

THE EXPANDED METAL COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1991

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THE EXPANDED METAL COMPANY LIMITED

DIRECTORS

AW Orr
P Reeder
A Reynolds
D Jones
NG Marsden
JM Bryson (resigned 13 September 1991)
JDK Hewitt (resigned 30 September 1991)

SECRETARY

A Reynolds

REGISTERED OFFICE

PO Box 14
Longhill Industrial Estate (North)
Hartlepool
Cleveland
TS25 1PR

REGISTERED NUMBER: 438206

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1991

PRINCIPAL ACTIVITIES

The Expanded Metal Company Limited, is principally engaged in the manufacture and supply of products, components and services to the building, industrial and security markets. On 1 January 1991 the whole of the property and assets connected with BAT Building Products division of Expanet UK Limited, a fellow subsidiary undertaking, were transferred to The Expanded Metal Company Limited.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the year the directors of the ultimate parent undertaking decided to consolidate the operations of the group. To this end it was decided to close the BAT Building Products division in Telford. A major re-organisation was undertaken in the Industrial sector of the company which will lead to significant profit improvement in the current year.

PROFITS AND DIVIDENDS

The profit for the financial year available for distribution amounted to £418,000 (1990 £1,085,000). The directors recommend the payment of a final dividend of £Nil (1990 £2,910,000).

DIRECTORS

The directors of the company during the year are listed above. They are appointed by the ultimate parent undertaking.

THE EXPANDED METAL COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1991 (continued)

DIRECTORS' INTERESTS

Mr AW Orr is a director of the ultimate parent undertaking and his interests in the share capital of that company are shown in its directors' report.

The interests of the other directors in office at the year end in the share capital of the ultimate parent undertaking are as follows:

	<u>Number of options</u>		<u>Number of shares</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
P Reeder	91,407	86,154	73	55
NG Marsden	-	4,012	789	798
A Reynolds	-	-	901	901
D Jones	-	-	40	30

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent undertaking has maintained insurance to cover directors' and officers' liability as defined in S310 (3)(a) of the Companies Act 1985.

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.

TANGIBLE FIXED ASSETS

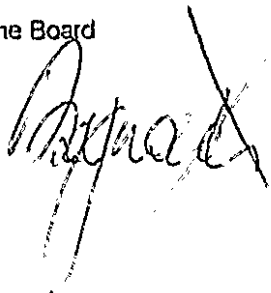
The movements in tangible fixed assets are set out in note 11.

AUDITORS

The auditors, Price Waterhouse, are willing to continue in office and resolutions as to their re-appointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board

A Reynolds
Secretary



31 March 1992

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
THE EXPANDED METAL COMPANY LIMITED**

We have audited the financial statements on pages 4 to 17 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the company at 31 December 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
and Registered Auditor

31 March 1992

THE EXPANDED METAL COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1991**

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
TURNOVER	2	28,392	30,286
Cost of sales		(19,351)	(20,372)
GROSS PROFIT		9,041	9,914
Distribution costs		(5,596)	(5,175)
Administrative expenses		(808)	(2,714)
OPERATING PROFIT		2,637	2,025
Exceptional item	3	(1,106)	-
Interest payable		(2)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	1,529	2,025
Tax on profit on ordinary activities	7	(822)	(940)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		707	1,085
Extraordinary item	8	(289)	-
PROFIT FOR THE FINANCIAL YEAR		418	1,085
Dividends	9	-	(2,910)
AMOUNTS TRANSFERRED TO/(WITHDRAWN FROM) RESERVES	18	418	(1,825)

