

Company Registration No. 05960639 (England and Wales)

EXPANDED METAL HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



EXPANDED METAL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J B Charlton P J Astley
Secretary	J B Charlton
Company number	05960639
Registered office	PO Box 14 Greatham Street Longhill Industrial Estate Hartlepool Cleveland TS25 1PR
Auditor	RSM UK Audit LLP Chartered Accountants 1 St. James' Gate Newcastle upon Tyne NE1 4AD
Bankers	HSBC plc 110 Grey Street Newcastle upon Tyne NE1 6JG
Solicitors	Muckle LLP Time Central 32 Gallowgate Newcastle upon Tyne NE1 4BF

EXPANDED METAL HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

Expanded Metal Holdings Limited is a holding company. The Expanded Metal Company Limited, the trading subsidiary of the group, is principally engaged in the manufacture and supply of expanded metal meshes and associated security products, in the UK and overseas, of products and components, largely comprising expanded metal, to a range of markets including building/architectural/construction, automotive, security, agricultural and general industrial/engineering.

During 2018 the group, in common with many others, found its markets adversely affected by Brexit-related uncertainties. In particular, this led to a reduction in investment work flowing from the retail and general building and construction sectors. This was exacerbated by some high-profile insolvencies whose impact was felt throughout the group's supply chain. At the company level, several leading customers generated less volume than in the previous year. Consequently, turnover fell by 3.3% compared to prior year. This lower volume combined with ongoing market competitiveness also impacted adversely on the gross margin % achieved in the year; this was exacerbated by a sales mix movement to lower margin products and also a greater volume of products requiring outside processing by third parties on which a lower mark-up is achieved. Nevertheless, cost reductions were achieved across many categories but these were not large enough in total to offset margin reduction and so net profitability fell. Additionally, the business carried out a limited restructuring programme towards the end of 2018 which increased expenses in the year, but will benefit future results due to a lower cost base. However, the group continued earlier activities to heighten its market awareness and introduce new revenue sources, including additional sales and marketing resources and investment in new machinery to manufacture a new range of products for the filtration market.

The group's key financial and other performance indicators during the year were as follows:

	2018	2017
	£'000	£'000
Turnover	16,803	17,374
Gross profit	21.5%	23.6%
Operating Result	288	772
Operating Result as % of Turnover	1.7%	4.4%
EBITDA	1,262	1,842
Shareholder's Funds	6,161	6,055
Average Number of Employees	94	93
On time delivery to customers	98.7%	98.7%

The business continues to generate cash from operating activities and invested at a higher level than in recent years. No dividend was paid in the year and so shareholders' funds increased, as a result of profit for the year.

The business uses a range of metrics; one key measure is "on time delivery to customers", which has and will be key to recovering and increasing its market share. It is widely used throughout the business as it reflects our cumulative performance by the various functions within the company. During the year, this metric remained consistent at the high level of 98.7%

At 31 December, 2018 the group remains well positioned to continue to grow turnover and margins. Brexit uncertainty continues to weigh on end markets, but a major export contract was renewed for 2 years in late 2018 and selective inventory building and close liaison with European customers are working well to mitigate potential impacts.

EXPANDED METAL HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The group has assessed the principal risks and uncertainties facing it. The group is reliant upon one raw material supplier in the UK. The terms of renewal for this supply contract could affect its financial and operational performance, however, the group is aware of, and maintains contact with, alternative suppliers. Additionally, the company has negotiated a pricing mechanism with this leading supplier which aligns costs with market movements. Nevertheless, material markets remain volatile and recent US tariffs imposed on steel and aluminium add to this volatility. However, this may in turn provide opportunities for new and cheaper sources of materials to be available to the company and it will continue to maintain contacts with a wide range of agents and manufacturers.

Brexit remains a key uncertainty and the company recognises that 33% of turnover was exported to Europe in 2018. However, the company enjoys longstanding and close relationships with its key European customers, with whom an ongoing planning dialogue is being maintained.

The group's principal financial investments comprise cash, cash equivalents and group loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the group's operating activities:

The main risks associated with the group's financial assets and liabilities are set out below.

Interest rate risk

The group invests surplus cash in a floating rate interest yielding bank deposit account. Term loans and working capital facilities are entered into at floating interest rates. The group's interest income and expenses are therefore affected by movements in interest rates. The group does not undertake any hedging activity.

Credit risk

The group has external debtors; however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. The group also operates a credit insurance policy.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Additionally, during 2016 the company established a working capital facility with a leading bank, which allows it to raise cash for operational and other requirements secured against its Accounts Receivable and Inventory balances. This facility was not utilised at 31 December 2018 but is available if and when required by the company.

