

SAPA PROFILES UK LIMITED
ANNUAL REPORT
PERIOD ENDED 31st DECEMBER 2007
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SAPA PROFILES UK LIMITED

ANNUAL REPORT

PERIOD ENDED 31st DECEMBER 2007

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SAPA PROFILES UK LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

A. Couturier
H.M. Gronningsaeter
S.T. Holsether
P. Warton

SECRETARY

S. Meeuwissen-True

REGISTERED OFFICE

Unit 1 Saw Pit Lane
Tibshelf
Alfreton
Derbyshire
DE55 5NH

REGISTERED AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

BANKERS

Barclays Bank plc
128 High Street
Cheltenham
Gloucestershire
GL50 1EL

SAPA PROFILES UK LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31st DECEMBER 2007

The directors present their report and the audited financial statements for the period from incorporation on 16th May 2007 to 31st December 2007.

DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that 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 of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period from 16th May 2007 to 31st December 2007. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The profit and loss account for the year is set out on page 7.

The company's principal activities are the manufacture and finishing of aluminium profiles and the marketing of these.

REVIEW OF BUSINESS

The assets of Sapa Profiles Limited were transferred to the new legal entity, Sapa Profiles UK Limited, following a worldwide joint venture between Orkla ASA and Alcoa Inc, who until that point, had been competitors serving the same aluminium extrusion markets. The joint venture occurred on 8th June 2007 which is why the statutory accounts only show seven months trading.

The domestic markets served by Sapa Profiles UK Limited continued to be under constant pressure from low cost imports in 2007 and on average volumes supplied by UK extrusion companies fell by 14% against 2006 levels. However Sapa Profiles UK volumes held up well against domestic competition with a fall of only 6% for the same period. Nevertheless the greater reduction in volumes occurred in the second half of the year which has impacted the financial results for the newly created entity. The reported loss of £735,000 is a direct result of falling volumes and an over capacity situation.

In light of the declining market the management team responsible for the extrusion companies falling within the new joint venture have undertaken a strategic review of the extrusion market in the UK and the capacity required to serve this market going forwards. This review within Sapa resulted in a restructuring plan that includes the closure of the ex Alcoa plant based in Banbury. This will allow consolidation of volumes into the two extrusion operations within Sapa Profiles UK limited and optimise the financial performance of this company going forwards.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties relate to the transition of work in 2008 as a consequence of closing the Banbury operation. This is a large scale restructuring programme, but detailed plans have been compiled to mitigate disruption to customers and achieve profit improvement during this transition.

SAPA PROFILES UK LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31st DECEMBER 2007

FUTURE DEVELOPMENTS

The company is committed to providing customers with a high level of customer service from its UK manufacturing base through investment in equipment and systems using state of the art technology.

It is anticipated that the transfer of volumes from the closing Banbury site to the sites within Sapa Profiles UK Limited will take the majority of 2008 to complete. Part of this restructuring will also mean the investment of a brand new extrusion press at the Tibshelf site providing extra capacity to serve the chosen customer base into the future.

DIVIDEND

The directors do not recommend the payment of an ordinary dividend.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in price, credit, liquidity and cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring and taking steps to manage the factors that contribute to such risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Price Risk

The company is exposed to commodity price risk as a result of its operations. Contracts for the purchase of aluminium at fixed premiums are arranged by Sapa AB, and the company calls off its raw material requirements in accordance with these contracts. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre approval by the board of directors. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed periodically.

Liquidity Risk

The company maintains a mixture of long term and short term financing that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Cash flow risk

The company uses forward foreign exchange contracts to reduce its cash flow exposure to the variability of foreign exchange rates by fixing the rate of material payments or receipts in a foreign currency.

SAPA PROFILES UK LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST DECEMBER 2007

RESEARCH AND DEVELOPMENT

The company has maintained its commitment in the area of research and development. Continuity of investment in this area is essential for the company to retain a competitive position in the market.