THE EXPANDED METAL COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1991

	Notes	1991 £'000	1990 £'000
FIXED ASSETS			
Intangible assets	10	10,620	11,210
Tangible assets	11	8,973	8,556
		<hr/>	<hr/>
		19,593	19,766
CURRENT ASSETS			
Stocks	12	2,884	3,171
Debtors	13	10,116	10,293
Cash at bank and in hand		4,000	2,515
		<hr/>	<hr/>
		17,000	15,979
CREDITORS (amounts falling due within one year)	14	(12,702)	(11,934)
		<hr/>	<hr/>
NET CURRENT ASSETS		4,298	4,045
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		23,891	23,811
Financed by:		<hr/>	<hr/>
CREDITORS (amounts falling due after more than one year)	15	21,721	21,196
PROVISIONS FOR LIABILITIES AND CHARGES	16	1,174	1,997
GOVERNMENT GRANTS		140	180
CAPITAL AND RESERVES			
Called up share capital	17	10	10
Profit and loss account	18	846	428
		<hr/>	<hr/>
SHAREHOLDERS FUNDS		856	438
		<hr/>	<hr/>
		23,891	23,811
		<hr/>	<hr/>

The accounts on pages 4 to 17 were approved by the directors on 31 March 1992 and are signed by:

A Reynolds
Director



THE EXPANDED METAL COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1991

		1991		1990
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		1,529		2,025
Extraordinary item before taxation		(1,530)		-
		(1)		2,025
Adjustment for items not involving the movement of funds:				
Depreciation and amortisation	1,793		1,607	
Loss on disposal of tangible fixed assets	95		-	
Government grants	(40)		(87)	
		<u>1,848</u>		<u>1,520</u>
Funds generated from operations		1,847		3,545
FUNDS FROM OTHER SOURCES				
Proceeds from disposal of tangible fixed assets		97		31
APPLICATION OF FUNDS				
Dividends paid	2,910		-	
Additions to tangible fixed assets	990		1,189	
Tax paid	53		21	
Transfer of net assets from group undertaking (see page 7)	<u>2,583</u>		<u>21,196</u>	
		<u>(6,536)</u>		<u>(22,406)</u>
		(4,592)		(18,830)
DECREASE IN WORKING CAPITAL				
Stocks and work in progress	747		608	
Debtors	1,015		2,963	
Creditors	<u>3,903</u>		<u>17,245</u>	
		<u>5,665</u>		<u>20,816</u>
INCREASE IN NET LIQUID FUNDS		<u>1,073</u>		<u>1,986</u>

THE EXPANDED METAL COMPANY LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1991 (continued)

Transfers of net assets from Expamet UK Limited, a fellow subsidiary undertaking, comprise:

	<u>1991</u> £'000	<u>1990</u> £'000		<u>1991</u> £'000	<u>1990</u> £'000
Net assets acquired:			Discharged by:		
Intangible asset	-	11,800	Amounts owing to		
Fixed assets	822	8,415	fellow subsidiary undertaking	2,583	21,196
Stocks and work in progress	460	3,779			
Debtors	1,406	6,366			
Creditors	(560)	(7,026)			
Taxation	-	(2,417)			
Government grants	-	(267)			
Bank balances less overdrafts	455	546			
	<hr/>	<hr/>		<hr/>	<hr/>
	2,583	21,196		2,583	21,196
	<hr/>	<hr/>		<hr/>	<hr/>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts are prepared under the historical cost convention and have been prepared in accordance with applicable Accounting Standards.

(2) Goodwill

Purchased goodwill is capitalised and amortised over its useful economic life which is currently estimated by the directors to be 20 years.

(3) Depreciation

Tangible fixed assets are depreciated over their respective estimated lives. Depreciation is not provided on freehold land, but is provided on all other assets based on estimated lives of:

Buildings-leasehold improvements	Over the life of the lease
Plant and equipment	3 to 20 years

(4) Grants

Regional development and other capital-based grants are released to profit over the lives of the relevant assets.

(5) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value and include an appropriate proportion of labour and manufacturing overheads.

(6) Deferred taxation

No provision is made for deferred taxation unless a liability is expected with reasonable probability to arise in the foreseeable future.

(7) Foreign currency translation

Transactions in foreign currencies during the year are translated 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.