Foreign currency risk

The group does not have significant foreign currency transactions and therefore does not undertake any hedging activity. In common with other businesses, the company maintains a close watch on Brexit developments. The recent devaluation of the £ relative to the € has and will continue to provide additional export opportunities for the business. The vast majority of input costs are from UK suppliers, hence the currency impact is limited on these supplies.

On behalf of the board



J B Charlton
Director

Date: 10.6.19

EXPANDED METAL HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company is that of a holding company. The principal activity of the group continued to be that of the manufacture of expanded metal meshes and associated security products.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J B Charlton
P J Astley

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £nil (2017: £1,000,000). The directors do not recommend payment of a further dividend.

Supplier payment policy

The group'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 2018 represented 49 days of purchases (2017: 48 days).

Going concern

The directors have considered the group's current and future prospects and its availability of financing, and are satisfied that the group can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

Details of the company's business review and principal risks and uncertainties are included within Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J B Charlton
Director

Date: 10.6.19

EXPANDED METAL HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXPANDED METAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Expanded Metal Holdings Limited ('the parent company') and its subsidiaries ('the group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXPANDED METAL HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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


Steven Cleugh FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD
10/6/19

EXPANDED METAL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	16,803	17,374
Cost of sales		(13,195)	(13,279)
Gross profit		3,608	4,095
Distribution costs		(1,142)	(1,179)
Administrative expenses		(2,178)	(2,144)
Operating profit	4	288	772
Interest receivable and similar income	8	20	16
Interest payable and similar expenses	9	(73)	(54)
Profit before taxation		235	734
Tax on profit	10	(129)	(321)
Profit for the financial year		106	413

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

EXPANDED METAL HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
Fixed assets			
Goodwill	12	1,234	1,782
Tangible assets	13	2,994	2,914
		<u>4,228</u>	<u>4,696</u>
Current assets			
Stocks	16	1,747	1,706
Debtors	17	2,927	2,954
Cash at bank and in hand		141	161
		<u>4,815</u>	<u>4,821</u>
Creditors: amounts falling due within one year	18	<u>(2,369)</u>	<u>(2,867)</u>
Net current assets		<u>2,446</u>	<u>1,954</u>
Total assets less current liabilities		<u>6,674</u>	<u>6,650</u>
Creditors: amounts falling due after more than one year	19	(269)	(220)
Provisions for liabilities	22	(244)	(375)
Net assets		<u><u>6,161</u></u>	<u><u>6,055</u></u>
Capital and reserves			
Capital redemption reserve	26	10,382	10,382
Profit and loss reserves	26	(4,221)	(4,327)
Total equity		<u><u>6,161</u></u>	<u><u>6,055</u></u>

The financial statements were approved by the board of directors and authorised for issue on 10/6/19 and are signed on its behalf by:



J B Charlton
Director

EXPANDED METAL HOLDINGS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	14		4,381		4,381
Current assets					
Debtors	17	1,085		1,085	
Net current assets			1,085		1,085
Total assets less current liabilities			5,466		5,466
Capital and reserves					
Capital redemption reserve	26		6,001		6,001
Profit and loss reserves	26		(535)		(535)
Total equity			5,466		5,466

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £nil (2017: £1,000,000).

The financial statements were approved by the board of directors and authorised for issue on **10.6.19** and are signed on its behalf by:



J B Charlton
Director

EXPANDED METAL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2017		10,382	(3,740)	6,642
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	413	413
Dividends	11	-	(1,000)	(1,000)
Balance at 31 December 2017		10,382	(4,327)	6,055
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	106	106
Balance at 31 December 2018		10,382	(4,221)	6,161

EXPANDED METAL HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Capital redemption reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2017		6,001	(535)	5,466
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	1,000	1,000
Dividends	11	-	(1,000)	(1,000)
Balance at 31 December 2017		6,001	(535)	5,466
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 December 2018		6,001	(535)	5,466

EXPANDED METAL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	30		374		934
Interest paid			(73)		(54)
Income taxes paid			(79)		(1)
Net cash inflow from operating activities			222		879
Investing activities					
Purchase of tangible fixed assets		(506)		(110)	
Interest received		20		16	
Net cash used in investing activities			(486)		(94)
Financing activities					
Proceeds from borrowings		218		-	
Repayment of borrowings		(169)		(170)	
Dividends paid to equity shareholders		-		(1,000)	
Net cash generated from/(used in) financing activities			49		(1,170)
Net decrease in cash and cash equivalents			(215)		(385)
Cash and cash equivalents at beginning of year			118		503
Cash and cash equivalents at end of year			(97)		118
Relating to:					
Cash at bank and in hand			141		161
Bank overdrafts included in creditors payable within one year			(238)		(43)

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Expanded Metal Holdings Limited ('the parent company') is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is PO Box 14 Greatham Street, Longhill Industrial Estate, Hartlepool, Cleveland, TS25 1PR.

