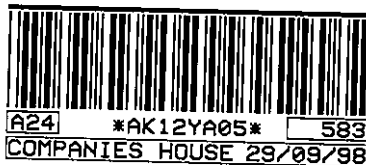


THE EXPANDED METAL COMPANY LIMITED  
DIRECTORS' REPORT AND ACCOUNTS 438206  
YEAR ENDED 31 DECEMBER 1997



## **THE EXPANDED METAL COMPANY LIMITED**

### **DIRECTORS**

P Reeder  
D Jones  
JDK Hewitt  
T Rayner  
M Taylor (appointed 1 September 1997)

### **SECRETARY**

JDK Hewitt

### **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 1997**

### **PRINCIPAL ACTIVITIES**

The Expanded Metal Company Limited is principally engaged in the manufacture and supply, in the UK and Ireland, 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 1998.

### **PROFITS AND DIVIDENDS**

The company's profit and loss account is set out on page 5. A dividend of £1,800,000 was paid during the year (1996 - £1,350,000).

### **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 1997 (continued)

#### DIRECTORS' INTERESTS

Mr P Reeder and Mr M Taylor are directors of the ultimate parent undertaking and their 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>Expamet International PLC ordinary shares</u>	
	1 January 1997	31 December 1997
D Jones	762	928
JDK Hewitt	14,099	14,443
T Raynor	2,295	2,628

	<u>Expamet International PLC options over ordinary shares</u>			
	1 January 1997	Granted	Exercised	31 December 1997
JDK Hewitt	28,953	-	-	28,953
T Rayner	-	21,640	-	21,640

#### SUPPLIERS' PAYMENT POLICY

The Company's policy is to have mutually beneficial relationships with suppliers and to agree terms of payment with the supplier in advance; payment will normally be made in accordance with those terms.

#### 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.

#### AUDITORS

Elective resolutions have been passed to dispense with the holding of annual general meetings and obligations to appoint auditors annually.

## **THE EXPANDED METAL COMPANY LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 15, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The financial statements have been prepared on a going concern basis which assumes that the company will continue in business for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By Order of the Board



JDK Hewitt  
Secretary

9 March 1998

*Price Waterhouse*



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

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of 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 mis-statement, 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

**PRICE WATERHOUSE**  
Chartered Accountants  
and Registered Auditors

9 March 1998

# THE EXPANDED METAL COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
<b>TURNOVER</b>	1	37,491	36,691
Cost of sales		<u>(26,152)</u>	<u>(25,666)</u>
<b>GROSS PROFIT</b>		11,339	11,025
Distribution costs		<u>(4,959)</u>	<u>(4,929)</u>
Administrative expenses		<u>(3,186)</u>	<u>(3,471)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	3,194	2,625
Tax on profit on ordinary activities	6	<u>(1,302)</u>	<u>(1,339)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,892	1,286
Dividends paid		<u>(1,800)</u>	<u>(1,350)</u>
<b>AMOUNT TRANSFERRED/(WITHDRAWN FROM) TO RESERVES</b>	18	<u>92</u>	<u>(64)</u>

All results refer entirely to continuing operations.

The company has no recognised gains or losses other than the result for the year, and therefore a statement of total recognised gains and losses has not been prepared.

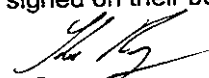
There is no material difference between the reported profits and losses and the historical cost profits and losses.

# THE EXPANDED METAL COMPANY LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible asset	7	7,080	7,670
Tangible assets	8	8,150	9,066
Investments	9	<u>5</u>	<u>5</u>
		15,235	16,741
<b>CURRENT ASSETS</b>			
Stocks	10	3,451	3,461
Debtors	11	7,353	6,518
Cash at bank and in hand		<u>2,196</u>	<u>1,416</u>
		13,000	11,395
<b>CREDITORS</b> (amounts falling due within one year)	12	<u>(10,158)</u>	<u>(10,229)</u>
<b>NET CURRENT ASSETS</b>		<u>2,842</u>	<u>1,166</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,077	17,907
<b>CREDITORS</b> (amounts falling due after more than one year)	13	(2,494)	(2,494)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(1,261)</u>	<u>(1,183)</u>
		<u>14,322</u>	<u>14,230</u>
<b>Represented by:</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	20	20
Share premium account	18	9,990	9,990
Profit and loss account	18	<u>4,312</u>	<u>4,220</u>
Equity shareholder's funds	19	<u>14,322</u>	<u>14,230</u>