(8) Pension costs

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

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991

1 ACCOUNTING POLICIES (continued)

(9) Turnover

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

(10) Leased assets

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

(11) Research and development

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

2 SEGMENT INFORMATION

Company turnover and profit on ordinary activities before taxation are analysed by business as follows:

	<u>Turnover</u>		<u>Profit on ordinary activities before taxation</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Building	17,069	18,403	2,132	2,003
Industrial	9,022	10,107	(861)	(48)
Security	2,301	1,776	258	70
	<u>28,392</u>	<u>30,286</u>	<u>1,529</u>	<u>2,025</u>

Company turnover by geographical market is analysed as follows:

	<u>1991</u>	<u>1990</u>
	£'000	£'000
United Kingdom	23,994	26,143
France	1	16
Rest of Europe	1,474	2,441
USA	26	87
Rest of World	2,897	1,599
	<u>28,392</u>	<u>30,286</u>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>1991</u> £'000	<u>1990</u> £'000
Staff costs:		
Wages and salaries	6,270	6,785
Social security costs	501	560
Other pension costs	-	-
	<hr/> 6,771	<hr/> 7,345
Depreciation	1,203	1,017
Goodwill amortisation	590	590
Auditors' remuneration	44	30
Operating lease rentals for plant and machinery	147	145
Other operating lease rentals	669	589
Research and development expenditure	43	20
Government grants	(40)	(87)
Management charge from ultimate parent undertaking	1,560	1,100
Exceptional item - restructuring costs	1,106	-
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4 DIRECTORS' REMUNERATION

Directors' remuneration, including pension contributions, comprises emoluments of £203,716 (1990 £220,593).

The emoluments of the highest paid director (excluding pension contributions) were £78,158 (1990 £85,362).

The emoluments of the Chairman (excluding pension contributions) were £Nil (1990 £Nil).

Below are shown, within the ranges stated, the number of other directors and their emoluments (excluding pension contributions)

	<u>1991</u>	<u>1990</u>
£0 to £5,000	2	2
£30,001 to £35,000	2	1
£35,001 to £40,000	-	1
£45,001 to £50,000	1	1
	<hr/>	<hr/>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

5 PENSION COMMITMENTS

The majority of company employees are members of the Expanet International PLC defined benefit pension scheme which is available for all eligible UK employees. The scheme is financed through separate trustee-administered funds.

The pension costs relating to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. Information on the results of the latest actuarial valuation is contained in the financial statements of Expanet International PLC.

6 EMPLOYEES

The average number employed by the company within each category of persons was:

	<u>1991</u>	<u>1990</u>
Production staff	294	349
Sales and distribution staff	104	174
Administration staff	41	30
	<hr/>	<hr/>
	439	553
	<hr/>	<hr/>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1991</u> £'000	<u>1990</u> £'000
Corporation tax on the profits for the year at 33.25% (1990 34.25%)	873	1,036
Deferred taxation	(77)	(121)
Prior year		
- corporation tax	62	-
- deferred tax	(36)	25
	<hr/>	<hr/>
	822	940
	<hr/>	<hr/>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

8 EXTRAORDINARY ITEMS

	<u>1991</u> £'000	<u>1990</u> £'000
Deficit on closure of BAT Building Products division	1,530	-
Taxation	<u>(1,241)</u>	<u>-</u>
	289	-
	<u> </u>	<u> </u>

9 DIVIDENDS

	<u>1991</u> £'000	<u>1990</u> £'000
Final proposed dividend of £Nil (1990 : £291) per £1 ordinary share	-	2,910
	<u> </u>	<u> </u>

10 INTANGIBLE ASSET

The intangible asset comprises purchased goodwill as follows:

	£'000
<u>Cost</u>	
At 1 January 1991 and at 31 December 1991	11,800
<u>Amortisation</u>	
At 1 January 1991	590
Provision for the year	<u>590</u>
At 31 December 1991	1,180
	<u> </u>
<u>Net book amount</u>	
At 31 December 1991	10,620
	<u> </u>
At 31 December 1990	11,210
	<u> </u>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

11

TANGIBLE ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<u>Cost</u>			
At 1 January 1991	176	19,055	19,231
Additions	23	967	990
Disposals	-	(755)	(755)
Transfer from fellow subsidiary undertaking	19	2,519	2,538
	<hr/>	<hr/>	<hr/>
At 31 December 1991	218	21,786	22,004
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1 January 1991	17	10,658	10,675
Provided in the year	19	1,184	1,203
Realised on disposals	-	(563)	(563)
Transfer from fellow subsidiary undertaking	1	1,715	1,716
	<hr/>	<hr/>	<hr/>
At 31 December 1991	37	12,994	13,031
	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>			
At 31 December 1991	181	8,792	8,973
	<hr/>	<hr/>	<hr/>
At 31 December 1990	159	8,397	8,556
	<hr/>	<hr/>	<hr/>

Land and buildings relate to long leasehold improvements.

