

The Expanded Metal Company Limited  
Annual report  
for the year ended 31 December 2003

Registered Number 438206



# The Expanded Metal Company Limited

## Annual report

for the year ended 31 December 2003

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# **The Expanded Metal Company Limited**

## **Directors' report for the year ended 31 December 2003**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

### **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 2004.

### **Results and dividends**

The company's profit and loss account is set out on page 4. A dividend of £3,000,000 was paid during the year (2002: £5,500,000). The directors do not recommend the payment of a final dividend (2002: £Nil).

### **Directors and their interests**

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

T Rayner (resigned 31 March 2003)

M Taylor

R H Wilson

The interests of M Taylor and R H Wilson, who are also directors of the ultimate parent company, Clifton House Acquisition Limited, are shown in the annual report of that company. T Rayner held no interest in the share capital of the company or any other group company during the year.

### **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.

### **Research and development**

During the year the company incurred £23,000 (2002: £37,000) of research and development expenditure.

# **The Expanded Metal Company Limited**

## **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 2003 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.

By order of the Board



M Taylor  
Secretary

25 March 2004

# **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. 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 in to 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 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 2003 and of its profit 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

25 March 2004

# The Expanded Metal Company Limited

## Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
<b>Turnover</b>	1	<b>51,122</b>	46,508
Cost of sales		(35,460)	(31,129)
<b>Gross profit</b>		<b>15,662</b>	15,379
Selling and distribution costs		(5,987)	(5,569)
Administrative expenses before exceptional items		(4,126)	(3,827)
Exceptional administrative expenses	2	-	(3,259)
Administrative expenses		(4,126)	(7,086)
<b>Profit on ordinary activities before interest and taxation</b>		<b>5,549</b>	2,724
Interest receivable and similar income		-	-
Interest payable and similar charges	6	(6)	(9)
<b>Profit on ordinary activities before taxation</b>	3	<b>5,543</b>	2,715
Tax on profit on ordinary activities	7	(1,902)	(597)
<b>Profit for the financial year</b>		<b>3,641</b>	2,118
Dividends	8	(3,000)	(5,500)
<b>Retained profit/(loss) for the financial year</b>	18	<b>641</b>	(3,382)

All of the above results relate entirely to continuing operations.

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


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

# The Expanded Metal Company Limited

## Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Intangible assets	9	4,273	4,982
Tangible assets	10	5,479	7,376
Investments	11	245	216
		<b>9,997</b>	<b>12,574</b>
<b>Current assets</b>			
Stocks	12	3,686	4,231
Debtors	13	11,521	16,094
Cash at bank and in hand		1,853	2,086
		<b>17,060</b>	<b>22,411</b>
<b>Creditors - Amounts falling due within one year</b>	14	<b>(12,487)</b>	<b>(21,219)</b>
<b>Net current assets</b>		<b>4,573</b>	<b>1,192</b>
<b>Total assets less current liabilities</b>		<b>14,570</b>	<b>13,766</b>
<b>Creditors - Amounts falling due after more than one year</b>	15	<b>(2,494)</b>	<b>(2,494)</b>
<b>Provisions for liabilities and charges</b>	16	<b>(415)</b>	<b>(252)</b>
<b>Net assets</b>		<b>11,661</b>	<b>11,020</b>
<b>Capital and reserves</b>			
Called up equity share capital	17	20	20
Share premium account	18	9,990	9,990
Profit and loss account	18	1,651	1,010
<b>Total equity shareholders' funds</b>	19	<b>11,661</b>	<b>11,020</b>

The financial statements on pages 4 to 17 were approved by the board of directors on 25 March 2004 and were signed on its behalf by:

  
M Taylor  
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 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

### 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 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 2003**

### **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:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<b>43,381</b>	40,367
Europe	<b>6,016</b>	4,809
America	<b>44</b>	36
Rest of World	<b>1,681</b>	1,296
	<b>51,122</b>	46,508

### **2 Exceptional administrative expenses**

With effect from 21 March 2002 the defined benefit pension scheme operated by the group in the UK ("the scheme") was discontinued. As a result of these changes, the company was required to make contributions totalling £3,259,000 to the scheme. The full amount of the contributions has been recognised in the profit and loss account in the year ended 31 December 2002. £1,999,000 was paid during 2002 and the balance of the liability of £1,260,000 was paid during 2003. The winding up of the scheme commenced with effect from 13 August 2002.

# The Expanded Metal Company Limited

## 3 Profit on ordinary activities before taxation

	2003	2002
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	1,295	1,349
Goodwill amortisation	649	648
Amortisation of patents	60	60
Operating lease charges		
- plant and machinery	193	211
- other	904	1,016
(Profit)/loss on disposal of fixed assets	-	(10)
Research and development expenditure	23	37
Auditors' remuneration		
- audit services	24	25
- non-audit services	8	46

## 4 Staff costs

	2003	2002
	£'000	£'000
Staff costs:		
Wages and salaries	8,269	7,893
Social security costs	794	654
Pension costs	245	3,554
	9,308	12,101

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

	2003	2002
By activity	Number	Number
Production	278	264
Sales and distribution	73	74
Administration	23	17
	374	355

# The Expanded Metal Company Limited

## 5 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	45	150
Aggregate contributions paid to pension scheme in respect of money purchase benefits	2	2

The number of directors to whom retirement benefits are accruing under the Expamet International group defined contribution scheme is 2 (2002: 2).

