved by the board of directors on 28 October 2002 and were signed on its behalf by:


M Taylor
Director

The Expanded Metal Company Limited

Accounting policies

Basis of preparation of the financial statements

These financial statements are prepared under the historical cost convention and have been prepared in accordance with applicable Accounting Standards.

These financial statements present information about the company as an individual undertaking and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its ultimate parent, Clifton House Acquisition Limited, a company registered in England and Wales.

Turnover

Turnover represents the amounts invoiced by the company, excluding value added tax, for goods supplied and services provided to customers.

Depreciation

Tangible fixed assets are depreciated on a straight line basis over their respective estimated lives. Depreciation is provided on all assets based on estimated lives of:

Short leasehold land and buildings	Over the life of the lease
Plant and equipment	3 to 20 years

Stock

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of production overheads.

Deferred taxation

Deferred taxation 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.

Pension costs

The expected cost of pensions in respect of the Examet International Limited defined benefit pension scheme is charged so as to spread the cost of pensions over the average expected service lives of employees in the scheme.

Leased assets

Operating lease rentals are charged to the profit and loss account as they fall due.

Foreign currency translation

Transactions in foreign currencies during the year are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities expressed in foreign currency are translated into sterling at rates ruling at the year end and translation differences are dealt with in the profit and loss account, except for those assets and liabilities covered by forward currency contracts where the contracted rate is used.

The Expanded Metal Company Limited

Grants

Labour based grants are released to the profit and loss account over the period of the relevant projects.

Goodwill and intangible assets

Purchased goodwill and other intangible assets are capitalised and amortised over the shorter of their useful economic lives or 20 years.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Cash flow statement and related party transactions

The company is a wholly-owned subsidiary of Clifton House Acquisition Limited and is included in the consolidated financial statements of Clifton House Acquisition Limited, which are publicly available.

Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Clifton House Acquisition Limited group or investees of the Clifton House Acquisition Limited group.

Investments

Fixed asset investments are shown at cost except to the extent that the directors consider that there has been a permanent diminution in value. In such cases the investment is written down to its estimated recoverable value.

The Expanded Metal Company Limited

Notes to the financial statements for the year ended 31 December 2001

1 Segmental reporting

In the opinion of the directors, all the activities of the company fall within one class of business and were generated from UK operations.

The geographical analysis of turnover by destination during the year was as follows:

	2001 £'000	2000 £'000
United Kingdom	34,855	38,271
Europe	3,973	4,074
America	106	56
Rest of World	1,079	1,154
	40,013	43,555

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	2001 £'000	2000 £'000
Wages and salaries	7,263	7,713
Social security costs	555	600
Other pension costs (note 20)	25	-
Depreciation of tangible fixed assets – owned	1,755	1,460
Goodwill amortisation	632	631
Operating lease charges:		
- plant and machinery	187	164
- other	1,090	908
Loss on disposal of fixed assets	4	10
Research and development expenditure	72	67
Auditors' remuneration:		
- audit services	17	14
- non-audit services	4	7

The Expanded Metal Company Limited

3 Employees

The average number of persons (including executive directors) employed by the company during the year was:

By activity	2001	2000
Production	276	292
Sales and distribution	71	64
Administration	11	12
	358	368

4 Directors' emoluments

	2001	2000
	£'000	£'000
Aggregate emoluments	166	132

The number of directors to whom retirement benefits are accruing under the Expamet International group defined benefit scheme is 3 (2000: 4).

None of the directors exercised any share options during the year (2000: none).

5 Interest payable and similar charges

	2001	2000
	£'000	£'000
Interest on rent arrears	8	-

The Expanded Metal Company Limited

6 Taxation on the profit for the year

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000: 30%)		
- current year	1,539	1,953
- prior year	(231)	(29)
Deferred taxation		
- current year	27	59
- prior year	-	50
	1,335	2,033

7 Dividend

	2001 £'000	2000 £'000
Interim dividend paid of £125 (2000: £225) per ordinary £1 share	2,500	4,500

8 Intangible assets

	Patents £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2001	-	12,009	12,009
Additions	500	347	847
At 31 December 2001	500	12,356	12,856
Aggregate amortisation			
At 1 January 2001	-	6,534	6,534
Charge for the year	-	632	632
At 31 December 2001	-	7,166	7,166
Net book amount			
At 31 December 2001	500	5,190	5,690
At 31 December 2000	-	5,475	5,475

The Expanded Metal Company Limited

The goodwill arising on the acquisition of the trade and assets of BAT Building Products, a fellow subsidiary company of Clifton House Acquisition Limited is being amortised on a straight line basis over 20 years. The goodwill in respect of the acquisition of the trade and assets of Metpost Limited is being amortised on a straight line basis over 20 years, and that in respect of the acquisition of Friedlander Metallverarbeitungs Werk GmbH on a straight line basis over five years. These periods are the periods over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of underlying assets.

Patents are being amortised over 4 to 10 years.

9 Investments

	£'000
At 1 January 2001	-
Additions	137
At 31 December 2001	137

During the year the company purchased 100% of the ordinary share capital of Expamet Polska, a company incorporated in Poland.