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

12 STOCKS

	<u>1991</u> £'000	<u>1990</u> £'000
Raw materials and consumables	1,396	1,055
Work in progress	310	484
Finished goods and goods for resale	1,178	1,632
	<hr/>	<hr/>
	2,884	3,171
	<hr/>	<hr/>

13 DEBTORS

	<u>1991</u> £'000	<u>1990</u> £'000
Trade debtors	5,431	5,748
Amounts owed by group undertakings	2,839	3,169
Prepayments and accrued income	644	245
Other debtors	232	161
Advance corporation tax recoverable	970	970
	<hr/>	<hr/>
	10,116	10,293
	<hr/>	<hr/>

14 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)

	<u>1991</u> £'000	<u>1990</u> £'000
Bank loans and mortgages	26	43
Trade creditors	4,871	4,372
Amounts owed to group undertakings	4,175	2,254
Corporation tax	1,784	189
Other taxation and social security	601	675
Accruals and deferred income	234	323
Other creditors	1,011	198
Proposed dividend	-	2,910
Advance corporation tax	-	970
	<hr/>	<hr/>
	12,702	11,934
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THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

15 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	<u>1991</u> £'000	<u>1990</u> £'000
Other creditor	68	-
Amounts owed to group undertaking (see below)	21,653	21,196
	<hr/>	<hr/>
	21,721	21,196
	<hr/>	<hr/>

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1991</u> £'000	<u>1990</u> £'000
<u>Deferred taxation</u>		
(1) Movement in the year		
At 1 January 1991	1,997	928
Transfers from fellow subsidiary undertakings	191	1,165
Transfer to profit and loss account	(113)	(96)
Extraordinary item	(901)	-
	<hr/>	<hr/>
At 31 December 1991	1,174	1,997
	<hr/>	<hr/>
(2) Provision at year end (which represents the full potential liability)		
Deferred taxation provided in the accounts comprises:		
Chargeable gains deferred by roll over relief	-	781
Accelerated tax depreciation and other timing differences	526	526
Arising on assets revalued in group undertakings	648	690
	<hr/>	<hr/>
	1,174	1,997
	<hr/>	<hr/>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

17 CALLED UP SHARE CAPITAL

	<u>1991</u> £'000	<u>1990</u> £'000
Authorised, allotted and fully paid 10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

18 PROFIT AND LOSS ACCOUNT

At 1 January 1991	£'000
Retained profit for year	428
	<u>418</u>
At 31 December 1991	846

19 CAPITAL COMMITMENTS

	<u>1991</u> £'000	<u>1990</u> £'000
Contracted for but not provided in the accounts	148	234
Authorised but not contracted	29	57
	<u>177</u>	<u>291</u>

20 OBLIGATIONS UNDER OPERATING LEASES

The minimum annual rental commitments at 31 December 1991 in respect of non-cancellable operating leases expiring in the following years, for which provision has not been made, were:

	<u>1991</u>		<u>1990</u>	
	<u>Property</u> £'000	<u>Equipment</u> £'000	<u>Property</u> £'000	<u>Equipment</u> £'000
Within one year	-	20	-	32
Between two and five years	33	73	-	69
In five years or more	659	-	589	-
	<u>692</u>	<u>93</u>	<u>589</u>	<u>101</u>

THE EXPANDED METAL COMPANY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1991 (continued)

21 CONTINGENT LIABILITIES

At 31 December 1991 there were contingent liabilities in the normal course of business of £96,000 (1990 £96,000) in respect of which no losses are expected.

22 PARENT UNDERTAKING

The ultimate parent undertaking is Expanet International PLC which is registered in England. Copies of the group accounts can be obtained from Clifton House, 83/89 Uxbridge Road, Ealing, London W5 5TA.