

The Expanded Metal Company Limited  
Annual report  
for the year ended 31 December 2005

Registered Number 438206



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for the year ended 31 December 2005  
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# **The Expanded Metal Company Limited**

## **Directors' report for the year ended 31 December 2005**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

### **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 Industrial division of the company traded satisfactorily during the year with sales and gross margin increasing year on year. This growth is expected to continue in 2006.

Performance of the Building products division of the company was below expectations. The Garden Products and Lintels sectors also suffered from lower levels of demand than 2004. The cost of raw materials, in particular steel, carriage and energy costs increased significantly in 2004 and 2005, and the division did not fully recover these cost increases on a number of products. One-off administrative costs were incurred in the year. The manufacturing of garden products ceased at the end of the year and a broader and enhanced range of products is now being sourced from overseas with a revised offering for customers. This, other management actions, and the elimination of the one-off costs incurred in 2005 are expected to lead to a significant improvement in profitability of this division in 2006.

### **Results and dividends**

The company's profit and loss account is set out on page 4. No dividend was paid during the year (2004: £1,400,000). The directors do not recommend the payment of a final dividend (2004: £Nil).

### **Directors and their interests**

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

M Taylor (resigned 8 June 2005)  
R H Wilson (resigned 31 December 2005)  
A Maynard (appointed 8 June 2005)  
A Thompson (appointed 31 December 2005)

The interests of M Taylor, R H Wilson, A Thompson and A Maynard, who are also directors of the ultimate parent company, Clifton House Acquisition Limited, are shown in the annual report of that company.

### **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.

### **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.

# The Expanded Metal Company Limited

## Research and development

During the year the company incurred £75,000 (2004: £42,000) 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.

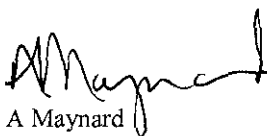
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have 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

Elective resolutions have been passed to dispense with obligations to appoint auditors annually.

On behalf of the Board



A Maynard  
Director

31 March 2006

# **The Expanded Metal Company Limited**

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

We have audited the financial statements of The Expanded Metal Company Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

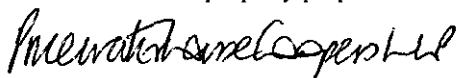
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

31 March 2006

# The Expanded Metal Company Limited

## Profit and loss account for the year ended 31 December 2005

	Note	Pre exceptional items	Exceptional items (note 2)	2005 £'000	2004 £'000
Turnover	1	51,797	-	51,797	49,770
Cost of sales		(38,848)	-	(38,848)	(35,034)
<b>Gross profit</b>		<b>12,949</b>	<b>-</b>	<b>12,949</b>	<b>14,736</b>
Selling and distribution costs		(7,704)	-	(7,704)	(6,386)
Administrative expenses		(4,469)	(409)	(4,878)	(4,770)
<b>Operating profit</b>		<b>776</b>	<b>(409)</b>	<b>367</b>	<b>3,580</b>
Amount written off investments	11			(245)	-
Impairment of fixed assets prior to disposal	2			(698)	-
Interest payable and similar charges	6			-	(6)
<b>(Loss)/profit on ordinary activities before taxation</b>	3			<b>(576)</b>	<b>3,574</b>
Tax on (loss)/profit on ordinary activities	7			27	(1,316)
<b>(Loss)/profit for the financial year</b>	18			<b>(549)</b>	<b>2,258</b>

All of the above relate entirely to continuing operations.

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

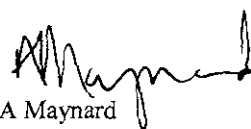
There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/retained profit for the financial year stated above and their historical cost equivalents.

# The Expanded Metal Company Limited

## Balance sheet as at 31 December 2005

	Note	2005	2004
		£'000	£'000
<b>Fixed assets</b>			
Intangible assets	9	2,911	3,565
Tangible assets	10	4,754	6,150
Investments	11	-	245
		7,665	9,960
<b>Current assets</b>			
Stocks	12	4,528	5,790
Debtors	13	7,516	11,292
Cash at bank and in hand		3,113	2,677
		15,157	19,759
<b>Creditors - Amounts falling due within one year</b>	14	(10,836)	(16,557)
<b>Net current assets</b>		4,321	3,202
<b>Total assets less current liabilities</b>		11,986	13,162
<b>Provisions for liabilities and charges</b>	15	(16)	(643)
<b>Net assets</b>		11,970	12,519
<b>Capital and reserves</b>			
Called up equity share capital	16	20	20
Share premium account	17	9,990	9,990
Profit and loss account	17	1,960	2,509
<b>Total equity shareholder's funds</b>	18	11,970	12,519

The financial statements on pages 4 to 16 were approved by the board of directors on 31 March 2006 and were signed on its behalf by:



A Maynard  
Director

# **The Expanded Metal Company Limited**

## **Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies, which have been applied consistently, are set out below.

### **Consolidated accounts**

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 (excluding value added tax) derived from the provision of goods and services net of volume rebates to customers during the year.