The accounts on pages 5 to 15 were approved by the directors on 9 March 1998 and are signed on their behalf by:

  
T Rayner  
Director

## THE EXPANDED METAL COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

#### 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

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

##### (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 - 31 DECEMBER 1997 (continued)

### 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.

Assets subject to finance leases are capitalised at the present value of the minimum lease payments payable during the lease term, with the corresponding obligation to the lessor shown as a liability. Depreciation on these assets is charged to the profit and loss account using the same rates as for other tangible fixed assets. The finance element of the respective lease payments is accounted for as it falls due

#### (11) Research and development

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

### 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1997</u> £'000	<u>1996</u> £'000
Staff costs:		
Wages and salaries	5,963	5,681
Social security costs	<u>486</u>	<u>495</u>
	6,449	6,176
Depreciation (including an amount for assets held under finance leases of £14,000 1996 - £11,000)	1,766	1,376
Goodwill amortisation	590	590
Auditors' remuneration	16	15
Non audit fees payable to auditors	7	2
Operating lease rentals for plant and machinery	140	75
Other operating lease rentals	804	944
Research and development expenditure	98	23
	<u>      </u>	<u>      </u>

## THE EXPANDED METAL COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

#### 3 PENSION COMMITMENTS

The majority of company employees are members of the Examet group 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 Examet International PLC.

#### 4 EMPLOYEES

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

	<u>1997</u>	<u>1996</u>
Production staff	231	226
Sales and distribution staff	64	72
Administration staff	<u>16</u>	<u>23</u>
	311	321
	==	==

#### 5 DIRECTORS' EMOLUMENTS

Aggregate directors' emoluments, were £129,000 (1996: £102,000).

The number of directors exercising Examet International plc share options was Nil (1996: Nil).

Retirement benefits are accruing to 5 (1996: 4) directors under the Examet International plc defined benefit pension scheme.

#### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge on tax on profit on ordinary activities comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
Corporation tax at 31½% (1996: 33%)		
- current year	1,344	1,147
- prior year	(142)	18
Deferred taxation		
- current year	52	27
- prior year	48	147
	==	==
	1,302	1,339
	==	==

# THE EXPANDED METAL COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

### 7 INTANGIBLE ASSET

The intangible asset comprises purchased goodwill as follows:

	£'000
<u>Cost</u>	
At 1 January 1997 and at 31 December 1997	11,800
<u>Amortisation</u>	
At 1 January 1997	4,130
Charge for the year	590
At 31 December 1997	4,720
<u>Net book amount</u>	
At 31 December 1997	7,080
At 31 December 1996	7,670

### 8 TANGIBLE ASSETS

	Short leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<u>Cost</u>			
At 1 January 1997	740	24,108	24,848
Additions	22	857	879
Disposals	-	(836)	(836)
At 31 December 1997	762	24,129	24,891
<u>Depreciation</u>			
At 1 January 1997	150	15,632	15,782
Charge for the year	74	1,692	1,766
Realised on disposals	-	(807)	(807)
At 31 December 1997	224	16,517	16,741
<u>Net book amount</u>			
At 31 December 1997	536	7,612	8,150
At 31 December 1996	590	8,476	9,066

Plant and equipment with a cost of £83,000 (1996 : £83,000) and accumulated depreciation of £83,000 (1996 : £69,000) is held under finance leases.

# THE EXPANDED METAL COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

### 9 INVESTMENTS

Shares in  
subsidiary  
undertakings  
£'000

At 1 January 1997 and 31 December 1997

5

At 31 December 1997 the shares in the subsidiary undertakings represented the entire share capital of Expamet (Hong Kong) Limited, a non-trading company incorporated in Hong Kong, and The Expanded Metal Company (Export) Limited which is a dormant company.

The results of the company and its subsidiaries are included within the consolidated accounts of the ultimate parent undertaking. Therefore, by virtue of S228 Companies Act 1985 the company has not prepared consolidated accounts, and these accounts show the company as an individual undertaking.

In the opinion of the directors, the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

### 10 STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Raw materials and consumables	1,646	1,715
Work in progress	31	106
Finished goods and goods for resale	<u>1,774</u>	<u>1,640</u>
	3,451	3,461

Included under raw materials and consumables is consignment stock of £393,000 (1996: £176,000), whereby agreement has been reached with suppliers that legal title transfers only at the time raw materials are used in the ordinary course of business.