The group consists of Expanded Metal Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Strategic Report and Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures.

Basis of consolidation

The consolidated financial statements incorporate those of Expanded Metal Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 December 2018.

All intra-group transactions and balances are eliminated on consolidation.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 15 years.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold land and buildings	over the life of lease
Plant and equipment	3 to 15 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit and loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit and loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, other borrowings and amounts owed to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to the statement of comprehensive income, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018 £'000	2017 £'000
Turnover analysed by class of business		
Sale of products to building and industrial markets	16,803	17,374
	<u> </u>	<u> </u>
	2018 £'000	2017 £'000
Other revenue		
Interest income	20	16
	<u> </u>	<u> </u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue (Continued)

	2018 £'000	2017 £'000
Turnover analysed by geographical market		
United Kingdom	10,784	11,097
Europe	5,232	5,814
Rest of World	787	463
	<u>16,803</u>	<u>17,374</u>

4 Operating profit

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	38	(14)
Research and development costs	5	9
Depreciation of owned tangible fixed assets	426	522
Amortisation of intangible assets	548	548
Cost of stocks recognised as an expense	9,067	8,961
Operating lease charges	329	340
	<u>10,373</u>	<u>10,383</u>

5 Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	4	4
Audit of the financial statements of the company's subsidiaries	17	16
	<u>21</u>	<u>20</u>
For other services		
All other non-audit services	13	6
	<u>34</u>	<u>26</u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Production	76	77	-	-
Sales and distribution	11	9	-	-
Administration	7	7	2	2
	<u>94</u>	<u>93</u>	<u>2</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Wages and salaries	2,954	2,933	-	-
Social security costs	308	286	-	-
Pension costs	163	100	-	-
	<u>3,425</u>	<u>3,319</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2018 £'000	2017 £'000
Remuneration for qualifying services	285	215
Company pension contributions to defined contribution schemes	11	9
	<u>296</u>	<u>224</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £'000	2017 £'000
Remuneration for qualifying services	181	117
Company pension contributions to defined contribution schemes	4	4

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	20	16
	<u>20</u>	<u>16</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	20	16
	<u>20</u>	<u>16</u>

9 Interest payable and similar expenses

	2018 £'000	2017 £'000
Other finance costs:		
Other interest	73	54
	<u>73</u>	<u>54</u>

10 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current period	133	101
Adjustments in respect of prior periods	(28)	-
	<u>105</u>	<u>101</u>
Deferred tax		
Origination and reversal of timing differences	24	220
	<u>24</u>	<u>220</u>
Total tax charge for the year	<u>129</u>	<u>321</u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	235	734
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	45	141
Adjustments in respect of prior years	(28)	-
Adjustment to deferred tax rate	2	(17)
Underprovision of deferred tax in the prior year	-	90
Fixed asset differences	110	107
Taxation charge for the year	129	321

11 Dividends

	2018 £'000	2017 £'000
Final paid	-	1,000

12 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 January 2018 and 31 December 2018	8,223
Amortisation and impairment	
At 1 January 2018	6,441
Amortisation charged for the year	548
At 31 December 2018	6,989
Carrying amount	
At 31 December 2018	1,234
At 31 December 2017	1,782

The company had no intangible fixed assets at 31 December 2018 or 31 December 2017.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Tangible fixed assets

Group	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	344	8,970	9,314
Additions	33	473	506
At 31 December 2018	377	9,443	9,820
Depreciation and impairment			
At 1 January 2018	252	6,148	6,400
Depreciation charged in the year	30	396	426
At 31 December 2018	282	6,544	6,826
Carrying amount			
At 31 December 2018	95	2,899	2,994
At 31 December 2017	92	2,822	2,914

The company had no tangible fixed assets at 31 December 2018 or 31 December 2017.

14 Fixed asset investments

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Investments in subsidiaries	15	-	-	4,381	4,381

Movements in fixed asset investments

Company	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2018 and 31 December 2018	4,381
Carrying amount	
At 31 December 2018	4,381
At 31 December 2017	4,381

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Expamet Fencing Limited	See below	Dormant company	Ordinary	-	100.00
The Expanded Metal Company Limited	See below	Manufacture of expanded metal meshes and associated security products	Ordinary	100.00	-

The registered office of both the company's subsidiaries is PO BOX 14 Greatham Street, Longhill Industrial Estate, Hartlepool, Cleveland, TS25 1PR.

Expamet Fencing Limited is exempt from audit under section 480 of the Companies Act 2006.