### **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

### **Stocks**

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 tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Pension costs**

The company contributes to a defined contribution pension scheme operated by Expamet International Limited. The assets of the scheme are held separately from those of the company in separately administered funds. Contributions payable for the year are charged in the profit and loss account.

### **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**

### **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 2005

### 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:

	2005	2004
	£'000	£'000
United Kingdom	37,476	39,162
Europe	8,413	8,443
America	106	122
Rest of World	5,802	2,043
	51,797	49,770

### 2 Exceptional item

Exceptional costs of £409,000 and impairment of fixed assets of £698,000 prior to disposal relates to the closure of the company's garden products manufacturing facility, outsourcing of production, and the refocusing of the division as a distribution operation.

### 3 (Loss)/profit on ordinary activities before taxation

	2005	2004
	£'000	£'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	1,123	1,242
Impairment of fixed assets prior to disposal	698	-
Goodwill amortisation	608	648
Amortisation of patents	60	60
Operating lease charges - plant and machinery	408	201
Operating lease charges - other	903	861
Loss/(profit) on disposal of fixed assets	226	(4)
Research and development expenditure	75	42
Auditors' remuneration - audit services	32	41
Auditors' remuneration - non-audit services	2	6

# The Expanded Metal Company Limited

## 4 Staff costs

	2005	2004
	£'000	£'000
Staff costs:		
Wages and salaries	8,798	8,496
Social security costs	905	812
Pension costs	237	231
	9,940	9,539

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

	2005	2004
By activity	Number	Number
Production	257	278
Sales and distribution	80	91
Administration	21	22
	358	391

## 5 Directors' emoluments

Aggregate directors' emoluments were £Nil (2004: £Nil).

The number of directors to whom retirement benefits are accruing under the Expamet International group defined contribution scheme is Nil (2004: 1).

## 6 Interest payable and similar charges

	2005	2004
	£'000	£'000
Unwinding of discounts on onerous lease provisions	-	3
Interest on overdue payments	-	3
	-	6

# The Expanded Metal Company Limited

## 7 Taxation on (loss)/profit on ordinary activities

### (a) Analysis of charge in period

	2005 £'000	2004 £'000
<b>Current tax:</b>		
<b>United Kingdom</b>		
Corporation tax at 30% (2004: 30%)	492	961
Adjustment in respect of previous periods	-	7
	492	968
<b>Foreign tax</b>		
Corporation taxes	17	156
Total current tax	509	1,124
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	(536)	192
	(27)	1,316

### (b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before tax	(576)	3,574
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(173)	1,072
<i>Effects of:</i>		
Expenses not deductible for tax purposes	273	237
Depreciation for the period in excess of capital allowances	449	9
Permanent differences	(40)	-
Other short term timing differences	-	(201)
Adjustments for tax charge in respect of previous periods	-	7
	509	1,124

### (c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

# The Expanded Metal Company Limited

## 8 Dividends

	2005	2004
	£'000	£'000
Interim dividend paid of £Nil (2004: £70) per ordinary £1 share	-	1,400

## 9 Intangible fixed assets

	Patents	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2005	500	12,356	12,856
Additions	14	-	14
<b>At 31 December 2005</b>	<b>514</b>	<b>12,356</b>	<b>12,870</b>
<b>Aggregate amortisation</b>			
At 1 January 2005	180	9,111	9,291
Charge for the year	60	608	668
<b>At 31 December 2005</b>	<b>240</b>	<b>9,719</b>	<b>9,959</b>
<b>Net book amount</b>			
<b>At 31 December 2005</b>	<b>274</b>	<b>2,637</b>	<b>2,911</b>
At 31 December 2004	320	3,245	3,565

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. 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.