### 11 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Trade debtors	4,793	4,949
Amounts owed by group undertakings	1,842	1,158
Prepayments and accrued income	444	289
Other debtors	<u>274</u>	<u>122</u>
	7,353	6,518

# THE EXPANDED METAL COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

<b>12</b>	<b>CREDITORS (amounts falling due within one year)</b>	<u>1997</u>	<u>1996</u>
		£'000	£'000
	Trade creditors	4,565	5,101
	Amounts owed to group undertakings	1,933	1,911
	Corporation tax	1,667	1,268
	Other taxation and social security	263	326
	Accruals and deferred income	1,593	1,287
	Other creditors	137	336
		<hr/>	<hr/>
		10,158	10,229
		<hr/>	<hr/>
<b>13</b>	<b>CREDITORS (amounts falling due after more than one year)</b>	<u>1997</u>	<u>1996</u>
		£'000	£'000
	Amounts owed to group undertaking	2,494	2,494
		<hr/>	<hr/>
<p>There is no fixed repayment term for the amount owed to a group undertaking. The group undertaking has indicated that it will not seek repayment within twelve months of the balance sheet date.</p>			
<b>14</b>	<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<u>1997</u>	<u>1996</u>
		£'000	£'000
	Deferred taxation (Note 15)	1,236	1,136
	Other provisions (Note 16)	<u>25</u>	<u>47</u>
		1,261	1,183
		<hr/>	<hr/>

**THE EXPANDED METAL COMPANY LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)**

**15 DEFERRED TAXATION**

	<u>1997</u> £'000	<u>1996</u> £'000
(1) Movement in the year:		
At 1 January	1,136	962
Charge for year	52	27
Under provision in prior year	<u>48</u>	<u>147</u>
At 31 December	<u>1,236</u>	<u>1,136</u>
(2) Provision at year end (which represents the full potential liability):		
Deferred taxation provided in the accounts comprises:		
Accelerated tax depreciation and other timing differences	610	488
Arising on assets revalued in group undertakings	<u>626</u>	<u>648</u>
	<u>1,236</u>	<u>1,136</u>

**16 OTHER PROVISIONS**

	<u>1997</u> £'000	<u>1996</u> £'000
At 1 January	47	99
Released during the year	<u>(22)</u>	<u>(52)</u>
At 31 December	<u>25</u>	<u>47</u>

**17 CALLED UP SHARE CAPITAL**

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised, allotted and fully paid:		
20,000 ordinary shares of £1 each	<u>20</u>	<u>20</u>

# THE EXPANDED METAL COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1997(continued)

### 18 RESERVES

	Profit and <u>Loss</u> £'000	Share <u>Premium</u> £'000	<u>Total</u> £'000
At 1 January 1997	4,220	9,990	14,210
Amount transferred to reserves	<u>92</u>	<u>-</u>	<u>92</u>
At 31 December 1997	<u>4,312</u>	<u>9,990</u>	<u>14,302</u>

### 19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the year	1,892	1,286
Dividends paid	<u>(1,800)</u>	<u>(1,350)</u>
Net increase/(decrease) in shareholder's funds	92	(64)
Opening shareholder's funds	<u>14,230</u>	<u>14,294</u>
Closing shareholder's funds	<u>14,332</u>	<u>14,230</u>

### 20 OBLIGATIONS UNDER OPERATING LEASES

The minimum rental commitments at 31 December 1997 in respect of non-cancellable operating leases expiring in the following years, for which provision has not been made, were:

	<u>1997</u>		<u>1996</u>	
	<u>Property</u> £'000	<u>Equipment</u> £'000	<u>Property</u> £'000	<u>Equipment</u> £'000
Within one year	-	81	-	85
Between one and five years	-	10	-	70
In five years or more	<u>804</u>	<u>-</u>	<u>794</u>	<u>-</u>
	<u>804</u>	<u>91</u>	<u>794</u>	<u>155</u>

## **THE EXPANDED METAL COMPANY LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)**

#### **21 PARENT UNDERTAKING**

The ultimate parent undertaking, and ultimate controlling party, is Expamet 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.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related party disclosures", as the consolidated accounts of Expamet International PLC, in which the company is included, are available at the address noted above.

The company is also exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from preparing a cash flow statement.