DIRECTORS

The directors of the company at 31st December 2007, all of whom have been directors for the whole period since the company was formed on 16th May 2007 are listed below:-

H.M. Gronningsaeter appointed 16 May 2007
S.T. Holsether
H. Ostberg resigned 30th June 2008
P. Warton

No director has had any beneficial interests in the shares of the company during the period ended 31st December 2007.

HEALTH AND SAFETY AT WORK ACT 1974

It is the company's policy that all possible steps will be taken at all times to ensure the health and safety of persons and to prevent damage to the company's property. In accordance with the Act, a comprehensive policy statement together with health and safety rules has been issued within the company to all its employees.

DISABLED EMPLOYEES

Wherever possible it is company policy to employ disabled persons, to offer continuity of employment to employees who become disabled, and to provide career and training opportunities commensurate with their abilities.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

AUDITORS

As far as the directors are aware, there is no relevant information of which the company's auditors are unaware and the directors have taken all the steps necessary to make themselves aware of any relevant audit information and convey that information to the company auditors.

In accordance with the Companies Act 1985 (Section 379A) and Section 386, a resolution to dispose with the annual appointment of auditors was made on 23 May 2007.

BY ORDER OF THE BOARD

 23/1/2009

S. MEEUWISSEN -TRUE
COMPANY SECRETARY

SAW PIT LANE
TIBSHELF
ALFRETON
DERBY

SAPA PROFILES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPA PROFILES UK LIMITED

We have audited the company's financial statements for the period ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Bristol

26 January 2009

SAPA PROFILES UK LIMITED**PROFIT AND LOSS ACCOUNT****PERIOD ENDED 31st DECEMBER 2007**

		2007 £000
	<u>Note</u>	
TURNOVER	1	43,028
Cost of sales		(39,377)

GROSS PROFIT		3,651
Distribution costs		(1,357)
Administrative expenses		(3,102)

OPERATING LOSS		(808)
Interest receivable and similar income	4	10
Interest payable and similar charges	5	(109)

LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(907)
Taxation on loss on ordinary activities	6	172

LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED LOSS FOR THE YEAR	16	(735)

All of the above figures are derived from the continuing operations of the company. All of these operations were acquired during the period.

A statement of total recognised gains and losses has not been supplied as there were no recognised gains or losses other than the loss for the year.

SAPA PROFILES UK LIMITED

BALANCE SHEET

31st DECEMBER 2007

		2007 £000
	<u>Note</u>	
FIXED ASSETS		
Intangible Assets	8	9,728
Tangible Assets	9	15,637
		<hr/> 25,365
CURRENT ASSETS		
Stocks	10	6,475
Debtors	11	17,076
Cash at bank and in hand		3,240
		<hr/> 26,791
CREDITORS: amounts falling due within one year	12	(13,304)
		<hr/>
NET CURRENT ASSETS		13,487
		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		38,852
CREDITORS: amounts falling due after more than one year	13	(8,091)
PROVISIONS FOR LIABILITIES	14	(496)
		<hr/>
NET ASSETS		30,265
		<hr/>
CAPITAL AND RESERVES		
Called up share capital	15	1
Capital reserve		30,999
Profit and loss account	16	(735)
		<hr/>
EQUITY SHAREHOLDERS' FUNDS	16	30,265
		<hr/>

The financial statements on pages 7 to 19 were approved by the Board of Directors on and were signed on its behalf by:

23/1/2008

DIRECTOR



SAPA PROFILES UK LIMITED

ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies which have been consistently applied are set out below.

2. TURNOVER

Turnover represents the invoiced value of sales, net of trade discounts, excluding value added tax.

3. FIXED ASSETS AND DEPRECIATION

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Fixed assets are depreciated on a straight line basis over their estimated useful lives at the following rates:-

Freehold property	2½% - 4%
Plant and equipment	8.33% - 50%
Office equipment and fittings	15% - 50%
Motor vehicles	25% - 50%

Freehold land is not depreciated.

4. RESEARCH AND DEVELOPMENT

Research and development expenditure is written off to the profit and loss account as incurred.

5. STOCKS

Stocks are stated at the lower of cost and estimated net realisable value. Cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

6. DEFERRED TAXATION

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities are not discounted.