10 Tangible fixed assets

	Short £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2001	1,048	26,146	27,194
Additions	5	750	755
Disposals	-	(937)	(937)
At 31 December 2001	1,053	25,959	27,012
Aggregate depreciation			
At 1 January 2001	427	17,685	18,112
Charge for the year	314	1,441	1,755
Disposals	-	(926)	(926)
At 31 December 2001	741	18,200	18,941
Net book amount			
At 31 December 2001	312	7,759	8,071
At 31 December 2000	621	8,461	9,082

The Expanded Metal Company Limited

11 Stocks

	2001	2000
	£'000	£'000
Raw materials and consumables	1,224	2,405
Work in progress	94	46
Finished goods and goods for resale	2,425	1,947
	3,743	4,398

Included in raw materials and consumables is consignment stock of £268,000 (2000: £174,000). Agreement has been reached with suppliers whereby legal title transfers at the time raw materials are used in the ordinary course of business.

12 Debtors

	2001	2000
	£'000	£'000
Trade debtors	4,743	6,682
Amounts owed by group undertakings	6,327	2,613
Other debtors	34	-
Prepayments and accrued income	209	316
	11,313	9,611

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

13 Creditors – Amounts falling due within one year

	2001	2000
	£'000	£'000
Trade creditors	4,404	5,032
Amounts owed to group undertakings	5,521	3,811
Corporation tax	1,701	1,955
Other taxation and social security	211	499
Other creditors	160	119
Accruals and deferred income	703	1,406
	12,700	12,822

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

The Expanded Metal Company Limited

14 Creditors – Amounts falling due after more than one year

	2001	2000
	£'000	£'000
Amounts owed to group undertaking	2,494	2,494

There is no fixed repayment term for the amount owed to the group undertaking which has indicated that it will not seek repayment within 12 months of the balance sheet date.

15 Provisions for liabilities and charges

	Onerous lease provision £'000	Deferred taxation £'000	Total £'000
At 1 January 2001	101	1,181	1,282
Charged to the profit and loss account	5	27	32
At 31 December 2001	106	1,208	1,314

Deferred taxation provided in the accounts comprises:	2001 £'000	2000 £'000
Accelerated capital allowances	906	879
Arising on assets revalued in group undertakings	302	302
	1,208	1,181

There is no unprovided amount for deferred taxation (2000: £nil).

Onerous lease provision

The company has vacant leasehold properties. Full provision has been made for the remaining period of the lease commitments. The leases terminate in 2013 and 2016.

16 Called up equity share capital

	2001 £'000	2000 £'000
Authorised, allotted and fully paid		
20,000 ordinary shares of £1 each	20	20

The Expanded Metal Company Limited

17 Reserves

	Profit and loss account £'000	Share premium account £'000	Total £'000
At 1 January 2001	3,953	9,990	13,943
Retained profit for the financial year	439	-	439
At 31 December 2001	4,392	9,990	14,382

18 Reconciliation of movements in equity shareholder's funds

	2001 £'000	2000 £'000
Profit for the year	2,939	4,045
Dividends	(2,500)	(4,500)
Net increase/(reduction) in shareholder's funds	439	(455)
Opening shareholder's funds	13,963	14,418
Closing shareholder's funds	14,402	13,963

19 Operating lease commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and £'000	Other £'000
Within one year	10	36	-	20
Within two to five years	-	107	-	179
After five years	898	102	848	-
	908	245	848	199

The Expanded Metal Company Limited

20 Pension commitments

The company participates in a group pension scheme operated by Expamet International Limited, the company's immediate parent. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professional qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The latest actuarial assessment of the scheme was at 31 March 2001. Particulars of the scheme are contained in the financial statements of Clifton House Acquisitions Limited, the ultimate parent.

The total pension cost for the year charged to the profit and loss account is shown in note 2.

Transitional arrangements apply in respect of the new financial reporting standard on Retirement Benefits, FRS 17. The disclosures required by FRS 17 in respect of the group scheme are provided in the accounts of Clifton House Acquisition Limited.

It is not possible to identify The Expanded Metal Company Limited's underlying share of the pension scheme assets and liabilities. Common contribution rates apply across the Expamet International Limited group as a whole and a number of company reorganisations have occurred. In these circumstances FRS 17 requires the company to adopt a defined contribution treatment in its financial statements and this will be done upon the adoption of FRS 17.

21 Capital commitments

	2001	2000
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	33	382

22 Contingent liabilities

The bank has automatic set-off rights between balances held by the company and other UK Expamet International Limited group companies.

23 Post balance sheet events

With effect from 21 March 2002 the defined benefit pension scheme operated by the Group in the UK ("the Scheme") was discontinued. The winding up of the Scheme commenced with effect from 13 August 2002.

As a result of these changes, the company is required to contribute £1,999,000 to the scheme in October 2002 and to make a further contribution of £1,260,000 before 31 December 2003.

The Expanded Metal Company Limited

24 Ultimate parent undertaking

The immediate parent undertaking is Expamet International Limited.

The ultimate parent undertaking and controlling party, is Clifton House Acquisitions Limited which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Clifton House Acquisitions Limited consolidated financial statements can be obtained from Companies House.