# The Expanded Metal Company Limited

## 10 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2005	845	26,387	27,232
Additions	-	662	662
Disposals	(35)	(2,668)	(2,703)
<b>At 31 December 2005</b>	<b>810</b>	<b>24,381</b>	<b>25,191</b>
<b>Accumulated depreciation</b>			
At 1 January 2005	497	20,585	21,082
Charge for the year	40	1,083	1,123
Provision for impairment	-	698	698
Disposals	(2)	(2,464)	(2,466)
<b>At 31 December 2005</b>	<b>535</b>	<b>19,902</b>	<b>20,437</b>
<b>Net book amount</b>			
<b>At 31 December 2005</b>	<b>275</b>	<b>4,479</b>	<b>4,754</b>
At 31 December 2004	348	5,802	6,150

## 11 Fixed asset investments

	£'000
At 1 January 2005	245
Amount written off investments	(245)
<b>At 31 December 2005</b>	<b>-</b>

Investments represent 100% of the ordinary share capital of Expamet Polska Sp. z o.o., a company incorporated in Poland. The company is engaged in the supply of industrial products.

# The Expanded Metal Company Limited

## 12 Stocks

	2005	2004
	£'000	£'000
Raw materials and consumables	1,239	2,496
Work in progress	299	284
Finished goods and goods for resale	2,990	3,010
	4,528	5,790

Included in raw materials and consumables is consignment stock of £9,000 (2004: £41,000). Agreement has been reached with suppliers whereby legal title transfers at the time raw materials are used in the ordinary course of business.

## 13 Debtors

	2005	2004
	£'000	£'000
Trade debtors	5,555	7,448
Amounts owed by group undertakings	1,553	3,426
Other debtors	141	286
Prepayments and accrued income	267	132
	7,516	11,292

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

## 14 Creditors – Amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	7,145	6,637
Amounts owed to group undertakings	1,215	7,767
Corporation tax	10	74
Other taxation and social security	408	706
Other creditors	75	68
Accruals and deferred income	1,983	1,305
	10,836	16,557

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

# The Expanded Metal Company Limited

## 15 Provisions for liabilities and charges

	Onerous lease provision £'000	Deferred taxation £'000	Total £'000
At 1 January 2005	107	536	643
Utilised in the year	(77)	-	(77)
Credited to the profit and loss account	(14)	(536)	(550)
<b>At 31 December 2005</b>	<b>16</b>	<b>-</b>	<b>16</b>

Deferred taxation provided in the accounts comprises:	<b>2005</b>	2004
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	-	778
Short term timing differences	-	(242)
	-	536

Potential deferred taxation asset not provided in the accounts comprises:	<b>2005</b>	2004
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	10	-
Short term timing differences	60	-
	70	-

### Onerous lease provision

The company has a vacant leasehold property. Full provision has been made for the remaining period of the lease commitments. The leases terminate in 2013. Future cash flows are discounted using Government bond rates at the year end.

## 16 Called up equity share capital

	<b>2005</b>	2004
	<b>£'000</b>	<b>£'000</b>
<b>Authorised, allotted and fully paid</b>		
20,000 ordinary shares of £1 each	20	20



# The Expanded Metal Company Limited

## 17 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	9,990	2,509	12,499
Loss for the financial year	-	(549)	(549)
<b>At 31 December 2005</b>	<b>9,990</b>	<b>1,960</b>	<b>11,950</b>

## 18 Reconciliation of movements in equity shareholder's funds

	2005 £'000	2004 £'000
(Loss)/profit for the financial year	(549)	2,258
Dividends paid	-	(1,400)
Net change in shareholder's funds	(549)	858
Opening shareholder's funds	12,519	11,661
<b>Closing shareholder's funds</b>	<b>11,970</b>	<b>12,519</b>

## 19 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	48	-	21
Within two to five years	101	302	-	35
After five years	710	252	993	58
	<b>811</b>	<b>602</b>	<b>993</b>	<b>114</b>

# **The Expanded Metal Company Limited**

## **20 Capital commitments**

	2005	2004
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	345	257

## **21 Contingent liabilities**

Lloyds TSB Bank PLC has a right of set-off between balances held by the company and other UK fellow subsidiaries of Clifton House Acquisition Limited, with a maximum exposure equal to the entire cash balance of the company.

## **22 Ultimate parent undertaking**

The immediate parent undertaking is Expamet International Limited.

The ultimate parent undertaking and controlling party, is Clifton House Acquisition Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Clifton House Acquisition Limited consolidated financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.