7. PENSIONS

The company operates a defined contribution stakeholder pension scheme.

Contributions to the schemes are charged to the profit and loss account as they become payable.

SAPA PROFILES UK LIMITED

ACCOUNTING POLICIES

8. FOREIGN CURRENCIES

Transactions involving foreign currency which are covered by forward contracts are translated at contract rates. Other foreign currency balances are translated at the rates of exchange ruling at the balance sheet date. All differences arising on translation are taken to the profit and loss account.

9. OPERATING LEASES

The cost of all operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

10. GOODWILL

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years. It is reviewed for impairment after the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

1. TURNOVER

Turnover is mainly attributable to the manufacture, finishing and marketing of aluminium extruded products.

An analysis of the turnover by geographical market is as follows:-

	2007 £000
United Kingdom	40,795
Europe	2,223
US	10
	<u>43,028</u>

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2007 £000
Depreciation of owned fixed assets	1,365
Amortisation of goodwill	(294)
Hire of plant and equipment	113
Operating lease rentals - Other	37
	<u> </u>
Fees paid to auditors:	
Audit fees	25
Other fees for non-audit services	-
	<u>25</u>

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

	2007 £000
3. EMPLOYEES	
Staff costs during the year:-	
Wages and salaries	4,573
Social security costs	418
Pension costs	242
	----- 5,233 -----
	<u>Number</u>
The average weekly number of employees was made up as follows:-	
Production	248
Office and administration	51
	----- 299 -----
DIRECTORS' EMOLUMENTS	£000
Aggregate directors' emoluments	
Aggregate emoluments	105

	2007 £000
Highest paid director	
Aggregate emoluments	105

One director is a member of the company's defined contribution pension scheme.	
4. INTEREST RECEIVABLE AND SIMILAR INCOME	
	2007 £000
Bank interest receivable	10

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

	2007 £000
5. INTEREST PAYABLE AND SIMILAR CHARGES	
On loans owed to group companies	104
On bank overdraft	5
	----- 109 -----
6. TAXATION	
United Kingdom Current Tax	
Corporation tax charge at 30%	30

Total current tax	30
Deferred tax	
Origination and reversal of timing differences	(202)

Tax on loss on ordinary activities	(172) -----
Factors affecting the current tax (credit) / charge for the year	
The tax assessed for the year is higher than the standard higher rate of corporation tax in the UK (30%). The differences are explained below:-	
	2007 £000
Loss on ordinary activities before taxation	(907)

Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(272)
Effects of:	
Expenses not deductible for tax purposes	86
Depreciation for the period in excess of capital allowances	208
Other timing differences	8

Total current tax charge	30 -----

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

7. ACQUISITION OF TRADE AND NET ASSETS

On 31st May 2007, the company acquired the trade, assets and liabilities of Sapa Profiles Limited for consideration of £30,999,999 satisfied by the allotment and issue of 999 ordinary shares of £1 each.

Net assets at date of acquisition:

	Book value £000	Adjustment £000	Fair value £000
Tangible fixed assets	10,697	4,961	15,658
Stocks	6,680	-	6,680
Debtors	23,443	-	23,443
Cash	2,303	-	2,303
Creditors	(26,408)	-	(26,408)
Deferred taxation	(698)	-	(698)
Net assets	16,017	4,961	20,978
Goodwill on acquisition			10,022
			31,000
Discharged by:			
Fair value of shares allotted			31,000
			31,000

8. INTANGIBLE FIXED ASSETS

	Goodwill £000
COST	
Acquisition of trade and assets	10,022
AMORTISATION	
Charge for the period	(294)
NET BOOK VALUE	
31 December 2007	9,728

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
COST				
Acquisition of trade and net assets	11,747	3,906	5	15,658
Additions	475	869	-	1,344
31 st December 2007	12,222	4,775	5	17,002
DEPRECIATION				
Charge for the year	106	1,257	2	1,365
31 st December 2007	106	1,257	2	1,365
NET BOOK VALUE				
31 st December 2007	12,116	3,518	3	15,637

Freehold land amounting to £3,680,000 has not been depreciated.