16 Stocks

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Raw materials and consumables	677	607	-	-
Work in progress	114	105	-	-
Finished goods and goods for resale	956	994	-	-
	<u>1,747</u>	<u>1,706</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Amounts falling due within one year:				
Trade debtors	2,100	2,114	-	-
Amounts owed by group undertakings	525	524	1,085	1,085
Other debtors	51	90	-	-
Prepayments and accrued income	251	226	-	-
	<u>2,927</u>	<u>2,954</u>	<u>1,085</u>	<u>1,085</u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Creditors: amounts falling due within one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Bank loans and overdrafts	20	238	43	-	-
Other borrowings	20	169	169	-	-
Trade creditors		1,374	1,760	-	-
Amounts due to group undertakings		21	12	-	-
Corporation tax payable		127	101	-	-
Other taxation and social security		209	104	-	-
Accruals and deferred income		231	678	-	-
		<u>2,369</u>	<u>2,867</u>	<u>-</u>	<u>-</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Other borrowings	20	<u>269</u>	<u>220</u>	<u>-</u>	<u>-</u>

20 Borrowings

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Invoice discounting facility	238	43	-	-
Other loans	<u>438</u>	<u>389</u>	<u>-</u>	<u>-</u>
	<u>676</u>	<u>432</u>	<u>-</u>	<u>-</u>
Payable within one year	407	212	-	-
Payable after one year	<u>269</u>	<u>220</u>	<u>-</u>	<u>-</u>

Other loans are secured against the group's plant and machinery. Interest is payable on the amount at 2.75% per annum.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Financial instruments

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,676	2,685	1,085	1,085
Equity instruments measured at cost less impairment	-	-	4,381	4,381
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at amortised cost	2,064	2,882	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 Provisions for liabilities

	Notes	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Dilapidation provision		-	155	-	-
Deferred tax liabilities	23	244	220	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		244	375	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Movements on provisions apart from deferred tax liabilities:

Group	Dilapidation provision £'000
At 1 January 2018	155
Utilisation of provision	(155)
	<u> </u>
At 31 December 2018	-
	<u> </u>

The dilapidations provisions relates to the property leased.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2018 £'000	Liabilities 2017 £'000
Accelerated capital allowances	252	230
Short term timing differences	(8)	(10)
	<u> </u>	<u> </u>
	244	220
	<u> </u>	<u> </u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

23 Deferred taxation (Continued)

The company has no deferred tax assets or liabilities.

	Group 2018 £'000	Company 2018 £'000
Movements in the year:		
Liability at 1 January 2018	220	-
Charge to profit or loss	24	-
	<u>244</u>	<u>-</u>
Liability at 31 December 2018	<u>244</u>	<u>-</u>

24 Retirement benefit schemes

	2018 £'000	2017 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	163	100
	<u>163</u>	<u>100</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Included within creditors due within one year are contributions totalling £14,980 (2017: £12,522) outstanding at the year end.

25 Share capital

	Group and company 2018	2017
Authorised		
1 Ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

The company's ordinary share, which carries no right to fixed income, carries the right to one vote at general meetings of the company.

26 Reserves

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Within one year	326	316	-	-
Between one and five years	691	976	-	-
	<u>1,017</u>	<u>1,292</u>	<u>-</u>	<u>-</u>

28 Capital commitments

At the year end the group was committed to pay £71,694 for improvement work (2017: £58,644).

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows:

	2018 £'000	2017 £'000
Aggregate compensation	<u>337</u>	<u>241</u>

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Group				
Other related parties	<u>105</u>	<u>122</u>	<u>83</u>	<u>116</u>

The following amounts were outstanding at the reporting end date:

	2018 Balance £'000	2017 Balance £'000
Amounts due from related parties		
Group		
Other related parties	<u>504</u>	<u>512</u>

EXPANDED METAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

30 Cash generated from group operations

	2018 £'000	2017 £'000
Profit for the year after tax	106	413
Adjustments for:		
Taxation charged	129	321
Finance costs	73	54
Investment income	(20)	(16)
Amortisation and impairment of intangible assets	548	548
Depreciation and impairment of tangible fixed assets	426	522
(Decrease) in provisions	(155)	(75)
Movements in working capital:		
(Increase) in stocks	(41)	(190)
Decrease/(increase) in debtors	27	(251)
(Decrease) in creditors	(719)	(392)
Cash generated from operations	374	934

31 Controlling party

The immediate parent company is Emco Acquisitions LLC.

The ultimate parent undertaking and controlling party is EIH Capital Partners LP, a company incorporated in the USA. Their registered office is 3345 Stop 8 Road, Dayton, OH 45414.