## 6 Interest payable and similar charges

	2003 £'000	2002 £'000
Unwinding of discounts on onerous lease provisions	6	9

## 7 Taxation on the profit on ordinary activities

### (a) Analysis of charge in period

	2003 £'000	2002 £'000
<b>Current tax:</b>		
United Kingdom corporation tax at 30% (2002: 30%)	1,570	1,687
Adjustment in respect of previous periods	2	(162)
Overseas taxation	134	132
Total current tax	1,706	1,657
<b>Deferred taxation:</b>		
Origination and reversal of timing differences	196	(1,060)
	1,902	597

# The Expanded Metal Company Limited

## (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:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	5,543	2,715
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,663	814
<i>Effects of:</i>		
Expenses not deductible for tax purposes	240	250
Capital allowances for the period in excess of depreciation	136	(21)
Other short term timing differences	(335)	776
Adjustments for tax charge in respect of previous periods	2	(162)
	1,706	1,657

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

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

## 8 Dividends

	2003 £'000	2002 £'000
Interim dividend paid of £150 (2002: £275) per ordinary £1 share	3,000	5,500

# The Expanded Metal Company Limited

## 9 Intangible fixed assets

	Patents	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2003 and 31 December 2003	500	12,356	12,856
<b>Aggregate amortisation</b>			
At 1 January 2003	60	7,814	7,874
Charge for the year	60	649	709
<b>At 31 December 2003</b>	<b>120</b>	<b>8,463</b>	<b>8,583</b>
<b>Net book amount</b>			
<b>At 31 December 2003</b>	<b>380</b>	<b>3,893</b>	<b>4,273</b>
At 31 December 2002	440	4,542	4,982

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 the trade and assets 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.

# 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 2003	1,053	26,165	27,218
Additions	3	627	630
Disposals	(380)	(2,131)	(2,511)
<b>At 31 December 2003</b>	<b>676</b>	<b>24,661</b>	<b>25,337</b>
<b>Accumulated depreciation</b>			
At 1 January 2003	803	19,039	19,842
Charge for the year	60	1,235	1,295
Disposals	(415)	(864)	(1,279)
<b>At 31 December 2003</b>	<b>448</b>	<b>19,410</b>	<b>19,858</b>
<b>Net book amount</b>			
<b>At 31 December 2003</b>	<b>228</b>	<b>5,251</b>	<b>5,479</b>
At 31 December 2002	250	7,126	7,376

## 11 Fixed asset investments

	£'000
At 1 January 2003	216
Additions	29
<b>At 31 December 2003</b>	<b>245</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 manufacture and supply of industrial products.

# The Expanded Metal Company Limited

## 12 Stocks

	2003	2002
	£'000	£'000
Raw materials and consumables	929	1,600
Work in progress	161	104
Finished goods and goods for resale	2,596	2,527
	3,686	4,231

Included in raw materials and consumables is consignment stock of £35,000 (2002: £311,000). 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

	2003	2002
	£'000	£'000
Trade debtors	6,506	5,993
Amounts owed by group undertakings	4,487	9,763
Other debtors	206	112
Prepayments and accrued income	322	226
	11,521	16,094

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

## 14 Creditors – Amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	4,867	4,256
Amounts owed to group undertakings	6,101	13,946
Corporation tax	85	132
Other taxation and social security	589	442
Other creditors	39	1,361
Accruals and deferred income	806	1,082
	12,487	21,219

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



# The Expanded Metal Company Limited

## 15 Creditors – Amounts falling due after more than one year

	2003	2002
	£'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.

## 16 Provisions for liabilities and charges

	Onerous lease provision	Deferred taxation	Total
	£'000	£'000	£'000
At 1 January 2003	104	148	252
Charged/(credited) to the profit and loss account	(33)	196	163
<b>At 31 December 2003</b>	<b>71</b>	<b>344</b>	<b>415</b>

	2003	2002
	£'000	£'000
Deferred taxation provided in the accounts comprises:		
Accelerated capital allowances	787	926
Short term timing differences	(443)	(778)
	344	148

### 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.

## 17 Called up equity share capital

	2003	2002
	£'000	£'000
<b>Authorised, allotted and fully paid</b>		
20,000 ordinary shares of £1 each	20	20

# The Expanded Metal Company Limited

## 18 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2003 as restated	9,990	1,010	11,000
Profit for the financial year	-	641	641
<b>At 31 December 2003</b>	<b>9,990</b>	<b>1,651</b>	<b>11,641</b>

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

	2003 £'000	2002 £'000
Profit for the year	3,641	2,118
Dividends	(3,000)	(5,500)
Net increase/(reduction) in shareholder's funds	641	(3,382)
Opening shareholder's funds	11,020	14,402
<b>Closing shareholder's funds</b>	<b>11,661</b>	<b>11,020</b>

## 20 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	31	-	90
Within two to five years	-	33	-	150
After five years	907	98	786	19
	<b>907</b>	<b>162</b>	<b>786</b>	<b>259</b>

# The Expanded Metal Company Limited

## 21 Capital commitments

	2003	2002
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	984	120

## 22 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.

## 23 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.