10. STOCKS

	2007 £000
Raw materials and consumables	4,101
Work in progress	2,374
	6,475

11. DEBTORS

	2007 £000
Trade debtors	13,629
Amounts owed by group undertakings	2,634
Prepayments and accrued income	89
Corporation tax recoverable	258
Other debtors	466
	17,076

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

12. CREDITORS: amounts falling due within one year

	2007 £000
Trade creditors	10,417
Amounts owed to group undertakings	545
Other taxation and social security costs	543
Other creditors	442
Accruals and provisions	1,357
	13,304

13. CREDITORS: amounts falling due after more than one year

	2007 £000
Amount owed to group undertakings	8,091
	8,091

Amounts owed to group undertakings are unsecured and are interest free except for balances owed to SAPA UK Limited that bear interest at a rate of 6.8% per annum.

14. PROVISIONS FOR LIABILITIES

The movement in the provision for deferred taxation is as follows:

	2007 £000
Acquisition of trade and net assets	698
Credit to profit and loss account	(202)
At 31 st December 2007	496

	Amount provided 2007 £000
Provision for deferred tax comprises:	
Short term timing differences	(29)
Accelerated capital allowances	525
	496

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

15. SHARE CAPITAL

	2007 £000
Authorised share capital	
1,000 ordinary shares of £1 each	1

Allotted called up and fully paid share capital	
1,000 ordinary shares of £1 each	1

On its incorporation on 16th May 2007, the company issued and allotted one ordinary share of £1.

On 31st May 2007, the company acquired the trade, assets and liabilities of Sapa Profiles Limited for consideration of £30,999,999 satisfied by the allotment and issue of 999 ordinary shares of £1 each.

16. MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and loss account £000	2007 Total £000
Acquisition of trade and net assets	1	30,999	-	31,000
Loss for the period	-	-	(735)	(735)
	-----	-----	-----	-----
At 31st December 2007	1	30,999	(735)	30,265
	-----	-----	-----	-----

17. FINANCIAL COMMITMENTS

The company is committed to make payments in the next year on non-cancellable operating leases for the following amounts:-

	Other 2007 £000
Operating leases which expire:	
within one year	62
within two to five years	115

	177

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

	2007 £000
18. CAPITAL COMMITMENTS	
Authorised and contracted	2,182

19. CONTINGENT LIABILITIES

The company committed to purchase aluminium billet forward at a cost of £11,949,000 to cover its firm future orders at 31 December 2007.

20. CASH FLOW STATEMENT

No cash flow statement has been prepared since the company is a wholly owned subsidiary undertaking and exempt from doing so by the provisions of FRS 1.

21. DERIVATIVES

The company purchased forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair value of these derivatives at the balance sheet date is as follows:

	2007 £000
Forward foreign currency contracts	43

22. RELATED PARTY TRANSACTIONS

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Related party balances outstanding at 31 December are as follows:

	Amounts owed by related party £000	Amounts owed to related party £000
SAPA UK Limited	-	2,607
Bredon Investments Limited	-	5,491
SAPA Building Systems Limited	1,740	-
Other SAPA subsidiaries	-	392

The company was charged interest payable of £104,000 in connection with its loan with SAPA UK limited.

The company made sales of £6,551,000 to SAPA Building Systems Limited during the period to 31 December 2007.

SAPA PROFILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31st DECEMBER 2007

23. PARENT COMPANIES

The company is a subsidiary undertaking of, and is controlled by Sapa AB, which is registered in Sweden. Throughout the year ended 31st December 2007, the ultimate parent company was Orkla ASA which is incorporated in Norway.

The largest group into which the results of the company are consolidated is that of which Orkla ASA is the parent company. The consolidated accounts of Orkla ASA may be obtained from Corporate Headquarters, P.O. Box 423 Skoyen, Oslo, Norway.

The smallest such group is that of which Sapa Holding AB is the parent company, whose consolidated accounts may be obtained from Corporate Communications, Sapa Holding AB, Box 5505, SE-114 85 Stockholm, Sweden or on the Internet at <http://www.sapagroup.com>.